

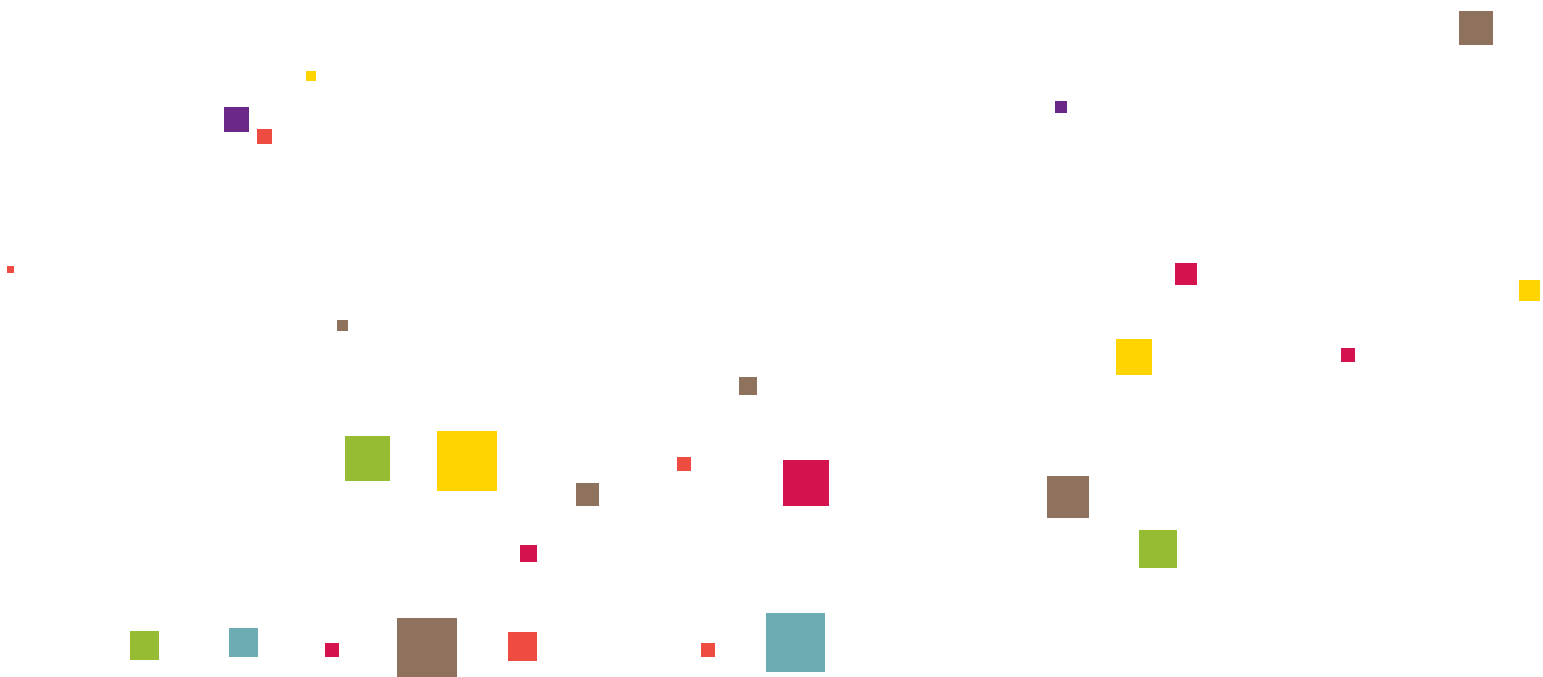
Annual Report 2022

TO BE THE FASTEST AND MOST
CONVENIENT BANK IN THE KINGDOM

مصرف الإنماء
alinma bank 

Alinma Bank

Annual Report 2022





“My primary goal is to create an exemplary and leading nation in all aspects, and I will work with you in achieving this endeavor”

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



“We are a G20 country. One of the biggest world economies. We are in the middle of three continents. Changing Saudi Arabia for the better means helping the region and changing the world”

Mohammed Bin Salman Bin Abdulaziz Al Saud
Crown Prince, Prime Minister, Chairman of the Council of
Economic and Development Affairs

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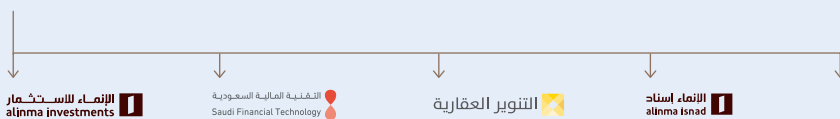
“Customer centricity remained a hallmark of the Alinma Bank approach, and guided us as we revamped our retail, corporate, and treasury strategies, while innovating and equipping ourselves with transformative technology”

Dr Abdulmalik Abdullah Al-Hogail
Chairman

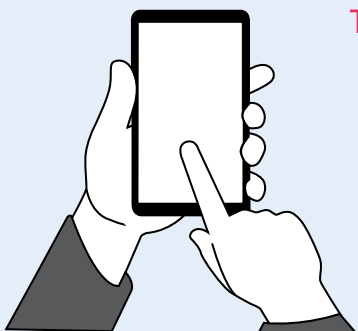
“In terms of financial performance, both top-line and bottom-line growth improved. Gross revenue grew from SAR 6,660 Mn. to SAR 7,963 Mn., an increase of 20%; and net profit rose from SAR 2,709 Mn. to SAR 3,599 Mn., an increase of 33%”



Abdullah Ali Al-Khalifa
Chief Executive Officer



In 2Q 2022, the Board of Directors of Alinma formed a Governance and Sustainability Committee to oversee the ESG framework and progress of the Bank



The year 2022 witnessed a continuation of Alinma Bank's efforts to meet rapidly increasing consumer demand for digital banking services and technological advancements



About the report

Report Structure →

Alinma Bank's Integrated Annual Report is prepared for the benefit of all our key stakeholders, presenting a clear assessment of the Bank's performance, operations and strategy. Structured in a concise and clear manner, this Report contains information on how we create value over time for our investors, employees, customers, regulators and communities, and provides the framework to report our progress against the operating context and the trends that shape our business environment.

Report boundary →

The boundary for financial reporting in this year's Report include Alinma Bank (referred to as "the Bank" in this Report) and its subsidiaries (which, together with the Bank, are collectively referred to as the "Group"). The reporting of the Bank focuses on aspects that may substantively affect the Bank's ability to create value over the short, medium and long term, and which may have a significant probability of occurrence.

In order to emphasize the importance the Bank assigns to the principles of integrated reporting. This Report extends beyond financial reporting to include the non-financial performance, opportunities, risks and outcomes in the operation of the Bank, which can be attributed to, as well as associated with our key stakeholders who have a significant influence on our ability to create and derive value.

Reporting period →

The Report covers the 12-month period from 1 January 2022 to 31 December 2022, which is consistent with the Bank's conventional annual reporting cycle. The most recent previous integrated report covered the 12-month period ended 31 December 2021 and is available on the Bank's website: IR.alinma.com. There are no restatements of information provided in previous reports and no significant changes from previous reporting periods in the scope and aspect boundaries.

Materiality →

The principle of materiality has been applied to define the content presented in the integrated report, capturing the opportunities and challenges that have a material impact on the Group, and its ability to be a sustainable business entity that consistently delivers value to shareholders, investors and all other key stakeholders. These material issues are described on page 61 of this Report.

Compliance →

This Report has been prepared in compliance with all applicable laws, regulations and standards, and guidelines for voluntary disclosures. Additional details can be found in the Board of Directors' Report (pages 65 to 112), and in the Financial Statements and the Notes thereon (pages 113 to 190).

The Consolidated Financial Statements as of and for the year ended 31 December 2022 are in line 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 Chartered and Professional Accountants (SOCPA). The Statements comply with the provisions of the Banking Control Law, the Regulations for Companies in the KSA, and the Bank's Articles of Association.

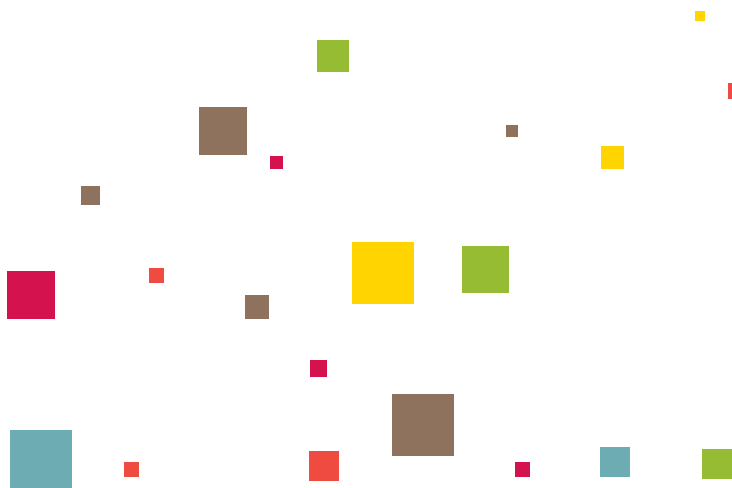
Precautionary principle →

The precautionary principle has been applied in relation to the Bank's social and environmental sustainability. As a responsible corporate citizen, necessary measures have been taken by the Bank to mitigate the risks caused to the society and the environment through its actions.

Feedback and queries →

Your comments on this Report are most welcome. Please reach out to us with your feedback at:

Email: IR@alinma.com
Phone: +966 112 185555
Web: IR.alinma.com
Address: 9033 King Fahad Road,
Olaya Unit 8,
Riyadh 12214 - 2370.



About the report



Alinma Bank plays a crucial role in creating a thriving financial sector in the Kingdom of Saudi Arabia, serving as a key enabler in achieving its Vision 2030 objectives.

About the bank

Alinma Bank was established by a Royal Decree in 2006. The Bank is an integrated financial company licensed to operate in the Saudi financial services sector, in complete accordance with Shariah-compliant standards in all banking and investment services and transactions.

One of the largest financial institutions to be established in Saudi Arabia, the Bank became a public listed company on the Saudi Exchange (Tadawul) in the Year 2008, and is one of the top traded stocks in the Kingdom by volume and value traded.

Alinma Bank serves 3.9 million customers and is the top entity to nationalize jobs in the financial sector in the Kingdom with many awards to its credit.

With exceptional leadership steering strategy in alignment with the Kingdom's Vision 2030, Alinma is striding ahead on the path to becoming one of the leading Shariah-compliant financial institutions in a rapidly evolving digital ecosystem.



About the bank

Our vision →

To be your preferred financial partner.

Our mission →

To provide our customers with fully Shariah-compliant financial solutions, under the best work environment that helps in achieving sustainable growth and contribute to community service.

Our values →



Striving to lead



Innovation



Taking initiative



Serving the community



Respect for all



Honesty



Strengthening relationships



Serving customers

Our positioning →

Ever since its inception, Alinma Bank has steadily grown to be one of the largest banks in Saudi Arabia and a leading Shariah-compliant financial institution in the region. The Bank's continuous strong financial performance and growing local presence has made Alinma one of the top traded stocks in the Kingdom, with an exponentially growing market capitalization which stood at SAR 65.1 Bn. as at 31 December 2022.

Alinma Bank builds on this strong financial foundation to meet the aspirations of all stakeholders, focused on; sustainable growth, meeting customer needs, empowering employees, and long term returns for shareholders.

Managed by highly qualified professionals equipped with exceptional management skills and invaluable experience, the Bank strives forward into the realm of open banking as envisaged by Vision 2030. The Bank prioritizes digitalization, adopting digital transformation throughout its product and service delivery, providing efficiency, speed and customer satisfaction.

With a strong commitment to governance, Alinma Bank's structure, systems and processes to ensure its management of risk is of the highest calibre. The Bank is rated BBB+ by Fitch Ratings and reflects, among other metrics; the Bank's conservative risk appetite, sound capital ratios, solid profitability metrics and acceptable funding and liquidity profile.

Alinma Bank provides a comprehensive set of banking, advisory and financial services that are all fully Shariah-compliant. Alinma Bank operates a network of 104 branches, over 1,500 ATMs, 108 digital zones, and 125,247 POS terminals across all regions of the Kingdom.

Our subsidiaries →

مصرف الإنماء

alinma bank

الإنماء للاستثمار

alinma investments

Alinma Investment Company

(Closed Joint Stock Company)

A principal and agent, undertaking coverage and management, arranging, providing advice, and filing in securities business.

Capital:
SAR 1,000 Mn.

Paid Up:
SAR 500 Mn.

التقنية المالية السعودية

Saudi Financial Technology

Saudi Financial Technology Company

(Closed Joint Stock Company)

Providing digital financial products and services, digital financial platforms and E-commerce payment services.

Capital:
SAR 100 Mn.

التنوير العقارية

Altanweer Real Estate Company

(Limited Liability Company)

Facilitating mortgage financing and holding, on behalf of the Bank. Titles to real-estate owned/pledged as collateral against financing extended by the Bank.

Capital:
SAR 100,000

الإنماء إسناد

alinma isnad

Alinma Isnad Company

(Limited Liability Company)

Providing outsourced staff to the Bank (customer service, management support, technical support).

Capital:
SAR 500,000

Alinma SPV Ltd

(100% Subsidiary of Alinma Bank)

Managing Derivatives & Treasury products such as Profit Rate Swap (PRS) REPO and FX Forward.

Capital:
USD 50,000

2022 at a glance



Net income
SAR 3,599 Mn.
2021 – SAR 2,709 Mn.
Increase of 33%

ROA
1.9%
2021 – 1.6%

ROE
13.7%
2021 – 10.8%



Total assets
SAR 200,436 Mn.
2021 – SAR 173,476 Mn.
Increase of 16%



Customer deposits
SAR 145,168 Mn.
2021 – SAR 121,061 Mn.
Increase of 20%



33% growth
In Retail Financing



10% growth
In Corporate Financing



Saudization rate
95.2%
2021 – 94%



Female staff
550
2021 – 442
Increase of 24%



Staff strength
2,862
2021 – 2,712
Increase of 6%



Employee training hours
88,870
2021 – 54,450
Increase of 63%



Organizational Health Index (OHI)
70
2021 – 64



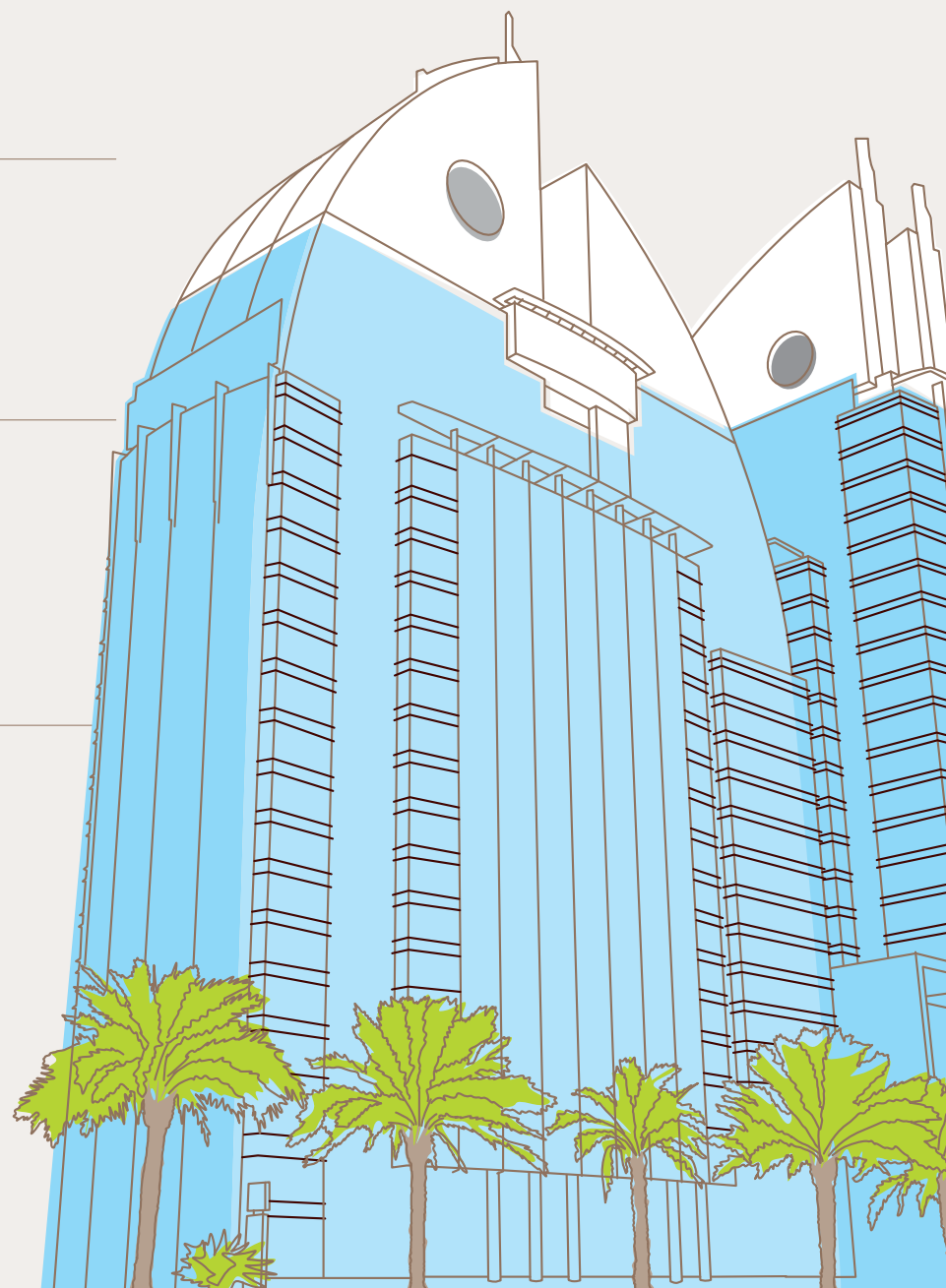
Launch of Digital Factory and Digital Lab

Enablers of digital innovation, iteration, and expedited delivery of the Bank's digital agenda



Launch of Digital Attacker

To scale faster and expand into new products and customer segments



2022 at a glance



Digital financial transactions

99%

2021 – 98.9%



Launch of new website

Delivered on the promise of an enhanced digital experience to our customers by launching our new website with new and upgraded features



Among top 13 national entities to be recognized for leadership in Saudization

The Bank received the labor award as the top entity to nationalize jobs in the financial and insurance sector, awarded by the Ministry of Human Resources and Social Development



Launch of digital payment gateway “ClickPay”

Developed by Alinma’s fully owned fintech subsidiary Saudi Financial Technology Company as a competitive payment solution for merchants

Becoming a highly valued brand in the Kingdom and the Middle East Region →



Recognized as the Best Islamic Finance Bank at the 10th Saudi Trade Finance Summit

Participated in discussions on developing and encouraging non-oil exports by strengthening trade partnerships and facilitating entry to new markets, and winning the Best Islamic Finance Bank award, and KSA Customer Choice Trade Finance Bank award during the event



Awarded for benchmark standards in Investor Relations (IR)

Recognized by the Middle East Investor Relations Association (MEIRA) with 4 awards; Most Improved IR in GCC, Best IR CEO in the Middle East, Best IR CFO in the Middle East and Best IR Professional in Saudi Arabia



Recognized for the Bank’s Visionary Leadership

Alinma Bank CEO Abdullah Ali Al-Khalifa named one of the top CEOs in the GCC region at the 6th Top CEO Conference Awards



Named by Forbes as the Best Bank in Saudi Arabia in 2022 in World’s Best Banks List

Assessed by customer sentiment on general satisfaction as well as trust, fees, quality of digital services, and financial advice by Forbes in conjunction with market research firm Statista

Ranked in top 30 among the Middle East’s Top 100 Listed Companies in 2022 by Forbes

Placed at No. 27 in the Top 100 Listed Companies in the Middle East by Forbes based on reported market value, sales, assets and profits



Ranked among top 20 most valuable brands and third fastest growing brand in the Kingdom by Kantar BrandZ™

Increased brand value by 139% to reach an estimated brand value of USD 1.73 Bn. as per world-leading data analytics and brand consulting company Kantar

Message from the Chairman

“Customer centricity remained a hallmark of the Alinma Bank approach, and guided us as we revamped our retail, corporate, and treasury strategies, while innovating and equipping ourselves with transformative technology”

Dr Abdulmalik Abdullah Al-Hogail
Chairman



Message from the Chairman

It is my pleasure, on behalf of the Board of Directors, to present Alinma Bank's Annual Report for the financial year that ended on 31 December 2022.

The reporting period saw a revitalization of global economies, with acceleration toward revamped goals. In this environment, the Saudi economy continued on a growth trajectory in line with reestablished global growth.

In a macro sense, the Kingdom recovered strongly in 2022, buoyed by higher oil prices and non-oil exports, reform momentum, and fiscal support from our visionary leadership, which greatly contributed to our economic resurgence. The Saudi Nationalization Scheme decreased unemployment, with women continuing to make significant strides in representation in the private sector, making their contribution felt across the expanding Saudi economy.

Alinma Bank took full advantage of this economic expansion, formulating strategies rooted in digitally sound retail and corporate financial solutions. The Bank introduced innovative products across its entire customer base, improved turn-around-times in operations, and bolstered its position as a fully Shariah-compliant institution. In terms of employment, Alinma Bank led the banking sector in Saudization efforts and cemented itself as an employer of choice.

Understanding latent and emergent customer needs, we made informed decisions, leveraging advantages in data analysis and utilizing "Digital Attacker" strategies to scale and expand into new products and untapped market segments.

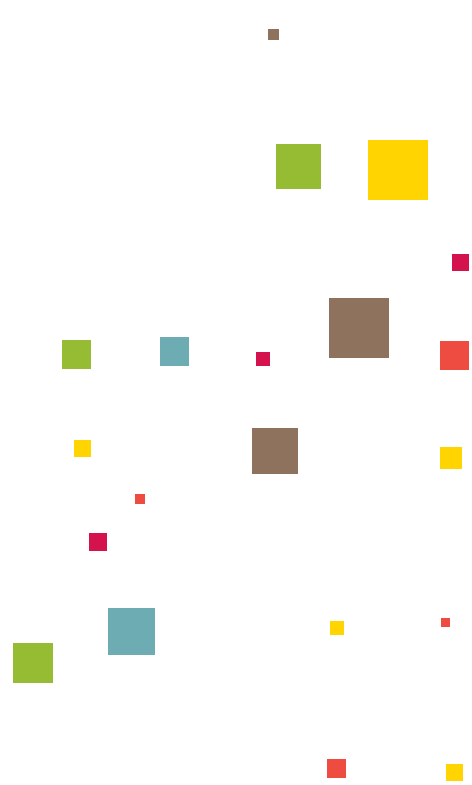
Customer centricity remained a hallmark of the Alinma Bank approach, and guided us as we revamped our retail, corporate, and treasury strategies, while innovating and equipping ourselves with transformative technology.

We up-skilled our teams, and we strived to proactively engage with all stakeholders, even on a one-to-one basis through digital platforms, where appropriate. Key accomplishments in 2022 were strongly linked to digital transformation and the continued digitization of the customer experience, with our newly established Digital Factory unit leading the way. As a result, Alinma saw tangible improvement across all business and operational departments in service of our customer base, and assured accuracy, agility, and operational efficiency.

With a focused growth approach, the Board of Directors committed to ensuring that Alinma remained compliant with regulatory requirements and worked within a risk mitigated environment. Long-term value creation was ensured through effective corporate governance, risk management oversight, internal control implementation, and statutory compliance. Of prime focus for the Board, was adherence to the "Key Principles of Governance in Financial Institutions" issued by the Saudi Central Bank (SAMA), which set forth best practices recognized internationally. Of equal importance was adherence to the rules and regulations of the Capital Market Authority (CMA), which are designed to regulate and reinforce transparency in the capital markets. Internally, Shariah-compliance remained a guiding focus.

In terms of performance, Alinma Bank recorded a 33% increase in net income to reach SAR 3.60 Bn. in 2022, bolstered by an operating income of SAR 7.96 Bn., which itself saw a year-over-year increase of 20%. Our total assets increased by 16% to SAR 200.4 Bn., while our net financing portfolio increased to SAR 146.5 Bn., up 16.0% year-over-year, which was a strong contributor to our balance sheet. Such impressive growth was supported by strong risk mitigation, quick-to-market digitalization, and effective management by a team of skilled professionals with diverse experience and customer-centric commitment. Our brand exposure improved significantly, with bolstered visibility through sponsorship of professional sports activities in the kingdom, as well as implementation of several Corporate Social Responsibility (CSR) initiatives.

Having closed the 2022 reporting period on a high note, it is only proper to extend sincere appreciation and gratitude to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al Saud, and His Royal Highness, the Crown Prince and the Prime Minister, Mohammed Bin Salman Bin Abdulaziz Al Saud, for their ongoing committed support for the security and the economic development of the Kingdom, and the many fiscal and monetary policies implemented by them to strengthen the standards of the financial industry. I extend our thanks to the Ministry of Finance, the Ministry of Commerce, the Saudi Central Bank (SAMA), the Capital Market Authority (CMA) and other regulatory and governmental authorities, that ensure a safe and regulated environment in which to operate. I am deeply grateful for the support of the Chairman and members of the Shariah Board of the Bank and for their valuable advice and input. I thank the Board of Directors for their visionary insights and consistent support in leading the Bank; and I am grateful to the Alinma Bank staff, for their dedication and integrity, which are invaluable in gaining and retaining customer confidence and loyalty.



Chief Executive Officer's review

“In terms of financial performance, both top-line and bottom-line growth improved. Gross revenue grew from SAR 6,660 Mn. to SAR 7,963 Mn., an increase of 20%; and net profit rose from SAR 2,709 Mn. to SAR 3,599 Mn., an increase of 33%”

Abdullah Ali Al-Khalifa
Chief Executive Officer



Chief Executive Officer's review

Acceleration – this one word most accurately captures Alinma Bank's performance across the 2022 fiscal year. Whether examining financial results, operational activities, social programs, brand value, technological development, or infrastructure expansion, acceleration is the through-line that ties together all of Alinma Bank's accomplishments in 2022.

This acceleration was rooted in the Bank's Strategy 2025 initiative, the planning for which began in early 2021, with the intent to capitalize on Alinma's foundation as a reliable, sound source of sustainable growth, and to subsequently maximize the Bank's potential. The resulting strategy includes the over-arching goal of becoming the fastest, most convenient bank in Saudi Arabia. During 2021, we moved to address all key success factors related to the new strategy, making 2022 the first full year of Strategy 2025's comprehensive implementation; and at the close of the reporting period, 54 of a total 76 initiatives related to the strategy were implemented.

2022, then, became the year in which Alinma Bank truly began its acceleration towards a stronger, more prominent role in the Saudi banking sector. The annual report that follows bears this out in detail. I would, however, like to take this opportunity to highlight aspects of our 2022 performance, that I feel are indicative of the truly accelerating, growing, thriving bank, that Alinma is today.

In terms of financial performance, both top-line and bottom-line growth improved. Gross revenue grew from SAR 6,660 Mn. to SAR 7,963 Mn., an increase of 20%; and net profit rose from SAR 2,709 Mn. to SAR 3,599 Mn., an increase of 33%. More importantly, however, the Bank showed strong performance operationally over successive fiscal quarters, irrespective of seasonal market impacts, and the general macroeconomic environment. The only exception to this was the fiscal fourth quarter, where a higher impairment charge for expected credit losses acted as a drag on Q4 profits, but did not dent overall net profit acceleration. This stands as a testament to Alinma's actual operational strength, and expansion of products and services that reached new levels of relevance for all customer segments served by the bank during the entire fiscal year.

Key performance indicators such as Return on Assets (ROA) and Return on Equity (ROE) also saw solid improvement year-over-year, with the former increasing from 1.6% to 1.9% and the latter rising from 10.8% to 13.7%. The bank also continued to meet all capital adequacy requirements under Basel III, with total Tier I & II Capital standing at SAR 34,364 Mn. at the close of the fiscal year, in addition to a 6% decline in provisioning. All of the foregoing indicates that Alinma is well positioned within its financial growth trajectory to meet its Strategy 2025 targets.

As important as the Bank's financial performance was in 2022, of equal importance was Alinma's presence in the market and in the minds of customers. This presence was driven by the growth of the Bank's brand and its accelerated presence in new and creative public spaces. Assessed by Kantar – a top international analytics consultancy – as part of its bi-annual review of Saudi brands, the Alinma brand increased in value by 139% to USD \$1.73 Bn., and ranked among the top 20 brands in the kingdom, a clear indication of the trust and respect that Alinma enjoys in the market, and its status as a staple within the Saudi brand landscape.

The Bank also took the brand in new directions, becoming the first bank in the Kingdom to establish a formal sponsorship agreement with the Saudi Professional League (SPL) for football, a move that helped expose key younger segments to the Alinma brand. These segments are vital to not only the Bank's own Strategy 2025 initiative, but also to the Kingdom's Vision 2030; and Alinma Bank used the 2022 fiscal year as an opportunity to further enhance alignment with broader Vision 2030 initiatives that function to grow jobs and opportunities for younger Saudis. The Bank did this through a restructuring and reorienting of its operations, especially with respect to its Retail Banking business. Through a more comprehensive and tailored product and service strategy, including efforts focused on SMEs, as well as through the relaunch of the Alinma website, enhancement of the Alinma app, and overall continued efforts to digitize the customer experience, younger Saudis were engaged effectively.

As a result, for the 2022 fiscal year, Retail Banking recorded 34% growth and home financing market share increased from 2.5% to 5.0% year-over-year.

In terms of Retail Banking's impact on the customer relationship, nowhere was this impact more demonstrative than in the bank's net promoter score (NPS) – a measure of the likelihood of customers to recommend the bank to others – which the Bank implemented in 2022 as part of our effort to ensure excellence in customer service. Customer satisfaction was also evident in the performance of the Bank's loyalty program as well as in the positive feedback received regarding the Alinma Phone customer service channel.

Alinma accelerated its "digital first" approach in 2022, in line with Vision 2030 imperatives, expanding its digital ecosystem across the Bank, to deliver future-ready financial solutions and greater value to customers. At the center of this effort in 2022 was the newly launched Digital Factory unit, which led the Bank's efforts in the digital space, functioning as an enabler of digital innovation, rapid delivery, and improved business agility across the Bank. The Digital Factory assisted in successfully scaling up customer experience and operational excellence, and greatly expedited delivery of all its digital initiatives. Additionally, and in line with Alinma's emphasis on customer centricity, the Digital Factory established the Bank's own Beta Community to serve as an internal testing ground, allowing for continuous customer feedback to impact ongoing development efforts.

These strategic moves directly impacted the digitizing of key customer journeys, improvement of multi-channel delivery, and allowed the Bank to tap new business and strategic segments. As a result, Alinma was able to finalize the development of two major channels: the Bank's Digital Attacker, which accelerates scale and expansion into new products and previously underserved consumer demographics, and the new, greatly enhanced, feature rich Alinma Smart Device App.

Moreover, to improve market accessibility, customer centricity, and innovation incubation, a fintech partnership strategy was formed to create strategic collaborations with fintech companies, with the aim of making Alinma a focal point of digital innovation in the market. Further, with the Kingdom's Open Banking initiative set to launch in Q1 2023, an API-ready infrastructure was built and a fintech partnership committee formed, to help the Bank execute across an array of focus areas, including customer acquisitions, customer loyalty and rewards, value-added open banking services, and new user experiences.

Chief Executive Officer’s review

We also continued to invest in our wholly owned fintech subsidiary, the Saudi Fintech Company, which launched its SoftPOS and ClickPay services, both of which enable cashless payments for merchants and deliver flexibility and convenience to customers. ClickPay, in particular, features worldwide acceptance of a broad range of cards, e-commerce transactions, transaction reporting, and e-invoices. Additionally, 2022 saw the AlinmaPay digital wallet become the first such wallet to be certified by Saudi Payments to work as a SADAD service provider, allowing customers to view and pay Zakat, taxes, government bills, fines, commercial bills, and other digital payments.

Acceleration was also evident in the Bank’s other business lines as well. For Corporate Banking, 2022 was a year of robust growth, with total assets increasing by 11%. SME activity continued to be a focus, in line with Vision 2030 commitments, with a 46% growth in Kafalah program financing. Six new SME product financing programs were also introduced, which helped grow the SME client base by 61%.

The SME acceleration was critical, as growth of this sector and the jobs it can provide the Saudi economy, feature significantly in Vision 2030. With much of the expected growth in the sector likely to come from fintech and other technology-oriented startups, having a strong supportive presence for SME participants is key for Alinma going forward, where it can leverage its own technological advantages as well as its product and service excellence.

Project Finance is likewise important for Alinma’s alignment with Vision 2030, where significant investments will be made across the Saudi economy. Alinma continues to support the government in this regard, and has a role to play in both typical development efforts as well as in new giga-projects that will transform the Saudi landscape and make the Kingdom a hub of 21st century business and cultural activity.

In 2022, Alinma was selected as a mandated lead arranger (MLA) for the Neom Green Hydrogen Project, which received the Europe Middle East & Africa Special Award for Green Deal of the Year by International PFI Awards. In addition, Alinma Bank received the Social Infrastructure Finance Deal of the Year award from GFC Media Group for its role as the sole MLA for the Madinah, Buraydah and Tabuk Independent Sewage Treatment Plant project.

Institutional Corporate Banking was key to Corporate Banking’s continued acceleration, with an increased focus on non-funded business, which registered a growth of 36.5%, and growth in the client base of 19%. Institutional Corporate Banking continued to diversify its portfolio in terms of industrial segments and worked closely on select deals with Project Finance & Syndication to cater to the unique financing requirements of clients.

For Treasury, 2022 saw improvements in operational effectiveness, thanks to its integration of the industry leading MUREX treasury operations system, which enhanced speed and effectiveness across all of its functions. Treasury also improved cross-selling of its products with Corporate and Retail clients through dedicated joint visits and the introduction of new Shariah-compliant derivative products, which reached a total volume of SAR 3.6 Bn. In addition, Treasury evolved its FX offerings by introducing FX Forward, Flexi Forward, and FX Swaps products.

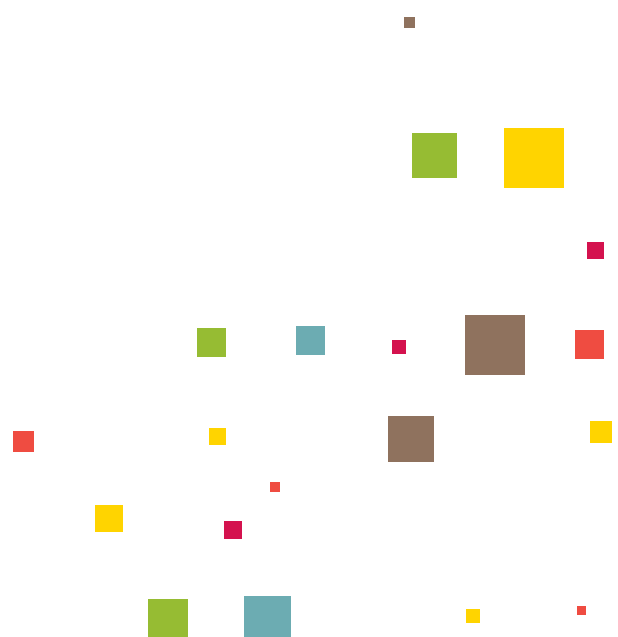
Total Treasury investments increased by SAR 6 Bn. in 2022, and overall portfolio yield rose by more than 87 bps. The funding base was also diversified through execution of new long-term REPO transactions, in addition to establishing a senior unsecured U.S. dollar Sukuk program.

As part of Strategy 2025, Alinma seeks to become the employer of choice amongst banks. Saudization increased from 94% in 2021 to 95.2% in 2022, with the Ministry of Human Resources and Social Development recognizing Alinma as the top financial and insurance sector entity in terms of Saudization. Alinma also ranked in the top 13 among all companies assessed. Training and talent cultivation was also a key focus in 2022, with the Bank seeing a 93% increase in training attendees during the reporting period. Additionally, female representation continued to grow, with women comprising 19.22% of Alinma’s total workforce, compared to 16.21% in 2021.

In 2022, Alinma Bank expressed its pride and commitment to the Kingdom and its people, through an acceleration in socially responsible programs and activities. Our continued allocation of 1% of annual net profits to corporate social responsibility (CSR) allowed Alinma to champion causes related to autism, food for the needy, youth STEM activities, cultural projects, and much more. This commitment even cascaded down to the individual staff level, as evidenced by a 300% increase in employee volunteerism during the reporting period. Alinma has indeed been fortunate, and we are pleased to support the communities that make up the Kingdom.

With regard to support, I would like to extend my most sincere appreciation to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al Saud, and to the Crown Prince and Prime Minister, HRH Mohammed Bin Salman Bin Abdulaziz Al Saud. Their and the Government’s commitment to the Kingdom remains steadfast, and is the foundation that allows companies such as Alinma to thrive. The support of regulators and other external stakeholders, likewise, continues to remain invaluable, with the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA) fulfilling prominent and key roles in this regard.

I would like to thank the Alinma Bank Board of Directors for their guidance, my executive and management teams for their leadership, and all Alinma Bank employees for exceeding expectations in so many ways, and making our progress and acceleration in 2022 possible.



Our business context and strategy

The economic and business background

Closer to home →

The Gulf Cooperation Council (GCC) economies already received a boost from high oil and gas prices in 2022, driven by growth in oil and non-oil revenue. Growth of individual countries in the region is expected to vary due to localized factors with KSA registering a record growth of 8.7% in 2022.

Inflation remained moderate in the GCC, and well below global levels, aided by housing and other services incurring only a modest increase in costs. The GCC was also better prepared to mitigate other unprecedented market impacts, having taken adequate steps to provide the economy with the needed financing. Some Arab countries are likely to face higher inflation rates due to local and global inflationary pressures, including the risk of monetary over-tightening, consequent to the pegging of currencies to the U.S. Dollar, and the recalibration of monetary policy by the U.S. Federal Reserve to bring surging inflation under control.

As of October 2022, the U.S. Dollar was at its strongest since 2000, and its dominance in international trade and finance with a 40% share in global exports, meant that its sharp strengthening during the year had sizeable macroeconomic implications across the world. With an estimated pass-through of a 10 percent dollar appreciation into 1 percent inflation, the stronger dollar compounded pressure on countries with a greater share of dollar-invoiced imports. The pressure was also reflected on balance sheets around the world, with almost half of all cross-border financing and international debt instruments being denominated in U.S. Dollars.

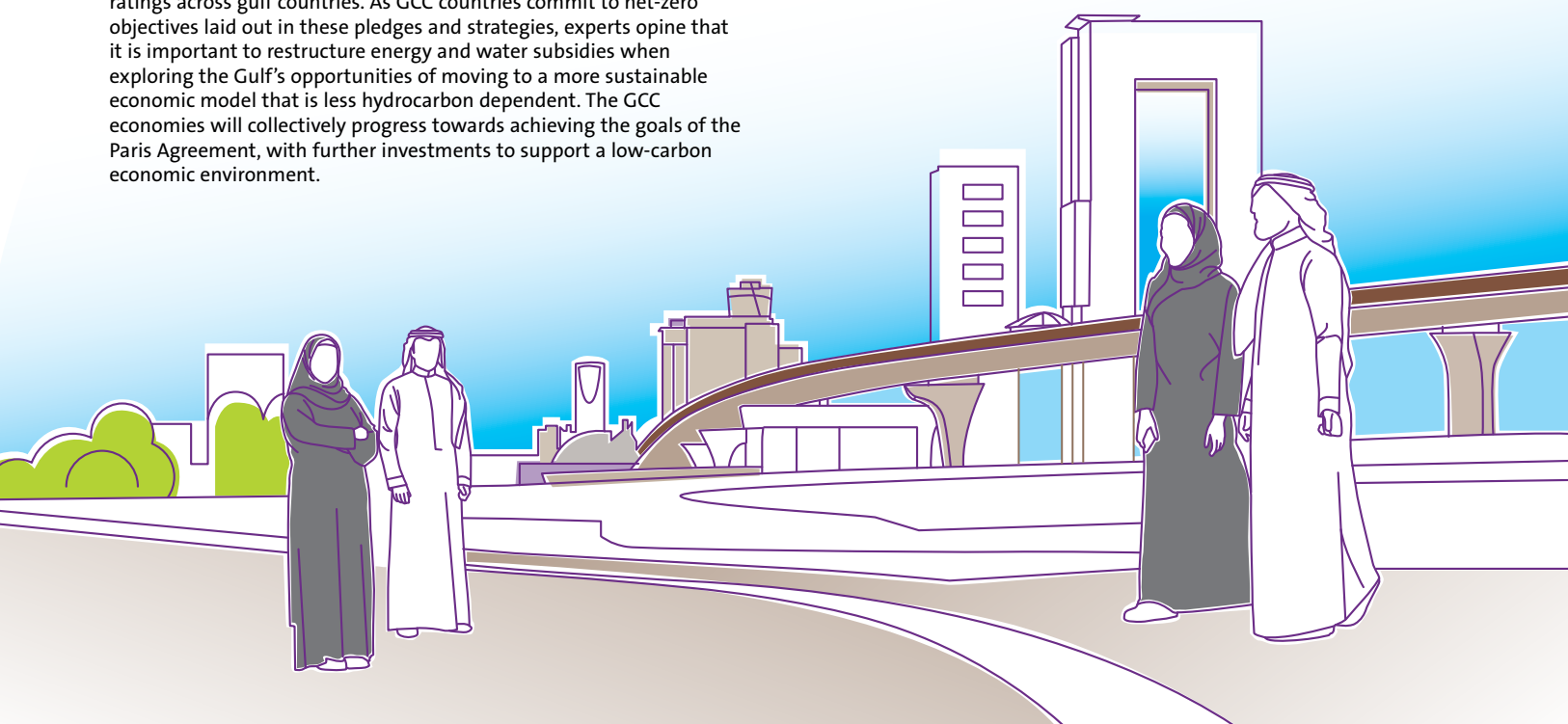
The region's economic growth is likely to continue outperforming the global economy with a strong growth forecast for 2023, with the global economy expected to face weak growth and the possibility of recessions. Government-controlled price caps and subsidies are set to ease inflationary pressures on commodities across Gulf countries. A key factor that will shape the region's economic performance and growth is the emergence of the non-oil economy, evidenced by expanding PMI indices in 2022 projected to continue at pace well into 2023.

The strong growth of the non-oil economy is underpinned by long-term national visions and strategies, backed by revised up credit ratings across Gulf countries. As GCC countries commit to net-zero objectives laid out in these pledges and strategies, experts opine that it is important to restructure energy and water subsidies when exploring the Gulf's opportunities of moving to a more sustainable economic model that is less hydrocarbon dependent. The GCC economies will collectively progress towards achieving the goals of the Paris Agreement, with further investments to support a low-carbon economic environment.

On the ground →

KSA is expected to eclipse giant emerging economies such as India, China and Indonesia to be the world's fastest growing economy, due to its remarkable recovery from the pandemic and as a result of higher oil prices and increased production. The Kingdom's Gross Domestic Product (GDP) expanded by 8.7% in 2022, its fastest growth since 2011, and is expected to reach around 5% in 2023. The fiscal balance is expected to be in the black, supported by aforementioned high energy prices aided by buoyant non-oil activity. The influx of imported commodities continued to drive up price levels, with consumer inflation contained both by price caps and subsidies, and the tight monetary policy of the Saudi Central Bank (SAMA).

The Kingdom has implemented far ranging reforms targeting an improved business environment, foreign direct investment, and higher private-sector participation to drive the economy and support the labor market. The business infrastructure and facilities in the country are expected to continue to improve because of large-scale public and private investments that bode well for a wide range of sectors, including tourism and hospitality, transport and logistics, energy and derivatives, industrial production and manufacturing, and a range of consumer and business services. It will be important that the Kingdom maintains control of public spending despite higher oil proceeds, enabling more targeted social spending.



The economic and business background

Banking →

The GCC

The region recorded increased profits in the Banking sector, buoyed by higher oil prices, rising benchmark rates and new public projects. According to S&P Global Ratings, the GCC's four biggest banking markets – the UAE, Kuwait, Qatar and Saudi Arabia outpaced the previous year's performance to reach stronger full-year profits by the end of 2022. The windfall gain from oil prices saw many governments across the gulf record their first fiscal surplus in several years, enabling governments to spend on new projects. This was reflected in the growth in banking credit facilities in 2022.

Higher net profit margins offset the increased cost of risk in the second half of 2022, via loans that first benefited from support measures and were then restructured. These, and other supportive factors have together combined to ensure a net positive for banking profits in the region for the reporting period.

Customer deposits in the region grew in 2022, with KSA and UAE leading the fray with the strongest quarter-on-quarter and year-on-year growth reported in the market. Depositors sought higher income in the period, leveraging on increased benchmark rates offered by Banks in the GCC, with Central Banks following the lead of the U.S. Federal Reserve's monetary tightening policy aimed at taming inflation.

The net income of GCC Banks reached a record high showcasing excellent bottom-line performance backed by growth in all GCC countries. Topline changes in the sector reflected the higher benchmark rates adopted by central banks across the GCC region following the rate hikes in the US. Revenue growth in the region has continued to remain robust throughout the reporting year.

Kingdom of Saudi Arabia

The total assets of the Banking sector amounted to SAR 3 Tn. at the end of 2022. The profitability of the top 10 KSA banks showed improvement in 2022, but the banks witnessed a slight deterioration of asset quality due to an increase in the non-performing loans (NPL) ratio during the year.

The overall operating efficiency of the sector improved as banks continued branch rationalization and increased digitalization. Cost efficiencies stemmed from growth in operating income outpacing growth in operating expenses.



Whilst being one of the biggest economies in the Middle East, the Kingdom also leads the global Islamic Finance markets. With total assets in Islamic Banking at SAR 2.7 Bn. according to the latest reports by SAMA above, the industry is working towards a stated commitment of reaching 22.5% of global Islamic finance assets, representing 79.3% of the GDP by 2025. The Kingdom also has the largest proportion of Islamic banks' financing (84%) of any country that allows conventional banks to operate alongside Islamic banks.

In November 2022, SAMA announced the issuance of the Open Banking Framework as one of the key outputs of the Open Banking Program which will come into full effect in 2023. The Open Banking initiative and services are developed through collaboration with the market, in line with strategic priorities set in the Saudi Vision 2030 and in the Financial Sector Development Program (FSDP).

The fintech landscape in the Kingdom has grown exponentially, with 147 fintechs operating in the Kingdom currently, an increase of 79% from 2021. There is significant upward movement forecasted in the industry in 2022/23 following the licencing of 3 new digital banks over the past few years, with the third being launched in 2022. This is the first time since Alinma Bank was licensed in 2006 that new locally-based banks will launch in the Kingdom, promising to accelerate the pace of innovation driven by growing competition and maturity across the fintech sector.

Sources

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Our stakeholders

The Bank recognizes and values the many long-term partnerships that it has formed over the years, and maintains in delivering value. These strong relationships helped the Bank navigate turbulent business conditions, and record milestone achievements in 2022.

Stakeholder engagement process →

The Bank maintains a continuous rapport with stakeholders through conventional as well as digital communication channels, to strengthen our mutually beneficial partnerships, to gain invaluable insight, and to understand their wants in order to best address them through our evolving value creation process.



Our stakeholders

Stakeholder engagement →

The Table below reflects the Bank's engagement points and mechanisms with its stakeholders on a continuous basis.

Investors

Matters of engagement	Engagement mechanism	Frequency
<ul style="list-style-type: none"> ■ Financial performance ■ Governance ■ Risk management ■ Business expansion plans ■ Transparency and disclosure ■ Business continuity ■ Sustainable growth ■ Dedicated Investor Relations Department 	<ul style="list-style-type: none"> Annual General Assembly Extraordinary General Meetings The Bank's website Interim financial statements Investor presentations and quarterly earning calls Press conferences and releases Investor disclosures and road shows One-to-one discussions and meetings Annual Report Announcements made to the Saudi Exchange Investor Relation road shows and conferences Dedicated investor relations website 	<ul style="list-style-type: none"> Annually As required Continuous Quarterly Quarterly As required Quarterly Continuous Annually As required Quarterly, annually and continuous Continuous



Customers

Matters of engagement	Engagement mechanism	Frequency
<ul style="list-style-type: none"> ■ Financial support for revival of business ■ Speedy service ■ Customer security and privacy ■ Service quality ■ Affordability of services and convenience ■ Financial education and literacy ■ Access to financial services ■ Enrolment to digital platforms ■ Real time information 	<ul style="list-style-type: none"> Customer visits ATMs Online Banking Service centres Branches Media advertisements Corporate website Customer workshops Social Media 	<ul style="list-style-type: none"> As required Continuous Continuous Continuous Continuous As required Continuous As required Continuous



Employees

Matters of engagement	Engagement mechanism	Frequency
<ul style="list-style-type: none"> ■ Performance standards ■ Training and Development ■ Saudization ■ Remunerations and benefits ■ Retirement benefit plans ■ Diversity and Inclusion ■ Safety at workplace ■ Corporate values 	<ul style="list-style-type: none"> Induction Program Career development guidance Staff societies Training Program Volunteerism Special staff events Internal communication Employee satisfaction survey Virtual meetings 	<ul style="list-style-type: none"> Once Annually As required As required As required Annually As required As required As required



Our stakeholders

Society and environment

Matters of engagement	Engagement mechanism	Frequency
<ul style="list-style-type: none"> ■ Affordable financing ■ Community empowerment ■ Financial inclusion ■ MSME Financing ■ Ethics and Business Conduct ■ Environmental performance ■ Employment opportunities ■ Assistance to disadvantaged groups 	<ul style="list-style-type: none"> Service channels Press releases, conferences and media briefings Informal briefings and communications Public events Corporate website Social Media Educational programs MSME financing Assistance to the needy and vulnerable 	<ul style="list-style-type: none"> Continuous As required As required As required Continuous Continuous As required As required As required



Business partners

Matters of engagement	Engagement mechanism	Frequency
<ul style="list-style-type: none"> ■ Contractual performance ■ Continued business opportunities ■ Maintaining healthy relationships ■ Timely settlement of dues ■ Collaboration for new technological advances in the financial sector ■ Opportunities for growth ■ Ease of working 	<ul style="list-style-type: none"> Supplier relationship management On-site visits and meetings 	<ul style="list-style-type: none"> As required As required



Government institutions and regulators

Matters of engagement	Engagement mechanism	Frequency
<ul style="list-style-type: none"> ■ Compliance with directives and codes ■ Microfinance and SME development ■ Financial performance ■ Shareholder returns ■ Cybersecurity ■ Saudization ■ Governance ■ Employment generation ■ Strategy 	<ul style="list-style-type: none"> Consultations Relationship-building meetings General Assembly meeting Annual Report Interim financial statements Announcements made to the Saudi Stock Exchange Extraordinary General Meetings 	<ul style="list-style-type: none"> As required As required Annually Annually Quarterly As required As required





Alinma Bank's 2025 strategy listed out over 150 KPIs that has helped the Bank achieve its broader goals and objectives.

Our strategy

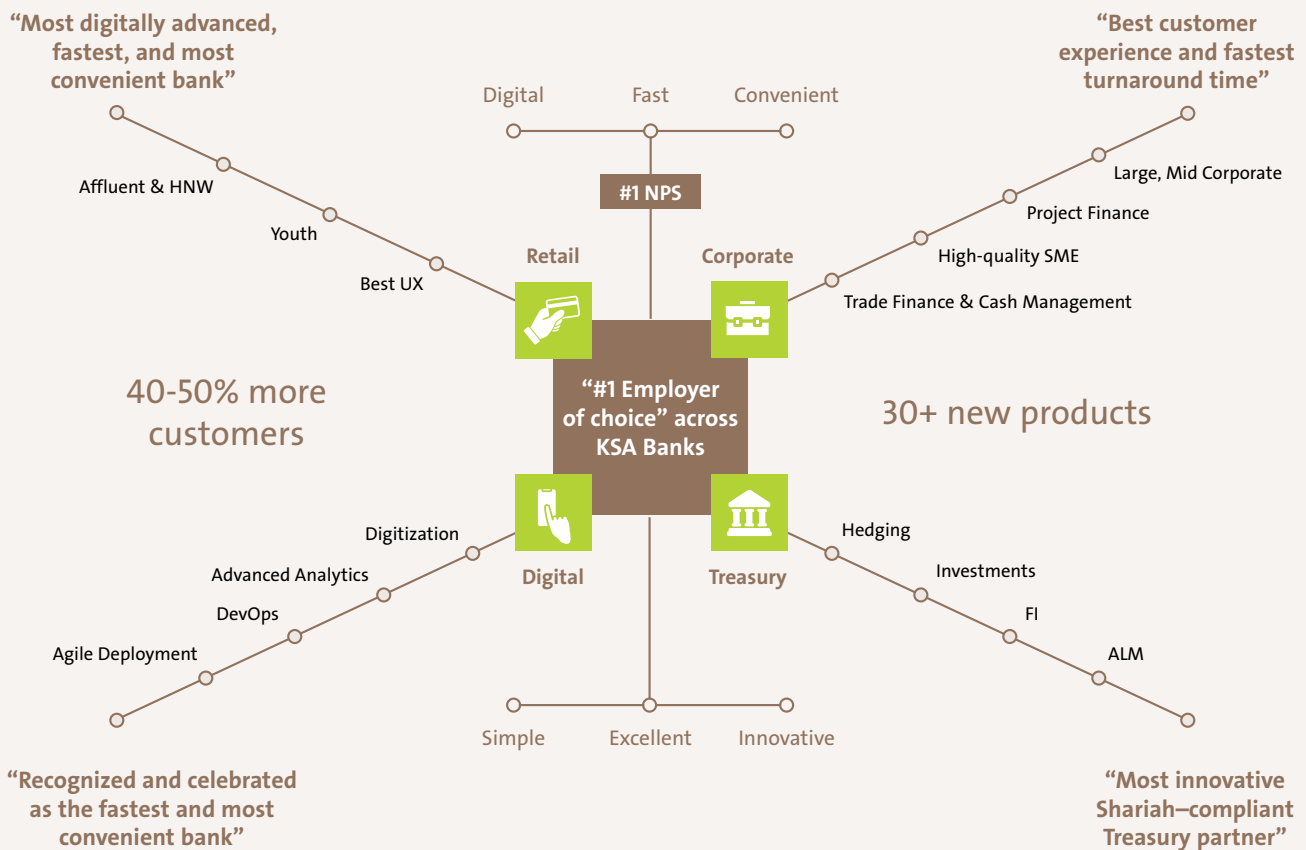
In 2021, Alinma Bank rolled out its ambitious five-year Strategic Plan anchored to three primary goals that reflect the Bank’s envisioned positioning by the year 2025; to be recognized and celebrated as **the fastest and most convenient bank in the Kingdom**, to obtain the **top Net Promoter Score (NPS)** in the rapidly evolving Saudi Banking sector, and to be the **leading employer of choice across Saudi banks** in a booming and highly competitive job market.

The Bank’s 2021-2025 Strategy is aligned with the Saudi Vision 2030 – the transformative economic and social reform blueprint that is opening up the Kingdom of Saudi Arabia to the world. The financial sector serves as a key enabler of the Saudi Vision 2030, which created a number of growth opportunities for Alinma Bank in line with its own strategic goals and objectives; such as increasing SME and private sector contribution to the Kingdom’s GDP, improving women’s economic participation, lowering unemployment rate, promoting home ownership, improving household savings, and accelerating the journey towards a cashless society as one of the largest, digitally transforming banks in the Kingdom.

The strategy – developed by the Executive Management under the far-sighted guidance and vision of the Board of Directors – details overarching goals, objectives, and a clear list of initiatives with ambitious financial and non-financial Key Performance Indicators (KPIs). The progress of these KPIs against strategic objectives are monitored and reviewed on a monthly basis by Senior Management, and on a quarterly basis by the Board.

Over 150 KPIs were set up to achieve the broader goals and objectives of Alinma Bank’s Strategic Plan 2021-2025, covering regular financial, business and operational KPIs as well as digital transformation, customer experience, employee satisfaction and operational targets.

Alinma Bank’s strategic positioning →



Our strategy

Making headway in 2022 →

All strategic KPI targets for 2022 were largely met, with minor deviations having negligible impact on the Bank's bottom-line. The continuous revision of KPIs and strategic initiatives is an on-going process at Alinma Bank; by monitoring the progress against the Strategic Plan, the Strategy Execution Steering Committee chaired by the CEO introduced 10 more strategic initiatives during 2022, taking the total number of initiatives to 76. Benefit realization of completed strategic initiatives are monitored to track and report on the success of the overarching Strategic Plan, and taking necessary action to address any deviations between actual result and planned KPI.

With the shift of customer banking practices and changes in the operating model post-COVID, the Bank also faced challenges from its external operating environment including increase of rates, risks of finance defaults, scarcity of appropriate talent, added competition for new products and services, pricing pressures, and disruption from Fintech companies. The Strategy Execution Steering Committee also monitors external impacts during their monthly meetings to ensure changes in the operating environment and competitor activities are adequately and immediately addressed to the advantage of the Bank.

With the successful roll-out of the Bank's 2021-2025 Strategic Plan, Alinma Bank leveraged future-ready digital technologies, innovative Shariah - compliant products, unrivaled customer experience and strategically developed talent pool nurtured within a thriving work environment, to successfully overcome the challenges posed, and achieve the strategic objectives of Alinma Bank for the reporting period.

ALINMA BANK STRATEGY 2021-2025 →

OVERALL PROGRESS UPDATE 2022

Initiatives yet to
be implemented:
5/76

To be
Implemented
7%

Initiatives in
progress:
17/76

In
progress
22%




Completed
71%

← Initiatives
completed:
54/76

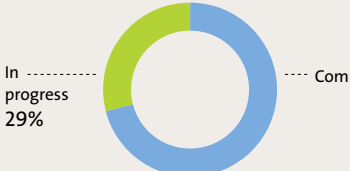
(23 initiatives completed during 2021 and 31 initiatives during 2022)

Our strategy

Five key verticals driving the strategy

	 RETAIL	 CORPORATE	 TREASURY
STRATEGIC POSITIONING	Be the most digitally advanced, fastest, and most convenient retail bank in the KSA	Be the corporate bank with the best customer experience with fastest turnaround time in the KSA	Be the most innovative Shariah-compliant treasury partner across the KSA
FOCUS FOR 2022	<ul style="list-style-type: none"> Customer acquisition across conventional wealth segments such as the Gold, Platinum, Diamond and private segment to drive deposits Enhancing digital capabilities Drive growth in financing Enhance experience around digital journeys and in-branch services 	<ul style="list-style-type: none"> Leveraging the Kafalah program to increase lending Building the cross-sell model Enhancing product & channel offering Leading in the Global Transaction Banking (GTB) field via innovation and digitalization 	<ul style="list-style-type: none"> Maintaining a strong track record with well-managed liquidity profile, investment revenue, and stable risk Maintaining high service standards for FI customers Grow deposits and long-term liabilities on one side and term assets on the other to maintain a healthy balance sheet
ACHIEVEMENTS IN 2022	<ul style="list-style-type: none"> Introduced auto-finance product Launched personal finance through phone-banking Reduced the minimum salary requirements for private sector financing Enhanced the buy-out policy Enhanced and automated refinance Introduced personal financing, refinancing and buy-out through commodity Implemented advanced analytics use cases to boost sales Fully launched POS financing product 100% of branches equipped with digital zones Completed youth educational program on financial management Reduced turnaround time on personal financing by 40% and home financing by 22% Introduced home re-finance product Streamlined leads origination management Improved branch sales productivity 	<ul style="list-style-type: none"> Simplified the corporate credit process Introduced instant POS delivery with OTP activation Signed the Mudar WPS automation project Built capabilities of Excellence Team and improved Corporate Banking efficiencies Improved Global Transaction Banking (GTB) solutions via digitalization and innovation Mid-Corporate Banking team established in Central, Eastern and Western Regions Product bundling designed and introduced for SME customers +270% growth in booked assets under Mid-Corporate banking segment +467% growth in non-funded assets (LG & LC) under Mid-Corporate banking segment +108% POS financing; +46% Kafalah financing Introduced 6 SME program-based lending products Launched E-Trade 	<ul style="list-style-type: none"> Successfully completed implementation of new treasury system Introduced diversified investment options Expanded derivatives customer base Increased total investment by SAR 5.4 Bn. Evolved FX offering by introducing FX Forward, Flexi Forward products and FX Swaps with international banks with a total volume of SAR 5.14 Bn. Expanded network of correspondent banks (+23) globally Achieved PRS volumes of SAR 884 Mn. Introduced Shariah-compliant products in alignment with international players
FUTURE FOCUS	<ul style="list-style-type: none"> Build a digitally savvy affluent and high net worth customer franchise to drive growth in deposits Grow the digitally savvy youth customer franchise to drive growth in financing Focus on meeting the growing banking demands of the underserved female demographic Offer the best customer experience and engagement through analytics-powered digital journeys and operational excellence 	<ul style="list-style-type: none"> Evolve as the core bank for large, mid corporate and project finance partners across diversified sectors through customer centricity, a tech-enabled front line and integrated digital offering Develop a high-quality, evolving SME proposition and extend SME portfolio along supply chain related offerings Grow Global Transaction Banking (GTB) business - cash and trade management 	<ul style="list-style-type: none"> Become core partner for corporate clients for their hedging and investment needs Introduce more structured products such as derivatives, FX, etc. Grow FI and PS customer franchises with dedicated coverage teams Maintain and evolve high quality Asset and Liability Management (ALM) function Drive Customer centricity and improve cross-sell revenues Continue to focus on liquidity and stable funding ratios
STRATEGIC PLAN 2021-2025 PROGRESS-TO-DATE	<p>Retail Initiatives</p> <p>In progress 33% Completed 67%</p>  <p>12/18 Initiatives completed</p>	<p>Corporate Initiatives</p> <p>In progress 53% Completed 47%</p>  <p>9/19 Initiatives completed</p>	<p>Treasury Initiatives</p> <p>Completed 100%</p>  <p>12/12 Initiatives completed</p>

Our strategy

	DIGITAL		HUMAN CAPITAL
	<p>Be recognized and celebrated as the fastest and most convenient bank in KSA</p>		<p>Be the #1 Employer of choice across KSA Banks</p>
	<ul style="list-style-type: none"> Pursuing initiatives across Advanced Analytics and Big Data, AI and Robotic Process Automation (RPA) Driving projects through agile ways of working Reinventing the customer experience and improving multi-channel capabilities 		<ul style="list-style-type: none"> Fostering a great work environment Female empowerment Hiring top talent from across the KSA Continuously develop capabilities through learning Regularly celebrate success stories
	<ul style="list-style-type: none"> Introduced applying and issuing credit cards, and applying and executing personal financing, digitally +45% agile IT projects delivered and +60% agile digital projects delivered Expanded the Digital Factory to drive bank-wide digital transformation Established digital transformation office Completed digital factory processes for product, design, and technology Released the alpha and beta versions of new mobile app Successfully completed the RPA of 12 operations UX Lab was introduced as a best-in-class enabler to empower UX driven approach 		<ul style="list-style-type: none"> +9 key social activities held during 2022 to increase employee engagement and improve organizational health +400 employees recognized and rewarded for their performance Completed hiring for key strategic positions across the Bank to drive the strategy forward Established and launched the Digital Academy to train and develop the next generation of talent Continued digitalization of employee services Increased female representation of workforce to 19.22% Successfully achieved a 95.20% Saudization rate and recognized as one of the top banks to nationalize jobs by the HRSD Ministry Identified and executed employee engagement initiatives to improve OHI score Professional Certifications provided as part of Support Program Appreciation from Ministry of HRSD for Saudization
	<ul style="list-style-type: none"> Enhance the customer experience and improve multi-channel capabilities Reduce turnaround times (TAT) and drive operational excellence through automation Leverage the growing digital ecosystem to create innovative and unique propositions Continuous progress in Advanced Analytics Continue to invest in the Digital Factory to foster innovation and power rapid delivery 		<ul style="list-style-type: none"> Hire and nurture top talent and grow world class capabilities, especially in emerging tech Drive cultural change Measure and improve employee engagement and organizational health Communicate strategic initiatives across all levels of the Bank for strategic alignment Develop rotational programs Fully digitalize and streamline the Human Capital Function
	<p>Digital Initiatives</p>  <p>In progress 29% Completed 71%</p> <p>12/17 Initiatives completed</p>		<p>HR Initiatives</p>  <p>In progress 11% Completed 89%</p> <p>8/9 Initiatives completed</p>





All main business lines of Alinma Bank showed positive growth during the year, contributing towards the Bank's overall growth of 32.8% in 2022.

Our performance



Chief Financial Officer's review

“The Bank's operating income increased by 20% from SAR 6,660 Mn. in 2021 to reach SAR 7,963 Mn. at the end of the reporting financial year”

Adel Saleh Abalkhail
Chief Financial Officer



Overview →

The Kingdom's economy was on an accelerated path to growth in 2022, having well recovered from being pandemic-ridden, resulting in strong business growth at Alinma Bank panning across consumer and corporate segments, driven by vigorous market demands and business activity.

This recovery in consumer and business confidence however, was marred by significant inflationary pressures resulting from geopolitical tensions and disruptions across global supply chains. To counter the impact, central banks around the world increased benchmark rates and enforced other fiscal and monetary controls that in turn, increased both yields and cost of funds.

Diversification powered by the new social contract that is being promoted by Vision 2030, and Alinma Bank's corresponding 2021-2025 Strategy, created headroom for exploring and investing in new business opportunities. This facilitated the Bank to register an increased net income of SAR 3,599 Mn. for the financial year ended 31 December 2022, largely derived from the 20% growth in total operating income and 6% decrease in impairment charges despite 17% higher operating expenses year-over-year (YoY). The growth in total operating income was reflective of a 18% higher net yield income backed by the increase in average balances of investment and financing by SAR 20 Bn. during 2022, despite a 63 bps increase in cost of funds YoY. Growth in fee income and gain on investments also contributed to this healthy net profit. Total assets increased by 16% from SAR 173,476 Mn. in the previous comparable year to reach SAR 200,436 Mn. as of 31 December 2022.

Given below is a detailed review of the Bank's results of operations and financial position for the fiscal year 2022:

Contributory factors →

Net Income and profitability

The Bank's operating income increased by 20% from SAR 6,660 Mn. in 2021 to reach SAR 7,963 Mn. at the end of the reporting financial year. This is a direct result of the growth of the Bank's financing and investment portfolios to meet enhanced market demand for economic and business diversification, and the resulting increase of the Bank's core operations and activities.

Net financing grew by 16% YoY, coupled with increased yields, resulting in a 34% increase in gross funded income to SAR 7,613 Mn. compared to SAR 5,678 Mn. in the previous year. On the other hand, Cost of Funds (COF) increased by 188% to SAR 1,546 Mn. compared to SAR 537 Mn. in the previous year.

Despite this increase in COF, net income from investments and financing saw a 18% increase YoY. Mortgage financing grew 32% YoY to reach 18,725 Mn., while personal financing and other retail products reached SAR 18,850 Mn., reflecting a YoY growth of 34%. Corporate and SME financing increased by 10% and 27% respectively YoY to reach SAR 108,081 Mn. and SAR 5,117 Mn. respectively.

As such, the net profit margins improved by 20 bps to reach 3.62% in 2022. Non-yield income including fee income, exchange income and gain on investments increased by 25% to reach SAR 1,897 Mn. compared to SAR 1,519 Mn. in 2021. This increase was attributed to SAR 92 Mn. increase from cards business, SAR 76 Mn. from exchange income, and SAR 150 Mn. from investments held at fair value through statement of income.

Chief Financial Officer's review

The Bank recorded a net income after Zakat of SAR 3,599 Mn. for the financial year ended 31 December 2022, a 33% YoY increase over the SAR 2,709 Mn. achieved in 2021. The Zakat expense for the year 2022 was SAR 414 Mn.

Growth in its net profit significantly improved the Bank's financial indicators in 2022, and earnings per share reached a SAR 1.73 compared to SAR 1.31 in 2021. Return on Assets (ROA) and Return on Equity (ROE) reached 1.9% and 13.7% respectively, compared to 1.6% and 10.8% in the previous year.

Five-year summary of the Income Statement →

Operating Results (SAR' 000)	2022	2021	2020	2019	2018
Income from investment and financing, net	6,066	5,140	4,648	4,323	3,798
Fee, Exchange and other income	1,897	1,519	1,033	1,287	1,047
Total operating income	7,963	6,660	5,681	5,610	4,845
Operating expenses*	(2,761)	(2,373)	(2,061)	(2,087)	(1,861)
Net income before provisions	5,202	4,287	3,620	3,523	2,984
Provision for financing and other assets	(1,189)	(1,266)	(1,418)	(706)	(467)
Net Income before Zakat	4,013	3,021	2,202	2,817	2,517
Zakat**	(414)	(312)	(236)	(282)	340
Net Income after Zakat	3,599	2,709	1,966	2,535	2,857

*Share on profit & loss from associates and joint ventures is included

**For the year 2018, Zakat surplus due to settlement with ZATCA

Operating cost →

Operating expenses increased by 16% during the reporting period to SAR 2,761 Mn. due to a number of contributory factors. Key among these was a 19% increase in staff costs amounting to SAR 1,325 Mn. in 2022, attributable to new hires and increased salaries, as the growing economy opened new opportunities for talent investment. General and Administrative costs grew to SAR 1,092 Mn., an increase of 17% YoY mainly due to the accelerated digital infrastructure infusion of the Bank, which pushed up SMS costs, POS terminal fees, subscription fees, legal and consulting fees and leased lines and data communication expenses. These investments however, will ensure a robust standing in an otherwise competitive market, yielding profits in the long term. Despite the increase in operating expenses, Cost to Income ratio improved by 68 bps to reach 34.7% compared to 35.4% in 2021.

Impairment charges

With its strengthened balance sheets, the Bank increased provisions for credit losses by SAR 1,189 Mn. to reach SAR 4,524 Mn. by the end of 2022 compared to SAR 4,401 Mn. at the end of 2021.

Alinma Bank asset quality remains strong with a slight increase in NPL ratio reaching 1.94% vs. 1.64% in December 2021. However, cost of risk improved to reach 0.85% in 2022 down from 1.02% in 2021. NPL coverage ratio remains high at 136.3%.

Summary of Financial Position →

Alinma Bank recorded a strong growth in assets and liabilities during the year 2022:

Financial Position (SAR' 000)	2022	2021	2020	2019	2018
Financing, net	146,492	126,271	111,196	94,801	79,063
Investments	38,529	33,278	29,526	23,478	15,066
Total Assets	200,436	173,476	156,877	131,839	114,752
Customers' Deposits	145,168	121,061	119,454	102,063	89,065
Total Liabilities	168,560	142,765	132,448	109,395	94,408
Total Equity*	31,876	30,711	24,429	22,445	21,298

* Equity includes 5 Bn. Tier 1 Sukuk issued in July 2021.

Asset growth →

Total assets increased by 16% from SAR 173,476 Mn. in the previous comparable year to reach SAR 200,436 Mn. as of 31 December 2022. Alinma continued to maintain a healthy asset quality by focusing largely on lower-risk projects as well as prime real estate projects.

The Bank enhanced its investment base by 16% to SAR 38,529 Mn., mainly in domestic sovereign Sukuk issued by the Government of Saudi Arabia, which stood at SAR 25.9 Bn.

Liability growth →

Customer deposits grew at a fast pace compared to the previous year, recording a YoY increase of 20% to reach SAR 145,168 Mn. This growth is mainly attributable to a 51% increase in Time Deposits. This growth in Time Deposits contributed along with higher rates to a 188% YoY increase in Cost of Funds. On the other hand, Demand Deposits and Margin Deposits grew by SAR 2.8 Bn., a 3.9% YoY increase.

The dues to Saudi Central Bank (SAMA), banks and other financial institutions increased by 8.2% to reach SAR 16.5 Bn.

Stability and liquidity →

All key indicators for stability, growth, strength of the balance sheet, liquidity and asset quality were at satisfactory levels for the reporting period. This includes a Loan-to-Deposit Ratio (LDR) of 82.8%, a Liquidity Coverage Ratio (LCR) of 134%, and a Net Stable Funding Ratio (NSFR) of 106%, all well within the regulatory requirements and risk appetite of the Bank. High Quality Liquid Asset (HQLA) value stood at SAR 35.1 Bn. compared to SAR 32.5 Bn. last year.

Alinma Bank recorded a 3.8% growth in total equity in 2022, mainly due to statutory reserve in addition to an increase in retained earnings derived from growth in net income. Risk Weighted Assets grew by 19% alongside the growth of business, taking the capital adequacy ratio from 22.8% in 2021 to 19.8% for the reporting period.

Chief Financial Officer's review

Segmental performance →

31 December 2022	Retail	Corporate	Treasury	Investment and Brokerage	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Total assets	35,600,568	109,953,692	52,381,346	2,500,623	200,436,229
Total liabilities	97,108,721	23,711,603	47,548,547	191,045	168,559,916
Income from investments and financing	3,400,066	2,748,778	1,372,191	91,926	7,612,961
Return on time investments	(518,669)	(306,162)	(721,664)	–	(1,546,495)
Income from investments and financing, net	2,881,397	2,442,616	650,527	91,926	6,066,466
Fees from banking services and other income	365,640	370,175	534,876	625,903	1,896,594
Total operating income	3,247,037	2,812,791	1,185,403	717,829	7,963,060
Charge for impairment of financing	350,642	843,286	–	3,772	1,197,700
Charge/(reversal) for impairment of other financial assets	–	–	13,774	(22,756)	(8,982)
Depreciation and amortization	247,915	16,237	9,617	5,347	279,116
Other operating expenses	1,371,358	604,049	242,430	268,024	2,485,861
Total operating expenses	1,969,915	1,463,572	265,821	254,387	3,953,695
Net operating income	1,277,122	1,349,219	919,582	463,442	4,009,365
Share of profit from an associate and a joint venture	–	–	3,534	–	3,534
Net income for the year before Zakat	1,277,122	1,349,219	923,116	463,442	4,012,899

Outlook 2023 and beyond →

Alinma Bank will continue to align with the Kingdom's overarching Vision 2030, and remain on course to implement our 2021-2025 strategic targets alongside Saudi Arabia's more immediate economic growth predictions for 2023. Going forward, our Retail business will aim to retain its focus on growing both housing and personal financing portfolios, while the Corporate business will target Mid-sized corporate and MSME segments for financing, powered by the continued growth in high-quality booked assets.

Cross-selling will be accelerated where non-banking products such as insurance, payroll management and e-commerce will be pitched to the existing customer base. The Bank – committed to its founding principle of developing highly innovative Shariah-compliant financial solutions – will leverage its digital platforms to widen its reach of a digitally savvy new generation of customers from among the changing demographic of the Kingdom.



Business portfolio

Retail banking and digital group



Gents branches

104

Ladies branches

78

Sales centres

4

ATMs

1,564

Remittance centres

49

Retail banking marked several key achievements in 2022 →

Retail business growth

- Recorded a 33% growth in Retail financing against a peer average growth of 20.38% for 2022, and moved up two positions to 7th in Retail financing market share ranking in the Kingdom
- Grew Home Financing market share from 2.5% in 2021 to 5.0%
- Recorded a +80% growth in interest-bearing (IB) deposits due to rate hikes
- Registered +72% YoY value growth in Remittances

Customer experience enhancements

- Effectively implemented Net Promoter Score (NPS) to better align with the strategic goal of offering the best customer experience. Alinma scored a 63% NPS for Retail Banking, and was among the Top 3 Banks in terms of branch service standards with an NPS of 79% in December 2022
- Nurtured strong loyalty among customers that resulted in 10X increase in registration for Alinma's Loyalty Program, and an impressive 40% growth in loyalty rewards redemption

Target segments growth

- Successfully grew digitally-savvy Private and Diamond banking customer franchise in line with Alinma's Retail Banking strategy, with +30% and +19% growth in customers respectively
- Achieved onboarding target of 320,000 for youth segment, in line with the strategic priority of growing a digital-savvy youth customer franchise

Business portfolio

2022 saw the Retail Banking and Digital Group grow rapidly, with the last vestiges of COVID-19 making way for growth in the year. The Group, with the distinction of being the most customer-facing unit of the Bank, was led by its vision to 'Be the most digitally advanced, fastest, and most convenient retail bank in the KSA', and drove towards achieving its strategic objectives of growing its core franchise business and being the 'Number 1 Bank in Net Promoter Score', with a flurry of activity in 2022.

During the reporting period, Alinma continued to implement the Bank's Strategic Plan 2021-25 and launched a number of products, processes and initiatives that further increased its appeal among identified target customer segments:

Statistics at a glance →

	2022	2021	2020
Gents branches	104	100	98
Ladies branches	78	78	75
Sales centres	4	4	0
ATMs	1,564	1,584	1,557
POS Terminals	125,247	100,764	74,277
Remittance centres	49	52	53



Launched the revolving **credit card and privilege card**, and recorded **exceptional cards** sales backed by the end-to-end digitalization of Credit Card sales:

Purchase – 50,000
Revolving – 120,000
Traveller – 155,000



Launched **20 new financing products** including the milestone Auto Financing product, and digitalized Personal Financing, achieving record financing sales.



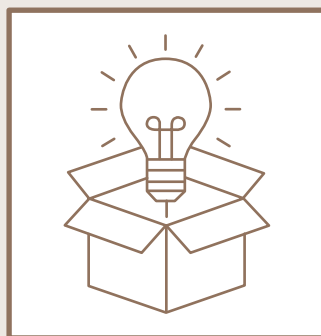
Partnerships established with several universities, including 12 public and 8 private universities.



Implemented commodity option for financing products.



Established three new geographically-focused Private Banking Centres for high net worth customers in Riyadh, Jeddah and Khobar, and is awaiting SAMA approval to begin operations.



Shifted revolving card financing to commodities, leading to higher sales and improved Turnaround Time (TAT).



Total revamp of the official Alinma Bank website www.alinma.com, and a 3X increase in marketing leads.



Reduced TAT of real estate financing from nine to seven working days, Home Financing from nine to six working days, and Personal Financing to 30 minutes.



Portfolio of Murabaha credit cards reached 87,000 during the reporting period.

Business portfolio

Renewed focus on real estate financing →

A key development in 2022 was the SAR 40 Mn. acquisition of a share of Alinma Bank's real estate financing portfolios by the Saudi Real Estate Refinancing Company (SRC), a wholly-owned unit of the Kingdom's Public Investment Fund. While further enhancing Alinma's real estate financing solutions, this strategic partnership demonstrated the Bank's alignment with SRC to support the Kingdom's Vision 2030 objectives of the Saudi home ownership program.



Joint Cooperation Agreement with Saudi Real Estate Refinance Company (SRC) for purchasing a real estate portfolio to enhance liquidity and support stability, in the financial real estate sector

The acquisition was complemented by renewed effort from Alinma aimed at becoming the best choice for customers in real estate financing in KSA. This included the launch of a number of tailored products to meet evolving customer demands such as Real Estate Buyout and Refinance, as well as a Land and Construction financing product. The Off-Plan product was revamped during the reporting period to better meet market needs, while the Self-Construction product was revamped together with the Kingdom's National Housing Company (NHC) for more economic housing solutions. This partnership also enabled Alinma to avail submissions through NHC's online Sakani portal, to facilitate online financing for real estate customers. Strategic Memorandums of Understanding (MoUs) were formalized with private Real Estate Developers for wider consumer reach and market penetration.

Achieving operational excellence →

The Retail Banking Group also took measures to improve operational efficiency and productivity in an ongoing effort towards stakeholder value creation during the year. Initiatives included revamping branch operations through centralization, business process re-engineering (BPR), and enhanced digitalization that resulted in highly efficient, sustainable and environmentally-friendly paperless banking. The Bank also enjoyed considerable savings from ATM optimization, and by timely, corrective actions taken to improve operations and staffing across Direct Sales and Telesales channels. Product offerings too were further supported by revised credit norms, flexible eligibility criteria and reduced turnaround times (TAT).

Digital remained one of the key enablers of Alinma Bank's 2025 strategy, and one that is closely aligned with the Kingdom's Vision 2030 (Refer to page 51 for a broader look at digitalization at Alinma). The COVID-19 pandemic acted as a digitalization accelerator at Alinma, bringing on fast adoption of online account opening, touchless payments, as well as online remittance transactions and bill payments, efforts that have continued to successfully progress during 2022. The Bank invested in continual developments and improvements that resulted in the formation of a digital enablement hub that adopts best practices resulting in improved business agility and innovation on a fast pace. During the year under review, 97.4% of all customer transactions and 99% of all financial transactions at Alinma were carried out on digital platforms.

Four-year growth in digital transaction value and volume

Digital Financial Transactions	2022 %	2021 %	2020 %	2019 %
Value growth	33	40	36	55
Volume growth	27	24	36	42

Despite the challenge of rate hikes influencing customer behavior as well as the demand for financing and customer deposits, the Bank stayed on track with customer onboarding targets with the successful acquisition of 700,000 new customers, whilst meeting the Bank's ambitious target of digitally onboarding over 76% of all new customers.

Awards →

Alinma Bank yet again topped the Forbes List of Best Saudi Banks in 2022, and was adjudged Best Islamic Retail Bank in Saudi Arabia 2022 at the Islamic Retail Banking Awards (IRBA), a true testament to Alinma successfully journeying towards its strategic priority of offering the best customer experience and operational excellence in Retail Banking.

Future outlook for 2023 and beyond →

Alinma's Retail Banking and Digital Group will continue to grow in line with the Bank's 2025 Strategy, remaining focused on Affluent, Private, Youth and Ladies segments, while introducing new, tailored and timely products both on conventional and digital banking channels. The growth of digital banking at Alinma will remain multi-faceted and transcendent, with a slew of new product and service offerings earmarked by the Bank to be released in 2023. Such efforts, while improving overall customer experience and enhancing customer journeys, will enable Alinma to stay on course to achieve the Bank's Strategic Goals in retail banking, to:

- Build a digitally savvy, affluent, and HNW customer franchise
- Grow the digitally savvy youth customer franchise
- Offer the best customer experience and operational excellence



The unprecedented pace of technological innovations, latent and emergent customer expectations, and changing demographics have affected conventional banking and profoundly impacted its sustainability.

Business portfolio

Digital banking division →

Alinma Bank's proactive response to this altered environment was the expansion of its digital ecosystem across the Bank, to deliver future-ready financial solutions and greater value to the customer.

The Government's Vision 2030 for the Kingdom is built around three primary themes: a vibrant society, a thriving economy and an ambitious nation. Stemming from the Bank's deep alignment with the Kingdom's Vision, are the core digital drivers of Alinma's 2025 strategy; Open Banking adoption, fintech enablement and incubation.

Key achievements →

There were a number of major digital developments that took place during the reporting period as a result of Alinma's continued investment in digitalization. The frontrunner of the Bank's digital achievements for 2022 is the creation and expansion of Alinma's Digital Factory; an enabler of digital innovation, iteration, and improved business agility across the Bank. The Digital Factory assisted in successfully scaling up customer experience and operational excellence at the Bank, and greatly expedited the delivery of all its digital initiatives during the reporting period.

The Digital Lab was launched in 2022, in addition to the Digital Excellence and Innovation Unit, further expanding Alinma's digital ecosystem. This was complemented by the establishment of the Bank's own Beta Community to serve as an internal testing ground, allowing for rapid iteration and innovation – a key requirement to strengthen Alinma's growing repute as a customer-centric Bank.

Part of Alinma Bank's digital drive, is its aptitude to be a pioneer in collaborating and adopting fintech solutions and companies. Hence, it has defined a special fintech strategy to harness the boundless potential of this field. As a result, several partnerships were struck.

In consolidating this growing digital fortitude, Alinma was able to finalize the development of two major channels to its customer reach; first, a market-tilting Digital Attacker with the ability to scale faster and expand into new products and consumer segments, with a value proposition to meet unmet financial needs of a larger, underserved demographic of the Saudi population; second, a completely new and improved mobile app with a host of greatly enhanced features to support 24/7 accessibility and an augmented level of customer service and satisfaction.

In terms of products, the digital strides made by Alinma in 2022 were evidenced by the successful end-to-end digitalization of two major products; digital credit cards and digital personal finance. By the end of the reporting period, the majority of the Bank's products and services were available on digital channels, highlighting Alinma's customer centricity, and alignment of its digital journey to meet fast-evolving customer needs.

Corporate customers were presented with a new application to digitally access multiple corporate products and services, increasing time efficiency and convenience.

This marked progress in digitalization at Alinma during 2022 resulted in 97.4% of all customer transactions and 99% of all financial transactions being carried out on digital platforms, registering a YoY improvement from 2021. 76% of all on-boarding was carried out digitally in 2022, with the Bank continuously bridging the gap between futuristic reach and conventional banking products.

Growth of the digital footprint →

The progress, eventual success and financial impact of all Alinma's digital initiatives – which are carefully assessed and benchmarked against rapidly-evolving global digital banking practices by reputable partners – are measured by well-identified KPIs, which were continuously monitored during the reporting period.

The Bank also closely monitored its Net Promoter Score (NPS) for digital banking during the year under review, as an indicator of customer satisfaction and loyalty, and as a metric to further improve the Bank's service standards.

Advantage of cutting-edge technologies →

Within the highly competitive Banking sector in KSA; speed, agility and accuracy of the Bank's response to market needs remained invaluable in 2022. With far-sighted investments in Artificial Intelligence (AI) platforms and big data solutions, Alinma took full advantage of its immense data volumes to predict customer behaviour, apply cross-selling models, predict next best action, implement early warning systems and carry out credit risk analysis, among other forecasting. This robust analytics infrastructure helped the Bank strongly foster data-driven decision making, to analyze the pulse of the market and where necessary, take action to expand or safeguard its market share. The Bank also continued to implement Robotic Process Automation (RPA) across key areas such as operations, compliance and sanction capabilities, continuing to enhance operational efficiencies across the Bank.



Business portfolio

Fortifying key areas →

Alinma's Cyber Security Team implemented several measures including a new data leakage detection system, and continued to digitally improve data security practices and processes across the Bank. Within the guidelines issued by SAMA, the cloud adoption at the Bank continued its cautious growth in a compliant manner during the reporting period.

Alinma also actively implemented strict data governance measures in 2022 in accordance with the Data Governance Framework developed by the National Data Management Office (NDMO) – the national regulator for data in the Kingdom. The Bank collaborated with reputed partners to ensure the framework's requirements in terms of data classification, data sharing, data privacy, Freedom of Information, open data and other requirements are well embedded in the Bank's data governance system, as the framework becomes effective as law in March 2023.

Given the unique challenges that 2022 presented, most notable was the risk of fraud that was on an upward trend fueled by a continuously evolving global digital banking landscape. The Bank, operating within a strong Risk Management Governance framework was able to take swift preventive action and enforce fortified controls to mitigate any further risks.

Training and upskilling →

Capability building remained a key criterion in the main strategic focus of the Bank during the reporting period. Several training sessions were held internally and externally to raise global industry awareness, improve digital literacy and upskill employees, empowering them to stay abreast with both existing and emerging global technologies in digital banking.

Future outlook →

The Digital Factory will serve as a partnership hotbed in line with the Bank's fintech partnership strategy, forming strategic collaborations with fintech companies to become a focal point of digital innovation. With Open Banking services ready to be launched across the Kingdom in Q1 2023, a Committee was formed to pursue fintech partnerships and to execute initiatives across an array of focus areas for Alinma, including customer loyalty and rewards, open banking services, and user experience.

Through the setup of a growing digital ecosystem built around its Digital Factory, Alinma has a full pipeline of tailored digital products in development and on schedule to be launched in 2023.

Given the changing demographics and their aspirations, the Bank's significant achievement in digitalization will be a spring-board for garnering better market share in 2023 and beyond.



Business portfolio

Corporate banking group



Corporate
financing
Growth 10%

POS
terminals
125,247

Daily settlements for
POS settlement process
2

Launch
of
e-Trade

Corporate Banking has consistently contributed healthy financing income and profit for Alinma Bank, and continued to strengthen the Bank's position, registering a 10% YoY growth in corporate financing in 2022 with a 9.29% financing market share in KSA. It has been able to complement the Bank's customer-centric strategy in catering to the Kingdom's younger demographic and increasing digitalization in 2022. It has also embraced the Bank's focus in increasing deposits, and integrating CASA metrics into the KPIs of Relationship Managers, to better align the workforce with the Bank's strategy.

The Bank continued to be a partner of the Kingdom, having historically provided strong financing support for most government-initiated projects. During the year, financing support was provided to a number of energy, water, housing, grain silos and other services projects.

Alinma's Corporate Banking Group has also supported projects related to Vision 2030, through leading and participating in providing healthy financing. Most notable among them were the financing facilities provided to Public Investment Fund (PIF) backed projects such as NEOM, Red Sea Project, AMAALA and others.

As one of the most significant groups at the Bank, the Corporate Banking Group gets strong support from the management, which has enabled it to experience consistent growth over the past years. To meet the various customer segments' needs, the group's work team has been divided into a number of departments. Heightened focus was also maintained to large companies and medium-small enterprises, which is evident from the Bank's group, comprising of sectors that cater to their requirements. The group also includes a structured financing sector that contributes to financing new industrial, service and real estate projects. By establishing branches and departments across various regions of the Kingdom, principally the major regions, the Bank also paid attention to the geographical distribution of the services offered by the Corporate Banking Group. This facilitates communication with customers directly.

Business portfolio

Key achievements for 2022 of Global Transaction Banking (GTB) at a glance →

Delivery channels

- Introduced Digital on-boarding Journey for Corporate Internet Banking (CIB)
- Launched e-Trade
- Upgrades and enhancements as value-adding features for CIB

Products and services

- Number 1 bank in KSA for active Point-of-Sale (POS) terminals supported by Instant POS Delivery and OTP activation through branches and sales agents.
 - Enhanced the Point-of-Sales settlement process to enable 2 daily settlements of daily transactions, which is considered an advantage for Alinma clients as we are considered the first bank that offers such a feature for both Mada and Credit Card transactions.
- 1st bank in KSA to enter into an MOU with the Ministry of Human Resources and Social Development (MHRSD) for Payroll business subscribers
- 1st bank in KSA to integrate and automate MHRSD's Mudab Wages Protection System (WPS)
- Acquiring business through Aggregator partnerships
- Launching Normal letter of credit (LC) financed by Bai Ajel

Service standards

- Introduced Discover Cards scheme and Qatar Debit Cards
- Upgraded current cards schemes to Mada 2.0 and MasterCard Payment Gateway 3DS 2.0
- Amended client's share in Musharaka LC to less than 1%

Internal processes

- Turnaround Time (TAT) of onboarding for Cash Management products reduced from 2 days to 3 minutes
- B2B integration process Accelerated from 2 months to 5 days
- Reduced TAT for LC processing to 1 day
- Reduced TAT for letter of guarantee (LG) processing to 30 minutes

The Corporate Banking Group's internal processes continued to garner favorable results and customer satisfaction in 2022 even within a challenging operating environment. Whilst the increase of the Saudi Arabian Interbank Offered Rate (SAIBOR) from 2021 levels increased the gross financial income for banks, it also posed problems for corporate clients, especially those operating on thin margins that were highly dependent on bank financing. The Bank ensured that its financing portfolio remained creditworthy through close coordination with clients and high-quality credit analysis. This is evidenced by the stable Non-Performing Loans (NPL) and provisions achieved during the year.

Alinma Bank chose to trim financing portfolio growth at a mid-double to the low teens in 2022, taking a stance to ward off predatory pricing while ensuring the overall credit portfolio remained creditworthy. Whilst competition in the large corporate segment remained high, the Bank believed it to be a prudent stance, also because the low-price environment is seen as transitory given its unsustainable nature. Once the pricing pressure subsides, growth could return to the mid-teens as the demand for credit is likely to stay strong.

Digitalization, automation, and systems upgrades across the Corporate Banking Group witnessed significant progress during the year, in line with the Bank's overall strategies of being customer-centric and responsive to the evolving digital and automated operating environment. Developments in online delivery channels, notably the launch of e-Trade was successfully completed during the year, winning Alinma the KSA Customer Choice Trade Finance Bank Award at the 10th Annual Saudi Trade Finance Summit 2022. System and efficiency upgrades also led to the substantial reduction in TAT in processing Corporate Banking transactions.

Corporate Banking accelerated **customer acquisition efforts**, most significantly by increasing its presence on the middle market segment while maintaining its strong position in the large corporates and project finance. To this end, the Bank added a leadership position for the Commercial Banking sector, hiring a Deputy General Manager to oversee the overall direction and operations for the sector. The sales and marketing teams across the key regions in the Kingdom were also strengthened with the addition of a mix of seasoned as well as junior Relationship Managers. These efforts showed promising results with several key accounts being booked in 2022 from the operating regions of the Commercial Banking sector in Riyadh, Jeddah, and Dammam.

Market share and industry position improved in 2022, as the growth in the middle market sector complemented the Bank's historically strong presence in the large corporate and project finance sectors.

Introduced single login for corporate banking customers

Enhanced and streamlined corporate customer experience with single login feature, to enable access to both Internet Banking and Trade Finance platforms through a single login process



What lies ahead →

Moving into 2023, the strategy for the Corporate Banking Group is to continue the overall customer-centric approach adopted by the Bank, ensuring the ever-changing needs of corporate customers are serviced. The Group envisages continuous developments on online platforms and efficiency upgrades on internal processes through 2023 and onwards.

Scheduled for the new year are several initiatives to meet the strategy and vision of the Bank whilst providing strong support for the Kingdom's Vision 2030. The Corporate Banking Group will strive forward in 2023 with its focus on growing the mid-sized corporate clients, SME segments, guided by effective account selection processes with sound credit evaluation to assess risk. This drive will be complemented by quality accounts from Project Finance and Real Estate divisions. Alinma is also dedicated to developing highly innovative Shariah-compliant Corporate Banking products and programs in 2023 to complement segmental growth.

Proactive account management and close coverage by dedicated Relationship Managers with the support of technologically advanced banking processes and industry expertise will fuel Corporate Banking in 2023. Cross-selling of other banking products such as POS, insurance, deposits, and payroll is part of the growth plan, with periodic rechecking of the target segments' characteristics and needs providing the necessary alignment of goals and achievements.

Business portfolio

Small and medium enterprise banking



Portfolio position

SAR 4.857 Mn. at
18% growth

Funded

SAR 4.518 Mn.
18% growth

Non-funded

SAR 338 Mn.
21% growth

Profit

SAR 354 Mn.
57% growth

2022 saw the Small and Medium Enterprise (SME) sector of Alinma Bank achieve many developments to improve performance and enhance the customer experience. These developments came in the form of a new SME structure, new products and partnerships and an improved workflow to support the management and operational aspects of the sector. The sector has also continued to reap the benefits of the strategic partnership with the Kafalah SME program which positively influenced the performance of the sector in terms of growth, profitability, risk and coverage.

In line with the SME sector's new structure, a new SME Sales Network was formed to manage all program-based lending products. This Sales Network mainly targets micro and small enterprise clients by offering them different products with less regulatory requirements and flexible approval procedures to fulfill their financial needs.

Business portfolio

The sector successfully introduced six new products in 2022, to serve the unique needs of SMEs across different sectors. These include:

The infographic displays six financing products arranged in a 3x2 grid. Each product is represented by a red icon and a text label. The products are: Current Account Based Financing – CAPEX (icon: SAR bag and document), Current Account Based Financing – Invoices (icon: document), Current Account Based Financing – Payrolls (icon: SAR bag and person), DAMAN Performance Bond – Cash Margin Based Financing (icon: SAR bag and percentage sign), Receivables Financing (icon: hand holding money), and Real Estate Investment Financing – Rental Based Financing (icon: house with SAR bag).

The SME sector entered into multiple partnerships and agreements with different entities which led to agreements with the Agricultural Development Fund, increasing the cooperation with the General Authority for Small and Medium Enterprises (Monshaat) by increasing financing opportunities through the financing portal, and expanding the financing for small and medium enterprises under the umbrella of the KAFALAH program. These partnerships reaffirm the Bank's commitment to support all government initiatives, especially those that serve the Kingdom's 2030 vision and goals.

In achieving the milestones for 2022, the SME sector underwent significant improvements and enhancements to improve workflow and manage operational difficulties. These included the:

- Setting up of a new approval fast track to facilitate and expedite the approval process by providing more authority to the business
- Redesigning and improving the process flow to be more efficient and effective in terms of flexibility and quality
- Improving the RMs' skills by offering intensive credit programs specially designed by Moody's Analytics
- Participating in different events to offer our services and products and increasing the SME market share (Ex: Hajj and Umrah Services Conference and Exhibition, and The International Franchise Expo)

Increased rates were a challenge during 2022 as it negatively affected clients' ability to re-utilize the granted facility limits. Other challenges included aggressive competition from traditional banks and some newcomers including fintech platforms. Therefore, the Bank was keen, through its strategic vision 2025, which focused on digital transformation and automated banking operations in the SME sector, to enhance the digital customer experience to keep pace with the transformation taking place in the banking sector, and to ensure that the Bank is the fastest and most convenient choice in the Kingdom of Saudi Arabia for all customers by 2023.

Although the market continued to recover from the effects of COVID-19 in 2022, the Bank continued to pay close attention to SMEs that were aggressively affected by the pandemic and offered additional financing by way of rescheduling or restructuring transactions to help these entities to recover and get back on track. Alinma Bank also provided clients with subsidies through programs initiated by SAMA, including the Deferred Payment Program (DPP) and the Guaranteed Loan Program which was extended for a further year from March 2022.



Partnership with FOODICS to Empower SMEs and Micro-Businesses in the Kingdom

Future developments →

2023 will be the **Year of Digital Transformation** in the SME sector of Alinma Bank. The SME sector is set to increase market share by providing more products and services especially for micro and small enterprises and increase its presence in emerging areas. The sector will also offer an improved incentive scheme to achieve targeted growth.

The Bank hopes to leverage existing partnership agreements with the public sector and seek new opportunities, whilst also opening new avenues with the private sector, especially with the fintech and E-commerce platform to increase our client base and market share. These initiatives will be bolstered by the Bank's branch network offering tailored SME products that fit our clients' unique needs.

Business portfolio

Treasury group

The Treasury Group of the Bank contributed effectively towards the overall Bank, introducing new products like derivatives, structures and REPO with customers, successfully cross selling among all business groups, thereby achieving all cross-sell KPIs related to the Bank Strategy 2025. Working towards the strategic goal of being the Most Innovative Treasury Partner in the Kingdom, the Group introduced 12 primary initiatives to achieve this strategic goal, and has reached its 2022 targets in a timely manner.

As a Primary Dealer, Alinma Bank continued working with the National Debt Management Center (NDMC) to market the SAR Government Monthly Issuances, and also bid SAR 6.9 Bn. in Government Sukuk year-to-date (YTD) with Alinma Bank and its clients being allocated 4.7B SAR. The Bank also participated in NDMC-facilitated Sukuk switch deals, as part of its continuous optimizing process of the “reserve eligible Sukuks” portfolio, to maintain sound high-quality liquid assets (HQLA) that coincides with balance sheet growth, thereby maintaining healthy regulatory ratios.

In 2022 the Treasury has:

- Launched a new Treasury dealing system – capable of catering to various new products
- Developed new yield enhancement products
- Established a new Senior Unsecured Sukuk Program
- Created a Funds Transfer Pricing (FTP) calculation enhancement project
- Introduced new Risk Participation arrangements with international banks.

Treasury products introduced during 2022

Profit Rate Swap (PRS) for customers:
total volume – SAR 884 Mn.

FX Forward for Customers:
total volume – SAR 229.206 Mn.

Double Wa’ad (GMRA)
with banks and financial
institutions – 7 counterparties

Risk participation agreement
with banks – 2 counterparties

Over the last five years, Alinma’s investment portfolio had registered 117% growth with an 80% increase in performance and a net exchange income increase of 71%.

	2022	2021
Total assets growth	15%	2%
Income from investments	41%	-5%
Exchange income increase	38%	-1%

The Treasury division worked on several forward-looking initiatives during 2022. These included

- Redesigned FI coverage
- Introduction of profit rate hedging
- Enhanced offering of structured deposit products
- Upgraded systems support for new Treasury processes
- Growing long term funding to improve and stabilize liquidity along with Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)
- Diversifying investments to improve yield on investment portfolio
- Introduction of Shariah-compliant products in alignment with international banks.

In keeping with its fundamental responsibilities, the division developed a funding strategy document and monitored it regularly through the Assets and Liabilities Committee, to track funding and liquidity levels, maturity and risk profiles, and capital management of the Bank. The Group also worked towards automating the Fundamental Review of the Trading Book (FRTB) by Q1 2023 and parallelly developed a manual module to generate the Basel requirement as per Basel 4.

Managing liquidity and funding was a major challenge during the year. Super-sized rate hikes to combat inflation delivered by the Fed during the year 2022 led to most GCC economies increasing rates in order to protect the currency peg regime, translating to higher cost of funding and liquidity stress. Alinma Bank was prudent in managing the cost of funding and through adequate balance sheet management was able to cater to the growth in the asset side, especially in investments, which grew by more than 17% YTD. This growth was mainly directed toward enhancing the overall portfolio yield, in addition to improving the diversification of the book.

The timely and generous support received from the Central Bank, the high-quality liquid assets and the large partner base of the Bank helped in effectively managing liquidity, thereby safeguarding stakeholder value.

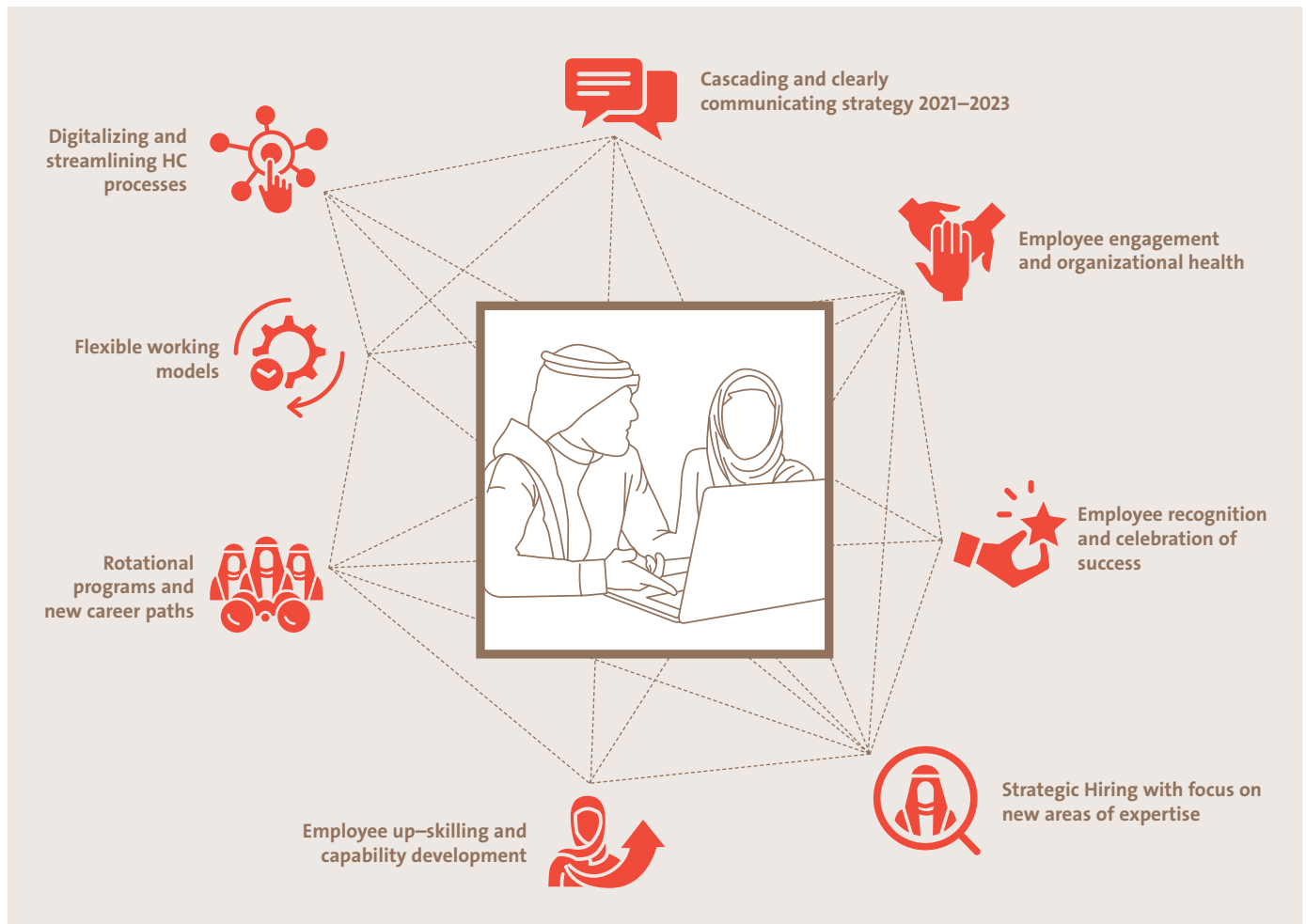


2022 has seen a focused drive towards e-learning, with an emphasis on Technical and Leadership related training and development during the year.

Our people

Human capital management →

Alinma Bank prioritizes Human Capital (HC) Management as a primary strategic component, and thereby derived nine key HC strategic initiatives aligned with the overarching strategy of the Bank, with a primary objective to be the “First Employer of Choice” in the financial sector of the Kingdom. During 2022, the HC division leveraged major organizational restructuring carried out during the previous year to successfully close eight of nine key HC strategic initiatives derived from the Bank’s 2021-2025 Strategy:

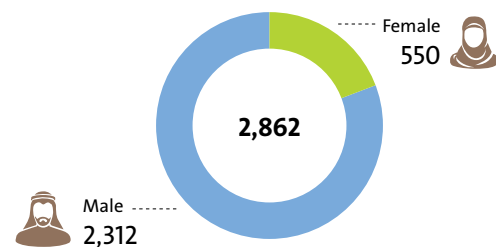


The HC division continued to implement the remaining initiatives during the reporting period, with projects underway to digitalize and streamline HC processes, and to build an agile organization that operates with high standards of alignment, accountability, expertise, transparency and collaboration.

The Bank’s “Women Empowering Department” continued to increase the number of females hired, developed and promoted by Alinma, as part of the Bank’s new strategic direction to empower women at all levels, with all business divisions contributing towards creating a better balance in the Human Capital of the organization.

Alinma Bank’s conviction and commitment to its human capital was reinforced as it was recognized by the Ministry of Human Resources and Social Development (HRSD) with the Labor Award for the top entity to nationalize jobs in the financial and insurance sector, with a Saudization rate of 95.20% for 2022.

Number of employees at Alinma Bank

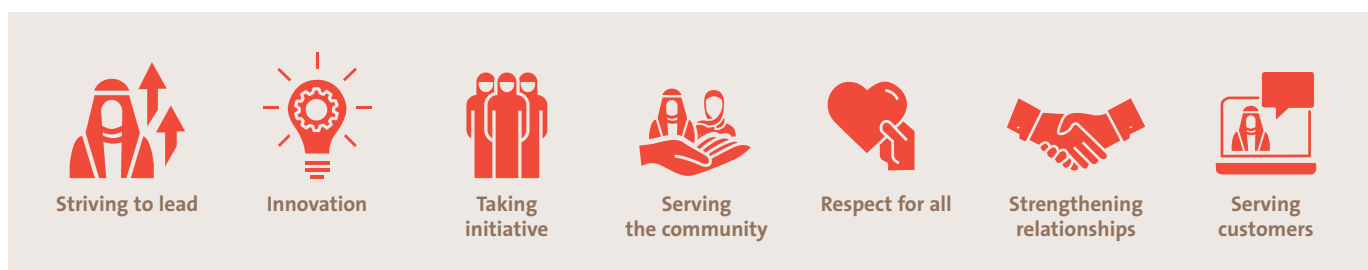


Our people

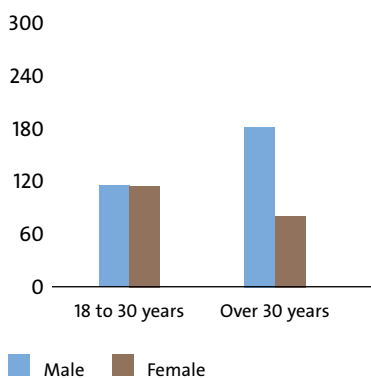
Employee distribution by gender, category of employment and education

	Male (Numbers)				Female (Numbers)				Total (Numbers)			
	SM	MM	C	O	SM	MM	C	O	SM	MM	C	O
Doctorate	1	1	0	0	0	1	0	0	1	2	0	0
Masters	7	62	67	17	0	8	22	0	7	74	135	17
Graduates	6	188	1,192	63	0	15	478	0	6	213	1,655	63
Other	0	46	654	8	0	1	25	0	0	45	693	8
Total	14	297	1,913	88	0	25	525	0	14	322	2,438	88

Our values



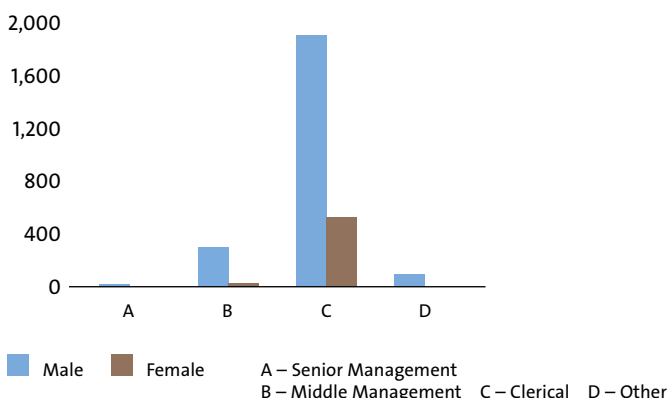
New hires in 2022 by age group and gender (Nos.)



The HC division continued to enhance the Bank’s hiring and onboarding process with the “Creating Employee Experience Department”, to better acclimatize new employees to the Bank’s culture, to help them better understand their role in the Bank’s projected success, to feel valued for their input, and to create an overall enriching employee experience benchmarked to international standards.

Additionally, the HC Employee Care Unit organized a number of initiatives as well as entertainment events and social activities during 2022, to strengthen morale, and to facilitate some much-appreciated employee engagement and networking opportunities.

Employee distribution by position (Nos.)

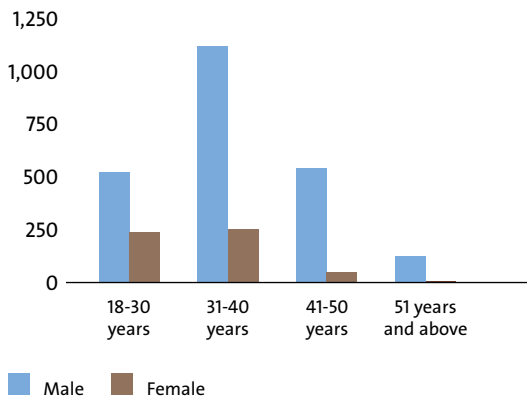


The highly successful incentive scheme based on employee productivity from the previous year was extended from Retail Banking in 2022 to cover Private, Affluent and Business Banking Divisions of the Bank and its Contact Centre, as well as non-interest bearing (NIB) deposit growth, increasing motivation and satisfaction among employees as they directly contribute to and benefit from the Bank’s growth.

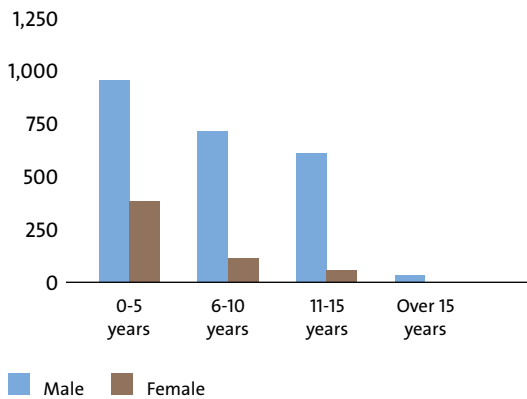
Alinma Bank’s compensation and benefits strategy remains one of the most competitive in the market, evidenced by the high percentage of youth the Bank retains in its talent pool, and the long service periods of Alinma’s loyal employees.

Our people

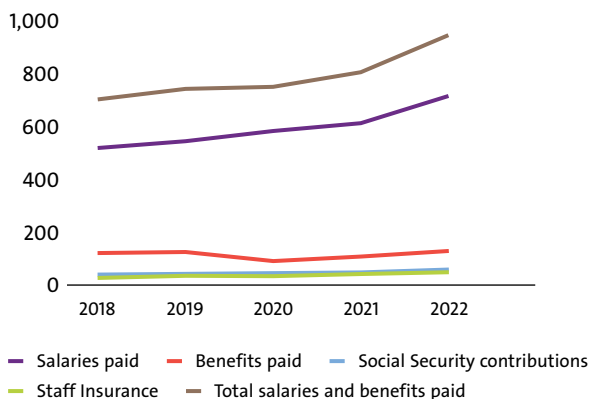
Employees by age and gender 2022 (Nos.)



Service period of workforce (Nos.)



Salaries and benefits (SAR Mn.)



Organizational health →

Alinma Bank conducted an “employee pulse check” in the form of an Organizational Health Index (OHI) survey at the onset of 2022. Organizational health determines any organization’s ability to maintain a highly engaged workforce that aligns with and achieves its strategic goals, and is crucial for sustainable growth and performance. Alinma tracked a number of different dimensions to gauge employee sentiment and organizational health; namely Leadership, Direction, Innovation and Learning, Work Environment, Motivation, Rewards and Recognition, Accountability, Coordination and Control, Capabilities, as well as External Orientation. With a participation rate of 82%, the results showed an overall improvement of 6 points from 2021, recording an impressive OHI index of 70 for the year under review.

A factor that has greatly contributed towards further enhancing employee sentiment has been the introduction of “Employee Voice” a secure channel where employee grievances are handled with sensitivity by the Bank. Employee inquiries, complaints and suggestions can be directed to the channel, which underwent a number of enhancements to improve the communication process during 2022. The Annual Employee Appraisal program also covers employee grievances, to ensure their continued experience remains positive.

Employee health →

Dedicated to fostering a healthy, thriving and content workforce, the Bank implemented a number of health initiatives and campaigns to raise awareness on employee health and wellbeing. Alinma also continued to adhere by COVID-19 best practices for employees in 2022, even though the impact of the pandemic showed a slowdown. Mask and vaccination mandates were upheld at the Bank in accordance with Ministry of Health and Ministry of Human Resource and Social Development (HRSD) regulations to ensure employee as well as customer well-being. Free COVID-19 tests for employees were facilitated, in addition to vaccination drives in coordination with health authorities, within the Bank’s premises. Employees who contracted COVID-19 were offered fully-paid sick leave until complete recovery. The “work-from-home” set-up launched during the pandemic continued to evolve during the reporting period, allowing for staff whose physical presence is considered non-essential, to work remotely using specialized tools.

Breast cancer awareness campaign 2022

Raised breast cancer awareness among employees with supporting resources to encourage testing at examination centres approved by the Ministry of Health, promoting benefits of early detection.



Our people

Employee capacity building →

With the strategic objective of building employee capacities through qualitative training, Alinma Bank has taken a holistic approach to employee training and development at all levels. The “Alinma Academy for Education and Development” serves Alinma employees by offering all mandatory awareness courses and preparation courses for certificates required by SAMA. With the drive to digitalize every aspect of the Bank’s processes and prompted by the “new normal” brought forth by the pandemic, 2022 has seen a focused drive towards e-learning, with an emphasis on Technical and Leadership related training and development during the year, in addition to the core training requirements.

Participation in the KSA banks and financial companies football championship

Formed the Alinma Bank football team with the participation of employees from the Bank and subsidiary companies to compete in the Championship, as part of our efforts to motivate employees to practice and participate in healthy, sporting activities.



Training program, participants and time →

	2022	2021	2020
Number of training programs	352	108	252
Total number of participants	14,931	7,745	1,739
Training days	11,574	9,075	1,565
Hours spent on training	88,870	54,450	9,390

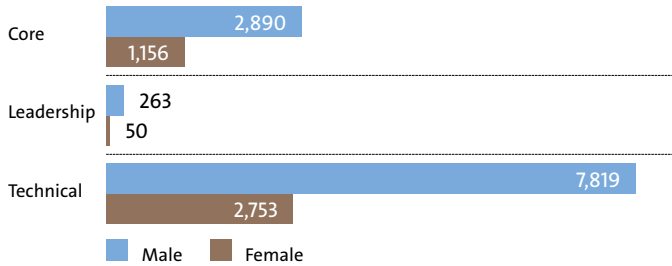
Hours of training that the Bank’s employees have undergone during the year, by gender, employee category and skills type →

Type	Number of employees			Number of person hours of training		
	Male	Female	Total	Male	Female	Total
Mandatory	7,162	1,735	8,897	17,264	4,346	21,610
Non-mandatory	3,810	2,224	6,034	35,596	31,664	67,260
e-Learning	8,185	2,078	10,263	16,370	4,156	20,526

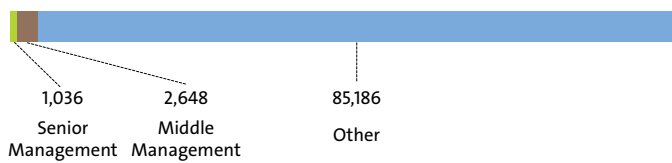
Type	Number of employees			Number of person hours of training		
	Male	Female	Total	Male	Female	Total
Senior Management	137	0	137	1,036	0	1,036
Middle Management	384	50	434	2,128	520	2,648
Other	10,451	3,909	14,360	49,696	35,490	85,186

Our people

Training (Nos.)



Hours of training by grade



Outlook 2023 >

Digitalization will continue to dominate the Human Capital Management at Alinma Bank, as it pursues its foray into new avenues of stakeholder value creation. The Bank has already automated and digitalized a number of human capital services on the employees' self-service system, and will continue to do so in 2023, whilst further digitalizing and streamlining HC processes as part of the Bank's 2025 strategy, in addition to improving employee experience and utilizing data analytics to improve decision making.

A new AI-driven online recruitment platform named "Bloovo" is in the pipeline to be commissioned in the coming year, and current systems including the Enterprise Resource Planning (ERP) system will continue to be enhanced through data and system restructuring in 2023.



Technical skills

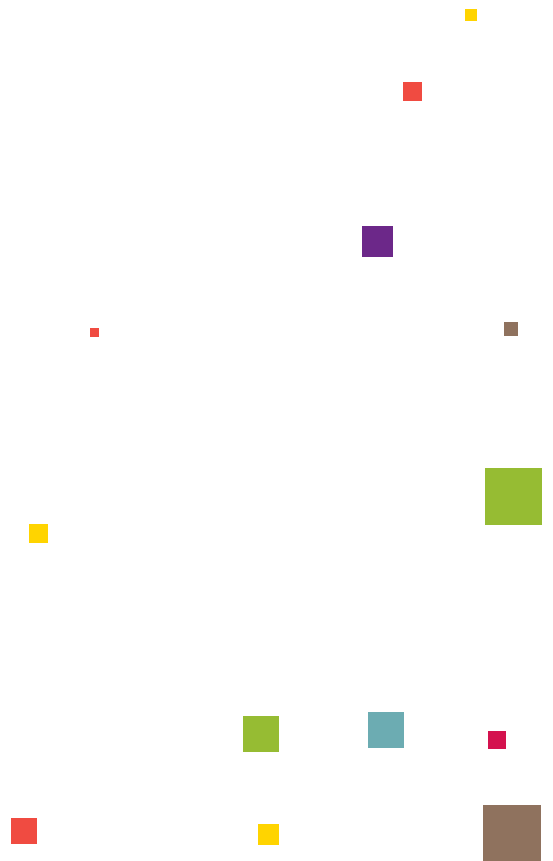
10,572 persons trained

32,128 Hours

Soft skills

4,359 persons trained

56,742 Hours





Alinma Bank takes a holistic approach to employee training and development at all levels, enhancing their skills, ability and competency to provide employees with career progression, while ensuring a more enriched and efficient customer experience as a result.

Our resources

Shared services group →

Alinma's Shared Services Group contributes towards achieving the Bank's ambitious 2025 strategy by developing its technology capabilities, optimising business operations, streamlining the operating and delivery models, and increasing cost effectiveness and operational efficiencies. The Bank's Shared Services Group comprises five main divisions and departments; namely, Information Technology, Operations, Facilities Management, Procurement, and Planning and Excellence, each with its own initiatives and goals under the overarching Strategy 2025.

Information technology →

Success of financial institutions today are indisputably tied to the speed, ease and efficiency with which it is capable of meeting consumer demands, and identifying and planning for latent customer needs.

The year 2022 witnessed a continuation of Alinma Bank's efforts to meet rapidly increasing consumer demand for digital banking services and technological advancements. The Bank successfully delivered a number of digital products and services during the reporting period, ensuring customers benefited from not only the agility but also remote accessibility, increased security and an unrivaled customer experience.

The IT division also plays a crucial role by proactively carrying out external systems integrations with government organizations and financial institutions such as the Saudi Central Bank (SAMA), the Saudi Credit Bureau (SIMAH), and other systems such as the digital payroll system Mudad and many other such systems, in order to meet both evolving customer-needs as well as regulatory requirements.

In 2022, the IT division has implemented (743) business requests received from the different business units to meet their demands, covering various aspects including enhancements, automations, new products, services, and technology, anti-fraud controls, and legislative requirements.

The Bank's IT strategy aligned with its overarching 2021-2025 strategy, encompassing several key areas for improvement and development including Artificial Intelligence (AI), Advanced Analytics, IT Architecture, the Bank's IT Governance Framework, and Robotic Process Automation (RPA). The success and progress of achieving the strategic objectives are driven by continuously monitoring the performance of implementation plans, and measured through Key Performance Indicators (KPIs), which are monitored periodically.

Launch of the new version of Alinma internet for individuals

Introduced an upgraded, feature-rich and highly responsive version of Alinma Internet for individuals, in line with our commitment to provide the best digital services to our customers.



A year of focused, strategic progress

With ambitious plans to expand its digital platform, the Bank successfully added a suite of products to its aggressively growing digital product portfolio in 2022, to enhance customer experience through ease of access to the product of their choice. On the Retail Banking front, several products including digitalized personal financing, auto financing, commodity financing, digitalized credit card requests and activations, and a range of real estate products – including the ability to submit financing requests directly from the Sakani portal – were introduced. Retail customers were also introduced to the Bank's new Internet Banking and Mobile App during the year 2022, with advanced functionalities that greatly improved customer experience and response times.

The Corporate Banking Group benefited from the launch of a new Merchant Registration Portal, and Merchant Settlement Solution that manages Point of Sale (POS) transaction settlements among multiple parties. SAMA Anti-Fraud controls were applied to reduce the occurrence of any online fraud and strengthen Alinma's counter-fraud framework, and build customer confidence.

The new Treasury System launched during 2022, offers advanced Treasury products and new functionalities, which facilitate fast decision-making and reduce operational risk.

The Net Promoter Score (NPS) was implemented, which measures customers' satisfaction with the services and products offered by the Bank, and their willingness to recommend the Bank's services and products to others.

Through the Saudi Payments alliance, the Bank was also able to enable Discover cardholders to use their cards at Alinma ATMs and POSs. During 2022, the percentage of branches containing digital kiosks (Thati) went up from 66% in the previous year to cover 100% of Alinma branches across the Kingdom.

Artificial Intelligence (AI) to the fore

Alinma Bank continued to apply state-of-the-art machine learning, AI and Advanced Analytics tools to unleash the potential of the Bank's extensive data library, and explore new business opportunities by building and testing AI use cases, especially in forecasting, predictions, and customer insights. The organization-level AI platform also supported better, faster, data-driven decision making across and between the Bank's business units. A total of 12 new AI use cases were implemented in collaboration with different business units, driven by a team of data scientists and AI experts which contributed to increase the banking business by offering suitable products and services to Alinma customers. An AI-powered chatbot was soft-launched to improve experience with real-time interaction and instant feedback.

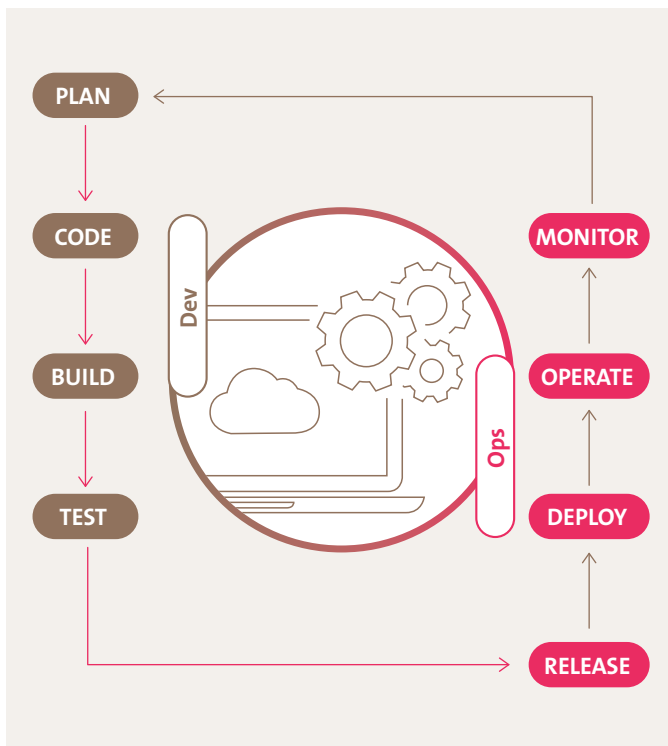
Our resources

Strengthening IT capabilities and infrastructure

Internally, a complete Enterprise Architecture Assessment was carried out in 2022 across the Bank and its business units, and a 3 year roadmap plan with required improvements was developed for application, data, infrastructure and IT operating models. The Bank implemented applications to better align with global financial instruments and regulatory frameworks including IFRS9 and Basel III, running respective calculations and forecasts to enable higher compliance with each benchmarked standard.

The IT division also adopted an agile methodology during the reporting period for faster and more reliable applications delivery under DevOps Phase 1, focused on increasing the proportion of projects delivered through agile methodology while at the same time forming and building capacities of "IT Agile Squads" to complement the effort. In 2022, 45% of IT projects were delivered through "Agile".

Delivery-based Service Level Agreements (SLAs) were formalized between the IT division and the Retail, Corporate and Treasury Groups, to streamline the process further and ensure on-time project delivery. The first phase of the Database Servers Migration project was also successfully completed during the reporting period, further improving the performance of database applications.



Multiple system upgrades were carried out in 2022, in order to improve the performance and introduce new features including Card Management System, ATMs Gateway, and the first phases of the Application Servers upgrade and Network Performance Enhancement. Cloud services started to be utilized in accordance with SAMA regulations and guidelines, with plans afoot to expand their utilization to further support the Bank's digital journey.

Data security and governance

The Bank's Cyber Security Department (CSD) introduced a number of initiatives during the reporting period to enhance data security and data governance, and to ensure all online transactions as well as sensitive financial and personal data of customers remain protected from unauthorized access, corruption or theft during the data lifecycle, across both customer-facing and internal processes.

Data Centre security was bumped up to detect any changes on server level and firewall level, while a cyber-security risk assessment was carried out by the IT division during the year under review. A comprehensive cybersecurity awareness program was rolled out to educate employees. With the implementation of Alinma's very own cyber forensic lab, enhancements were seen across security monitoring activities, processes and technologies such as security orchestration, automation, Data Loss Prevention (DLP), endpoint detection and response (EDR), endpoint protection, network access control (NAC), and the overall Incident Response and Monitoring Management process.

The IT division reviewed and updated Alinma's cyber security policies during 2022, and assessed data governance and privacy gaps across the Bank, with a roadmap for implementations and recommendations to enhance the CSD and its strategy over the next three years. The Bank remained compliant across multiple regulations and standards by maintaining validation of all relevant certifications including the Payment Card Industry Data Security Standard (PCI DSS), the ISO 27001 information security standard, and the SWIFT standard. With such investments in 2022, the CSD ensured Alinma Bank's customers of protecting the confidentiality, availability and integrity of their digital data.

With these and many more automations and enhancements, the IT division continued to play a key role in achieving the Bank's overarching 2025 Strategic goals, whilst strengthening the infrastructure needed to contribute towards the Kingdom's Vision 2030 target of a cashless society powered by financial inclusion.

Operations division →

In 2022, Alinma Bank continued its efforts to centralise all operational activities across the Bank's different divisions and departments into the Operations division in order to promote efficiencies, reduce costs, and optimise controls to align with the Bank's operational risk appetite levels.

During the year under review, Alinma implemented (16) new use cases related to operational processes to automate repetitive tasks and activities, and (12) processes automation using Robotic Process Automation (RPA), and (5) processes reengineering, which streamlined a number of operations processes' activities, thereby reducing execution times compared to last year and improving the Turnaround Time (TAT) in many banking products and services for retail and corporate groups, as well as mitigating the incidents of human errors such that no operational losses were reported despite the growth in the number of operational transactions by 52% this year, increasing team productivity, and reducing operational costs.

The Bank has started implementing a comprehensive plan to transfer the activities of managing cash centres and ATMs operations to the Multi Bank Cash Centres (MBCC) authorized by the Central Bank as well as transferring a number of its owned cash centres to MBCC according to a time-bound and gradual plan that takes into account cost and efficiency standards, while maintaining the quality of performance.

Our resources

Phase two of the Global Payment Innovation (GPI) System was implemented to extend real time tracking of outgoing foreign currency payments to customers.

Cash Agent Services and Repo Operational Services were introduced by the Bank, while forex Waad and Profit Rate Swap (PRS) were integrated to serve large corporate customers.

The automation of incoming foreign currency payments and the International Bank Account Number (IBAN) validation for transfer confirmation were also automated, reducing processing time as well as risk associated with foreign transactions.

The Bank also linked customers with the Etimad financial portal for verification of Letters of Guarantee, while also enhancing Alinma's electronic channel to enable auto cancellation of Letters of Guarantee.

The process of internal account reconciliation for auto lease financing, personal financing, real estate financing, and Treasury products offered through the new Treasury System were fully automated.

Internally, a number of initiatives were implemented by the Operations division to improve workflow efficiency and increase productivity of employees, while also introducing the outsourcing of various services to further reduce operating costs.

As part of Alinma's initiatives aimed at facilitating procedures, the authentication of required documents and fulfillment of various manual forms were combined in a single form, which can now be accessed and filled online.

Extended Global Payment Innovation (GPI) standard for international transfers

Improved customer experience by enabling tracking of outgoing foreign currency payments via SWIFT GPI transfers contributed towards the Bank's automation efforts in line with Strategy 2025.



Enabled bank guarantee issuance service through Etimad

Linked customers with the Etimad financial portal for electronically managed and issued Letters of Guarantee, available to customers at any time with ease and safety.



Operational excellence →

In recognition of the efforts exerted by the Bank in terms of automation and quality of payment transactions, Standard Chartered Bank awarded Alinma the Straight Through Processing (STP) Excellence Award in 2022, reflecting a degree of total automation, and showing the Bank's dedication in achieving and maintaining operational excellence.

In 2022, Alinma Bank continued to obtain high ratings and an advanced position in its ATMs' availability, compared with other Saudi banks, according to the reports released by Saudi Central Bank (SAMA). This was a result of the Bank's commitment to maintaining a high quality of ATMs related systems, ensuring swift cash transportation and ATM replenishment, and improving monitoring processes, thus leading to cash being available at ATMs around the clock.

Awarded Straight Through Processing (STP) excellence award in 2022

Recognized by Standard Chartered Bank for quality maintained in the field of payment transactions, reflecting a degree of total automation.



Procurement →

The Procurement Department at the Bank is one of the main pillars for advancing progress by securing the different business units' requirements of various resources and systems to facilitate their work in achieving the Bank's 2025 strategy.

The Procurement Department sought to improve and promote supplier diversity in 2022, attending trade exhibitions, conducting market screening processes, and internal communication to grow its internal and external supplier base for the various resources that the Bank requires. In terms of procurement's interest in local content, close to 88% contracts were awarded to local suppliers in 2022. The i-Supplier portal – developed and implemented in close collaboration with the IT division – continued to enhance the Procurement Department's capabilities in the procurement sourcing lifecycle to be fully automated and supplying the Bank and its business units during the year, and was upgraded with a module to enable supplier registration online.

The procurement process re-engineered in 2021 continued to pay dividends in 2022, allowing for quality and cost-efficient sourcing.

Facilities management →





Aligned with Alinma Bank's business expansion plans for 2022, the Facilities Management division successfully implemented a number of initiatives across the Bank. Key among these were the physical expansions completed by the division in 2022, including the construction completion of (7) new branches including two private banking branches, and the construction and setup of (47) ATM sites, as well as setting up the Alinma currency exchange kiosk at King Khalid International Airport. Moreover, a total of (8) branches were redesigned and renovated to support the universal employee concept. As of the end of 2022, digital zones had been implemented across all Alinma Bank branches, for the ease and convenience of the customer. The Bank also complied with SAMA regulations and completed implementing IP camera systems across all branches and all ATMs during the reporting period.

The year also witnessed the construction completion and operation of Alinma Digital Factory lab at the Headquarters, as well as the redesigning and implementation of multiple workspace offices located in Riyadh and Jeddah to create an attractive work environment and provide additional space for new employees.

Our resources

The Bank finalized and approved the designs of its new Headquarters in Riyadh, and successfully accomplished the bidding and awarding process, and completed the excavation project for the new Headquarters.

A number of ESG based initiatives were completed during the reporting period, including:

 <p>Solar Energy System installations across 12 branches</p>	 <p>Energy Smart Control System installations at 20 branches</p>
 <p>LED lighting installations for all branches and all ATMs</p>	 <p>Improvement of the greenery of branches to create an environmentally friendly workplace at 22 branches</p>

To complement the upgrades that are being carried out across bank branches, the Bank finalized a new branch identity which will be rolled out by Facilities Management starting from 2023.

Marketing and corporate communications →

Efficiency, effectiveness, and speed have become paramount to Alinma's success in terms of service delivery to customers, as well as internal business relationships. To aid the Bank in this regard, Marketing and Corporate Communications (MCC) continues to play an effective role, maximizing its impact across the following three performance dimensions: internal organizational support, quantitative analysis, and brand recognition.

In 2022, MCC was given responsibility and ownership of two crucial verticals in customer engagement – Partnership and Loyalty as well as the Contact Center. These two functions required strategic talent acquisition and integration in line with the broader bank structure and targets laid out by the Bank's Strategy 2025 initiative. Working closely with the Human Capital division, MCC successfully allocated necessary resources for both functions, driving performance during the reporting period to deliver impactful results.

Most notably, the Contact Center fielded nearly two million calls in 2022, achieving a 94% satisfaction rate on Interactive Voice Response (IVR) surveys. Focused loyalty efforts saw enrollment in the Bank's Mazaya rewards program increase 132% YoY, with a corresponding program value increase from SAR 6.8 Mn. to SAR 40 Mn. during the reporting year. In terms of partnerships, MCC's strategic approach to promote exclusivity to Alinma's customer base saw the Bank successfully conclude agreements with major brands such as Amazon, HungerStation, and Xcite, adding 150 new customer offers in total. The success of MCC's efforts was directly reflected in the Bank's 2022 Contact Center Net Promoter Score (NPS), which saw an unprecedented increase from -35 to 65 in under 8 months, a strong indication that customer engagement is moving in line with Strategy 2025 objectives.

Quantitatively, across 2022, MCC also transitioned to a more data-driven approach, to ensure that initiatives were validated by results, and that the results continued to tell a story of success. This was largely evidenced by MCC's successful, targeted, digital marketing efforts across a range of segments, especially youth and women – demographics identified as key to the Bank's growth.

MCC saw a significant increase in product leads acquired digitally, with a growth of 422%, along with a decrease in Cost per Acquisition (CPA) from SAR 85 to SAR 24, a total cost savings of 71%. Additionally, Alinma emerged as the top bank in the Kingdom in terms of relative follower growth, with a noteworthy increase of 84% across all social platforms.

Signed-Up as official banking sponsor of the Prince Mohammed Bin Salman pro league

Formalized an agreement with the Saudi Pro League (SPL) to become the first bank in the Kingdom to sponsor the MBS Pro League as official Banking Partner, and gain greater engagement with the youth target segment.



In terms of recognition, MCC built on past promotional successes to help the Bank reach several noteworthy accomplishments in 2022. Chief among these was Alinma's sponsorship agreement with the Saudi Professional League (SPL), the first such agreement between the SPL and a Saudi bank. ROI for this engagement was independently analyzed by global market research and data analytics firm, YouGov, which found that Alinma achieved over 114 hours of brand exposure, and benefited from over USD 14 Mn. (SAR 52.5 Mn.) in gross advertising value, and USD 5.7 (SAR 21.4) in net sponsorship value.



Saudi Professional League signed a sponsorship agreement with Alinma Bank, according to which Alinma Bank will be the Official Partner for the Saudi Roshn League for the 2022/23 sports season

Peer and industry recognition were also a key focus for MCC in terms of building the Bank's public image and brand value. In 2022, Alinma was named a top 100 Middle East company by Forbes Middle East, and one of the top 20 brands, by valuation, in the Kingdom, by world-leading data analytics and brand consulting firm Kantar, which valued the Alinma brand at USD 1.73 Bn., a 139% increase since its previous assessment in 2020.

MCC also ensured that the Bank maintained its position as a constructive contributor to Saudi society through its diverse Corporate Social Responsibility (CSR) initiatives. Throughout the reporting period, MCC deployed approximately SAR 8 Mn. in CSR spend on important social causes such as autism, food for the needy, youth STEM activities, cultural projects in Makkah and Madinah, and much more.

Subsidiaries

Alinma's subsidiaries are well structured separate legal entities that operate under the parental umbrella with distinct and separate business objectives from that of the Bank. Contributing to the overall success, they form an integral part of the Alinma family.



Alinma Investment Company

A wholly owned subsidiary of Alinma Bank, Alinma Investment Company (AIC) is a Saudi Closed Joint Stock Company established by ministerial resolution number 183 dated 7 Jumada Al-Thani 1430H (corresponding to 31 May 2009) and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010269764 dated 23 Jumada Al-Thani 1430H (corresponding to 16 June 2009).

Business activities →

The key activities of the Company include dealing as Principal and Agent for underwriting, managing investment funds and portfolios, as well as providing advisory and custodial services with respect to the securities business, as licensed by the Capital Market Authority (CMA) under license number 09134-37 dated 23 Rabi Al-Thani 1430H (corresponding to 19 April 2009). AIC has also closely aligned its own strategy with Alinma Bank's 2025 Strategy, and has improved its focus towards cross-selling products and services to meet strategic objectives, playing a significant role as a member of Alinma Bank's cross-selling committee.

Capital structure →

The subsidiary has paid up capital of SAR 500 Mn. from a nominal share capital of SAR 1 Bn.

Initiatives →

With over 250,000 active users utilizing its digital platforms, the subsidiary progressed in its digitalization journey during 2022, successfully launching three more key initiatives during the year under review for AIC clients; online subscription for IPOs, online account activation for the NOMU Parallel market, and a customer-servicing WhatsApp chat-bot. This emphasizes the customer centricity that spreads across Alinma's group of companies, and the product and process efficiencies AIC continues to invest in, to provide greater satisfaction for its clients.

Financial performance →

AIC recorded strong growth in 2022, with an operating income of SAR 667 Mn. for the year ended 31 December 2022, a significant increase from the SAR 598 Mn. recorded in the previous year. This performance exceeded income targets by 7%, mainly due to higher proprietary investment performance. The overall expenses of SAR 177 Mn. remained in line with the AIC budget. The Company ended the year with a net income of SAR 490.8 Mn. exceeding the target by 15%, while maintaining total assets under management of SAR 76 Bn. as of 31 December 2022.

Achievements →

During 2022, AIC added five new investment funds with over SAR 3 Bn. total assets under management. Among the newly launched funds was the Alinma Hospitality Real Estate Investment Trust (REIT) Fund, the first-of-its-kind dedicated fund launched to serve the Kingdom's growing hospitality sector, in line with the overarching Vision 2030 objectives. The overall strong performance of AIC's funds was recognized with its Alinma Multi Assets Balanced Fund being awarded the 2022 Refinitiv Lipper Fund Award for the Best Fund over 3 years in the Mixed Asset category in Saudi Arabia.

Outlook 2023 →

AIC plans to re-launch its website with enhanced, highly responsive features to improve the customer journey and experience across communication, account opening and trading. Expansion of international outreach is also on the drawing boards, to enable AIC clients to trade equities in new markets and explore new investment fund opportunities across different asset classes.

Subsidiaries

التقنية المالية السعودية
Saudi Financial Technology

Saudi Financial Technology Company

Wholly owned by the Bank, Saudi Financial Technology Company (SFTC) was established in 2019 as a licenced payment company to support the Government's Vision 2030 objectives and its Financial Sector Development Program in promoting financial inclusion as the Kingdom evolves into a cashless society.

Business activities →

Following its recently revamped business strategy, the subsidiary's core business activities are spread across three key pillars; Consumer Solutions, Business Solutions and Venture Capital (VC) Investments.

Under Consumer Solutions, the consumer E-Wallet AlinmaPay launched in 2020 was the second digital wallet to be introduced to the Saudi market. AlinmaPay continues to provide innovative payment and lifestyle solutions that target specific consumer segments, namely blue-collar workers, children (mainly adolescents) and tech-savvy consumers.

Business e-Commerce Solutions being developed by the Company under its second pillar include a Payment Gateway – ClickPay – launched during the reporting period to enable seamless online payments for businesses, and a Merchant Payment solution, still in its early stage of development. The second pillar targets the Kingdom's growing demographic of small and medium enterprises (SMEs).

The third pillar – VC Investments, plans to act as the Company's own strategic fintech investments arm, investing in disruptive fintech technologies.

The subsidiary also takes on the role of digital attacker on behalf of Alinma Bank, excelling in agile delivery of innovative fintech solutions to grow market share, and extend Alinma Bank's customer base by reaching underserved customer segments. It also supports Group revenue growth by cross-selling Alinma products to AlinmaPay customers.

Capital structure →

The Company has a nominal and paid up capital of SAR 100 Mn.

Initiatives →

A number of initiatives were carried out during the year under review, and key among them were:

- Launch of a new, second digital payment product to the market – the digital payment gateway "ClickPay" was introduced for businesses, supported by sales and marketing activities for customer acquisition
- Implementation of a newly revamped strategy under three core pillars:
 - Consumer Solutions
 - Business Solutions
 - Venture Capital (VC) Investments

- Expand sales and promotional activities of consumer E-Wallet AlinmaPay to sustain as well as grow market share, including the introduction of new features
- Continued development of innovative fintech solutions for Consumer and Business segments
- Continued focus on providing unrivalled customer care and exclusive loyalty benefits for customers.

Financial performance →

The subsidiary registered a revenue of SAR 2.2 Mn. for the year under review, an increase of 83% from the previous year, and a total net profit (loss) of SAR 17.8 Mn.

	2020 SAR	2021 SAR	2022 SAR	percentage
Revenue	386,428	1,271,004	2,327,698	83
Gross profit (loss)	(537,138)	(1,528,497)	(3,102,169)	103
Profit margin (gross profit/revenue)	-139%	-120%	-133%	
Net profit (loss)	(311,394)	(7,585,982)	(17,751,169)	134

Achievements →

Despite the aggressive competition in the market, the total number of registered consumers on AlinmaPay continued to increase and crossed 233,000 during the reporting period. Most notable was the fact that while 49% of consumers were Alinma Bank customers, the marginally higher segment of 51% consumers were non-Bank customers, indicating the wide and successful market penetration the subsidiary achieved in 2022, and the resulting potential for Alinma Bank to grow its reach and customer base.

Following the launch of ClickPay during the reporting period, the Company has had 50 merchants register for its payment gateway services as at December 31, 2022. Accepting all major debit/credit cards from MasterCard, Visa and mada, ClickPay has processed a value of SAR 11,187,519 through 28,614 transactions since its launch.

Outlook 2023 →

The subsidiary will continue to focus across its three core strategic verticals, with a number of new, innovative fintech products in the early stages of development, and ready to be introduced to the market from 2023 onwards. This will be complemented by bolstered efforts in the sales and marketing of AlinmaPay and ClickPay products, as the Company continues to sustain and grow its share in a highly competitive market.

The Company aims to promote a culture of electronic payments by introducing future-ready fintech solutions to customers in an evolving financial services landscape, driven by the scheduled launch of Open Banking services in the Kingdom in 2023.

Subsidiaries

التنوير العقارية 

Altanweer Real Estate Company

Established in 2009, the Altanweer Real Estate Company (AREC) is a limited liability company registered under Commercial Registration No. 1010272689, and was exclusively formed as Alinma's real estate arm to generate profitability through acquisition and investment in real estate. The Company currently manages 22,000 clients in its portfolio.

Business activities →

The core business activity of the Company has progressed in the areas of:

- Transferring deed titles in the name of the Company by way of mortgage.
- Holding and managing deeds whose title is transferred to the Company and other parties by way of guarantee.
- Sale, purchase and transfer of real estate for financing and business purposes of Alinma Bank, for which the Company was established, including management and sale of properties of delinquent customers.
- Dividing, segmenting, sorting, merging and amending deeds as well as segmenting, sorting and merging real estate and residential/commercial units.

The Company represents Alinma Bank in the market for real estate business and steps into mitigate any risks arising from engaging with the real estate industry, without the Bank's intervention where necessary. The Company supports the sustainable and scalable growth of the Bank's real estate portfolio, and applies the standards of compliance with the Saudi Central Bank's regulations and guidelines related to real estate accrued by the Bank.

Capital structure →

The Company has nominal and paid up capital of SAR 100,000 with 98% ownership stake secured by Alinma Bank, and 2% owned by Alinma Investment Company.

Achievements →

Over 65% of the Company's manual leases were converted on to its digital platform during the reporting period. As the real estate arm of Alinma Bank, the Company also uploaded all of Alinma Bank's leases to the Ejar Platform – the state-owned real estate platform launched by the Ministry of Housing.

Challenges →

During the year under review, the Company's business and service to customers was impacted by the suspension of services by municipalities on account of violations committed by clients, whose real estate is registered in the name of the Company as a finance guarantee. The subsidiary was also required to add its unified number (700) to all deeds registered in the name of the Company during the year, a challenge met with effective human resource management and powered by back-end efficiencies.

Outlook 2023 →

Plans are underway to finalize the transition of paper-based deeds to digital platforms, and to update all digitized deeds to include the Company's unified number, simultaneous to the completion of the manual deed update that is scheduled to be completed in 2023.

Subsidiaries



Alinma Isnad Company

Established in 2019, Alinma Isnad Company began its operations at the onset of the year 2020.

Business activities →

- Providing outsourced employment services for Alinma Bank and its subsidiaries
- Controlling and reducing overhead costs
- Improving Saudization of Alinma Bank and its subsidiaries
- Enhancing quality and service of the businesses
- Risk Control

Capital structure →

Alinma Isnad Company has nominal and paid up capital of SAR 500,000.

Achievements →

The subsidiary successfully achieved a number of key strategic objectives and performance metrics earlier than projected, highlighting the subsidiary's strong performance for the reporting period.

Financial performance →

The Company made a profit of SAR 7,827,868 in 2022, compared to a return of SAR 1,996,705 the previous year.

Future plans →

The subsidiary has outlined plans to open a branch outside the Kingdom, to support the Bank in the field of information technology by outsourcing top talent.

Alinma SPV Limited

A wholly owned subsidiary of the Bank, Alinma SPV Ltd was established in January 2022 in the Cayman Islands, with an assigned capital of USD 50,000 to manage Derivatives and Treasury products such as Profit Rate Swap (PRS), REPO and Forex Forwards.

During the reporting period, the Company focused on formalizing agreements and completing the on-boarding with multiple counterparties, and will continue to increase the number of counterparties in 2023.


Sustainability

Sustainability

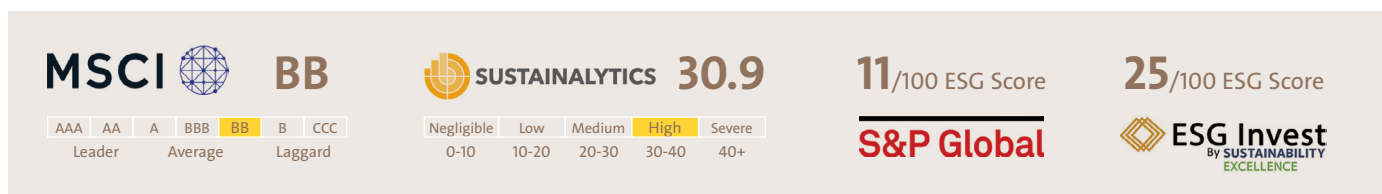
Alinma Bank’s ESG focus

Alinma welcomes the growing focus on Environmental, Social, and Governance (ESG) factors in determining the valuation of banks. During the year 2022, the Bank improved its ESG ratings by making continued progress in its ESG agenda which is based on three ESG pillars, each driven by 4 key initiatives respectively.

The progress of the Bank’s ESG agenda is given below for the year under review:

	Key Initiatives	Progress
 <p>Environment</p>	<ul style="list-style-type: none"> (1) Deployment of digital channels and digital signatures (2) Installation of energy-efficient lighting in Alinma Bank branches (3) Installation of air-conditioning timers (4) Piloting renewable (solar) energy sources (5) Greening of branches 	<ul style="list-style-type: none"> Established 108 new digital zones leading to reduced paper consumption All branches were installed with energy-efficient lighting with plans to install it in the Head Office Installed in 20 branches and achieved a 20% reduction in energy usage Installed in 15 branches Contributed to the greening of its branches by adding hundreds of plants, with total number of 262 plants (<i>Ficus Relegiosa, Acasia, Techoma</i>) in 22 branches
 <p>Social</p>	<ul style="list-style-type: none"> (1) Employee training and employee townhalls (2) Allocating 1% of annual profits for CSR activities (3) Women empowerment and increasing number of women hires in the Bank (4) Community focus with a focus on growing SME financing 	<ul style="list-style-type: none"> Delivered over 88,870 hours of training and conducted 4 employee townhalls Contributed 1% of the Bank’s profits for CSR activities First bank in the Kingdom of Saudi Arabia (KSA) to sign women empowerment principles (WEPS) and increase women hires by 36% in Q4 2022 SME financing from Kafalah increased by over 46% YoY and PoS programs by over 108% YoY
 <p>Governance</p>	<ul style="list-style-type: none"> (1) Shariah-compliance through regular internal audits and committee oversight (2) SAMA and CMA compliance in regulatory and financial disclosures and adoption of internal controls (3) Institutionalization of the investor relations function with enhanced transparency and investor communication (4) Monitoring cybersecurity and initiatives covering data governance and protection 	

The bank aims, through these initiatives and achievements, to improve its position in the ratings of environmental, social, and corporate governance practices. The following data shows the bank’s position at the end of the year 2022:



Sustainability

Governance and Sustainability Committee →

In Q2 2022, the Board of Directors of Alinma formed a Governance and Sustainability Committee to oversee the ESG framework and progress of the Bank. The four members of the Committee are responsible to provide oversight on all ESG matters including strategy, framework, risks & opportunities, stakeholder engagement, and programs and sustainability through active engagement with the management team. The management team is responsible for the implementation of the overall ESG strategy and integration into the Bank's 2025 long-term strategy, and Alinma's investor relations team is engaged in the ESG and sustainability framework, initiatives, and external reporting functions.

The members of the Governance and Sustainability Committee:



Mr. Saad Abdulaziz Alkroud
Chairman



Dr. Saud Mohammed Al-Nimir
Member



Mr. Ahmed Abdullah Alsheikh
Member



Ms. Dina Al Nahdy
Member

*Appointed in January 2023

Material issues

The Bank ranked its 15 material issues based on their importance to the Bank and its stakeholders. Accordingly, aspects such as responsible customer relations, talent attraction, retention and development, diversity and inclusion, and digitalization and innovation amongst others were ranked as most important.

Material issues of Alinma Bank →

1 – Most Important 3 – Important 5 – Least Important

Sustainability

Women empowerment

With women empowerment highlighted as an important theme in the Saudi Vision 2030, legislative changes continue to be introduced across the Kingdom to address equality in the workplace, preventing discrimination in terms of wage, occupation and working hours, enabling women to practice commercial activities and contribute towards the Kingdom's economy.

In alignment with Vision 2030, Alinma Bank created its Women Empowerment Department in 2018 with a vision to inspire and empower women to pioneer excellence. The Department's mission is to champion women in driving the Bank's progressive agenda by influencing policies, sharing knowledge, leading initiatives and enhancing representation in decision making positions, thereby contributing towards realising the Kingdom's 2030 vision and the Bank's own goals pertaining to women empowerment.

Achievements →

Given the fiercely competitive job market, Alinma Bank offered an appealing employee value proposition with salaries and benefits on par with market standards, and created progressive job opportunities for women by building an increasingly digital, female-friendly work environment. This effort led to a rise in Alinma Bank's female labor force participation from a 16.21% in 2021 to 19.22% in 2022, and an increase in the Bank's women employment ratio by an impressive 85% compared to the previous year. Recruiting efforts along these principles will be continued through to 2023.

	2018	2019	2020	2021	2022
Total number of female employees	285	307	309	442	550

Female representation was also included at all levels of the Bank's operational and management structure. Tailormade training and development opportunities continued to be introduced to the Bank's female employees to build their leadership and managerial skills.

The challenge of retention was overcome by the Bank through an evaluation and redesign of its talent management processes to better fit and motivate female employees, supported by a structured career plan which was formulated to groom women to take future leadership positions.

International and domestic partnerships →

The Bank formalized an agreement with the United Nations to implement global principles in women's empowerment, further strengthening its commitment to the cause by joining the Gulf Region Organization for Women (GROW) established by ARAMCO – the Kingdom's public petroleum and natural gas company.

Reaching beyond the workplace →

The Bank reached out to its female customer base by engaging with them to raise breast cancer awareness and the benefits of early detection. An attractive discount rate was applied to customers who chose to take advantage of early detection packages on offer.

Outlook 2023 →

Success of the Women Empowerment Department will be measured primarily by the improvement of women's effectiveness in the work place, further strengthened through strategic engagement and enablement. To support this process, a comprehensive, end-to-end governance framework related to women at the work place, inclusive of an outfit policy, will be established to nurture and maintain a women-friendly working environment.

Alinma Bank will continue to increase female representation across all its core business verticals in 2023, especially at Management and decision-making levels. The Bank understands a robust and dynamic Employee Value Proposition is key to creating a fast-evolving workplace with an advantageous blend of talent more focused on performance and incentivization, and will continue – through the Women Empowerment Department – to ensure a conducive and empowering work place for women.

Investor Relations (IR)

Alinma Bank has successfully built a leading investor relations capability over the last two years, which has contributed to significant shareholder value creation in 2022.

IR engagement →

The management of the Bank attended/conducted over 228 Investor meetings in 2022.

Activity	2021	2022
Number of investor conferences attended	3	12
Investor meetings conducted	36	228

Sustainability

Investor relations virtual conferences and promotions conducted during 2022, attended by the CEO of Alinma Bank, alongside the Chief Financial Officer and the Head of the Investor Relations Department.

Conference/Roadshow Name	Date	Location
EEMEA Stars Conference 2022 – Bank of America and BofA Securities	26 January 2022	Virtual
The 5th EFG Hermes Investor Conference 2022	03 February 2022	Virtual
Fifth Annual Saudi Arabia Conference – Goldman Sachs	28 February 2022	Virtual
Bank of America Securities Middle East Bus Tour 2022	22 March 2022	Virtual
Arqaam MENA 2022 Conference	16 May 2022	Virtual
Saudi Exchange London Conference 2022	06 June 2022	UK Physical
Goldman Sachs Non-Deal Roadshow	09 June 2022	UK Physical
Citi's GEMS conference 2022	09 August 2022	USA Physical
EFG Hermes Conference – The 16th Annual One on One Conference	19 September 2022	UAE Physical
JPM Saudi Arabia Investment Forum	10 October 2022	USA Physical
BofA Securities MENA Conference	31 October 2022	KSA Physical
Goldman Sachs 14th Annual CEEMEA Conference	07 November 2022	UK Physical

Alinma conducted 4 earnings conference calls during 2022

Earnings Cycle	Number of market participants attended	Alinma Attendees
FY 2021	123	CEO, Deputy CEO, Head of Retail and Digital Banking, CFO, Head of IR
Q1 2022	121	CEO, Deputy CEO, Head of Retail and Digital Banking, CFO, Head of IR
Q2 2022	118	CEO, Deputy CEO, Head of Retail and Digital Banking, CFO, Head of IR
Q3 2022	135	CEO, Deputy CEO, Head of Retail and Digital Banking, CFO, Head of IR

Alinma Bank's extensive IR engagement by the Bank's management and IR team during the year resulted in the following achievements:

- 36% increase in Qualified Foreign Investment (QFI)
- Being ranked the 7th highest level of foreign ownership amongst Tadawul listed companies and the highest level in the Saudi banking sector
- The 3rd most active stock on Tadawul in terms of volume and value traded during 2022
- Alinma Bank's share price increased by 35.85% during 2022 compared to a 7.12% decline in the Tadawul All Share Index (TASI) and a 5.56% drop in the Tadawul Banks Index (TBNi)
- Two top international brokers initiated coverage on Alinma Bank (JPMorgan and Morgan Stanley), taking total analyst coverage to 14
- The CEO participated in the panel discussions of the MEIRA awards ceremony in 2022 and was awarded the Best Investor Relations – CEO in Saudi Arabia
- The IR team took over the responsibility of distributing the dividends to its shareholders on a semiannual basis during the year

- Honored with 4 Investor Relations awards at the Middle East Investor Relations Association (MEIRA) Annual Conference in 2022:



- Best Investor Relations Team – Banking in Saudi Arabia at the International Finance Awards 2022



Sustainability

Following the appointment of a new management team in late 2020 and early 2021 (including a new CEO and CFO), a comprehensive new bank-wide 5-year strategy was developed and rolled out during Q1 2021. As part of this wider strategy, an investor relations department and capability were built from scratch during the year with the ambition of becoming a leader in Investor Relations in the Kingdom. In establishing this investor relations capability, the following were achieved in 2021.

- Development and implementation of a holistic investor relations strategy
- Recruitment of Head of IR
- Documentation and roll-out of IR communication policies, operating model and policies and procedures
- Launch of IR program in Q3 2021 with inaugural earnings conference call hosted by Alinma's CEO, CFO and Head of IR.
- Publication of quarterly earnings cycle materials from Q3 2021 onwards
- Initial market engagement and conference participation by senior management and IR.

Building on the successful launch of IR in 2021, the Bank made significant progress in 2022.

- The 2021 annual report was fully revamped and digitized
- Launched a dedicated IR website in 2022 – IR.Alinma.com
- Expansion of IR team to 3-FTE
- Continuously improved earnings call and investor disclosures, including introduction of market guidance and detailed strategic progress updates on a quarterly basis
- Significantly increased investor engagement and conference participation
- Development and launch of the ESG strategy and reporting process.

These efforts were well received and lauded by the market, as evidenced by the following achievements, in addition to the feats stated above.

- Alinma's share price increased by 101.2% for the last two-year period, making it the 7th best-performing stock on Tadawul

- Significant increase in foreign ownership
- Improved analyst coverage and positive reactions from analysts as highlighted below:

“Alinma’s shares have had a solid run being up 71% ytd and out-performing MSCI EM by over 90%. This has been led mainly by improved investor visibility into the bank as the new management’s interaction with the street started only recently...Not only has the new management enhanced its communication with the street, which is positively impacting its stock performance, but also they seem focused in our view on improving ESG metrics within the organization...”

JPMorgan Initiation 20 April 2022

“Improvements in Investor Communication and Outreach — Alinma has had several senior management changes — led by new CEO Abdullah Al Khalifa (ex CFO Al Rajhi Bank/BSF). The Bank has also recently established an IR function — which could help bridge earlier communication gaps.”

Citi 16 November 2021



HSBC and Saudi Exchange London IR Conference 2022

Stewardship

Transition of the Board of Directors

Alinma Bank, while welcoming our new Board Members, wishes to thank the outgoing Board Members for their contribution to the success of the Bank during their tenure, and their guidance that has advanced us forward.

Board of Directors until May 2022



**Dr. Abdulmalik
Abdullah Alhogail**
Chairman



**Dr. Hamad Suliman
Al-Bazai**
Vice Chairman



**Dr. Saud Mohammed
Al-Nimir**
Member



**Mr. Abdulrahman
Mohammed R Addas**
Member



**Mr. Abdulmuhsin
Abdulaziz Al-Hussein**
Member



**Mr. Abdulmohsen
Abdulaziz Al-Fares**
Member



**Mr. Mohammed
Abdulrahman Bindayel**
Member



**Mr. Mutlaq Hamad
AlMorished**
Member



**Mr. Haitham Rashid
Al-Sheikhmubarak**
Member

Board of Directors elected in May 2022



**Dr. Abdulmalik
Abdullah Alhogail**
Chairman



**Mr. Saad Abdulaziz
Alkroud**
Vice Chairman



**Mr. Ahmed Abdullah
Alsheikh**
Member



**Mr. Anees Ahmed
Moumina**
Member



**Dr. Saud Mohammed
Al-Nimir**
Member



**Mr. Abdullah Abdulaziz
Alromaizan**
Member



**Mr. Abdulrahman
Mohammed R Addas**
Member



**Mr. Mohammed
Abdulrahman Bindayel**
Member



**Mr. Haitham Rashid
Al-Sheikhmubarak**
Member



Board Members



A B

Dr. Abdulmalik Abdullah Alhogail

Current Position

- Chairman of the Board of Directors
- Member of Board Committees

Previous Positions

- Vice President and Executive Director of Finance – Al-Faisaliah Group
- Faculty Member – Institute of Public Administration

Qualifications

- PhD in Accounting/Finance - Case Western Reserve University, USA
- Fellowship of the American Institute of Certified Public Accountants (AICPA) – Certified Public Accountant (CPA)
- Fellowship of the Saudi Organization for Certified Public Accountants (SOCPA)



B F

Mr. Saad Abdulaziz Alkroud

Current Position

- Vice Chairman of the Board of Directors since 21 May 2022
- Member of Board Committees
- Chief Administrator and General Secretary of Board of Directors – Public Investments Fund

Previous Positions

- Director of Stakeholder Management – Public Investments Fund
- Vice President – Diversified Wealth Management Company
- Advisor to the Chairman of the Board of Directors – Abdullatif Alissa Group Holding Company

Qualifications

- Master in Management and Leadership – University of Laverne California, USA



B D

H.E. Dr. Hamad Sulaiman Al-Bazai

Current Position

- Vice Chairman of the Board of Directors and Member of Board Committees until 20 May 2022

Previous Positions

- Deputy Minister of Finance
- Undersecretary of the Ministry of Finance for Economic Affairs
- General Coordinator for Negotiations of the Cooperation Council for the Arab States of the Gulf

Qualifications

- PhD in Economics – Colorado State University, USA

A Executive Committee B Nomination and Remuneration Committee C Audit Committee D Risk Committee

E Shariah Committee F Governance & Sustainability Committee

Board Members



D **F**

Mr. Ahmed Abdullah Alsheikh

Current Position

- Member of the Board of Directors and Board Committees since 21 May 2022

Previous Positions

- Deputy Governor for Supervision – Saudi Central Bank (SAMA)
- Deputy for Market Institutions – Capital Market Authority
- General Director of Supervision of Market Institutions – Capital Market Authority
- Director of Governance Department – Capital Market Authority
- Head of the Supervision Unit for Local Banks – Saudi Central Bank (SAMA)

Qualifications

- Bachelor in Accounting – King Saud University, Kingdom of Saudi Arabia



A **D**

Mr. Anees Ahmed Moumina

Current Position

- Member of the Board of Directors and Board Committees since 21 May 2022

Previous Positions

- Group CEO – Savola Group
- Group CEO – Sedco Holding Group
- Regional General Manager and Senior Credit Officer – Samba Financial Group (Samba)
- Assistant Brand Manager – Proctor & Gamble Co.

Qualifications

- Master in Engineering Management Sciences – George Washington University, USA



B **F**

D Membership completed on 20 May 2022

Dr. Saud Mohammed Al-Nimir

Current Position

- Member of the Board of Directors
- Businessman

Previous Positions

- Professor – Department of Public Administration (with distinction) – King Saud University, Kingdom of Saudi Arabia

Qualifications

- PhD in Public Administration – Florida State University, USA

A Executive Committee **B** Nomination and Remuneration Committee **C** Audit Committee **D** Risk Committee

E Shariah Committee **F** Governance & Sustainability Committee

Board Members



A D

**Mr. Abdullah Abdulaziz
Alromaizan**

Current Position

- Member of the Board of Directors since 21 May 2022
- Assistant General Manager, Local Real Assets Department – Hassana Investment Company

Previous Positions

- Portfolio Manager, Local Real Estate and Infrastructure Department – Al Raidah Investment Company
- Team Leader, Corporate Banking – National Commercial Bank
- Relationship Officer, Corporate Banking – Arab National Bank
- Assistant Portfolio Manager – Al Romaizan Group

Qualifications

- MBA – London Business School (LBS), UK



A C

**Mr. Abdulrahman Mohammed
Ramzi Addas**

Current Position

- Member of the Board of Directors

Previous Positions

- Director of Real Estate Investments – SEDCO Company
- Head of Corporate Sector – National Commercial Bank
- Chief Risk Officer – National Commercial Bank

Qualifications

- Master in Financial Management – University of Denver, USA



B

**Mr. Abdulmuhsin Abdulaziz
Al-Hussein**

Current Position

- Member of the Board of Directors until 20 May 2022
- Assistant General Manager of Local Investments – Hasanah Investment Company

Previous Positions

- Director of Local Stock Trading – Hasanah Investment Company
- Senior Financial Analyst in the Financial Investments Department – General Organization for Social Insurance

Qualifications

- Bachelor in Accounting – King Saud University, Kingdom of Saudi Arabia

Board Members



A D

**Mr. Abdulmohsen
Abdulaziz Al-Fares**

Current Position

- Member of the Board of Directors until 20 May 2022
- Businessman

Previous Positions

- Chief Executive Officer – Alinma Bank
- Executive General Manager for Financial Services – Abdul Latif Jameel Company Limited
- General Manager – Department of Zakat and Income
- Director of General Accounting Department – Saudi Central Bank (SAMA)
- Assistant Director of Internal Audit Department – Saudi Central Bank (SAMA)

Qualifications

- Master of Accounting – Western Illinois University – USA
- Fellowship of the American Institute of Certified Public Accountants (CPA) – USA



A B

**Mr. Mohammed Abdulrahman
Bindayel**

Current Position

- Member of the Board of Directors
- Chief Executive Officer – Cultural Development Fund

Previous Positions

- Investment Operations Manager – Raidah Investment Company
- Treasury Department – Saudi Aramco

Qualifications

- Master in Business Administration – The American University – USA



A C

**Mr. Mutlaq Hamad
Al-Morished**

Current Position

- Member of the Board of Directors until 20 May 2022
- Chief Executive Officer – National Industrialization Company

Previous Positions

- Executive Vice President of Finance – SABIC
- Vice President of Shared Services – SABIC
- Head of the Metals Sector – SABIC

Qualifications

- Master in Business Administration – Stanford University, USA
- Master in Engineering – Princeton University, USA

A Executive Committee B Nomination and Remuneration Committee C Audit Committee
D Risk Committee E Shariah Committee F Governance & Sustainability Committee

Board Members



C **D** **B** Membership completed on 20 May 2022

**Mr. Haitham Rashid
Al-Sheikhmubarak****Current Position**

- Member of the Board of Directors
- Independent investment and management consultant

Previous Positions

- Head of Wealth Management (followed by appointment as Acting CEO) – Saudi Fransi Capital
- Head of Asset Management – Arab National Investment Company
- Head of Portfolio Management – National Commercial Bank (NCB)

Qualifications

- Master in Business Administration – Business Management (Investment Management) – University of North Carolina, USA

Executive Management

Mr. Abdullah Ali AlKhalifa



Current Position	Previous Positions	Qualifications
<ul style="list-style-type: none"> Chief Executive Officer 	<ul style="list-style-type: none"> Chief Financial Officer – Banque Saudi Fransi Chief Financial Officer – Al Rajhi Bank Chief Financial Officer – Arab National Bank 	<ul style="list-style-type: none"> Master of Accounting – University of Miami – United States

Mr. Saleh Abdullah AlZumaie



<ul style="list-style-type: none"> Deputy Chief Executive Officer, Head of Retail and Digital Banking 	<ul style="list-style-type: none"> General Manager of Digital and Payments – Al Rajhi Bank General Manager of the Retail Banking Group – Al Rajhi Bank Manager of Remittances Department – Al Rajhi Bank Manager of the Investment Department – Al Rajhi Bank 	<ul style="list-style-type: none"> Bachelor's degree in English language – Imam Muhammad bin Saud Islamic University
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Mr. Emad Abdulrahman AlButairi



<ul style="list-style-type: none"> Head of Corporate Banking 	<ul style="list-style-type: none"> General Manager of Corporate Banking – Bank Albilad Head of Commercial Banking Services for the Eastern Region – Al Ahli Bank Head of Corporate Banking Services – United Saudi Commercial Bank 	<ul style="list-style-type: none"> Master of Business Administration – King Fahd University of Petroleum and Minerals
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Mr. Abdullah Jamaan AlZahrani



<ul style="list-style-type: none"> Head of Treasury 	<ul style="list-style-type: none"> Head of Investment and Treasury – Gulf Bank Senior Vice Treasurer – Riyad Bank Assistant General Manager of the Governor – Arab Bank 	<ul style="list-style-type: none"> Bachelor of Industrial Management King Fahd University of Petroleum and Minerals
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Executive Management

Mr. Meshary Abdulaziz AlJubair



Current Position	Previous Positions	Qualifications
<ul style="list-style-type: none"> Chief Operating Officer (COO) 	<ul style="list-style-type: none"> General Manager of the Information Technology Division – Alinma Bank Deputy General Manager of the Information Technology Division – Alinma Bank Manager of Information Security Planning Department – Saudi Telecom Company Manager of Systems Department – SAMA 	<ul style="list-style-type: none"> Bachelor of Science in Computer Engineering – King Saud University

Dr. Mohammed Sultan AlSehali



<ul style="list-style-type: none"> Chief Internal Audit Officer 	<ul style="list-style-type: none"> Executive Director – PwC Company Head of the Accounting Department, College of Business Administration – King Saud University Team Leader of the Regulatory Bodies Development Project – King Saud University 	<ul style="list-style-type: none"> PhD in Accounting – University of Melbourne – Australia
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Mr. Hamoud Abdulaziz AlHumaidan



<ul style="list-style-type: none"> Chief Compliance Officer (CCO) 	<ul style="list-style-type: none"> Compliance and Combating Financial Crimes Deputy General Manager – Alinma Bank Treasury Operations and Payments Deputy General Manager – Alinma Bank Treasury Operations Deputy General Manager – Alinma Bank 	<ul style="list-style-type: none"> Bachelor of Business Administration – American University of London
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Mr. Eyad Osama AlOthman



<ul style="list-style-type: none"> General Counsel and Board Secretary 	<ul style="list-style-type: none"> Legal General Manager – Alinma Bank Legal advisor to the Chairman of the Board of Directors – Capital Market Authority (CMA) Legal Consultation Unit Manager – Bank Albilad Senior Legal Advisor – Yousef and Mohammed Al-Jadaan Office for Legal Consultation and Law Firm 	<ul style="list-style-type: none"> Bachelor in Law – King Saud University
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Executive Management

Mr. Fahad Abdulaziz AlMohaimeed



Current Position	Previous Positions	Qualifications
<ul style="list-style-type: none"> Head of Strategy and Business Excellence 	<ul style="list-style-type: none"> Head of Islamic Banking – Arab National Bank Head of Shariah Affairs – Arab National Bank Product Development Manager – The Saudi British Bank 	<ul style="list-style-type: none"> Bachelor in Finance – King Saud University

Mr. Yaser Abdulaziz AlMarshde



<ul style="list-style-type: none"> Chief Shariah Officer (CSO) 	<ul style="list-style-type: none"> Chief of Shariah Advisors and Chairman of the Council of Shariah Scholars – Al Rajhi Bank Senior Shariah Advisor and Chairman of the Council of Shariah Scholars – Al Rajhi Bank 	<ul style="list-style-type: none"> Master in Shariah Policy, Higher Judicial Institute – Imam Muhammad bin Saud University
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Mr. Hisham Abdullah AlTuraigi



<ul style="list-style-type: none"> Chief Credit Officer (CCRO) 	<ul style="list-style-type: none"> Director of Credit Risk Management – Alinma Bank Manager of Credit Evaluation Department – Al Rajhi Bank 	<ul style="list-style-type: none"> Master of Accounting – King Saud University
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Executive Management

Mr. Abdullah Mohammed AlSalamah



Current Position	Previous Positions	Qualifications
<ul style="list-style-type: none"> Chief Human Capital Officer (CHCO) 	<ul style="list-style-type: none"> Deputy General Manager of Human Capital Division – Alinma Bank Deputy General Manager of the Information Technology Division – Alinma Bank Manager of Information Security Awareness Department – Saudi Telecom Company Teaching Assistant – King Saud University 	<ul style="list-style-type: none"> Master's in Information Systems – King Saud University

Mr. Adel Saleh Abalkhail



Current Position	Previous Positions	Qualifications
<ul style="list-style-type: none"> Chief Financial Officer (CFO) 	<ul style="list-style-type: none"> Deputy General Manager of the Financial Group – Al Rajhi Bank CFO – Al Rajhi Bank – Malaysia CFO – Al Rajhi Bank – Jordan Manager of the Reports and Budget Department at the Financial Group – Al Rajhi Bank 	<ul style="list-style-type: none"> Master of Accounting – University of Illinois – USA Master of Finance – University of Illinois – USA

Mr. Meshal Hamad Alrabiah



<ul style="list-style-type: none"> Chief Risk Officer (CRO) 	<ul style="list-style-type: none"> Deputy General Manager Market Risk, ERM and Basel – Alinma Bank Assistant General Manager, Market Risk, ERM and Basel – Alinma Bank Senior Market Risk, ERM and basel Manager – Alinma Bank 	<ul style="list-style-type: none"> Master of Management – University of Leeds MT – UK
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Board of Directors' report

The Board of Directors of Alinma Bank is pleased to present their fourteenth Board of Directors' Report for the year ended 31 December 2022. This report provides concise information of the Bank's operations and financial results, as well as the corporate governance structure that enabled the Bank to conduct its business and successfully navigate through the challenges faced in 2022, while aligning with its future vision. It also supports the continuous compliance of a sound corporate governance and ethical principles.

Governance at Alinma Bank →

Effective corporate governance is critical to the proper functioning of Alinma Bank. The Bank's safety and soundness are key to financial stability, and the manner in which we conduct our business, is therefore central to our economic health.

The Saudi Central Bank (SAMA) has issued "Key Principles of Governance in Financial Institutions", which contains seven primary principles that are in accordance with best practices recognized internationally. The Members of the Board of Directors and senior management of the Bank are required to apply these principles in addition to understanding the related risks within the Bank's operating environment. The Bank also abides by the rules and regulations issued by the Capital Market Authority (CMA) that are designed to reinforce transparency and disclosure standards to safeguard investors and their decisions. The governance activities extend to complying with the requirements of Saudi Tadawul (Saudi Stock Exchange) in the listing of the Bank in the securities market in the country.

These governance principles are intended to assist the Bank in enhancing our corporate governance framework, and to help Board Members and senior managers to oversee the Bank's activities. Corporate governance is a key element in improving economic efficiency and growth as well as in enhancing investor confidence. The governance framework is implemented through six (6) Board Committees.

The Bank has designed comprehensive disclosure policies and regulations that require all stakeholders to have unfettered access to material information and developments. The Bank has also designed and implemented training and sharing of information programs to assist new Board Members in fulfilling their obligations and duties of oversight of the operations.

Governance structure →

Board composition and appointment

The Bank is governed by a Board of Directors consisting of nine (9) Members who are appointed by the shareholders at the General Assembly for a period of three (3) years. During the reporting period, a total of nine (9) Board Members were nominated and appointed for the fifth Board term by the shareholders which started on 21 May 2022.

The Board sets out and ensures clear lines of responsibility and accountability at all levels of the Bank. Members of the Board choose a non-executive Director as the Chairman of the Board of Directors, who ensures a fair representation.

Capital and shares issued →

The paid-up capital of the Bank is SAR 20,000,000,000 divided into 2,000 million ordinary shares, with a nominal value of SAR 10 each.

Corporate governance provisions Implementation →

The Bank complies generally in implementing the provisions provided by the Corporate Governance Regulation issued by the Capital Market Authority (CMA) and with the Key Principles of Governance in Financial Institutions and other directives issued by the Saudi Central Bank (SAMA), as well as the Companies Law issued by Ministry of Commerce. The Bank strives to ensure compliance with all governance regulations and to keep pace with any developments arising on the matter.

Board of Directors' report

(B) Non-board Committee Members →**(B/1) Audit Committee**

Name	Current Positions	Previous Positions	Qualifications
Dr. Ahmed Abdullah Al-Moneef	<ul style="list-style-type: none"> ■ Member of Audit Committee until 20 May 2022 ■ Head of Accounting Department, General Supervisor of the Internal Audit Unit – King Saud University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> ■ Lecturer, Accounting Department – King Saud University, Kingdom of Saudi Arabia, Assistant Account Auditor – Saudi Industrial Development Fund 	<ul style="list-style-type: none"> ■ PhD in Accounting and Finance – University of Dundee, UK
Mr. Khalid Mohammed Al-Khowaitir	<ul style="list-style-type: none"> ■ Member of the Audit Committee until 20 May 2022 	<ul style="list-style-type: none"> ■ CFO – Advanced Electronic Co. ■ Vice President of Accounting Standards Committee – the Saudi Organization for Certified Public Accountants 	<ul style="list-style-type: none"> ■ Bachelor of Accounting, King Saud University, Kingdom of Saudi Arabia ■ Certified Public Accountant (CPA)
Mr. Maher Saad Al-Aiyadhi	<ul style="list-style-type: none"> ■ Member of Audit Committee since 21 May 2022 ■ Royal Commission for Al-Ula (RCU) – Chief Internal Audit Officer 	<ul style="list-style-type: none"> ■ Chief Auditor – SADARA, JV between Saudi Aramco and Dow Chemical Company ■ Audit Manager (Operation Support) & Support Services Vice President – Saudi Center of International Strategic Partnership (SCISP), Aramco ■ Deputy Chief Auditor – Fujian Refining and Petrochemical Company Ltd. ■ Chief Auditor – Beijing Services, a Finance Representative at SADAF – SABIC ■ Senior Auditor – Deloitte 	<ul style="list-style-type: none"> ■ Bachelor of Accounting – King Fahd University of Petroleum & Minerals ■ Certified Internal Auditor (CIA) ■ Certified in Risk Management Assurance (CRMA) ■ Certified Port Facility Security Officer (PFSO) ■ Chinese Certified Internal Auditor (C-CIA)
Mr. Othman Mohammed Al-Tuwaijri ⁽¹⁾	<ul style="list-style-type: none"> ■ Member of Audit Committee since 21 May 2022 ■ Vice President of the Finance Sector – Elm Company 	<ul style="list-style-type: none"> ■ Elm Company – Executive Director of Financial Operations ■ Ernst & Young – several positions, the latest of which is Audit Manager and Licensed Partner 	<ul style="list-style-type: none"> ■ Bachelor of Accounting – King Saud University, Kingdom of Saudi Arabia ■ Certified Public Accountant (CPA)
Dr. Saad Saleh Al-Rowaite	<ul style="list-style-type: none"> ■ Member of Audit Committee ■ Vice President for Administrative and Financial Affairs, Prince Sultan University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> ■ Part-time Consultant – Ministry of Health, Head of Accounting Department – King Saud University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> ■ PhD in Accounting – University of Colorado, USA

(1) Audit Committee Member appointed by the Board to fill vacancy of membership, and will be reviewed and approved at the next General Assembly.

Board of Directors' report

(B/2) Shariah Committee

Name	Current Positions	Previous Positions	Qualifications
Dr. Abdulrahman Saleh Al-Atram	<ul style="list-style-type: none"> Chairman of the Shariah Committee 	<ul style="list-style-type: none"> Associate Professor Department of Jurisprudence, College of Shariah, Imam University Assistant Professor Department of Jurisprudence, College of Shariah, Imam University Lecturer – Department of Jurisprudence, College of Shariah, Imam University 	<ul style="list-style-type: none"> PhD in Jurisprudence – Imam University – Kingdom of Saudi Arabia
Dr. Abdullah Wikayyil Al-Sheikh	<ul style="list-style-type: none"> Vice-Chairman of the Shariah Committee 	<ul style="list-style-type: none"> Professor, Department of Sunnah and its Sciences, College of Fundamentals of Religion, College of Shariah, College of Da'awa and Information, Imam University Professor of Postgraduate Studies, Department of Sunnah and its Sciences and the College of Education, Presidency of Girls' Education Consultant for law firm for a period of four years 	<ul style="list-style-type: none"> PhD in Sunnah and its Sciences – Imam University – Kingdom of Saudi Arabia
Dr. Suleiman Turkey Al-Turkey	<ul style="list-style-type: none"> Member of the Shariah Committee Associate Professor -Department of Shariah Policy, Higher Judicial Institute, Imam University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> Lecturer, Department of Shariah Policy, Higher Judicial Institute, Imam University Lecturer, Department of Jurisprudence, College of Shariah, Imam University 	<ul style="list-style-type: none"> PhD in Jurisprudence – Imam University – Kingdom of Saudi Arabia PhD in Law – London University – UK
Dr. Yousef Abdullah Al-Shubaily	<ul style="list-style-type: none"> Member of the Shariah Committee Professor of Comparative Jurisprudence, Higher Judicial Institute 	<ul style="list-style-type: none"> Deputy of Comparative Jurisprudence Department, the Higher Judicial Institute 	<ul style="list-style-type: none"> PhD in Comparative Jurisprudence – Imam University – Kingdom of Saudi Arabia

Board of Directors' report

Names of the companies inside and outside the Kingdom in which a Board Member is a Manager or a Member of their current or previous Board →

Member name	Names of companies where the Board Member is a member of its current Boards or one of its Directors
Dr. Abdulmalik Abdullah Alhogail	<ul style="list-style-type: none"> ■ Bahri (Formerly known as the National Shipping Company of Saudi Arabia) ■ The Kuwait Food Company (Americana Group) ■ National Chemical Carriers Co., Ltd. ■ Americana Restaurants International Company
Mr. Saad Abdulaziz Alkroud	<ul style="list-style-type: none"> ■ Al-Balad Development Company ■ Southern Province Cement Company ■ Diriyah Gate Co. Ltd. ■ The Saudi Technology Development and Investment Company (TAQNIA)
H.E. Dr. Hamad Sulaiman Al-Bazai ⁽¹⁾	<ul style="list-style-type: none"> ■ Southern Province Cement Company ■ Building Development Company ■ Tatweer Education Holding Company
Mr. Abdulmohsen Abdulaziz Al-Fares ⁽¹⁾	<ul style="list-style-type: none"> ■ Alinma Tokio Marine ■ Alinma Investment Company
Mr. Mutlaq Hamad Al-Morished ⁽¹⁾	<ul style="list-style-type: none"> ■ Citigroup Saudi Arabia ■ Metal Company ■ Saudi National Automotive Manufacturing Company ■ Napco National Corporation
Mr. Abdulrahman Mohammed Ramzi Addas	<ul style="list-style-type: none"> ■ Kinan International Real Estate Development Co. ■ Al Rabie Saudi Foods Co. Ltd. ■ Diyar AlKhayyal Real Estate Development ■ Tunisian Saudi Bank ■ Environment Fund
Mr. Ahmed Abdullah Alsheikh	<ul style="list-style-type: none"> ■ National Housing Company (NHC)
Mr. Anees Ahmed Moumina	<ul style="list-style-type: none"> ■ Jeddah Development & Urban Regeneration Co. ■ Al Matajer Al Kubra Co. Ltd. ■ Dar Al Tamleek Company ■ Dr. Soliman Fakeeh Hospital ■ Abdul Latif Jameel Investments ■ Murooj Jeddah Co.
Dr. Saud Mohammed Al-Nimir	<ul style="list-style-type: none"> ■ Saudi Arabia Public Transport Company (SAPTCO)

(1) Membership term completed in 20 May 2022

Board of Directors' report

Composition of the Board and classification of its members, as follows: Executive Director, Non-Executive Director, Independent Director →

Member Name	Position	Membership rating (Executive/Non-Executive/ Independent)
Dr. Abdulmalik Abdullah Alhogail	Chairman	Independent
Mr. Saad Abdulaziz Alkroud	Vice Chairman	Non-Executive
Mr. Abdullah Abdulaziz Alromaizan	Member	Non-Executive
Mr. Ahmed Abdullah Alsheikh	Member	Independent
Mr. Haitham Rashid Al-Shaikhmubarak	Member	Independent
Mr. Mohammed Abdulrahman Bindayel	Member	Non-Executive
Dr. Saud Mohammed Al-Nimir	Member	Independent
Mr. Abdulrahman Mohammed Ramzi Addas	Member	Independent
Mr. Anees Ahmed Moumina	Member	Non-Executive

Meetings of the Board of Directors during the last financial year →

The Board held eight (8) meetings in 2022, as reflected below.

Member Name	Feb. 03	Mar. 01	Apr. 02	May 22	Jul. 26	Oct. 29	Oct. 30	Dec. 20	Total
Dr. Abdulmalik Abdullah Alhogail	✓	✓	✓	✓	✓	✓	✓	✓	8
H.E. Dr. Hamad Sulaiman Al-Bazai	✓	✓	✓		Board Membership term completed on 20 May 2022				3
Mr. Abdulmohsen Abdulaziz Al-Fares	✓	✓	✓		Board Membership term completed on 20 May 2022				3
Mr. Mohammed Abdulrahman Bindayel	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Abdulmuhsin Abdulaziz Al-Hussein	✓	✓	✓		Board Membership term completed on 20 May 2022				3
Mr. Mutlaq Hamad Al-Morished	✓	✓	✓		Board Membership term completed on 20 May 2022				3
Mr. Abdulrahman Mohammed Ramzi Addas	✓	✓	✓	✓	✓	✓	✓	✓	8
Dr. Saud Mohammed Al-Nimir	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Haitham Rashid Al-Sheikhmubarak	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Saad Abdulaziz Alkroud				✓	✓	✓	✓	✓	5
Mr. Abdullah Abdulaziz Alromaizan				✓	✓	✓	✓	✓	5
Mr. Ahmed Abdullah Alsheikh				✓	✓	✓	✓	✓	5
Mr. Anees Ahmed Moumina				✓	✓	✓	✓	✓	5

Board of Directors' report

Procedures taken by the Board to inform its members, Non-Executive Directors in particular, of shareholders' suggestions and remarks on the Company and its performance →

The board is keen on enabling shareholders to exercise their rights, present observations, and raise inquiries during the General Assembly meetings. These are documented by way of minutes of meeting. Additionally, the Board allocates different means of communication to receive shareholders' queries and observations, if any.

A brief description of duties, competencies and working of Board Committees →

The Executive Committee, as well as the Audit, Nominations and Remunerations, Governance and Sustainability, Risk, and Shariah Committees, assist the Board in performing its duties and responsibilities, in encouraging independent opinion, and in enhancing greater synergies across Alinma Bank.

A

The Executive Committee

Responsible to the Board, the Executive Committee has overall authority to review, approve or reject operating expenses, capital expenditure and credit provisions that fall beyond the delegated authority of the CEO, to approve credit facilities recommended by

the Executive Management, and to approve debt restructuring or write-off. The Committee is composed of five (5) members headed by Chairman of the Board. A total of six (6) meetings were held by the Executive Committee during the year under review, attended by members as shown below:

Member name	Meeting date – 2022						Total
	Jan. 25	Mar. 27	May 15	Jun. 27	Sep. 06	Nov. 28	
Dr. Abdulmalik Abdullah Alhogail (Chairman)	✓	✓	✓	✓	✓	✓	6
Mr. Abdulmohsen Abdulaziz Al-Fares	✓	✓	✓	Membership term completed on 20 May 2022			3
Mr. Mohammed Abdulrahman Binda'el	✓	✓	✓	✓	✓	✓	6
Mr. Mutlaq Hamad Al-Morished	✓	✓	✓	Membership term completed on 20 May 2022			3
Mr. Abdulrahman Mohammed Ramzi Addas	✓	✓	✓	✓	✓	✓	6
Mr. Abdullah Abdulaziz Alromaizan	Membership commenced on 20 May 2022			✓	✓	✓	3
Mr. Anees Ahmed Moumina	Membership commenced on 20 May 2022			✓	✓	✓	3

Board of Directors' report

B

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed by the Board of Directors and comprises four (4) members. The Committee is responsible for developing policies for the nomination and remuneration of the members of the Board of Directors, its committees, and senior executives, in accordance with relevant instructions of the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA). The Committee is also responsible

for overseeing and following up the implementation of rewards and incentives for the Bank's staff in such a manner that guarantees protection of the interests of shareholders, investors and other stakeholders, and that such rewards and incentives are in line with instructions of regulatory and supervisory authorities. The committee held eight (8) meetings during the 2022 fiscal year, which were attended by members as shown in the table below:

Member name	Meeting date – 2022								Total
	Jan. 31	Feb. 21	Mar. 29	May 10	Jun. 30	Oct. 06	Oct. 20	Dec. 11	
Dr. Saud Mohammed Al-Nimir (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	8
H.E. Dr. Hamad Sulaiman Al-Bazai	✓	✓	✓	✓					4
Mr. Abdulmuhsin Abdulaziz Al-Hussein	✓	✓	✓	✓		Membership term completed on 20 May 2022			4
Mr. Haitham Rashid Al-Shaikhmubarak	✓	✓	✓	✓					4
Dr. Abdulmalik Abdullah Alhogail					✓	✓	✓	✓	4
Mr. Mohammed Abdulrahman Bindaeyel		Membership commenced on 21 May 2022			✓	✓	✓	✓	4
Mr. Saad Abdulaziz Alkroud					✗	✓	✓	✓	3

C

Audit Committee

The Audit Committee is the internal control mechanism that independently assures the Bank's adherence to all regulatory, accounting and fiscal requirements, while also coordinating

with external auditors to ensure their independence. The five (5) Independent members. A total of eight (8) meetings were held in 2022, attended by members as shown in the table below:

Member name	Meeting date – 2022								Total
	Jan. 19	Feb. 02	Apr. 26	Jul. 25	Sep. 13	Oct. 23	Oct. 24	Dec. 26	
Mr. Abdulrahman Mohammed Ramzi Addas (Chairman) ⁽¹⁾	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Mutlaq Hamad Al-Morished (Chairman)	✓	✓	✓						3
Dr. Ahmed Abdullah Al-Moneef	✓	✓	✓		Membership term completed on 20 May 2022				3
Mr. Khalid Mohammed Al-Khowaitir	✓	✓	✓						3
Dr. Saad Saleh Al-Rowaite	✓	✓	✗	✓	✓	✓	✓	✓	7
Mr. Maher Saad Al-Aiyadhi				✓	✓	✓	✓	✓	5
Mr. Othman Mohammed Altwaijri ⁽²⁾		Membership commenced on 21 May 2022			✓	✓	✓	✓	5
Mr. Haitham Rashid Al-Shaikhmubarak ⁽²⁾				✓	✓	✓	✓	✓	5

(1) Appointed as Chairman of the Committee on 21 May 2022 following the AGM

(2) Audit Committee Members appointed by the Board to fill vacancies of membership, and will be reviewed and approved at the next General Assembly

Board of Directors' report

D

Risk Committee

The Risk Committee was formed to assist the Board of Directors in overseeing the enterprise risk management process and to discharge other related responsibilities, such as ensuring the development of strategies and comprehensive policies for risk management that are in line with the nature and volume of Bank's activities; taking into account cyber and technical risks, and verifying the implementation,

review and update of the same based on internal and external changes; ensuring that an acceptable risk appetite is set and maintained by the Bank and submitting a recommendation of the same to the Board. The Risk Management Committee is composed of four (4) members, and has held seven (7) meetings during the 2022 fiscal year, which were attended by members as shown below:

Member name	Meeting date – 2022							Total
	Jan. 17	Feb. 09	May 09	Aug. 10	Oct. 06	Nov. 07	Dec. 25	
H.E. Dr. Hamad Sulaiman Al-Bazai (Chairman)	✓	✓	✓	Membership completed on 20 May 2022				3
Mr. Haitham Rashid Al-Shaikhmubarak (Chairman) ⁽¹⁾	✓	✓	✓	✓	✓	✓	✓	7
Mr. Abdulmohsen Abdulaziz Al-Fares	✓	✓	✓	Membership completed on 20 May 2022				3
Dr. Saud Mohammed Al-Nimir	✓	✓	✓					3
Mr. Abdullah Abdulaziz Alromaizan	Membership commenced on 21 May 2022			✓	✓	✓	✓	4
Mr. Ahmed Abdullah Alsheikh				✓	✓	✓	✓	4
Mr. Anees Ahmed Moumina				✓	✓	✓	✓	4

(1) Appointed as a Chairman of the Committee in the first new Board of Directors meeting on 22 May 2022 following the AGM

E

Shariah Committee

Alinma Bank is committed to conduct its business in compliance with Shariah. Article (51) of the Articles of Association stipulates "The business of the Company shall be governed by Shariah provisions and controls". The Shariah Committee is responsible for considering all Bank transactions, contracts, agreements, forms, documents, etc., and issuing the necessary decisions or directives in this regard. The Committee contributes to various Bank departments in the innovation and development of products in light of the

provisions of Islamic Shariah, and is responsible for monitoring the Bank's compliance with the provisions of Islamic Shariah in all its activities and transactions, and ensuring that the Committee's decisions are properly implemented. The Shariah Committee is composed of four (4) members, all of whom are specialized in the jurisprudence of Islamic finance and economics. The Committee held 36 meetings during the fiscal year 2022, as shown in the following table:

Meeting date – 2022	Member name			
	Dr. Abdulrahman Saleh Al Atram (Chairman)	Dr. Abdullah Wikayyil Al Sheikh	Dr. Suleiman Turkey Al Turkey	Dr. Yousef Abdullah Al Shubaily
1. January 03	✓	✓	✓	✓
2. January 11	✓	✓	✓	✓
3. January 26	✓	✓	✓	✓
4. February 01	✓	✓	✓	✓
5. February 03	✓	✓	✓	✓

Board of Directors' report

Meeting date – 2022	Member name			
	Dr. Abdulrahman Saleh Al Atram (Chairman)	Dr. Abdullah Wikayyil Al Sheikh	Dr. Suleiman Turkey Al Turkey	Dr. Yousef Abdullah Al Shubaily
6. February 15	✓	✓	✓	✓
7. March 01	✓	✓	✓	✓
8. March 08	✓	✓	✓	✓
9. March 28	✓	✓	✓	✓
10. April 06	✓	✓	✓	✓
11. April 20	✓	✓	✓	✓
12. May 23	✓	✓	✓	✓
13. May 31	✓	✓	✓	✓
14. June 08	✓	✓	✓	✓
15. June 14	✓	✓	✓	✓
16. June 21	✓	✓	✓	✓
17. June 22	✓	✓	✓	✓
18. June 28	✓	✓	✓	✓
19. July 27	✓	✓	✓	✓
20. August 04	✓	✓	✓	✓
21. August 17	✓	✓	✓	✓
22. August 24	✓	✓	✓	✓
23. September 06	✓	✓	✓	✓
24. September 28	✓	✓	✓	✓
25. October 05	✓	✓	✓	✓
26. October 10	✓	✓	✓	✓
27. October 11	✓	✓	✓	✓
28. October 25	✓	✓	✓	✓
29. October 26	✓	✓	✓	✓
30. November 03	✓	✓	✓	✓
31. November 16	✓	✓	✓	✓
32. December 01	✓	✓	✓	✓
33. December 13	✓	✓	✓	✓
34. December 19	✓	✓	✓	✓
35. December 21	✓	✓	✓	✓
36. December 28	✓	✓	✓	✓
Total	36	36	36	36

Board of Directors' report

F

Governance and Sustainability Committee

Formed in 2022, the Committee's core function is to assist the Board in monitoring the general framework of governance across Alinma Bank, studying the topics presented by the Executive Management, and ensuring all tools required for sound governance including

policies, procedures and manuals are reviewed, updated, and are in compliance with regulatory requirements and best practices within the Bank's operational parameters. The three (3) member Committee held three (3) meetings during 2022, which were attended by members as shown below:

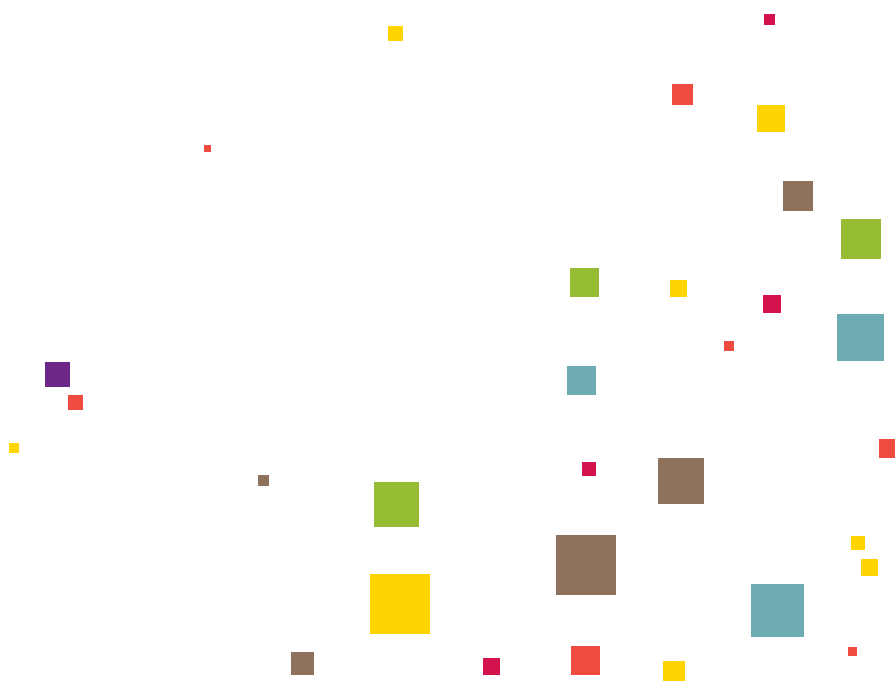
Member name	Meeting date – 2022			
	Jul. 05	Aug. 31	Dec. 06	Total
Mr. Saad Abdulaziz Al-Kroud (Chairman)	✓	✓	✓	3
Dr. Saud Mohammed Al-Nimir	✓	✓	✓	3
Mr. Ahmed Abdullah Al-Sheikh	✗	✓	✓	2

Methods adopted by the Board to assess its performance, the performance of its Committees, and Members →

The Board of Directors made an internal assessment of the Board, its Members, and its Committees to assess the performance of the Board, its members and committees during the reporting period and review their effectiveness.

Remuneration of Board Members, Committee Members and Executive Management →

Alinma Bank strictly adheres to the provisions of the Companies Law and instructions issued by the supervisory bodies for the banking sector in the Kingdom, when demarcating remuneration of the Board of Directors. Compensation Policies determine the compensations of employees and senior executives in accordance with their respective contracts and the policies and resolutions approved by the Board of Directors in this regard, in light of the relevant rules and regulations.



Board of Directors' report

(A) Board Member remuneration (SAR)

Members of Board of Directors	Fixed remunerations							Total
	*Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings	In-kind benefits	Remunerations for technical managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member		
First: Independent Directors								
Dr. Abdulmalik Abdullah Alhogaï**	410,000	40,000	50,000	–	–	3,000,000	3,500,000	
Dr. Saud Mohammed Alnimir	390,000	40,000	70,000	–	–	–	500,000	
Mr. Abdulrahman Mohammed Ramzi Addas***	580,000	40,000	70,000	–	–	–	690,000	
Mr. Haitham Rashid Alshaikhmubarak***	496,620	40,000	80,000	–	–	–	616,620	
Mr. Ahmed Abdullah Al Alsheikh ⁽²⁾	445,000	25,000	30,000	–	–	–	500,000	
Total	2,321,620	185,000	300,000	–	–	3,000,000	5,806,620	
Second: Non-Executive Directors								
H.E. Dr. Hamad Sulaiman Albazai ⁽¹⁾	290,521	15,000	35,000	–	–	–	340,521	
Mr. Abdulmohsen Abdulaziz Alfares ⁽¹⁾	290,521	15,000	30,000	–	–	–	335,521	
Mr. Abdulmuhsin Abdulaziz Al-Hussein ⁽¹⁾	232,417	15,000	20,000	–	–	–	267,417	
Mr. Mutlaq Hamad AlMorished ^{(1)/***}	290,521	15,000	30,000	–	–	–	335,521	
Mr. Saad Abdulaziz Alkroud ⁽²⁾	445,000	25,000	30,000	–	–	–	500,000	
Mr. Abdullah Abdulaziz Alromaizan ⁽²⁾	440,000	25,000	35,000	–	–	–	500,000	
Mr. Anees Ahmed Moumina ⁽²⁾	440,000	25,000	35,000	–	–	–	500,000	
Mr. Mohammed Abdulrahman Bindaïel	410,000	40,000	50,000	–	–	–	500,000	
Total	2,838,983	175,000	265,000	–	–	–	3,278,983	
Grand Total	5,160,604	360,000	565,000	–	–	–	9,085,604	

* This amount includes annual remuneration for membership of the Board of Directors and fixed remunerations for membership of committees in accordance with the "Remunerations and Allowances Policy for members of the Board of Directors, committees, secretariat and executive management".

** Special reward for the Chairman of the Board of Directors, in accordance with paragraph (2) of Article (81) of the Companies Law.

*** Remuneration for membership in the Audit Committee in addition to the remuneration he receives as a member of the Board of Directors and other Committees, in accordance with Article (3) of regulatory rules and procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.

⁽¹⁾The membership completed on 20 May 2022.

⁽²⁾The membership commenced on 21 May 2022.

Board of Directors' report

Variable remunerations						Total	End-of-service award	Grand total	Expenses Allowance
Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares					
-	-	-	-	-	-	-	-	3,500,000	-
-	-	-	-	-	-	-	-	500,000	-
-	-	-	-	-	-	-	-	690,000	-
-	-	-	-	-	-	-	-	616,620	-
-	-	-	-	-	-	-	-	500,000	-
-	-	-	-	-	-	-	-	5,806,620	-
-	-	-	-	-	-	-	-	340,521	-
-	-	-	-	-	-	-	-	335,521	-
-	-	-	-	-	-	-	-	267,417	-
-	-	-	-	-	-	-	-	335,521	-
-	-	-	-	-	-	-	-	500,000	-
-	-	-	-	-	-	-	-	500,000	-
-	-	-	-	-	-	-	-	500,000	-
-	-	-	-	-	-	-	-	500,000	-
-	-	-	-	-	-	-	-	3,278,983	-
-	-	-	-	-	-	-	-	9,085,604	-

Board of Directors' report

(B) Committee Member remuneration

*Remuneration for committee members (within the Board) are included in the Board Member Remuneration stated in table (A) above.

Audit Committee Members	Fixed remuneration (except for the allowance for attending committee meetings)	Committee Meeting allowance	Total (SAR)
Mr. Abdulrahman Mohammed Ramzi Addas	150,000	40,000	190,000
Mr. Maher Saad Al-Aiyadhi	91,621	25,000	116,621
Mr. Haitham Rashid Alshaikh Mubarak**	91,621	25,000	116,621
Mr. Othman Mohammed Altwaijri**	91,621	25,000	116,621
Dr. Saad Saleh Al-Rowaite	150,000	35,000	185,000
Mr. Khalid Mohammed Al-Khowaitir*	58,104	15,000	73,104
Mr. Mutlaq Hamad Al-Morished*	58,104	15,000	73,104
Dr. Ahmed Abdullah Al-Moneef*	58,104	15,000	73,104
Total	749,176	195,000	944,176

* The membership completed on 20 May 2022

** The membership commenced on 21 May 2022

Nominations and Remuneration Committee Members	Fixed remuneration (except for the allowance for attending committee meetings)	Committee Meeting allowance	Total (SAR)
Dr. Saud Mohammed Alnimir	150,000	40,000	190,000
Dr. Abdulmalik Abdullah Alhogail	91,621	20,000	111,621
Mr. Saad Abdulaziz Alkroud	91,621	15,000	106,621
Mr. Mohammed Abdulrahman Bindaayel	91,621	20,000	111,621
H.E. Dr. Hamad Sulaiman Albazai*	58,104	20,000	78,104
Mr. Abdulmuhsin Abdulaziz Al-Hussein*	58,104	20,000	78,104
Mr. Haitham Rashid Alshaikh Mubarak**	58,104	20,000	78,104
Total	599,176	155,000	754,176

* The membership completed on 20 May 2022

** The membership in NRC completed on 20 May 2022

Risk Committee Members	Fixed remuneration (except for the allowance for attending committee meetings)	Committee Meeting allowance	Total (SAR)
H.E. Dr. Hamad Sulaiman Albazai*	58,104	15,000	73,104
Mr. Abdulmohsen Abdulaziz Alfares*	58,104	15,000	73,104
Dr. Saud Mohammed Alnimir**	58,104	15,000	73,104
Mr. Haitham Rashid Alshaikhmubarak	150,000	35,000	185,000
Mr. Ahmed Abdullah Al Alsheikh	91,621	20,000	111,621
Mr. Anees Ahmed Moumina	91,621	20,000	111,621
Mr. Abdullah Abdulaziz Alromaizan	91,621	20,000	111,621
Total	599,176	140,000	739,176

* The membership completed on 20 May 2022

** The membership in Risk completed on 20 May 2022

Board of Directors' report

Executive Committee Members	Fixed remuneration (except for the allowance for attending committee meetings)	Committee Meeting allowance	Total (SAR)
Dr. Abdulmalik Abdullah Alhogail	150,000	30,000	180,000
Mr. Abdulmohsen Abdulaziz Alfares*	58,104	15,000	73,104
Mr. Mohammed Abdulrahman Bindayel	150,000	30,000	180,000
Mr. Anees Ahmed Moumina	91,621	15,000	106,621
Mr. Abdullah Abdulaziz Alromaizan	91,621	15,000	106,621
Mr. Mutlaq Hamad Al-Morished*	58,104	15,000	73,104
Mr. Abdulrahman Mohammed Ramzi Addas	150,000	30,000	180,000
Total	749,451	150,000	899,451

* The membership completed on 20 May 2022

Governance and Sustainability Committee Members	Fixed remuneration (except for the allowance for attending committee meetings)	Committee Meeting allowance	Total (SAR)
Mr. Saad Abdulaziz Alkroud	91,621	15,000	106,621
Dr. Saud Mohammed Alnimir	91,621	15,000	106,621
Mr. Ahmed Abdullah Al Alsheikh	91,621	10,000	101,621
Total	274,863	40,000	314,863

Shariah Committee Members	Fixed remuneration (except for the allowance for attending committee meetings)	Committee Meeting allowance	Total (SAR)
Dr. Abdulrahman Saleh Al-Atram	300,000	180,000	480,000
Dr. Abdullah Wakeel Al Sheikh	300,000	180,000	480,000
Dr. Sulaiman Turki Al Turki	300,000	180,000	480,000
Dr. Yousuf Abdullah Al Shubily	300,000	180,000	480,000
Total	1,200,000	720,000	1,920,000

(C) Senior Executive Remuneration

Top six senior executives who received the highest remuneration and compensation, including the CEO and CFO.

	Fixed remuneration				Variable remuneration						End of service benefits	Total remuneration of executives for the Board, if any	Grand Total
	Salaries	Allowances	In-kind benefits	Total	Periodic remuneration	Profit	Short-term incentive plans	Long-term incentive plans	Granted shares	Total			
Total	12,169,299	6,354,678	–	18,523,977	9,040,000	–	–	989,886	15,449,413	25,479,299	1,691,394	–	45,694,670

Board of Directors' report

Any punishment, penalty, precautionary procedure or preventive measure imposed on the Bank by any supervisory, regulatory or judiciary authority, describing the reasons for non compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future →

In exercising its day-to-day operations, the Bank applies all banking and regulatory rules issued by supervisory authorities. The Bank is keen to reduce violations and, if they do occur, take the necessary and immediate corrective action.

The following table shows fines imposed on the Bank during the preceding financial year 2021 and the current year 2022:

First/Saudi Central Bank (SAMA):

Violation	Financial Year 2021		Financial Year 2022	
	Number of Penalties	Total Amount (SAR)	Number of Penalties	Total Amount (SAR)
Violation of SAMA Supervisory directives	7	381,000	17	10,383,835
Violation of SAMA directives related to customer protection	2	2,682,400	Nil	Nil
Violation of SAMA directives related to conducting due diligence	Nil	Nil	Nil	Nil
Violation of SAMA directives related to ATMs and POS performance level	Nil	Nil	Nil	Nil
Violation of SAMA directives related to conducting due diligence with respect to Anti- Money laundering and Terrorism Financing	2	345,000	Nil	Nil
Total	11	3,408,400	17	10,383,835

Second/Ministry of Municipal and Rural Affairs and Housing:

Violation	Current Financial Year	
	Violation Amount (SAR)	The number of penal decisions
ATM rooms spaces control, advertising posters, and the lack of an operating license for a number of ATMs – Riyadh Region Municipality	892,600	4

Third/General Director of Civil Defense:

Violation	Current Financial Year	
	Violation Amount (SAR)	The number of penal decisions
No civil defense license for one branch	2,000	1

Board of Directors' report

Results of annual review of the effectiveness of the internal control procedure and the opinion of the Audit Committee with respect to the adequacy of the Bank's internal control system →

The Bank's management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing and assuring the strength and adequacy of strategies and policies that are approved by the Board of Directors.

Internal controls are defined on the materiality of financial and other risk factors taking into account the impact and the frequency of occurrence. They are designed to manage rather than eliminate the risk of failure to achieve business objectives and, as such, provide reasonable, but not absolute, assurance against material mis-statement and loss. In addition, the Audit Committee periodically reviews the reports submitted by the internal/external auditors. Such reports also include the evaluation of the effectiveness or otherwise of the internal controls. During the annual review of internal control procedures for 2022, there were no material observations by the Audit Committee in respect to the effectiveness of the Bank's internal control system and procedures, reaffirming the sound and effective system of internal controls in force at Alinma Bank.

Bank's social contributions: →

During the year 2022, the Bank implemented several social contributions, activities and initiatives as follows:

- Contribution to the construction of the Islamic Inventions and Civilization Pavilion at the Science Oasis in Qassim science center
- Reward for the winning Saudi Science and Engineering students at the ISEF 2022
- Supporting the architectural exhibition of the Two Holy Mosques in Makkah
- Donation to the National Platform for Charitable Work (Ehsan) during Ramadan 2022
- Contribution towards the Autism Centre of Excellence in Riyadh
- Support for productive families by facilitating the sale of meals to bank employees in cooperation with the Human Resources Development Fund (Nine Tenths Project)
- Awareness programs and messages via Alinma digital channels (e.g., ATMs, social media, branch screens, screensavers, etc.)
- Organizing numerous blood donation campaigns on a regular basis in cooperation with major health facilities in the Kingdom, such as King Faisal Specialist Hospital and Research Center
- Providing electronic banking services to the blind and sight-impaired including equipping ATMs with Braille-compatible keyboards and voice support

The General Assembly Meetings dates held during the last fiscal year and names of the Board Members who attended →

The Ordinary General Assembly Meeting held on 13 April 2022. Attendance at the meeting is reflected below:

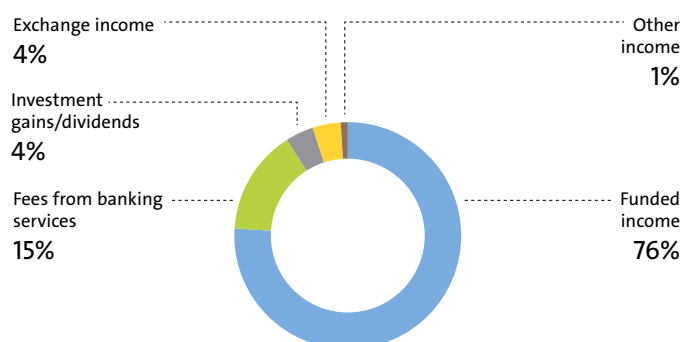
Member name	Attendance Record
Dr. Abdulmalik Abdullah Alhogail (Chairman)	✓
H.E. Dr. Hamad Sulaiman Al-Bazai (Vice Chairman)	✓
Mr. Abdulmohsen Abdulaziz Al-Fares	✓
Mr. Mohammed Abdulrahman Bindayel	✓
Mr. Abdulmuhsin Abdulaziz Al-Hussein	✓
Mr. Mutlaq Hamad Al-Morished	✓
Mr. Abdulrahman Mohammed Ramzi Addas	✓
Dr. Saud Mohammed Al-Nimir	✓
Mr. Haitham Rashid Al-Sheikhmubarak	✓

A description of the main scope of business of the Bank and its affiliates showing and statement of each activity and how it affects the Company businesses and results →

As a Banking institution, the primary activity is to provide a comprehensive range of Shariah-compliant, customer centric and market-competitive banking services to its customers. In a dynamic economic environment, the Bank provides these services through 104 locations (104 for men, 78 for women and 4 sales centres), supported by multiple digital platforms powered by state-of-the-art technology, highly competent and well-trained professional staff, and easily accessible channels including Alinma web (www.alinma.com), Alinma mobile, Alinma phone and email channels as well as a growing network of 1,564 ATMs spread across the Kingdom of Saudi Arabia. In the process of providing such services to the customers, the Bank has aligned with the Kingdom's Vision 2030 to reduce unemployment rates, empower women, and create financial access for all.

The chart below reflects the activities of the Bank, and their share of contribution to the Bank's gross revenue :

Operating income composition (SAR Mn.)



Board of Directors' report

Future plans →

The Bank will continue to enhance its ambitious plans through the introduction of more Shariah-compliant products and services, with investment in the latest technology and focus on digital banking, increase the customer base of individuals and corporates and increase the financing portfolio and customer deposits. The expansion of the SME business in order to keep pace with the changing banking environment, Alinma has prepared an ambitious and detailed growth plan for the years 2021 – 2025, and has been achieved 71% of the initiatives offered.

Information on any Risks facing the Bank and the policy of managing and monitoring these Risks →

During normal course of business, the Bank is exposed to various risks. Systems and procedures are in place in Alinma to identify, control and report the major risks that could be encountered by the Bank. The major risk types that might be encountered by the Bank are as follows:

a. Credit risk:

Credit risk is the risk that a counterparty may fail to meet its obligations towards the Bank and, therefore, could result in a financial loss for the Bank, making it the major risk faced by the Bank. Alinma actively manages its credit risk exposure through the establishment of Credit risk policies and procedures which provide guidance on target market, risk acceptance criteria, minimum disclosure from customers, review

and approval process, and concentration limits in addition to day-to-day account management. To ensure the integrity of the credit check, the Bank formed an independent risk management group whose task is to implement and follow up the credit risk policy, credit operations and related documents after approval. Additionally, the Group is responsible for following up any credit problems that may arise in customer finances.

b. Market risk:

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices. The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors market risks, including liquidity risk of the Bank.

c. Liquidity risk:

Liquidity risk is the risk that the Bank 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, the Bank's management has diversified funding sources, and assets are managed with liquidity taken into consideration, maintaining an adequate balance of cash and cash equivalents. Exposure to the above-mentioned risks is monitored by the Board of Directors and other management committees. The Board of Directors has also constituted a Risk Committee to assist it in overseeing the enterprise risk management process and to discharge related responsibilities.

Assets, liabilities and results of the last five fiscal years →

Operating Results	SAR (Mn.)				
	2022	2021	2020	2019	2018
Income from Investment and financing, net	6,066	5,140	4,648	4,323	3,798
Fee, Exchange and other income	1,897	1,519	1,034	1,287	1,047
Total operating income	7,963	6,660	5,682	5,610	4,845
Operating expenses*	(2,765)	(2,358)	(2,066)	(2,077)	(1,856)
Net income before provisions	5,202	4,288	3,620	3,523	2,984
Provision for financing and other assets	(1,189)	(1,266)	(1,418)	(706)	(467)
Net income before Zakat	4,013	3,022	2,202	2,816	2,517
Zakat*	(414)	(312)	(236)	(282)	340**
Net income after Zakat	3,599	2,709	1,966	2,535	2,857

* Includes net profit/loss of subsidiaries

** Includes refunds related to Zakat expenses and prior years' Zakat provisions reflected pursuant to the settlement agreement between the Bank and the Zakat, Tax and Customs Authority.

Board of Directors' report

All major banking activities of Alinma Bank showed positive growth during 2022, with total assets rising from SAR 173,476 Mn. in 2021 to SAR 200,436 Mn. in 2022, an increase of 16%. Likewise, the finance portfolio increased by 16% to SAR 146,492 Mn. as at 31 December 2022, compared to SAR 126,271 Mn. in 2021.

Financial Position	SAR (Mn.)				
	2022	2021	2020	2019	2018
Financing, net	146,492	126,271	111,196	94,801	83,889
Investments	38,529	33,278	29,526	23,478	18,399
Total Assets	200,436	173,476	156,877	131,839	121,538
Customers' Deposits	145,168	121,061	119,454	102,063	90,128
Total Liabilities	168,560	142,765	132,448	109,395	100,240
Shareholders' Equity	31,876	30,711	24,429	22,445	21,298

Geographical analysis of the Bank and its affiliates revenues →

Almost the entire revenue recorded by Alinma Bank for the 2022 fiscal year was derived from banking activities carried out across the Kingdom of Saudi Arabia. The Bank's business locations are divided into five regions. The following table shows the Bank's revenue allocation across these regions during 2022.

Geographic analysis of Bank's total revenue for 2022

Total Revenues	SAR (Mn.)					Total
	Western Region	Eastern Region	Northern Region	Southern Region	Central Region	
Financial year ended 31 December 2022	653	589	105	108	6,508	7,963
Financial year ended 31 December 2021	547	493	88	90	5,442	6,660

Any material differences in the results compared to the previous year results, along with any expectations announced by the Bank →

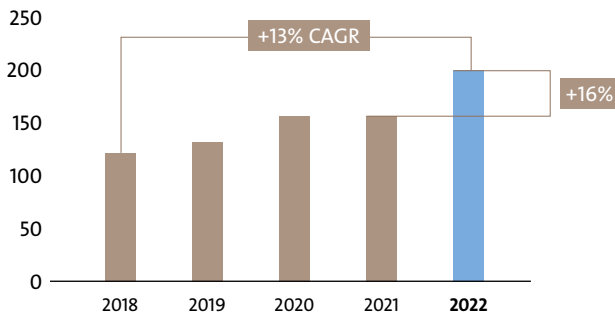
Description	2022	2021	Changes (+) (-)	Change Rate
Income from Investment and financing, net	6,066	5,140	926	18
Fee, Exchange and other income	1,897	1,519	378	25
Total operating income	7,963	6,660	1,303	20
Operating expenses*	(2,765)	(2,358)	(407)	17
Net income before provisions	5,202	4,288	914	21
Provision for financing and other assets	(1,189)	(1,266)	77	-6
Net income after Zakat	3,599	2,709	890	33

* Includes net profit/loss of subsidiaries

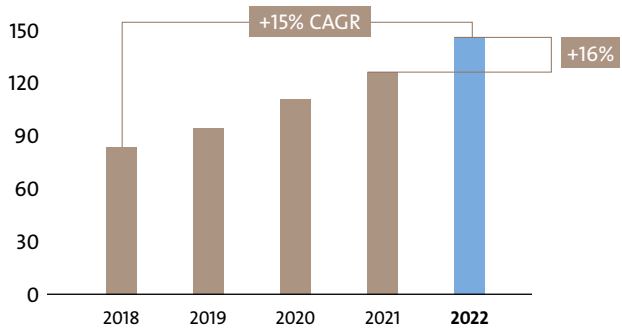
Board of Directors' report

Financial results

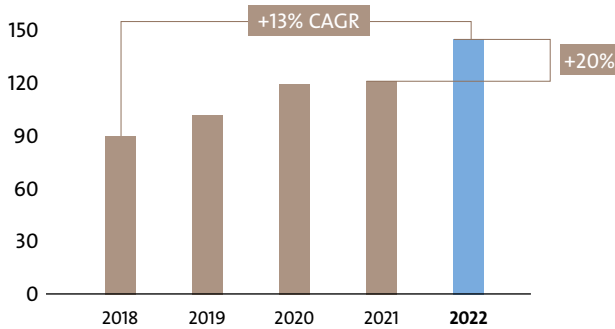
Total Assets (SAR Bn.)



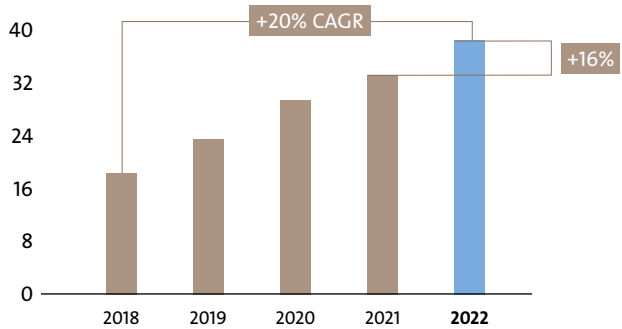
Financing (SAR Bn.)



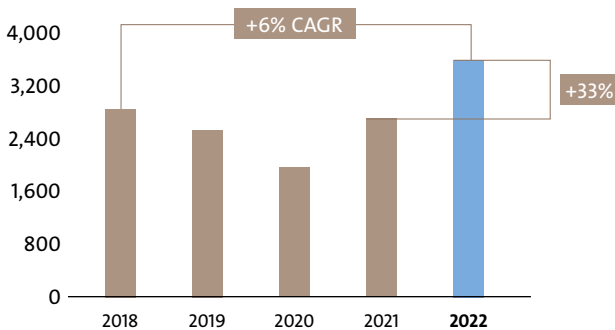
Customers' Deposits (SAR Bn.)



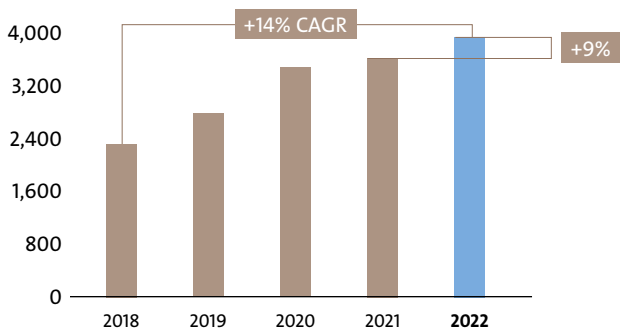
Investments (SAR Bn.)



Net Income (SAR Mn.)



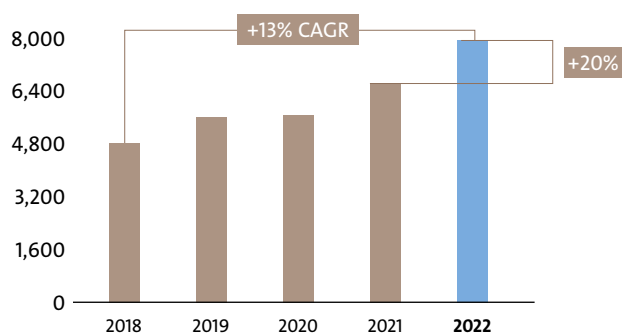
Total Operating Expenses (SAR Mn.)



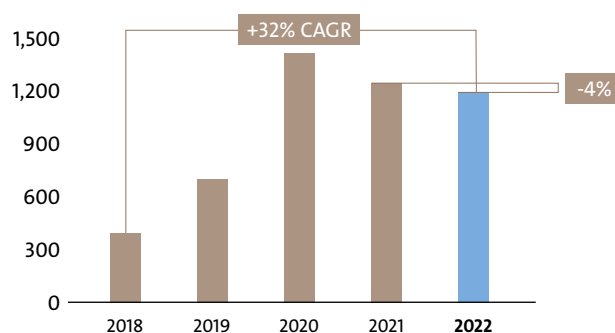
* Includes expenses for financing provisions and other assets

Board of Directors' report

Total Operating Income (SAR Mn.)



Impairment Charge on Financing, Net of Recoveries (SAR Mn.)



The subsidiary companies of the Bank →

Alinma Bank owns six Subsidiary Companies conducting different business activities. Following are the corporate details of Subsidiaries:

Subsidiary	Capital	Bank's Ownership Percentage	Main Scope of Business	Country of Operation	Country of Incorporation
Alinma Investment Company, (Closed Joint Stock Company)	Authorized: SAR 1,000 Mn., Paid Up: SAR 500 Mn.	100	Dealing as Principal and Agent, undertaking coverage and management, arranging, providing advice and filing in securities business	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tanweer Real Estate Company (a Limited Liability Company)	SAR 100,000	100	Facilitates mortgage financing and to hold, on behalf of the Bank, the title to real-estate owned/pledged as collateral against financing extended by the Bank	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma Insurance Agency for Cooperative Insurance (a Limited Liability Co.)	SAR 3 Mn.	100	The company operates according to the regulations of the Saudi Central Bank (SAMA) and operates as an agent for Alinma Tokio Marine (associate company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Fintech Company (Closed Joint Stock Company)	SAR 100 Mn.	100	Providing the digital financial products and services in cooperation with banks, together with the providing of digital financial platforms and engaging in banking agency activity for providing the e-commerce payment services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Isnad Company (a Limited Liability Co.)	SAR 500,000	100	To provide outsourced staff to the Bank (customer services, management support, technical support)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma SPV Limited	USD 50,000	100	Execute financial derivatives transactions and repurchase agreements with international banks	Kingdom of Saudi Arabia	The Cayman Islands

Board of Directors' report

In addition to the above-mentioned subsidiaries, the Bank has effective control over the funds listed below. The financial statements of these funds are consolidated with those of the Bank:

Investment Fund	Purposes	Net Assets	Percentage of Ownership	Country of Incorporation	Principal Place of Business
Alinma Sukuk Fund	Investment in domestic sovereign Sukuk issued by the Government of Saudi Arabia	SAR 1,265 Mn.	92.4	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma IPO Fund	Enhancing capital on the long-run by investing mainly in Saudi joint stock companies	SAR 149 Mn.	70.9	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

The below table summarizes the Operational activities and gross revenues of the Subsidiary Companies together with their contributions to the Bank's results:

	Activity's Profit (SAR Mn.)	Percentage %
Fund Management	369	45
Investment Banking and Brokerage	92	11
Others	365	44
Total Operating Income	826	100

Details of shares and debt instruments issued by each subsidiary company →

Name of Subsidiary Company	Shares	Debt Instruments		
	Number of Shares	Bank's Ownership %	Number of Debt Instruments	Bank's Ownership
Alinma Investment Company	50,000,000	100	–	–
Saudi Fintech Company	10,000,000	100	–	–
Alinma Insurance Agency for Cooperative Insurance	300,000	100	–	–
Isnad Company	50,000	100	–	–
Tanweer Real Estate Company	10,000	100	–	–
Alinma SPV Limited	50,000	100	–	–

Dividends distribution policy →

As stipulated in article (45) of Alinma Bank's By-Laws, the Bank distributes its net income after deducting all general expenses, other costs, providing necessary reserves for bad debts, investment losses and any other items that the Board of Directors may consider appropriate in accordance with the Banking Control Law and SAMA directives, as follows:

- The shareholders' Zakat and tax liability is computed and paid by the Bank to the concerned authorities.
- Not less than 25% is transferred to the Statutory Reserve until such reserve becomes equal to the paid-up capital.
- At least 5% of the paid-up capital may be distributed to shareholders when proposed by the Board of Directors and approved by the General Assembly. If the remaining profits are not sufficient to pay 5%, shareholders shall have no right to claim the payment during the next or subsequent year/(s). The General Assembly shall have no right to increase the dividends beyond what is recommended by the Board of Directors.
- Remaining balance of profits (after allocating the amounts referred to in paragraphs 1, 2 and 3 above) shall be appropriated as recommended by the Board of Directors and approved by the General Assembly.
- Based on a recommendation made from the Board of Directors, the General Assembly may allocate amounts from the net profits to establish social services for the employees of the Bank or to support existing services.
- Annual dividends shall be paid to shareholders in accordance with the decision of the General Assembly issued in this regard, and interim dividends shall be paid to the shareholders in accordance with the decision of the Board of Directors after the authorization of the General Assembly. The decision shall determine the due date and the date of distribution, and the eligibility of Dividends for shareholders registered in the shareholders' records at the end of the day specified for maturity.

Board of Directors' report

The Board has recommended the following appropriations for the 2022 fiscal year:

	2022 (SAR Mn.)
Net income for the year	3,599
Retained earnings – brought forward	3,619
Amount available for appropriation	7,218
Transfer to statutory reserve (25% of net income)	(900)
Interim profit distribution for the first half of 2022, represent 4.5% of the share nominal value	(896)
Final profit distribution for the second half of 2022, represent 5% of the share nominal value	(996)
Costs of issuing the first tranche Sukuk and relevant returns	(150)
Net transferred to other Reserves	9
Retained earnings – carried forward	4,285

Description of any interest in a class of voting shares held by persons (other than the company's Directors, Senior Executives and their relatives) who have noticed the Company of their holdings pursuant to Article (85) of the Rules on The Offer of securities and Continuing Obligations, along with any change to such rights during the last fiscal year →

The following table shows Major Shareholders of the Bank during the financial year 2022:

Name	Beginning of the year		End of the year	
	Shares	Ownership %	Shares	Ownership %
Public Investment Fund	200,000,000	10	200,000,000	10

Description of any interest, contractual securities and subscription rights of Board Members, Senior Executives, and their relatives in the shares or debt instruments issued by the Bank or any of its subsidiaries and any change therein during the last financial year →

Description of all ownership by members of the Board of Directors, their spouses and children in the shares, Sukuks issued by the Bank or any of its subsidiaries

Name	Beginning of the Year		End of the Year		Net change	Change %
	Number of Shares	Debt Instruments	Number of Shares	Debt Instruments		
1. Dr. Abdulmalik Abdullah Alhogail	400,000	3	400,000	3	–	–
2. Mr. Anees Ahmed Moumina	16,621	–	14,288	–	(2,333)	-14.04
3. Mr. Ahmed Abdullah Al Alsheikh	1	–	1	–	–	–
4. Mr. Mohammed Abdulrahman Bindaeyel	1,333	–	1,333	–	–	–
5. Mr. Abdulrahman Mohammed Ramzi Addas	2,145	–	2,145	–	–	–
6. Dr. Saud Mohammed Al-Nimir	70,190	–	72,840	–	2,650	3.78
7. Mr. Haitham Rashid Al-Sheikhmubarak	0	–	50	–	50	100

Board of Directors' report

Description of all ownership by members of the Board of Directors, their spouses and children in the shares, Sukuks issued by the Bank or any of its subsidiaries

Name	Beginning of the Year		End of the Year		Net change	Change %
	No. of Shares	Sukuks	No. of Shares	Sukuks		
1. Mr. Emad Abdulrahman Al-Butairi	235,953	–	307,100	–	71,147	30.15
2. Mr. Abdullah Jamaan Al-Zahrani	4,478	–	95,825	–	91,347	2039.91
3. Mr. Meshary Abdulaziz Al-Jubair	144,787	–	187,723	–	42,936	29.65
4. Dr. Mohammed Sultan Al-Sehali	5,500	–	52,539	–	47,039	855.25
5. Mr. Hamoud Abdulaziz Al-Humaidan	0	–	57,600	–	57,600	100.00
6. Mr. Eyad Osama Al-Othman	158,400	–	150,000	–	(8,400)	-5.30
7. Mr. Yaser Abdulaziz Al-Marshde	132,110	–	161,814	–	29,704	22.48
8. Mr. Hisham Abdullah Al-Turaigi	3,150	–	123	–	(3,027)	-96.10
9. Mr. Abdullah Mohammed Al-Salamah	41,897	–	70,176	–	28,279	67.50
10. Mr. Meshal Hamad Al-Rabiah	4,000	–	7,000	–	3,000	75.00

Requests for Shareholder Records →

Below table shows the numbers of Bank's requests of shareholders records, dates and reasons thereof:

Date of Request – 2022	Nature of Requests
1. January 19	Update shareholder register
2. February 02	Update shareholder register
3. March 03	Update shareholder register
4. March 17	Meeting of the General Assembly
5. March 22	Update shareholder register
6. April 03	Update shareholder register
7. May 09	Update shareholder register
8. June 06	Update shareholder register
9. July 03	Update shareholder register
10. October 03	Update shareholder register
11. November 02	Update shareholder register
12. November 13	Update shareholder register

Board of Directors' report

A description of any transaction between the Bank and any Related Party →

During its normal course of business, the Bank deals with related parties. Transactions with related parties shall be subject to the ratios stipulated in the Banking Control Law and the instructions of SAMA. The table below shows balances resulted from transactions with related parties and included in the consolidated financial statements as at 31 December 2022.

	2022 (SAR '000)	2021 (SAR '000)
Members of the Board of Directors, Senior Executives, major shareholders and related companies		
Senior Executive Finance	50,503	43,658
Related Parties Finance	935,993	745,520
Customer Deposits*	107,960	323,538
Investment in Subsidiaries	70,214	66,680
Investment Funds of the Bank		
Investments in Funds	625,708	1,755,631
Investment Funds Finance	–	–
Deposits from Investment Funds	796,174	216,662
Financing from Investment Funds	–	50,388

*Customer deposits include mainly deposits from major shareholders, related companies, and Members of the Board of Directors.

(A) Below is an analysis of revenues and expenses with respect to transactions with related parties listed in the consolidated income statement:

	2022 (SAR '000)	2021 (SAR '000)
Finance Income	20,413	10,877
Return on Customers Time Investments	3,803	25,151
Fee from banking services, net	378,163	332,191
Directors' remuneration	9,086	6,860

Advances and expenses of Executive Directors are in line with normal employment conditions.

(B) Below is an analysis of total compensations paid to Senior Executives during the year:

	2022 (SAR '000)	2021 (SAR '000)
Short-term Benefits	80,604	71,363
End of Service Benefits	7,312	7,682

Board of Directors' report

Information relating to any business or contract to which the Bank is a party and in which a Director of the Bank, a Senior Executive or any person related to any of them. If there are no such businesses or contracts, the Bank must submit a statement thereof →

Company Name	Work or Contract Nature	Work or Contract Amount	Work or Contract Duration	Work or contract conditions	Name of the director/senior executive or any person related to any of them
1. Alinma Tokio Marine Co.	Issuance and renewal of insurance policies, and Information Technology Services	43,071,468	2022	No preferential terms	<ul style="list-style-type: none"> ■ Abdullah Ali Al-Khalifa (CEO, Alinma Bank) (Non-Executive member, Alinma Tokio Marine) ■ Emad Abdulrahman Al-Butairi (Head of Corporate Banking Group, Alinma Bank) (Non-Executive member, Alinma Tokio Marine) ■ Abdulmohsen Abdul Aziz Al-Fares (Former CEO, Alinma Bank) (Chairman of the Board of Directors, Alinma Tokio Marine)
2. Ersal	SLA by Alinma bank IT	4,000,000	2022	No preferential conditions	<ul style="list-style-type: none"> ■ Abdullah Ali Al-Khalifa (CEO) ■ Abdullah bin Jamaan Al-Zahrani (Head of Treasury Group) ■ Saleh bin Abdullah Al-Zumea (Senior Deputy CEO, Head of the Retail and Digital Banking Executive Group)
3. SIJIL	Auto Lease, Retail, and Corporate Financing Contracts Registration and Authentication	189,500	2022	No preferential conditions	<ul style="list-style-type: none"> ■ Hisham Abdullah Al-Tariqi (Head of Credit Sector)

A description of any arrangement or agreement under which a Director or a Senior Executive of the Bank has waived any remuneration →

The Bank does not have any information about any arrangement or agreement by virtue of which any Board member(s), Senior Executive(s) has waived the right to receive any remunerations or compensations.

A description of any arrangement or agreement under which a shareholder of the Bank has waived any rights to dividends →

The Bank does not have any arrangement or agreement by virtue of which any shareholder(s) has waived the right to receive any dividend from the Bank.

Board of Directors' report

A statement of the value of any paid and outstanding statutory payment on account of any Zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor →

The following table shows the value of regulatory and outstanding payments for the financial period ended 31 December 2022:

Description	Paid amount	Outstanding amount until the end of the annual financial period	Brief description
Zakat	311.54	413.76	The amount paid represents the Zakat paid for the year 2021, and the accrued amount represents the Zakat calculated for the financial year 2022 and will be paid in April 2023
Withholding Tax	28.68	0.9	The amount paid represents the Withholding Tax paid for the period from December 2021 to November 2022 and the accrued amount represents the Withholding Tax for December 2022, payable in January 2023
Value Added Tax	216.28	16	The amount paid represents the VAT paid for the period from December 2021 to November 2022, and the accrued amount represents the VAT for December 2022, payable in January 2023

Statement as to the value of any investments made or any reserves set up for the benefit of the employees of the Bank →

Benefits and compensation are paid to employees in accordance with the provisions of the Saudi Labor Law. As at 31 December 2022, the balance due to employees on account of the end of service benefits obligation amounted to SAR 464 Mn. Additionally, the Bank makes monthly contributions towards the General Organization for Social Insurance (GOSI) for staff welfare as per the Saudi Labor Law.

Declarations →

In preparing the consolidated financial statements of the Bank, the Bank follows:

- The International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and statements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) collectively referred to as the "Standards approved in the Kingdom of Saudi Arabia";
- The provisions of the Banking Control Law, the Companies Law in force in the Kingdom of Saudi Arabia, and the Articles of Association of the Bank.

The Board of Directors confirms the following:

- Proper books of accounts have been maintained as required by law.
- The system of internal controls is sound in design and has been effectively implemented.
- There are no doubts about the Bank's ability to continue as a going concern.

Information relating to any competing business with the Bank or any of its activities that any Member of the Board is engaging in or was engaging in such competing businesses →

Member Name	Company Name	Main Business	Business Terms
Mr. Mutlaq Hamad Al-Morished	Citigroup Saudi Arabia (CSA)	A Principal and Agent, undertaking coverage and management, arranging, providing advice, and filling in securities business	There are no preferential terms
Mr. Anees Ahmed Moumina	Dar Al Tamleek	Buying, selling and owning real estate and lands and investing them, as well as managing financing programs for others	There are no preferential terms

Treasury shares, value and details →

The Bank held part of its shares at intervals during 2010 and 2011, with a view to granting them to a specified category of employees who meet relevant terms. Pending the transfer of share ownership beneficiaries, the shares are treated as treasury shares used to finance long-term employee remuneration plans paid on a stock basis, as shown in Note (22) and (17) of the bank's consolidated financial statements for the period ended 31 December 2022.

The details of the treasury shares held by the bank are as follows:

Number of treasury shares held by the Bank as on 31 December 2022	Value (SAR)
8,534,782	66,021,172

Board of Directors' report

Disclosures related to Small, Medium and Micro Enterprises →

SMEs shall be defined as follows:

Type of Enterprise	Revenues (SAR Mn.)	Staff
Micro Enterprise	0 to 3	1 to 5
Small Enterprise	< 3 to 40	6 to 49
Medium Enterprise	< 40 to 200	50 to 249

Total number of employees in the SME sector in the Bank stood at (43) employees at the end of the fiscal year 2022.

During 2022, the Bank focused on developing the business of the SME sector through:

In 2022, the SME sector has achieved many developments to improve the performance of the sector and enhance the customer experience as well. These developments can be represented in the following:

- New Structure of the SME Division
- New Products and new financing programs
- Improving the workflow and managing operational difficulties

New Structure: The SME division has created a new track called SME Sales Network to manage all program based lending products. This track is mainly targeting micro and small entities by offering different products with less requirements and flexible approval to fulfil their financial needs.

New Products & partnerships and new financing programs: The SME sector has successfully introduced six new products in 2022 to serve different needs of the Micro and Small Enterprises in different sectors.

- Current Account Based Financing – CAPEX
- Current Account Based Financing – Invoices
- Current Account Based Financing – Payrolls
- DAMAN Performance Bond
- Receivables Financing
- Real Estate Investment Financing - Rental Based Financing

Partnerships:

- Strengthening cooperation with the General Authority of Small and Medium Enterprises (Monshaat) through increasing funded opportunities through the financing portal.
- Signed Agreement with Agriculture Development Fund
- Expansion through Kafalah program for financing Small and Medium Enterprises

Improve the workflow and manage the operational difficulties:

The major improvements and enhancements in SME sector that have been made in 2022:

- Set a new approval fast track to facilitate and expedite the approval process by providing more authority to the business
- Redesign and improve the process flow to be more efficient and effective in terms of flexibility and quality
- Improve the RMs skills by offering intensive credit program specially designed by Moody's Analytics
- Participate in different events to offer our services and products and increase the SME market share (Ex: Hajj and Umrah Services Conference and Exhibition, and The International Franchise Expo)
- Sales Network, which focuses on financing the sector through flexible sector-specific products and financing programs on concessional terms
- Developing business and products through market study and building strategic partnerships with the public and private sectors

	Number of Training Days
Number of man-days training provided to SMEs staff	162

The following are the main performance indicators of the SME sector during the year 2022 compared to 2021:

	2022 (SAR '000)			
	Micro Enterprise	Small Enterprise	Medium Enterprise	Total
Small and Medium enterprises Financing – On Balance Sheet	110,362	1,626,408	2,781,396	4,518,166
Small and Medium enterprises Financing – Off Balance Sheet	3,403	104,221	230,722	338,346
SMEs Financing as a percentage of total financing – On Balance Sheet	0.07%	1.08%	1.85%	3.00%
SMEs Financing as a percentage of total financing – Off Balance Sheet	0.01%	0.44%	0.98%	1.48%
Number of Financing transactions (on/off Balance Sheet)	171	1,092	1,138	2,401
Number of Financing customers (on/off Balance Sheet)	339	518	176	1,033
Number of Financing transactions guaranteed by Kafalah program	127	712	373	1,212
Total Financing amounts guaranteed by Kafalah program	60,726	561,060	502,239	1,124,025

Board of Directors' report

	2021 (SAR '000)			
	Micro Enterprise	Small Enterprise	Medium Enterprise	Total
Small and Medium enterprises Financing – On Balance Sheet	28,587	1,084,441	2,716,542	3,829,570
Small and Medium enterprises Financing – Off Balance Sheet	–	55,716	224,875	280,591
SMEs Financing as a percentage of total financing – On Balance Sheet	0.02%	0.86 %	2.15%	3.03%
SMEs Financing as a percentage of total financing – Off Balance Sheet	0.00%	0.40 %	1.61 %	2.01%
Number of Financing transactions (on/off Balance Sheet)	39	636	1,069	1,744
Number of Financing customers (on/off Balance Sheet)	28	315	168	511
Number of Financing transactions guaranteed by Kafalah program	33	403	297	733
Total Financing amounts guaranteed by Kafalah program	14,198	326,604	458,156	798,958

Kafalah Program

The Bank continued its contribution in supporting micro, small and medium enterprises through Kafalah program, where several achievements were achieved in 2022.

Key achievements of the Kafalah program during 2022:

- Finance under Kafalah program recorded a growth rate of 46%.
- The number of guarantees issued to the Bank's clients increased by 67% during 2022.
- The number of the Bank's customers under Kafalah program grew by 59% compared to 2021.
- Growth of finance under SAMA initiative "Guaranteed Loan Program", by 13% increase in 2022 comparing to 2021.
- The finance product portfolio through the POS Financing grew by 108%.
- The Bank ranked 4th among banks cooperating with Kafalah program by the end of 2022.

Acknowledgement →

The Alinma Bank Board of Directors greatly appreciates the commitment of the Bank in 2022 to achieve noteworthy progress in line with the Bank's overarching strategy to be recognized as the fastest and most convenient bank in the Kingdom. This progress included the expansion of product and service offerings powered by the enhancement of digital capabilities and emerging technologies, while maintaining a strong balance sheet. During 2022, Alinma Bank experienced a growth in our customer base and overall operations, which positively impacted the Bank's financial results.

The Board of Directors would like to take this opportunity to thank the Bank's customers and shareholders for placing their trust in the Bank and its Board. We also wish to thank the government and regulatory authorities for their guidance, support and cooperation. Most importantly, appreciation is also extended to Alinma's employees, for their sincere and diligent efforts in working toward the Bank's goals.

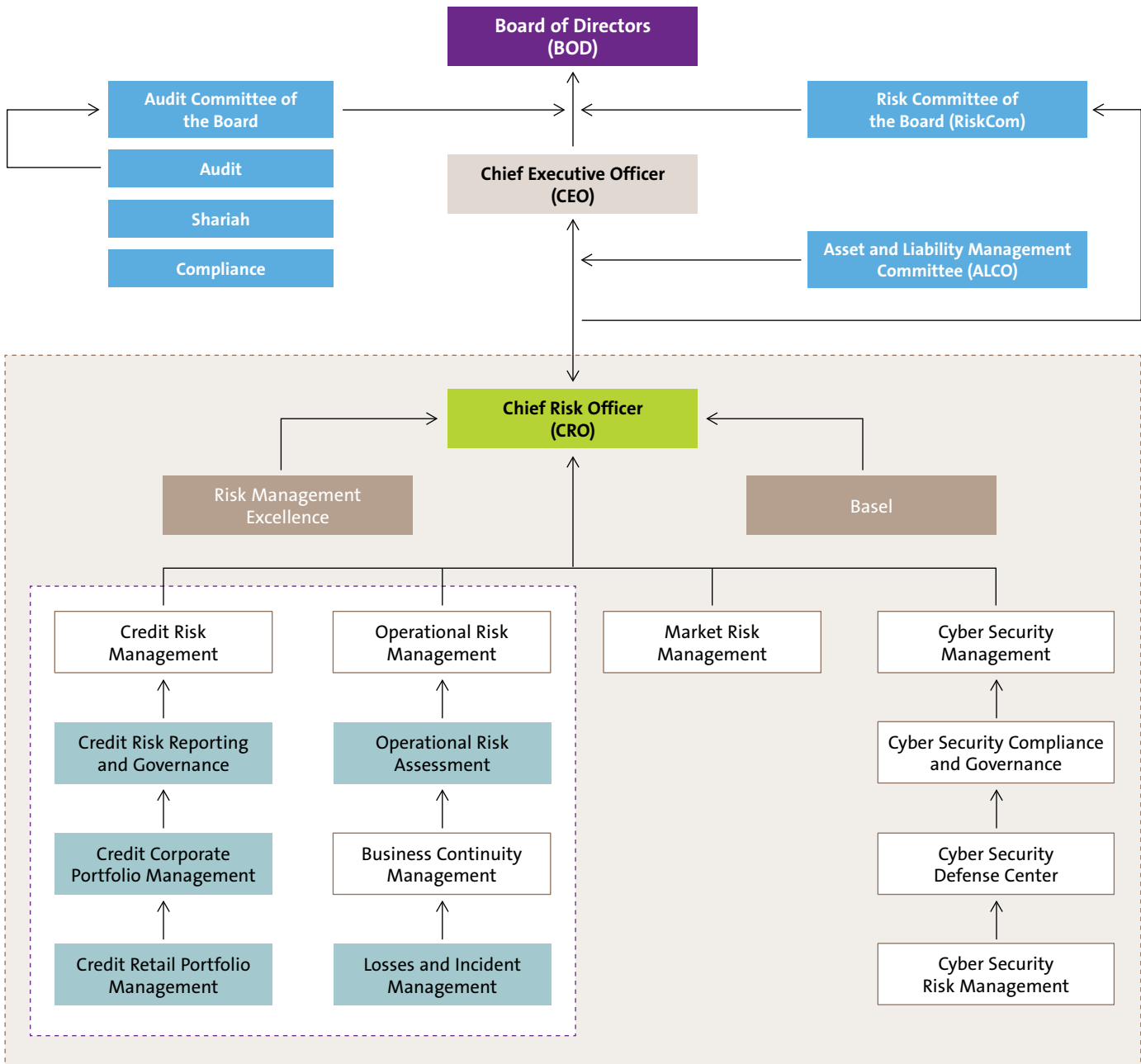
Lastly, the Board of Directors and all employees of the Bank express their gratitude and appreciation to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al Saud, and His Highness the Crown Prince, Mohammed Bin Salman, Deputy Prime Minister and Minister of Defense, for their tireless service to the Kingdom and its people.

Risk management

Alinma’s Risk Management Governance (RMG) operates within a periodically evaluated risk management framework, which considers existing and emerging economic risks stemming from global and domestic challenges. In conjunction with other material factors, this has ensured strong growth and success for Alinma during the year under review.

Risk management governance structure →

The Bank’s strong performance while navigating uncertain times without major incident was underpinned by its RMG structure that viewed risk mitigation and management as non-negotiable. The Board of Directors and the Board Risk Management Committee worked in tandem to enforce strong RMG that contributed to a growing balance sheet while averting adverse incidents.



Risk management

In order to concisely reflect the actual functional responsibilities while capturing synergies between similar activities, a number of key changes were carried out to the Bank’s RMG structure during the year under review. An extensive “Credit Risk Reporting and Governance” function was created by merging two functions; “Credit Risk Reporting” and “Credit Risk Policy and Appetite Tracking” to reflect the Bank’s more centralized efforts to ensure the Bank’s credit risk remains within its set parameters.

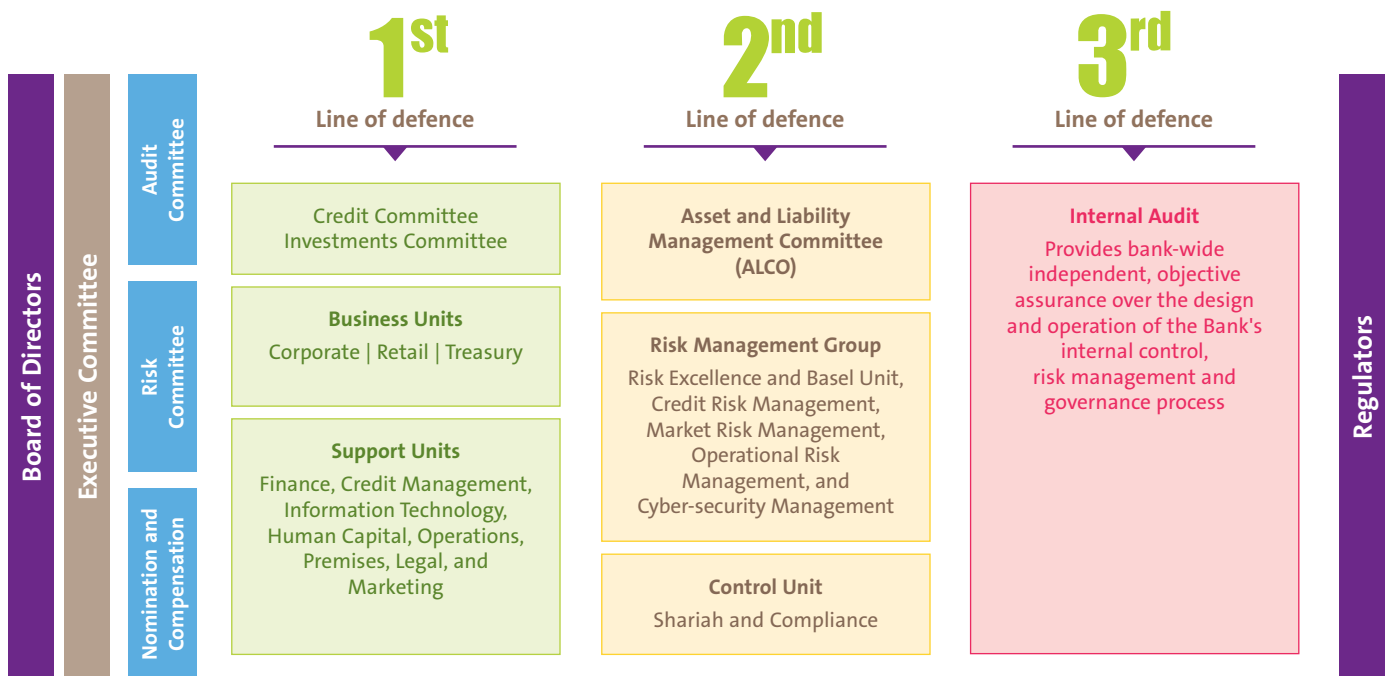
Alinma’s steady growth across both Corporate and Retail businesses in 2022 also resulted in the “Credit Portfolio Management” function being split into separate “Corporate Credit Portfolio Management” and “Retail Credit Portfolio Management” functions, to exclusively focus on each business segment’s risk exposure. “Losses and Incident Management” was carved out as its own function from Operational Risk Assessment and Control, to complement the Bank’s enhanced efforts to identify and manage possible impairments. The functional clarity resulting from these key changes in the RMG structure also allowed for better decision-making across the Bank, increasing organizational efficiency with no additional resources, thereby controlling costs effectively.

Risk management model →

The Bank’s risk management framework is based on the Three Lines of Defence model, demonstrating Alinma’s integrated and corroborative effort across all levels of the Bank to ensure effective Enterprise Risk Management.

Lending growth continued to outpace deposit growth in the Kingdom during the year under review, yet the Bank’s credit risk, with minor changes to the risk profile of certain sectors, was effectively managed. The cost of funds increased due to the profit rate increase by the Saudi Central Bank (SAMA), but was mitigated by repricing or moving corporate deposits to mature in one year and floating corporate financing accounts to approximately 75% of the total financing book of the Bank.

On a different note, the pandemic created a new risk, by way of the vulnerability of obligors that has a direct impact on the credit risk, in case of eventualities. The Bank mitigated and managed these risks efficiently.



Risk management

The risk appetite →

The Bank's risk appetite depends on the types and amount of risk the Bank is willing to take, while pursuing its business goals and social responsibilities. Given the financing growth that has emerged and considering the still dynamically challenging global economies that have a direct impact on Saudi Arabia's economy that is largely oil-export dependent, the Bank was cautious in laying down the boundaries and allowable tolerance level.

Risk identification and management →

The Bank has a robust risk identification and management procedure, aligned to its overarching governance process. Identifying existing risks while being conscious of emerging risks in an uncertain era, any deviations from the routines and business norms are quickly grasped and remedied. The key changes that were introduced to the RMG Structure is evidence that Alinma is vigilant and agile in risk management.

Principal risks →

Principal Risks are those that could cause a temporary or long-lasting breakdown in banking operations at Alinma, if unchecked, unidentified or unmanaged. Broadly, these can be categorized as financial and non-financial that could undermine the Bank at its foundations and impact the core business of banking and revenue generation.

Financial Risks



Credit Risk

Credit risk refers to failure to service borrowings or an increase in NPLs that weakens the balance sheet, with potential financial loss for the Bank. The Bank has a robust framework to appraise and grant credit facilities and for the daily management of accounts to ensure servicing is timely. Defaults are followed up and managed.



Market Risk

Equity prices, profit rates, foreign exchange rates, commodity prices and regulatory directions are the variables that pose the market risk to the Bank. This is managed under the Risk Management Group that regularly monitors the market risks, including the profit rate risk in the banking book.



Liquidity Risk

If the Bank, at any given time, is unable to settle its financial liabilities due to a lack of cash flow, this is termed as a liquidity risk. It also refers to a scenario where the Bank is unable to meet such obligations at a sustainable cost to the Bank. Liquidity risk arises due to various factors other than a default. They include but are not limited to, lack of cash flow management, inability to obtain funding, unexpected economic disruptions as was seen in the scale of the pandemic, unexpected capital expenditure and profit crisis. Such a risk, in turn, could invite a downgrading of the Bank's credit rating and its standing in the financial markets.

To avert a liquidity risk, Alinma strictly adheres to Banking Control Law and Regulations issued by SAMA, and maintains statutory deposits with SAMA for the required level for total demand deposits and customer time investments. It also maintains the required liquid reserves of not less than 20% of its deposit liabilities in the form of cash and assets. Great care is taken by the Risk Management Group to manage and avert any liquidity risk. The Financial Analysis section of the Report bears witness that the Bank, in fact, has managed its liquidity well and above board limits.

Risk management

Non-Financial Risks



Operational Risk

Operational risk arises from inadequate or failed internal processes, people and systems or from external events. The Bank's Operational Risk Team works on an assurance plan to regularly test the strength of the processes and process adherence in the various business units and fixes any glitches, swiftly. Business Environment and Internal Control Framework is strictly applied to avert any unprecedented event. Similarly, the Bank's disaster recovery site and Business Continuity Plan are tested periodically to build awareness and agility among the staff, in case of any adverse event.



Cyber Security Risk

Cyber security risks are related to the loss of confidentiality, integrity or availability of information and its system, which may negatively affect the Bank's reputation or result in financial losses. The Cyber Security Department works continuously to identify, mitigate and monitor cyber security risks to minimize it to the acceptable level. This is achieved through solid policies and procedures for cybersecurity risk management in alignment with the relevant regulations, to ensure cyber security risk engagement for all bank activities. (These include but are not limited to: new products/changes, risks of third parties and cloud services, risk assessment of business groups). In addition, the Cyber Security Department periodically performs vulnerability assessments and penetration testing covering the Bank's information assets and systems, in order to ensure their safety from security vulnerabilities.



Shariah non-compliance Risk

As an Islamic Bank, Shariah-compliance is a priority. To mitigate a breach, the Bank has implemented extensive Shariah policies and procedures and established a Shariah Board and a Shariah Compliance Audit Unit to ensure strict Shariah-compliance, in all activities of the Bank.



Reputational Risk

Reputational risk arises from regulatory actions against the Bank, negative media publicity or customer perceptions, frauds, penalty payments, the Bank being used for financial crime or any other non-financial or financial risk that could tarnish the strong brand visibility and standing of Alinma Bank. As a responsible and accountable corporate citizen in the banking industry, it is of paramount importance that the Bank is vigilant and adept at identifying any possible occurrence and speedily move to mitigate the risk. To counter this risk, the Bank works within its strong RMG structure and has also introduced a scorecard-based approach to measure its reputational risk.

Risk management

Key risk indicators →

Risk Category and Parameter	Key Risk Indicator	Policy Parameter (by SAMA or by Bank)	Actual Position	
			For the year 2022 As at 31 December 2022	For the year 2021 As at 31 December 2021
Credit Risk				
Quality of Financing Portfolio	Gross Non-Performing Financing ratio (%)		1.94%	1.75%
	Net Non-Performing Financing ratio (%)		0.86%	0.68%
	Impairment as a percentage over total Non-Performing Financing		136.35%	177.07%
	Weighted average rating score of the overall financing portfolio		6	6
Concentration	Financing portfolio by product – Highest exposure to be maintained as a percentage of the total financing portfolio		57%	57%
	Advances by economic sub sector (using HHI-Herfindahl-Hirschman Index or other methodology)	1,800	1,153	1,024
	Aggregate of exposures exceeding 15% of the eligible capital		Under group connected obligor basis 6,163,692,000	Under group connected obligor basis 4,743,722,712
Cross border exposure	Rating of the highest exposure of the portfolio on Fitch Investment Grade		A-	BB+
Market Risk				
Profit rate Risk	Using the “Earnings Approach” – defined by the impact of changes in profit rates on the bank’s earnings, and measured by the changes in the Net Income before Investments and Financing (NIIF), which is the difference between total revenues and costs of funding.	-20%	-9.63%/9.63%	-7.04% /12.75%
	Using the ‘Economic Value Approach’ in analyzing the impact of profit rates on the Bank’s economic value or market value, which can be viewed as the present value of the future cash flows of assets and liabilities.	-15%	-10.4%	-8.35%
Liquidity Risk	SAMA Liquidity Ratio (SLR)%	20%	24.99%	26.84%
	Liquidity Coverage Ratio (LCR) % (Quarterly Average)	100%	133.64%	134.10%
	Net Stable Funding Ratio (NSFR) %	100%	106.13%	111.70%

Risk management

Risk Category and Parameter	Key Risk Indicator	Policy Parameter (by SAMA or by Bank)	Actual Position	
			For the year 2022 As at 31 December 2022	For the year 2021 As at 31 December 2021
Operational Risk				
Operational losses	Operational loss tolerance limit (as a % of last three years' average gross income or any other base used by the Bank)	SAR 35 Mn.	15,587/35,000 = 44%	6,258/35,000 = 18%
Systems availability	Critical systems uptime %	T24 System	100%	100%
Cyber Security Risk				
Cyber Security Risks	Percentage of identified (Very High, High) risks that are not mitigated within the defined target date	less than 10%	0%	—
Cyber Security Incidents	Percentage of Cyber Security Incidents not handled in accordance with the pre-established timeframe	less than 10%	5.7%	—
Strategic Risk				
	Capital adequacy ratios:	14.00%	16.82%	18.79%
	CET 1%			
	Tier I & Tier II capital %			
	ROE (%)	8%	13.68%	10.81%
	Creditworthiness – Fitch Rating	BBB+	BBB+	BBB+

Operating within a growing economy though rife with new challenges, the Bank's Risk Management Group is viewed as the whistleblower alerting the Bank to forthcoming risks. Business growth and profit generation being the objective of the Bank's operation, similar focus and attention is afforded to the RMG for sustainable business with long term growth goals.

Shariah Committee

Shariah Committee →

Functioning within the Shariah Governance Framework issued by the Central Bank, it is crucial that the Bank is Shariah-compliant in all its products, services, transactions and activities. Ensuring this is the responsibility of the Shariah Committee, which delivered its obligations well in 2022 in this respect to work side by side with the Bank to protect Bank assets from any financial or non-financial losses which effected bank transactions.

The Committee comprises scholars specialised in Shariah-compliant financial transactions, jurisprudence and economic principles. The composition of the Committee was approved by the General Assembly of the Bank, and remains independent of all executive departments. All transactions executed by the Bank are subject to approval and control by the Shariah Committee, and its resolutions are binding upon all departments and personnel of the Bank.

Primary objectives →

- Defining Shariah terms with respect to all transactions executed by the Bank.
- Verifying all transactions of the Bank are Shariah compliant.
- Supporting the Bank to improve its performance from a Shariah perspective and maintaining its Islamic identity in policies, standards and procedures.
- Augmenting the Bank's contribution in introducing Islamic Banking, and towards its development.

During the year under review, the Committee held 36 meetings within which 197 topics were discussed. Topics included products and services, ideas for products and services, modifications to any approved documents, Shariah control reports, follow-up control observations, inquiries from beneficiary groups within the Bank, and other such related topics. The results of topics presented to the Shariah Committee in 2022 included issuing 59 resolutions, 136 letters in presented topics and 37 directives for control observations. By the end of 2022, Alinma Bank had issued a total number of 1,262 Shariah resolutions.

During the year under review, the Shariah Committee participated in various proceedings including scientific meetings such as hearing sessions with organizations and authorities, and coordinated meetings with the Board of Directors and the Audit Committee. The Shariah Committee also met with the Bank's partners and shareholders by attending the General Assembly.



Signing a Scientific cooperation agreement between Alinma Bank and Tabuk University

Shariah Committee report submitted to Alinma Bank's Board of Directors for the fiscal year ended 07/06/1444 AH – 31/12/2022 AD →

Praise be to Allah, the Lord of the Worlds, and may His blessings and peace be upon our Prophet Muhammad, his family, all his companions, and all righteous people.

The Shariah Committee examined Alinma Bank's periodic Shariah performance reports and its 2022 final report on the internal Shariah audit issued by the Shariah Control Department. This was conducted in line with the Shariah Governance Framework for Local Banks Operating in Saudi Arabia and as per the approved and acknowledged internal auditing standards, which indicate the Bank's adherence to proper implementation of the Committee's resolutions. The Committee also reviewed the Shariah performance reports issued by the respective Shariah committees of the Bank's subsidiaries.

Alinma Bank's executive management is responsible for aligning performance and implementation with Shariah requirements, while the Shariah Committee provides an independent assessment of the Bank's adherence thereto. Following thorough examination and analysis, the Shariah Committee ascertains the following:

The Shariah performance reports indicate that Alinma Bank adheres to the Shariah Committee's resolutions in its transactions, and no substantial violations in relation to the Bank's overall operations and revenues were observed.

We ask Allah Almighty to grant us success, bless our efforts, and make us among those who cooperate in righteousness and piety. May Allah's prayers and peace be upon our Prophet Muhammad, his family, and all his companions.

Shariah Committee

Abdulrahman Bin Saleh Al-Atram
Chairman

Abdullah Bin Wakeel Al-Sheikh
Deputy Chairman

Sulaiman Bin Turki Al-Turki
Member

Khalid Bin Abdulrahman Almuhanna
Member

Shariah Committee

The Shariah Committee secretariat →

The Secretariat is a technical and administrative entity, fully dedicated to assist the Shariah Committee achieve its goals and execute its duties.

The Shariah Committee Secretariat performs its duties and tasks through its various departments as follows:

Studies and consultancy

The Studies and Consultancy Department is responsible for providing Shariah consultancy and study services to all the Bank's departments and groups by studying the Bank's transactions, contracts, agreements, documents and forms, preparing researches and presenting memos before the Shariah Committee for products, transactions and activities, as well as the related documentation and forms based on the Bank's requirements. Yet another of the department's responsibilities is to prepare the Shariah Committee meeting minutes, research papers and studies related to banking activities. The Studies and Consultancy Department manages Shariah-based scientific projects, and also participates in workshops with other bank groups and departments.

Shariah products development

The Shariah Products Development Department is responsible for participating in product innovation and development in light of the guidelines of Islamic Shariah. This responsibility is carried out by aligning with relevant business units, reviewing and conducting Shariah studies and research, and effectively contributing to the design and development process of the Bank's new products.

Shariah control

The Shariah Control Department is responsible for all matters of compliance with Shariah provisions and guidelines as determined by the Shariah Committee, such activities include; Shariah-compliance which is conducted by reviewing policies, procedures, charters and such, managing risks of non-compliance with Shariah Committee resolutions, internal Shariah audit activities which are conducted on the Bank's business activities to verify its compliance with such resolutions, and submitting the results and observations of the internal Shariah audit to both the Shariah Committee and the Audit Committee.

Shariah secretariat support

The Shariah Secretariat Support Department is responsible for coordinating and supervising Shariah Committee meetings, and ensuring the outcomes of such meetings are published as per approved procedures. The Department provides support to all Shariah Secretariat work that is connected to generating electronic and paper sources of knowledge to the Bank and the Secretariat. While ensuring the function of effective communication channels between the Secretariat and the Bank's employees and customers, the Department also provides technical and logistic aid to facilitate and host specialized forums, seminars and workshops related to Shariah.

In 2022, the Shariah Committee Secretariat studied 339 topics and extended its support to the Bank in accordance with the resolutions issued by the Shariah Committee. The range of studied topics covered ideas for products and services, new products and services, as well as modifications to approved documents.

The Shariah Committee Secretariat engaged in the development and innovation of products and services in collaboration with other groups within the Bank to introduce 39 products and services for the year under review.

The Secretariat supported the Bank to respond to 82 inquiries received from the Bank's staff before executing transactions in accordance with the resolutions of the Shariah Committee in 2022, and also responded to 112 more inquiries received through the dedicated Shariah communication service from the Bank's clients pertaining to Shariah compliance of the transactions.

Awareness and training →

The "Alinma Shariah Publications" mobile app continued to publish the Bank's Shariah Committee resolutions, research findings as well as scientific and awareness materials in 2022, further developing the Bank from a Shariah perspective and strongly sustaining the Bank's Islamic identity across its policies, standards and procedures. The app – considered the first-of-its-kind in the Islamic financial industry since its launch by the Bank in 2018 – was downloaded 28000 times during the reporting period.

The Secretariat organized two workshops titled: "Murabaha at Variable Rate" and "Managing the Risks of Non-Compliance with Provisions of Shariah, a Concept and Applications" in 2022, which were attended by more than 75 participants specialising in different domains. A total of 8 specialised researches were prepared through this year.

The Secretariat also facilitated 10 Training and Awareness Programs for the benefit of 1,713 employees working across 10 Groups of the Bank.

Secretariat participation →

During the reporting period, the Secretariat actively participated in:

1. The membership of Islamic Banking Committee of the Central Bank and its related sub committees.
2. The formalizing of two Memoranda of Understanding (MoUs) with Tabuk and Al Qassim Universities, to advance Shariah studies at higher educational institutions.
3. The Arab National Bank's first conference for Islamic Banking.
4. Participation in the Symposium on Future Islamic Banking.
5. Participation in the 42nd Al Baraka Symposium on Islamic Economics.
6. Participation in the 20th AAOIFI Annual Shari'ah Boards Conference.
7. Participation in Madinah conference for awqaf.
8. Participation in AAOIFI Symposium on Islamic banking.

Audit Committee report

The Audit Committee's Report to the General Assembly →

For the Fiscal Year Ending 31 December 2022

The Audit Committee reviews financial statements and accounting policies and supervises the activities of internal audit and external auditors. During the fiscal year 2022, the Committee held eight (8) meetings. In 2022, the Audit Committee performed activities falling within its jurisdiction, the most prominent of which are:

- Reviewing and approving the internal audit plan for the fiscal year 2022.
- Supervising the Internal Audit Department and following-up the execution of the audit plan during the fiscal year 2022.
- Reviewing Internal Audit reports during 2022.
- Reviewing annual financial statements as of 31 December 2022 as well as quarterly statements and recommending the approval of the same by the Board of Directors.
- Reviewing the Management Letter issued by the External Auditors.
- Reviewing Auditor's proposals and recommending the appointment of Auditors for the year ending 31 December 2022.
- Reviewing the quarterly compliance reports on the Bank's compliance with regulatory requirements and internal policies and procedures.
- Reviewing and recommending approval of the proposed organizational structure for the Internal Audit Division to the Board of Directors.

Adequacy of the internal control system →

Based on the responsibility of the Bank's Management in terms of preparing a comprehensive and effective system for internal controls to achieve the approved objectives of the Bank, an internal control system has been developed that suits the Bank's activities and takes into account the relative importance of financial and other risks inherent in these activities. An internal control system has been designed to manage and control risks in a timely manner. This provides a reasonable amount of continuous control and early detection and handling of potential risks.

The internal control system is based on the vision and assessment of the Bank's Management to put in place a control system which is commensurate with the relative importance of financial and other risks inherent in the Bank's activities with a reasonable cost and benefit in order to achieve specific controls. The internal control system has been designed to mitigate risks in order to achieve specific objectives. It is therefore designed to give reasonable assurances to avoid material errors and relevant losses.

The Audit Committee periodically reviews the reports prepared by Internal and External Auditors. These reports include an assessment of the adequacy and effectiveness of internal controls currently in place.

Based on the aforementioned, we believe that the Bank has a reasonably adequate and effective internal control system in terms of design and implementation. During 2022, there were no material observations relating to the effectiveness of the internal control system and procedures in the Bank.

Mr. Abdulrahman bin Mohammad Ramzi Addas
Chairman of the Committee

Mr. Haitham bin Rashid Al-Sheikh Mubarak
Committee Member

Dr. Saad Bin Saleh AlRowaiti
Committee Member

Mr. Maher Bin Saad AlAiyadhi
Committee Member

Mr. Othman bin Mohammed Al-Tuwaijri
Committee Member

Financial reports

Independent Auditors' report



KPMG Professional Services

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Kingdom of Saudi Arabia
Headquarters in Riyadh

C.R. No. 1010425494



Ernst & Young Professional Services (Professional LLC)

**Paid-up capital (SR 5,500,000 — Five million
five hundred thousand Saudi Riyal)**

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Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Alinma Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements →

Opinion

We have audited the consolidated financial statements of Alinma Bank and its subsidiaries (collectively referred to as the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS that are endorsed in Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditors' report



Key audit matter	How our audit addressed the key audit matter
<p>Expected credit loss allowance against financing</p> <p>As at December 31, 2022, the gross financing of the Bank was Saudi Riyals (“SAR”) 150,473 million against which an expected credit loss (“ECL”) allowance of SAR 3,981 million was maintained.</p> <p>We considered this as a key audit matter as the determination of ECL involves significant estimation and management judgment and this has a material impact on the consolidated financial statements of the Bank. The key areas of judgment include:</p> <ul style="list-style-type: none"> ■ Categorisation of financing in Stage 1, 2 and 3 based on identification of: <ul style="list-style-type: none"> (a) exposures with a significant increase in credit risk (“SICR”) since their origination; and (b) individually impaired/defaulted exposures. <p>The Bank has applied additional judgments to identify and estimate the likelihood of borrowers that may have experienced SICR due to current economic outlook.</p> <ul style="list-style-type: none"> ■ 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 financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. ■ The need to apply post model overlays using expert credit judgment to reflect all relevant risk factors that might not have been captured by the ECL model. <p>Application of these judgments and estimates, results in greater estimation uncertainty and the associated audit risk around ECL calculation as at December 31, 2022.</p> <p><i>Refer to the summary of significant accounting policy note 3 (j) for the impairment of financial assets; note 2 (e) (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 Bank; note 8 which contains the disclosure of impairment against financing; and note 28.1 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</i></p>	<ul style="list-style-type: none"> ■ We obtained and updated our understanding of management’s assessment of ECL allowance against financing including the Bank’s internal rating model, accounting policy, model methodology including any key changes made during the year. ■ We compared the Bank’s accounting policy for ECL allowance and the ECL methodology with the requirements of International Financial Reporting Standards (9) (“IFRS 9”). ■ We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant Information Technology general and application controls) over: <ul style="list-style-type: none"> – the ECL model, including governance over the model, and any model updates performed during the year, including approval of credit and impairment committee of key inputs, assumptions and post model overlays, if any; – the classification of financing into Stages 1, 2 and 3 and timely identification of SICR and the determination of default/individually impaired exposures; – the IT systems and applications supporting the ECL model; and – the integrity of data inputs into the ECL model. ■ For a sample of customers, we assessed: <ul style="list-style-type: none"> – the internal ratings determined by management, based on the Bank’s internal rating model and considered these assigned ratings in light of external market conditions and available industry information. We also assessed that these were consistent with the ratings used as input in the ECL model; – management’s computations for ECL; and – for selected financing, we assessed management’s assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. ■ We assessed the appropriateness of Bank’s criteria for the 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 Bank’s financing portfolio.

Independent Auditors' report



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> ■ We assessed the governance process implemented and the qualitative factors considered by the Bank 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 Bank in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios. ■ We tested the completeness and accuracy of data supporting the ECL calculations as at December 31, 2022. ■ Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs (including EAD, PD and LGD) 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 disclosures in the consolidated financial statements.

Other information included in the Bank's 2022 annual report →

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

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

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

Responsibilities of Directors and those Charged with Governance for the Consolidated Financial Statements →

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS that are endorsed in Kingdom of Saudi Arabia, the applicable requirements of the Companies Law, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, and for such internal control as Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Bank'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 Directors either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements →

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

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

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

Independent Auditors' report



- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 Bank 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 Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

For KPMG Professional Services

Abdulaziz Abdullah Alnaim
Certified Public Accountant
License number 394



(21 Rajab 1444H)
(12 February 2023)



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

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

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

Report on other legal and regulatory requirements →

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that Bank is not in compliance, in all material respects, with the applicable requirements of the Companies Law, the Banking Control law in the Kingdom of Saudi Arabia and Bank's By-Laws in so far as they affect the preparation and presentation of the consolidated financial statements.

For Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License number 523



Consolidated Statement of Financial Position

As at December 31

	Notes	2022 SAR '000	2021 SAR '000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA)	4	9,723,259	9,177,296
Due from banks and other financial institutions, net	5	1,454,458	738,073
Investments held at fair value through statement of income (FVSI)	6	1,652,479	2,365,750
Investments held at fair value through other comprehensive income (FVOCI)	6	12,084,604	7,412,625
Investments held at amortized cost, net	6	24,721,320	23,432,514
Investments in an associate and a joint venture	6	70,214	66,680
Financing, net	8	146,491,956	126,271,491
Property, equipment and right of use assets, net	9	2,632,794	2,382,732
Other assets	10	1,605,145	1,628,923
TOTAL ASSETS		200,436,229	173,476,084
LIABILITIES AND EQUITY			
LIABILITIES			
Due to SAMA, banks and other financial institutions	11	16,483,039	15,239,791
Customers' deposits	12	145,168,490	121,060,551
Amount due to Mutual Funds' unitholders	13	136,570	495,990
Other liabilities	14	6,771,817	5,968,725
TOTAL LIABILITIES		168,559,916	142,765,057
EQUITY			
Share capital	15	20,000,000	20,000,000
Treasury shares	17	(66,021)	(94,159)
Statutory reserve	16	2,168,630	1,268,845
Other reserves	17	(507,396)	122,601
Retained earnings		4,285,004	3,618,609
Proposed dividends	15.1	996,096	795,131
Equity attributable to the shareholders of the Bank		26,876,313	25,711,027
Tier 1 Sukuk	18	5,000,000	5,000,000
TOTAL EQUITY		31,876,313	30,711,027
TOTAL LIABILITIES AND EQUITY		200,436,229	173,476,084

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

For the year ended December 31

Consolidated Statement of Income

	Notes	2022 SAR '000	2021 SAR '000
Income from investments and financing	20	7,612,961	5,677,771
Return on time investments	20	(1,546,495)	(537,386)
Income from investments and financing, net	20	6,066,466	5,140,385
Fees from banking services – income	21.1	1,901,510	1,560,543
Fees from banking services – expense	21.1	(692,578)	(486,223)
Fees from banking services, net	21.1	1,208,932	1,074,320
Exchange income, net		290,836	214,614
Income from FVSI financial instruments, net	6.1	279,308	129,398
Gain from FVOCI Sukuk investments, net		993	209
Dividend income on FVOCI equity investments		30,545	8,820
Other operating income	21.2	85,980	91,848
Total operating income		7,963,060	6,659,594
Salaries and employees' related expenses	22	1,325,324	1,116,674
Rent and premises related expenses		68,225	56,824
Depreciation and amortization	9	279,116	251,160
Other general and administrative expenses		1,092,312	932,910
Operating expenses before impairment charges		2,764,977	2,357,568
Impairment charge of financing, net of recoveries	8.2	1,197,700	1,251,603
(Reversal)/impairment charge on other financial assets		(8,982)	14,728
Total operating expenses		3,953,695	3,623,899
Net operating income		4,009,365	3,035,695
Share of income/(loss) from an associate and a joint venture	6.5,6.6	3,534	(14,140)
Income for the year before Zakat		4,012,899	3,021,555
Zakat for the year	24	(413,759)	(312,168)
Net income for the year after Zakat		3,599,140	2,709,387
Basic and diluted earnings per share (SAR)	23	1.73	1.31

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

Consolidated Statement of Comprehensive Income

For the year ended December 31

	Notes	2022 SAR '000	2021 SAR '000
Net income for the year after Zakat		3,599,140	2,709,387
Other comprehensive (loss)/income:			
Items that cannot be reclassified back to consolidated statement of income in subsequent periods			
Net change in fair value of FVOCI equity investments	17.2	(412,976)	(411)
Actuarial gain/(loss) on remeasurement of End of Service Benefits Scheme balances	26.2	12,226	(6,311)
Items that can be reclassified back to consolidated statement of income in subsequent periods			
Net change in fair value of FVOCI Sukuk investments	17.2	(247,262)	(41,482)
Net gain realized on sale of FVOCI Sukuk investments	17.2	(993)	(209)
Total other comprehensive loss		(649,005)	(48,413)
Total comprehensive income for the year		2,950,135	2,660,974

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

For the year ended December 31

Consolidated Statement of Changes in Equity

2022 (SAR '000)	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Treasury shares	Total equity attributable to the shareholders	Tier 1 Sukuk	Total equity
Balance at the beginning of the year		20,000,000	(94,159)	1,268,845	122,601	3,618,609	795,131	25,711,027	5,000,000	30,711,027
Net income for the year after Zakat		-	-	-	-	3,599,140	-	3,599,140	-	3,599,140
Net change in fair value of FVOCI equity investments	17.2	-	-	-	(412,976)	-	-	(412,976)	-	(412,976)
Actuarial loss on remeasurement of End of Service Benefits Scheme balances	26.2	-	-	-	12,226	-	-	12,226	-	12,226
Net change in fair values of FVOCI Sukuk investments	17.2	-	-	-	(247,262)	-	-	(247,262)	-	(247,262)
Gain on sale of FVOCI Sukuk investments	17.2	-	-	-	(993)	-	-	(993)	-	(993)
Total comprehensive income		-	-	-	(649,005)	3,599,140	-	2,950,135	-	2,950,135
Loss on sale of FVOCI equity investments	17.2	-	-	-	347	(347)	-	-	-	-
Transfer to statutory reserve	16	-	-	899,785	-	(899,785)	-	-	-	-
Tier 1 Sukuk costs		-	-	-	-	(150,000)	-	(150,000)	-	(150,000)
Final dividends paid for 2021	15.1	-	-	-	-	-	(795,131)	(795,131)	-	(795,131)
Interim dividends paid for 2022	15.1	-	-	-	-	(896,121)	-	(896,121)	-	(896,121)
Proposed final dividends for 2022	15.1	-	-	-	-	(996,096)	996,096	-	-	-
Employee share based plans and other reserve movements	17.2	-	28,138	-	18,661	9,604	-	56,403	-	56,403
Balance at the end of the year		20,000,000	(66,021)	2,168,630	(507,396)	4,285,004	996,096	26,876,313	5,000,000	31,876,313

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31

2021 (SAR '000)	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Treasury shares	Total equity attributable to the shareholders	Tier 1 Sukuk	Total equity
Balance at the beginning of the year		20,000,000	(99,996)	591,498	150,592	3,786,693	–	24,428,787	–	24,428,787
Net income for the year after Zakat		–	–	–	–	2,709,387	–	2,709,387	–	2,709,387
Net change in fair value of FVOCI equity investments	17.2	–	–	–	(411)	–	–	(411)	–	(411)
Actuarial loss on remeasurement of End of Service Benefits Scheme balances	26.2	–	–	–	(6,311)	–	–	(6,311)	–	(6,311)
Net change in fair values of FVOCI Sukuk investments	17.2	–	–	–	(41,482)	–	–	(41,482)	–	(41,482)
Gain on sale of FVOCI Sukuk investments	17.2	–	–	–	(209)	–	–	(209)	–	(209)
Total comprehensive income		–	–	–	(48,413)	2,709,387	–	2,660,974	–	2,660,974
Gain on sale of FVOCI equity investments	17.2	–	–	–	(12,911)	12,911	–	–	–	–
Issuance of Tier 1 Sukuk and related costs		–	–	–	–	(106,724)	–	(106,724)	5,000,000	4,893,276
Transfer to statutory reserve	16	–	–	677,347	–	(677,347)	–	–	–	–
Dividends paid for 2020	15.1	–	–	–	–	(596,218)	–	(596,218)	–	(596,218)
Interim dividends paid for 2021	15.1	–	–	–	–	(695,736)	–	(695,736)	–	(695,736)
Proposed final dividends for 2021	15.1	–	–	–	–	(795,131)	795,131	–	–	–
Employee share based plans and other reserve movements	17.2	–	5,837	–	33,333	(19,226)	–	19,944	–	19,944
Balance at the end of the year		20,000,000	(94,159)	1,268,845	122,601	3,618,609	795,131	25,711,027	5,000,000	30,711,027

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

For the year ended December 31

Consolidated Statement of Cash Flows

	Notes	2022 SAR '000	2021 SAR '000
Operating activities			
Income for the year before Zakat		4,012,899	3,021,555
Adjustments to reconcile income for the year before Zakat to net cash from operating activities:			
Depreciation and amortization	9	279,116	251,160
Gain on disposal of property and equipment, net		(678)	(1,572)
Unrealized (gain)/loss from FVSI financial instruments, net		(209,139)	(111,747)
Gain from Sukuk investments held at amortized cost	21.2	(52,196)	(23,604)
Gain from FVOCI Sukuk investments, net	17.2	(993)	(209)
Dividend income on FVOCI equity investments		(30,545)	(8,820)
Impairment charge of financing, net of recoveries	8.2	1,197,700	1,251,603
(Reversal)/impairment charge on other financial assets		(8,982)	14,728
Recoveries from written-off accounts	8.2	43,036	31,855
Deferred payment program modification loss, net of unwinding		(34,444)	54,776
Fair value benefit from profit free SAMA deposit, net of unwinding		55,951	(75,923)
Employees share based plans reserve	17.2	27,187	25,004
Share of (income)/loss from an associate and a joint venture		(3,534)	14,140
		5,275,378	4,442,946
Net (increase)/decrease in operating assets:			
Statutory deposit with Saudi Central Bank		(778,951)	(322,121)
Due from banks and other financial institutions with original maturity of more than three months		(123,262)	–
Investments held at FVSI		(207,388)	(68,450)
Financing		(21,254,697)	(16,415,523)
Other assets		48,757	(502,226)
Net increase/(decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions		1,137,212	8,043,216
Customers' deposits		24,107,939	1,606,273
Other liabilities		309,377	604,381
Net cash from/(used in) operating activities before Zakat paid		8,514,365	(2,611,504)
Zakat paid		(311,545)	(227,639)
Net cash from (used in)/from operating activities		8,202,820	(2,839,143)
Investing activities			
Purchases of investments held at FVOCI		(5,486,723)	(3,475,268)
Purchases of investments held at amortized cost	6.4	(3,818,613)	(7,575,833)
Proceeds from sales and maturities of investments held at FVOCI		1,340,902	546,871
Proceeds from sales and maturities of investments held at amortized cost	6.4	2,519,131	6,899,328
Purchase of property and equipment		(464,764)	(190,817)
Proceeds from disposal of property and equipment		21,000	3,599
Dividends received from FVOCI equity investments		30,545	8,820
Net cash used in investing activities		(5,858,522)	(3,783,300)

Consolidated Statement of Cash Flows (Continued)

For the year ended December 31

	Notes	2022 SAR '000	2021 SAR '000
FINANCING ACTIVITIES			
Proceeds for the issuance of Tier 1 Sukuk, net of related costs		–	4,993,276
Payment for Tier 1 Sukuk costs		(200,000)	(50,000)
Cash payment for principal portion of lease liability		(90,627)	(87,137)
Dividend paid		(1,691,252)	(1,291,954)
Net cash/(used in) from financing activities		(1,981,879)	3,564,185
Net change in cash and cash equivalents		362,419	(3,058,258)
Cash and cash equivalents at beginning of the year		3,210,524	6,268,782
Cash and cash equivalents at end of the year	25	3,572,943	3,210,524
Income received from investments and financing		6,677,781	5,444,212
Return paid on time investments		1,087,834	502,798
Supplemental non-cash information:			
Net changes in fair value of FVOCI investments		(661,231)	(42,102)

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

For the year ended December 31

Notes to the Consolidated Financial Statements

1 General →

(a) Incorporation

Alinma Bank, a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/15 dated 28 Safar 1427H (corresponding to March 28, 2006), in accordance with the Council of Ministers' Resolution No. 42 dated 27 Safar 1427H (corresponding to March 27, 2006). It operates under Ministerial Resolution No. 173 and Commercial Registration No.1010250808 both dated 21 Jumada I, 1429 (corresponding to May 26, 2008) and provides banking services through 104 branches (2021: 100 branches) in the Kingdom of Saudi Arabia ("KSA"). The address of the Bank's head office is as follows:

Alinma Bank
Head Office, King Fahad Road
P.O. Box 66674
Riyadh 11586
Kingdom of Saudi Arabia

The consolidated financial statements comprise the financial statements of Alinma Bank and its following subsidiaries (collectively referred as the "Bank") which are registered in KSA except for Alinma SPV Ltd which is registered in Cayman Islands:

Subsidiaries	Bank's ownership	Establishment date	Main activities
Alinma Investment Company	100%	07 Jumada – II 1430H (corresponding to May 31, 2009)	Asset management, custodianship, advisory, underwriting and brokerage services
Al-Tanweer Real Estate Company	100%	24 Sha'aban 1430H (corresponding to August 15, 2009)	Formed principally to hold legal title of properties financed by the Bank.
Alinma Cooperative Insurance Agency (Under liquidation)	100%	29 Rabi Al Awwal 1435H (corresponding to January 30, 2014)	Insurance agent for Alinma Tokio Marine Company (an associated company)
Saudi Fintech Company	100%	6 Dhul Qa'da 1440H (corresponding to July 9, 2019)	Provide financial technology products and services to the Bank and others.
Esnad Company	100%	24 Ramadan 1440H (corresponding to May 29, 2019)	To provide outsourced staff to the Bank.
Alinma SPV Ltd	100%	22 Jumada – II 1443H (corresponding to January 25, 2022)	Engage and execute financial derivatives transactions and repurchase agreements with international banks.

In addition to above subsidiaries, the Management has concluded that the Bank has effective control of the below Funds and started consolidating the Funds' financial statements at the dates of effective control:

Funds	Bank's ownership	Establishment date	Date of effective control	Purpose
Alinma Sukuk ETF	As at December 31, 2022: 92.4% (2021: 63.6%)	January 22, 2020	January 22, 2020	To invest in a basket of local sovereign Sukuks issued by the Kingdom of Saudi Arabia
Alinma IPO Fund	As at December 31, 2022: 70.9% (2021: 75.5%)	April 26, 2015	January 1, 2020	To achieve capital appreciation over the long term by investing mainly in Saudi joint stock companies

The Bank provides a full range of banking and investment services through products and instruments that are in accordance with Sharia'a, its By-Laws and within the provisions of laws and regulations applicable to banks in the Kingdom of Saudi Arabia.

(b) Sharia'a Board

The Bank has established a Sharia'a Board in accordance with its commitment to comply with Islamic Sharia'a Laws. Sharia'a Board ascertains that all the Bank's activities are subject to its review and approval.

Notes to the Consolidated Financial Statements

For the year ended December 31

2 Basis of preparation →

(a) Statement of compliance

The consolidated financial statements of the Bank as at and for the year ended December 31, 2022 and 2021 have been prepared:

- (i) in accordance with International Financial Reporting Standards (“IFRS”) 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 KSA”); and,
- (ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies, issued on 28 Muharram 1437H (corresponding to: November 10, 2015) in the Kingdom of Saudi Arabia and By-Laws of the Bank.

(b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis. The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of the financial instruments held at fair value through statement of income (“FVSI”), investments carried at fair value through other comprehensive income (“FVOCI”) and end of service benefits which are measured using projected unit credit method under IAS-19.

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

(c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Bank’s functional currency. Except where indicated, financial information presented in SAR has been rounded off to the nearest thousand.

(d) Going concern

The Bank’s Management has made an assessment of the Bank’s ability to continue as a going concern and is satisfied that the Bank has the intention and resources to continue in business for the foreseeable future. In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources, etc. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern.

(e) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires Management to exercise its judgment in the process of applying the Bank’s accounting policies. Such judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

Judgment of equity vs liability for Tier 1 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgment as certain clauses of the Offering Circular require interpretation. The Bank classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Bank for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to Sukukholders are limited in number and scope and very difficult to exercise. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

Critical accounting estimates

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

- (i) Expected credit losses (“ECL”) on financial assets [Notes 3(j), 28]
The measurement of ECL under IFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
The Bank’s ECL calculations are outputs of 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 judgments and estimates include:
 1. The selection of an estimation technique or Modelling methodology, covering below key judgments and assumptions:
 - (a) The Bank’s internal credit grading model, which assigns probability of defaults (“PDs”) to the individual grades
 - (b) The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
 - (c) The segmentation of financial assets when their ECL is assessed on a collective basis
 - (d) Development of ECL models, including the various formulas
 - (e) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
 2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.
 - (ii) Fair value measurement (Note 34)
 - (iii) Classification of financial assets [Note 3(g)]
 - (iv) Useful lives of property and equipment and determination of depreciation and amortization [Note 3(k)]

For the year ended December 31

Notes to the Consolidated
Financial Statements

- (v) Assessment of control over investees [Note 3(b)]
- (vi) Valuation of end of service benefits scheme [Notes 3(s), 26]
- (vii) Government grant [Notes 3(aa), 11]
- (viii) Lease accounting [Note 3(p)]
- (ix) Recognition and measurement of contingencies (Note 19)

3 Summary of significant accounting policies →

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

(a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2021 except for the adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2022. The Management has assessed that the below amendments have no significant impact on the Bank's consolidated financial statements.

New standards, interpretations and amendments adopted by the Bank

Standard, interpretation, amendments	Description	Effective date
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	<p>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.</p> <p>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 recognize such sales proceeds and related cost in consolidated statement of income.</p> <p>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.</p> <p>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".</p>	Annual periods beginning on or after January 1, 2022.

IBOR transition

(Interest Rate Benchmark Reforms):

The Bank is running a project on the overall IBOR transition and to implement the changes required to adopt the new benchmarks. The project is significant in terms of scale and complexity, covering possible changes to processes, risk management, systems and valuation models, as well as accounting implications. The Bank has complied with the regulatory deadline of December 31, 2021 for the LIBOR transition and is now offering products based on the new benchmarks. The upgrade of the impacted systems, re-papering of contracts and changes in Bank's internal policies, procedures and models to incorporate new benchmark is in advanced stages and is targeted for completion before June 2023.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Alinma Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of Alinma Bank, using consistent accounting policies.

Subsidiaries are the entities that are controlled by Alinma Bank. The control over an entity arises when, someone has power over the investee entity, and it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

The control indicators set out below are subject to Management's judgments that can have a significant effect in the case of the Bank's interests in securitization vehicles and investments funds. Specifically, the Bank controls an investee if and only if the Bank 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

Notes to the Consolidated Financial Statements

For the year ended December 31

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

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- Bank's current and potential voting rights granted by equity instruments such as shares

The Bank reassesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Bank gains control until the date the Bank 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 Bank 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 profit or loss
- 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 Bank had directly disposed of the related assets or liabilities.

Since the subsidiaries are fully owned by the Bank, there is no non-controlling interest to be disclosed. The functional currency of all subsidiaries is Saudi Arabian Riyal ("SAR").

Amounts due to Mutual Funds' unitholders represent the portion of net assets of the mutual funds which are attributable to interests which are not owned, directly or indirectly, by the Bank or its subsidiaries and are presented separately within liability in the Bank's consolidated statement of financial position.

All inter-group balances, transactions, income and expenses are eliminated in full in preparing these consolidated financial statements.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies adopted by the subsidiaries are consistent with that of Bank's accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries to align with the Bank's consolidated financial statements.

Funds management

The Bank acts as Fund Manager to a number of investment funds. Determining whether the Bank controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Bank in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. As a result, the Bank has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

(c) Trade date accounting

All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e. the date on which the Bank becomes a party to the contractual provisions of the instrument). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are also initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(d) Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting 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 the effective interest rate and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Exchange gains or losses on settlement and translation are recognized in the consolidated statement of income.

(e) Offsetting

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

(f) Revenue/Expenses recognition

Income from investments and financing and return on time investments

Revenue and expenses related to profit bearing financial instruments are recognized in the consolidated statement of income using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash flows through the expected life (or where appropriate, a short period) of the financial asset or liability to its carrying amount. When calculating the EIR, the Bank estimates future cash flows considering all contractual terms including all fees, transaction costs, discounts that are an integral part of the effective yield but does not include the expected credit losses. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recorded as income/expense.

For the year ended December 31

Notes to the Consolidated Financial Statements

Exchange income/loss

Exchange income/loss is recognized when earned/incurred.

Fees from banking services, net

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the "Income from investments and financing" or "Return on time investments" as applicable.

Income from asset management and brokerage are recognized at a point-in-time when the performance obligation of the Bank is satisfied.

Investment banking and corporate finance fee revenues are recognized over the period of time when the performance obligations are met in accordance with the applicable terms of the contract.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed and performance obligations are achieved as point-in-time. If a loan commitment is not expected to result in the drawdown of a loan or if the fee relates to multiple loan commitments and cannot be reasonably allocated, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Dividend income

Dividend income is recognized in consolidated statement of income, when the right to receive income is established.

Income/(loss) from FVSI financial instruments, net

Net income/(loss) from FVSI financial instruments relates to financial assets designated as FVSI and includes all realized and unrealized fair value changes, profit, dividends and foreign exchange differences.

(g) Financial assets and financial liabilities

(1) Classification and measurement of financial assets

The classification and measurement of financial instruments under IFRS 9 is a result of two main assessments, namely, business model assessment and analysis of contractual cash flows.

Business model assessment

The Bank 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 Bank's Management;

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

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank changes the classification of the remaining financial assets held in that business model.

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

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

For the purposes of this assessment, "principal" is the fair value of the financial asset on initial recognition. "Profit" is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank 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 Bank considers:

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

Based on the said assessments, on initial recognition, a financial asset is classified as measured at either amortized cost, FVOCI or FVSI.

Financial asset held at amortized cost

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

- 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 a cash flow that are solely payments of principal and return on the principal amount outstanding

Notes to the Consolidated Financial Statements

For the year ended December 31

Generally, financing to customers, due from banks and other financial institutions, SAMA Murabaha and certain investments in Sukuk qualify for measurement under amortized cost.

Financial assets held at FVOCI

Sukuk and like instruments: are measured at FVOCI only if they meet both of the following conditions and are not designated at FVSI:

- The asset is held with 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 return on the principal amount outstanding.

Equity instruments: on initial recognition, for an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair values are recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss.

Financial assets held at FVSI

All other financial assets are classified as measured at FVSI. Financial assets in this category are classified as either investment held for trading or those designated as FVSI on initial recognition. Financial assets classified as held trading are acquired principally for the purpose of selling in short term.

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

Financial assets at FVSI are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are recognized in the consolidated statements of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments and are expensed through consolidated statement of income. Dividend income on financial assets held as FVSI is reflected as "Income/(loss) from FVSI financial instruments, net" in the consolidated statement of income.

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.

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

(2) Classification and measurement of financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds and costs that are an integral part of financial liabilities' effective interest rate (EIR).

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, financial guarantees and loan commitments are measured at higher of amortized cost and the amount of ECL.

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

(3) Derecognition of financial assets and financial liabilities

Financial assets

The Bank derecognizes a financial asset when:

- The contractual rights to the cash flows from the financial asset expires 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 are transferred or,
- The Bank neither transfers nor retains substantially all of the risks and rewards of ownership but it does not retain control of the financial asset.

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 Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank 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 Bank 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 Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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 consolidated statement of income.

However, the cumulative gain/loss recognized in OCI in respect of equity investments is not recognized in consolidated statement of income on derecognition of such investments.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

For the year ended December 31

Notes to the Consolidated
Financial Statements**(4) Modifications of financial assets
and financial liabilities****Financial assets**

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

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank 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 profit or loss. 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 "Income from financing".

Financial liabilities

The Bank 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.

(5) Fair value measurement

The Bank measures financial instruments, such as financial assets measured at FVSI and FVOCI, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 35.

Fair value is the price that would be received upon sale of 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, the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Bank.

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 economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described in Note 34.

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

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

(6) Sale and repurchase agreements

Financial assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. When substantially all the risks and rewards of ownership remain with the Bank, these financial assets are continued to measure in accordance with related accounting policies for investments held as FVSI, FVOCI or at amortized cost. The transactions are treated as collateralized borrowing and counterparty liability for amounts received under these agreements is included in "Due to SAMA, banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase price is treated as "Return on time investments" and accrued over the life of the repo agreement on an effective yield basis.

Financial assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the statement of financial position, as the Bank does not obtain control over the financial assets. Amounts paid under these agreements are included in "Cash and balances with Saudi Central Bank", "Due from banks and other financial institutions" or "Financing", as appropriate. The difference between purchase and resale price is treated as "income from investments and financing" and accrued over the life of the reverse repo agreement on an effective yield basis.

(h) Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, commission rate futures, forward rate agreements, currency, and commission rate swaps, currency, and commission rate options (both written and purchased) are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value in the statement of financial position with transaction costs recognized in the statement of income. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

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 net trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

(i) Financing

Financing assets are non-derivative financial assets originated or acquired by the Bank with fixed or determinable payments. These are recognized upon actual disbursements. Financing assets are derecognized upon repayment, or when sold or written off, or upon transfer of substantially all risk and rewards of ownership.

All financing assets are initially measured at fair value including any incremental associated acquisition charges. Subsequently, these are measured at amortized cost less allowance for impairment. All of the Bank's financing products are approved by the Sharia'a Board.

Notes to the Consolidated Financial Statements

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Financing primarily includes Murabaha, Ijarah, Musharaka and Bei Ajel products. A brief description of these products is as follows:

Murabaha: is an agreement whereby the Bank sells to a customer certain commodity or an asset, which the Bank has initially purchased. The selling price comprises cost plus an agreed profit margin.

Ijarah: is an agreement whereby the Bank, acting as a lessor, purchases or constructs an asset according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent over a specific period.

Ijarah could conclude either by transferring the ownership of the leased asset to the lessee at an agreed amount or by termination of lease and repossession of underlying asset.

Musharaka: is an agreement between the Bank and the customer to contribute to a project, investment enterprise or property and concludes by transferring the full ownership of the underlying investment to the customer. The profit or loss is shared as per the terms of the agreement.

Bei Ajel: is an agreement whereby the Bank sells on a deferred payment basis, to a customer certain commodity or an asset on a negotiated price.

(j) Impairment of financial assets

The Bank recognizes impairment allowances based on a forward-looking expected credit loss (ECL) approach on financial assets that are not measured at FVSI. This mainly includes financing, investments that are measured at amortized cost or at FVOCI (other than equity investments), interbank placements, financial guarantees, lease receivables and credit commitments.

No impairment loss is recognized on FVOCI equity investments.

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

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a financial asset to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". The Bank considers its exposure to other banks, financial institutions and Sukuk investments to have low credit risk as their credit risk rating is equivalent to the globally accepted definition of "investment grade".

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

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are 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 Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the present value of cash shortfalls being the difference between the gross carrying amount and the present value of estimated future cash flows;

- Undrawn loan commitments: as the present value of cash shortfalls being 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: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The above parameters are generally derived from internally developed statistical models and historical data which are adjusted for forward looking information. The Bank categorizes its financial assets into the following three stages in accordance with IFRS 9 methodology:

- **Stage 1: Performing assets:** Financial asset(s) that have not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months ECL.
- **Stage 2: Underperforming assets:** Financial asset(s) that have significantly deteriorated in credit quality since origination. This credit quality assessment is made by comparing the remaining lifetime of PD as at reporting date with the remaining lifetime PD point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations). The impairment allowance is recorded based on lifetime ECL.
- **Stage 3: Credit-impaired assets:** For financial asset(s) that are impaired, the Bank recognize the impairment allowance based on lifetime ECL.

The Bank also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurements of ECLs.

The forward-looking information includes the elements such as macroeconomic factors and economic forecasts obtained through internal and external sources.

To evaluate a range of possible outcomes, the Bank formulates various scenarios. For each scenario, the Bank derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

Credit-impaired assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event;
- The restructuring of a loan or advance by the Bank 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.

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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 financing that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign Sukuk is credit-impaired, the Bank considers the following factors:

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

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 of whether the financial asset should be derecognized and ECL are measured as follows.

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

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL 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: generally, as a provision which is reported under "Other liabilities";
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision under "Other liabilities"; and

- Sukuk and like instruments measured at FVOCI: no loss allowance is recognized in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Financial assets 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 Bank's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to "Impairment charge of financing".

(k) Property and equipment

Property and equipment are measured at cost and presented net of accumulated depreciation/amortization and impairment loss, if any. Land is not depreciated. Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred. The cost of other property and equipment is depreciated and amortized on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Furniture and equipment (including intangibles)	5-10 years
Leasehold improvements	the shorter of lease period or 10 years
Right-of-use assets	Over the lease period

Intangibles pertains mainly to computer software. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Depreciation is charged from the date of addition (when asset is available for use) and up till the date preceding disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

All assets are reviewed for impairment at each reporting date whenever that events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(l) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that

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reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of income except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

(m) Real estate held for sale

The Bank, in the ordinary course of business, acquires certain real estate properties in settlement of due financing. Such properties are considered as assets held for sale and are initially stated at the lower of carrying amount of due financing and the current fair value of the related properties, less any costs to sell. No depreciation is charged on such properties.

Subsequent to initial recognition, any write-down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent revaluation gains in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write-down is recognized in the consolidated statement of income. Gains or losses on disposal are recognized in the consolidated statement of income.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and reassessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as professional real estate appraisers and brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its financing portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

(n) Financial guarantees and loan commitments

In the ordinary course of business, the Bank issues financial guarantees (consisting of letters of credit, guarantees, standby letters of credit and acceptances) and credit commitments. Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. "Credit commitments" are firm commitments to provide credit under pre-specified terms and conditions. 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 ECL. The Bank has issued no loan commitments that are measured at FVSI. For other loan commitments, the Bank recognizes loss allowance. Any increase in the liability relating to the financial guarantee is recognized as "Impairment charge of financing", in the consolidated statement of income.

The premium received is recognized in the consolidated statement of income under "Fees from banking services, net" on a straight-line basis over the life of the guarantee or commitment.

Credit commitments are measured at ECL. For contracts that include both financing and undrawn commitments which are not distinctly identifiable, the ECL is recognized together with the loss allowance for the financing.

(o) Provisions

Provisions are recognized when a reliable estimate can be made by the Bank 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 embodying economic benefit will be required to settle the obligation.

(p) Accounting for Ijarah (leases)

Where the Bank is the lessor

When assets are leased under Islamic lease arrangements (e.g Ijarah), the present value of the lease payments is recognized as a receivable and disclosed under "Financing". The difference between the gross receivable and the present value of the receivable is recognized as unearned income from financing. Lease income is recognized over the term of the lease on net investment basis, using the effective yield method, which reflects a constant periodic rate of return.

Where the Bank is the lessee

On initial recognition, at inception of the contract, the Bank shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Bank and the Bank can direct the usage of such assets.

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At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right-of-use assets

Bank applies cost model, and measure right-of-use asset at cost;

1. Less any accumulated depreciation and any accumulated impairment losses; and
2. Adjusted for any remeasurement of the lease liability for lease modifications

Generally, right-of-use asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right-of-use asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

After the commencement date, Bank measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;

Remeasuring the carrying amount to reflect any reassessment or lease modification. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, "Cash and cash equivalents" are defined as amounts included in cash in hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition which are subject to insignificant risk of changes in their fair value.

(r) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or share based plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided to the Bank and the obligation can be estimated reliably.

(s) End of service benefits

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation in accordance with Saudi Arabian Labor Laws. These are included in other liabilities in the consolidated statement of financial position. The liability recognized is the present value of the defined benefit obligation discounted at the yield on Government Bonds that have terms approximating the related obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income directly.

(t) Zakat

The Bank is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") formerly General Authority for Zakat and Tax ("GAZT"). Zakat expense is charged to the consolidated statement of income.

ZATCA has prescribed a new criteria for calculation of Zakat effective January 1, 2019. Due accruals have been made for the obligation as at December 31, 2022. Zakat is not accounted for as an income tax and as such no deferred tax is calculated relating to Zakat.

(u) Share capital

Ordinary shares are classified as 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 Bank purchases the Bank's 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 income taxes), is deducted from equity attributable to the owners 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 income tax effects, is included in equity attributable to the owners of the Bank.

(v) Treasury shares

These are recorded at cost and presented as a deduction from the equity as adjusted for any transaction cost, dividends and gains or losses on sale of such shares. Subsequent to their acquisition, these are carried at the amount equal to consideration paid.

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These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its employee share-based payment plans.

(w) Tier 1 Sukuk

The Bank classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Bank for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to Sukukholders are limited in number and scope and very difficult to exercise.

The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

(x) Investment management services

The Bank provides investment management services to its customers, through its subsidiary which includes management of certain mutual funds. Determining whether the Bank controls such a mutual fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund (comprising its investments, any carried profit and expected management fees) and the investor's rights to remove the Fund Manager.

As a result of the above assessment, where the Bank has concluded that it acts as an agent for the investors, such funds are not consolidated by the Bank. Fee earned from these funds are disclosed in consolidated statement of income while the Bank's share of investments is included under "Investments held at FVSI" in the consolidated statement of financial position.

Any assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in the consolidated financial statements.

(y) Investments in an associate and a joint venture

Investments in an associate and a joint venture 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 policies and which is neither a subsidiary nor a joint venture. A joint venture is an entity in which the Bank exercises joint control.

Under the equity method, the investments in an associate and a joint venture is carried on the statement of financial position at cost plus post acquisition changes in the Bank's share of net assets of the associate/joint venture. The Bank's share of profit of an associate and a joint venture is shown on the face of the consolidated statement of income.

The consolidated statement of income reflects the Bank's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Bank recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains on transactions are eliminated to the extent of the Bank's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Bank's share of profit of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after 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 Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank 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 Bank calculates the amount of impairment as the difference between the recoverable amount of the associate/joint venture and its carrying value and recognizes the amount in the "share of profit/loss from an associate and a joint venture" in the consolidated statement of income.

(z) Share based payments

The Bank offers its eligible employees the following types of plans (the "Plans"). Brief description of the plans are as follows:

Employees Share Grant Scheme (ESGS)

Under the terms of Employees Share Grant Scheme, eligible employees are granted shares with a vesting period of 3-5 years. At the maturity of vesting period, the Bank delivers the underlying allotted shares to the employee.

The cost of the shares in the scheme is measured by reference to the fair value at the grant date. The Management is of the view that the fair value at grant date approximates its market value.

The cost of the scheme is recognized over the period during which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ("The vesting date"). The cumulative expense recognized for the schemes at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a reporting period represents the movement in cumulative expense recognized as at the beginning and end of that reporting period.

Deferred bonus schemes

Under the terms of the Deferred Bonus Schemes, eligible employees are granted shares with a vesting period of 1-3 years. At the maturity of each vesting period, the Bank delivers the underlying allocated shares to the employee. The Deferred Bonus Schemes is accounted for similar way with ESGS.

(aa) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognized in statement of consolidated income on a systematic basis over the periods in which the Bank recognizes as expenses the related costs for which the grant is intended to compensate. The grant income is only recognized when the ultimate beneficiary is the Bank. Where the customer is the ultimate beneficiary, the Bank only records the respective receivable and payable amounts.

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	2022 SAR '000	2021 SAR '000
Cash in hand	1,960,998	2,327,646
Statutory deposit	7,483,796	6,704,845
Current account and money market placements	169,542	30,000
Others	108,923	114,805
Total	9,723,259	9,177,296

In accordance with the Banking Control Law and regulations issued by Saudi Central Bank ("SAMA"), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its customers' deposits as calculated on monthly average at the end of reporting period. The statutory deposit is not available to finance the Bank's day to day operations and therefore does not form part of cash and cash equivalents. Money market placements represent securities purchased under an agreement to re-sell (reverse repos) with SAMA.

5 Due from banks and other financial institutions, net →

	Notes	2022 SAR '000	2021 SAR '000
Current accounts		935,469	439,025
Murabaha and Wakala with banks	5.1	522,581	300,356
Less: Allowance for impairment	5.2	(3,592)	(1,308)
Total		1,454,458	738,073

5.1 These are investment grade exposures in the range of "substantially credit risk free to very good credit risk quality" based on external credit ratings.

5.2 The following table shows reconciliations from the opening to the closing balance of the gross exposure and allowance for impairment for due from banks and other financial institutions:

	December 31, 2022		
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Total ECL SAR '000
Gross exposure			
Balance as at January 1, 2022	737,978	1,403	739,381
Transfer to 12-month ECL	1,404	(1,404)	–
Transfer to life time ECL, not credit impaired	(804)	804	–
Net movement	718,946	(277)	718,669
Balance as at December 31, 2022	1,457,524	526	1,458,050

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	December 31, 2021		
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Total ECL SAR '000
Gross exposure			
Balance as at January 1, 2021	440,161	5,127	445,288
Transfer to 12-month ECL	4,021	(4,021)	–
Net movement	293,796	297	294,093
Balance as at December 31, 2021	737,978	1,403	739,381

	December 31, 2022		
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Total ECL SAR '000
Allowance for impairment			
Balance as at January 1, 2022	1,239	69	1,308
Transfer to 12-month ECL	69	(69)	–
Transfer to life time ECL, not credit impaired	(39)	39	–
Charge/(reversal) during the year	2,295	(11)	2,284
Balance as at December 31, 2022	3,564	28	3,592

	December 31, 2021		
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Total ECL SAR '000
Allowance for impairment			
Balance as at January 1, 2021	1,269	1,017	2,286
Transfer to 12-month ECL	799	(799)	–
Reversal during the year	(829)	(149)	(978)
Balance as at December 31, 2021	1,239	69	1,308

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Notes to the Consolidated
Financial Statement**6 Investments** →

	Notes	2022 SAR '000	2021 SAR '000
Investments held at FVSI	6.1	1,652,479	2,365,750
Investments held at FVOCI	6.2	12,084,604	7,412,625
Investments held at amortized cost, net			
Murabahas with SAMA		904,901	906,617
Sukuks	6.3	23,832,577	22,535,783
Less: Allowance for impairment	6.4	(16,158)	(9,886)
		24,721,320	23,432,514
Investments in associate and joint venture			
Investment in an associate	6.5	56,158	53,910
Investment in a joint venture	6.6	14,056	12,770
		70,214	66,680
Total		38,528,617	33,277,569

6.1 Investments held at FVSI

	2022 SAR '000	2021 SAR '000
Equities	145,050	124,005
Funds and others	1,507,429	2,241,745
Total	1,652,479	2,365,750

Below is an analysis of the Bank's net income from FVSI financial instruments:

	2022 SAR '000	2021 SAR '000
Trading income, net	212,730	97,404
Dividend income	66,578	31,994
Total	279,308	129,398

6.2 Investments held at FVOCI

	2022 SAR '000	2021 SAR '000
Sukuk	10,646,145	6,949,049
Equities	1,438,459	463,576
Total	12,084,604	7,412,625

During the year, the Bank sold FVOCI Sukuk instruments with a principal value of SAR 31.8 million (2021: SAR 480.2 million). Additionally, out of the Bank's FVOCI Sukuk portfolio, instruments with a principal of SAR 1,200 million matured/redeemed during the year (2021: SAR 37.5 million). In relation to this, the Bank transferred SAR 1 million unrealized gains related to FVOCI Sukuk instruments from OCI to the consolidated statement of income (2021: SAR 0.2 million).

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6.3 The fair value of Sukuks (at amortized cost) as at December 31, 2022 was SAR 23,440 million (2021: SAR 22,581 million).

6.4 The following table shows reconciliations from the opening to the closing balance of the gross exposure and allowance for impairment for investments:

	12-month ECL	
	2022 SAR '000	2021 SAR '000
Gross exposure		
Balance as at January 1	23,442,400	22,752,291
Purchase of new investments	3,818,613	8,945,688
Disposals and maturities during the year	(2,519,131)	(8,375,322)
Change in profit accruals	(56,600)	119,743
Gain from Sukuk investments held at amortized cost	52,196	–
Balance as at December 31	24,737,478	23,442,400

	12-month ECL	
	2022 SAR '000	2021 SAR '000
Allowance for impairment		
Balance as at January 1	9,886	8,989
Charge for the year	6,272	897
Balance as at December 31	16,158	9,886

There were no exposures transferred between ECL stages during the year.

6.5 Investment in an associate

Investment in an associate represents the Bank's share of investment of 28.75%, (2021: 28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). The associate has a paid-up share capital of SAR 300 million (2021: SAR 300 million). It has been established under Commercial Registration No.1010342527 dated 28 Rajab 1433H (corresponding to June 18, 2012).

	2022 SAR '000	2021 SAR '000
Balance as at January 1	53,910	59,930
Share of gain/(loss) for the year	2,248	(6,020)
Balance as at December 31	56,158	53,910

The fair value of the above investment based on quoted value as at December 31, 2022 is SAR 103.5 million (2021: SAR 270.8 million).

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The table below provides summarized financial information of the associate based on its latest published financial statements:

	September 30, 2022 SAR '000 (Un-audited)	December 31, 2021 SAR '000 (Audited)
Current assets	696,503	533,865
Total assets	850,809	676,876
Current liabilities	551,542	394,407
Total liabilities	658,707	489,967
Total equity	192,102	186,909
Total revenue	163,179	169,400
Total expenses	156,960	180,587

6.6 Investment in a joint venture

The Bank has invested SAR 25 million (50%) in ERSAL Financial Remittance Company (a joint venture between Alinma Bank and Saudi Post). The joint venture was established under Commercial Registration No.1010431244 dated 21 Jumada I 1436H (corresponding to March 12, 2015) with a paid-up capital of SAR 50 million. The Bank's share of net profit for the year is SAR 1.3 million (2021: share of net loss of SAR 8.1 million).

6.7 Analysis of investments by type and location

	Domestic		International		Total	
	2022 SAR '000	2021 SAR '000	2022 SAR '000	2021 SAR '000	2022 SAR '000	2021 SAR '000
Investments held at FVSI						
Equities	74,498	100,527	70,552	23,478	145,050	124,005
Funds and others	830,074	1,866,192	677,355	375,553	1,507,429	2,241,745
	904,572	1,966,719	747,907	399,031	1,652,479	2,365,750
Investments held at FVOCI						
Fixed-rate investments	3,619,660	2,717,936	605,155	444,512	4,224,815	3,162,448
Floating-rate investments	5,902,646	3,786,601	518,684	–	6,421,330	3,786,601
Equities	1,437,573	462,640	886	936	1,438,459	463,576
	10,959,879	6,967,177	1,124,725	445,448	12,084,604	7,412,625
Investments held at amortized cost, net						
Fixed-rate investments	23,759,850	22,469,536	56,569	56,495	23,816,419	22,526,031
Floating-rate investments	904,901	906,483	–	–	904,901	906,483
	24,664,751	23,376,019	56,569	56,495	24,721,320	23,432,514
Investments in associate and joint venture						
Equities	70,214	66,680	–	–	70,214	66,680
Total	36,599,416	32,376,595	1,929,201	900,974	38,528,617	33,277,569

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6.8 Analysis of investments by composition

	Quoted		Unquoted		Total	
	2022 SAR '000	2021 SAR '000	2022 SAR '000	2021 SAR '000	2022 SAR '000	2021 SAR '000
Investments held at FVSI						
Equities	52,779	15,564	92,271	108,441	145,050	124,005
Funds and others	234,258	1,297,537	1,273,171	944,208	1,507,429	2,241,745
	287,037	1,313,101	1,365,442	1,052,649	1,652,479	2,365,750
Investments held at FVOCI						
Fixed-rate investments	1,913,938	2,201,833	2,310,877	960,615	4,224,815	3,162,448
Floating-rate investments	1,657,147	7,424	4,764,183	3,779,177	6,421,330	3,786,601
Equities	1,416,680	447,372	21,779	16,204	1,438,459	463,576
	4,987,765	2,656,629	7,096,839	4,755,996	12,084,604	7,412,625
Investments held at amortized cost, net						
Fixed-rate investments	23,716,551	22,526,031	99,868	–	23,816,419	22,526,031
Floating-rate investments	–	–	904,901	906,483	904,901	906,483
	23,716,551	22,526,031	1,004,769	906,483	24,721,320	23,432,514
Investments in associate and joint venture						
Equities	56,158	53,910	14,056	12,770	70,214	66,680
Total	29,047,511	26,549,671	9,481,106	6,727,898	38,528,617	33,277,569

6.9 Analysis of investments by counter-parties

	2022 SAR '000	2021 SAR '000
Government and quasi government	25,936,741	24,629,700
Banks and other financial institutions	4,586,481	2,582,744
Corporate	8,005,395	6,065,125
Total	38,528,617	33,277,569

6.10 Analysis of investments by asset quality

	2022 SAR '000	2021 SAR '000
Government and quasi government	25,936,741	24,629,700
Investment grade	11,014,233	6,339,444
Equities and funds	1,577,643	2,308,425
Total	38,528,617	33,277,569

Investment grade includes exposures in the range of “substantially credit risk free to very good credit risk quality”. The maximum exposure to credit risk for financial assets carried at fair value as of December 31, 2022 is SAR 10,858 million (2021: SAR 6,914 million).

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The table below summarizes the positive and negative fair values of derivative financial instruments, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the period-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, if any, nor market risk.

	December 31, 2022		
	Positive fair value SAR '000	Negative fair value SAR '000	Total notional amount SAR '000
Held for trading:			
Profit rate swaps	10,751	13,161	883,750
Foreign exchange forward contracts	232	–	299,171

	December 31, 2021		
	Positive fair value SAR '000	Negative fair value SAR '000	Total notional amount SAR '000
Held for trading:			
Profit rate swaps	1,121	–	60,000
Foreign exchange forward contracts	–	0.3	7,341

The maximum credit exposure for positive value derivatives as of December 31, 2022 is SAR 11 million (2021: SAR 1.1 million).

8 Financing, net →

2022	Performing	Non-performing	Gross	Allowance for impairment (Note 8.1)	Financing, net
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Retail	36,814,136	461,214	37,275,350	(751,658)	36,523,692
Corporate	110,739,162	2,458,700	113,197,862	(3,229,598)	109,968,264
Total	147,553,298	2,919,914	150,473,212	(3,981,256)	146,491,956

2021	Performing	Non-performing	Gross	Allowance for impairment (Note 8.1)	Financing, net
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Retail	27,818,477	148,958	27,967,435	(460,500)	27,506,935
Corporate	100,211,706	2,133,063	102,344,769	(3,580,213)	98,764,556
Total	128,030,183	2,282,021	130,312,204	(4,040,713)	126,271,491

Retail financing comprise mainly of mortgage financing, consumer financing and credit cards. Corporate financing comprise mainly of commercial financing for projects, large and mid-corporates. The Bank's financing products are in compliance with Sharia'a rules.

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The below table shows the product-wise analysis of Gross Financing:

	2022			2021		
	Retail SAR '000	Corporate SAR '000	Total SAR '000	Retail SAR '000	Corporate SAR '000	Total SAR '000
Murabaha	28,675,731	2,696,545	31,372,276	21,538,490	3,293,350	24,831,840
Ijarah	4,092,913	37,981,922	42,074,835	4,496,559	35,698,218	40,194,777
Bei Ajel	3,511,992	72,519,395	76,031,387	1,000,040	63,353,201	64,353,241
Others	994,714	–	994,714	932,346	–	932,346
Total	37,275,350	113,197,862	150,473,212	27,967,435	102,344,769	130,312,204

8.1 Movement in gross exposure and allowance for impairment of financing:

The following table shows reconciliation from the opening to the closing balance of the gross exposure of financing:

	December 31, 2022			
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Gross exposure				
Retail				
Balance at the beginning of the year	27,627,040	191,437	148,958	27,967,435
Transfer to 12-month ECL	20,480	(16,644)	(3,836)	–
Transfer to life time ECL, not credit impaired	(353,972)	356,946	(2,974)	–
Transfer to life time ECL, credit impaired	(75,456)	(43,980)	119,436	–
New financial assets, net of financial assets derecognized and repayments	8,460,450	647,835	299,292	9,407,577
Write-off	–	–	(99,662)	(99,662)
Balance as at December 31, 2022	35,678,542	1,135,594	461,214	37,275,350
Corporate				
Balance at the beginning of the year	91,280,300	8,931,406	2,133,063	102,344,769
Transfer to 12-month ECL	373,019	(373,019)	–	–
Transfer to life time ECL, not credit impaired	(289,006)	318,602	(29,596)	–
Transfer to life time ECL, credit impaired	(7,121)	(1,818,621)	1,825,742	–
New financial assets, net of financial assets derecognized and repayments	12,059,716	263,886	(442,038)	11,881,564
Write-off	–	–	(1,028,471)	(1,028,471)
Balance as at December 31, 2022	103,416,908	7,322,254	2,458,700	113,197,862
Total				
Balance at the beginning of the year	118,907,340	9,122,843	2,282,021	130,312,204
Transfer to 12-month ECL	393,499	(389,663)	(3,836)	–
Transfer to life time ECL, not credit impaired	(642,978)	675,548	(32,570)	–
Transfer to life time ECL, credit impaired	(82,577)	(1,862,601)	1,945,178	–
New financial assets, net of financial assets derecognized and repayments	20,520,166	911,721	(142,746)	21,289,141
Write-off	–	–	(1,128,133)	(1,128,133)
Balance as at December 31, 2022	139,095,450	8,457,848	2,919,914	150,473,212

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	December 31, 2021			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
Gross exposure				
Retail				
Balance at the beginning of the year	23,554,910	377,968	256,327	24,189,205
Transfer to 12-month ECL	239,136	(210,203)	(28,933)	–
Transfer to life time ECL, not credit impaired	(70,728)	82,256	(11,528)	–
Transfer to life time ECL, credit impaired	(79,627)	(14,186)	93,813	–
New financial assets, net of financial assets derecognized and repayments	3,983,349	(44,398)	(60,233)	3,878,718
Write-off	–	–	(100,488)	(100,488)
Balance as at December 31, 2021	27,627,040	191,437	148,958	27,967,435
Corporate				
Balance at the beginning of the year	81,343,613	6,331,780	2,596,651	90,272,044
Transfer to 12-month ECL	385,935	(385,935)	–	–
Transfer to life time ECL, not credit impaired	(2,914,499)	2,914,499	–	–
Transfer to life time ECL, credit impaired	(32,296)	(74,711)	107,007	–
New financial assets, net of financial assets derecognized and repayments	12,497,547	145,773	(161,291)	12,482,029
Write-off	–	–	(409,304)	(409,304)
Balance as at December 31, 2021	91,280,300	8,931,406	2,133,063	102,344,769
Total				
Balance at the beginning of the year	104,898,523	6,709,748	2,852,978	114,461,249
Transfer to 12-month ECL	625,071	(596,138)	(28,933)	–
Transfer to life time ECL, not credit impaired	(2,985,227)	2,996,755	(11,528)	–
Transfer to life time ECL, credit impaired	(111,923)	(88,897)	200,820	–
New financial assets, net of financial assets derecognized and repayments	16,480,896	101,375	(221,524)	16,360,747
Write-off	–	–	(509,792)	(509,792)
Balance as at December 31, 2021	118,907,340	9,122,843	2,282,021	130,312,204

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The following tables show reconciliations from the opening to the closing balance of the allowance for impairment of financing:

	December 31, 2022			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
Allowance for impairment				
Retail				
Balance at the beginning of the year	341,134	53,953	65,413	460,500
Transfer to 12-month ECL	6,868	(4,694)	(2,174)	–
Transfer to life time ECL, not credit impaired	(4,888)	6,292	(1,404)	–
Transfer to life time ECL, credit impaired	(1,028)	(11,641)	12,669	–
Net (reversal)/charge for the year	(76,757)	119,893	347,684	390,820
Write-off	–	–	(99,662)	(99,662)
Balance as at December 31, 2022	265,329	163,803	322,526	751,658
Corporate				
Balance at the beginning of the year	260,351	1,955,857	1,364,005	3,580,213
Transfer to 12-month ECL	4,806	(4,806)	–	–
Transfer to life time ECL, not credit impaired	(2,907)	32,503	(29,596)	–
Transfer to life time ECL, credit impaired	(87)	(507,836)	507,923	–
Net charge/(reversal) for the year	163,696	(7,468)	521,628	677,856
Write-off	–	–	(1,028,471)	(1,028,471)
Balance as at December 31, 2022	425,859	1,468,250	1,335,489	3,229,598
Total				
Balance at the beginning of the year	601,485	2,009,810	1,429,418	4,040,713
Transfer to 12-month ECL	11,674	(9,500)	(2,174)	–
Transfer to life time ECL, not credit impaired	(7,795)	38,795	(31,000)	–
Transfer to life time ECL, credit impaired	(1,115)	(519,477)	520,592	–
Net/charge for the year	86,939	112,425	869,312	1,068,676
Write-off	–	–	(1,128,133)	(1,128,133)
Balance as at December 31, 2022	691,188	1,632,053	1,658,015	3,981,256

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	December 31, 2021			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
Allowance for impairment				
Retail				
Balance at the beginning of the year	419,049	95,838	140,371	655,258
Transfer to 12-month ECL	59,240	(49,480)	(9,760)	–
Transfer to life time ECL, not credit impaired	(589)	4,795	(4,206)	–
Transfer to life time ECL, credit impaired	(2,136)	(4,056)	6,192	–
Net (reversal)/charge for the year	(134,430)	6,856	33,304	(94,270)
Write-off	–	–	(100,488)	(100,488)
Balance as at December 31, 2021	341,134	53,953	65,413	460,500
Corporate				
Balance at the beginning of the year	383,343	862,206	1,364,883	2,610,432
Transfer to 12-month ECL	43,676	(43,676)	–	–
Transfer to life time ECL, not credit impaired	(47,064)	47,064	–	–
Transfer to life time ECL, credit impaired	(116)	(3,005)	3,121	–
Net (reversal)/charge for the year	(119,488)	1,093,268	405,305	1,379,085
Write-off	–	–	(409,304)	(409,304)
Balance as at December 31, 2021	260,351	1,955,857	1,364,005	3,580,213
Total				
Balance at the beginning of the year	802,392	958,044	1,505,254	3,265,690
Transfer to 12-month ECL	102,916	(93,156)	(9,760)	–
Transfer to life time ECL, not credit impaired	(47,653)	51,859	(4,206)	–
Transfer to life time ECL, credit impaired	(2,252)	(7,061)	9,313	–
Net (reversal)/charge for the year	(253,918)	1,100,124	438,609	1,284,815
Write-off	–	–	(509,792)	(509,792)
Balance as at December 31, 2021	601,485	2,009,810	1,429,418	4,040,713

The loss allowance in these tables includes ECL on loan commitments which the Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

Write off

As at December 31, 2022, the contractual amount outstanding on financial assets that were written off and that are still subject to enforcement activity is SAR 2,574.5 million (2021: SAR 1,489.4 million).

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8.2 Impairment charge of financing, net of recoveries

	Note	2022 SAR '000 ECL	2021 SAR '000 ECL
Charge for impairment on financing		1,068,676	1,284,815
Charge/(reversal) of impairment of non-funded financing and credit related commitments	19.3	172,060	(1,357)
Recoveries of previously written off bad debts		(43,036)	(31,855)
		1,197,700	1,251,603

8.3 Financing includes Ijarah as follows:

	2022 SAR '000	2021 SAR '000
Less than 1 year	9,964,656	6,998,486
1 to 5 years	24,429,449	25,338,723
Over 5 years	19,797,642	16,760,969
Gross receivables from Ijarah	54,191,747	49,098,178
Unearned future finance income on Ijarah	(12,116,912)	(8,903,401)
Net receivables from Ijarah	42,074,835	40,194,777

9 Property, equipment and right-of-use assets, net →

2022	Land and buildings SAR '000	Leasehold improvements SAR '000	Furniture and equipment SAR '000	Right-of-use assets SAR '000	Total 2022 SAR '000
Cost:					
Balance at beginning of the year	1,501,823	474,200	1,788,919	646,536	4,411,478
Additions during the year	38,505	56,476	369,783	84,736	549,500
Disposals during the year	(20,322)	–	(1,014)	–	(21,336)
Balance at end of the year	1,520,006	530,676	2,157,688	731,272	4,939,642
Accumulated depreciation:					
Balance at beginning of the year	141,173	333,176	1,286,701	267,696	2,028,746
Charge for the year	21,582	28,633	128,859	100,042	279,116
Disposals during the year	–	–	(1,014)	–	(1,014)
Balance at end of the year	162,755	361,809	1,414,546	367,738	2,306,848
Net book value-as at December 31, 2022	1,357,251	168,867	743,142	363,534	2,632,794

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2021	Land and buildings SAR '000	Leasehold improvements SAR '000	Furniture and equipment SAR '000	Right-of-use assets SAR '000	Total 2021 SAR '000
Cost:					
Balance at beginning of the year	1,476,248	441,452	1,660,298	566,986	4,144,984
Additions during the year	27,600	32,748	130,469	80,098	270,915
Disposals during the year	(2,025)	–	(1,848)	(548)	(4,421)
Balance at end of the year	1,501,823	474,200	1,788,919	646,536	4,411,478
Accumulated depreciation:					
Balance at beginning of the year	120,518	303,576	1,181,499	174,105	1,779,698
Charge for the year	20,655	29,600	107,048	93,857	251,160
Disposals during the year	–	–	(1,846)	(266)	(2,112)
Balance at end of the year	141,173	333,176	1,286,701	267,696	2,028,746
Net book value-as at December 31, 2021	1,360,650	141,024	502,218	378,840	2,382,732

Property and equipment includes work in progress as at December 31, 2022 amounting to SAR 447 million (2020: SAR 278 million).

Furniture and equipment includes information technology-related assets as follows:

2022	Tangible SAR '000	Intangible SAR '000	Total SAR '000
Cost			
January 1, 2022	574,877	1,013,335	1,588,212
Additions during the year	152,721	182,448	335,169
Disposals during the year	(1,017)	–	(1,017)
December 31, 2022	726,581	1,195,783	1,922,364
Accumulated depreciation/amortization			
January 1, 2022	389,415	732,712	1,122,127
Charge during the year	51,299	59,384	110,683
Disposals during the year	(1,015)	–	(1,015)
December 31, 2022	439,699	792,096	1,231,795
Net book value-as at December 31, 2022	286,882	403,687	690,569

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2021	Tangible SAR '000	Intangible SAR '000	Total SAR '000
Cost			
January 1, 2022	541,677	940,438	1,482,115
Additions during the year	35,046	72,897	107,943
Disposals during the year	(1,846)	–	(1,846)
December 31, 2021	574,877	1,013,335	1,588,212
Accumulated depreciation/amortization			
January 1, 2022	350,421	678,077	1,028,498
Charge during the year	40,840	54,635	95,475
Disposals during the year	(1,846)	–	(1,846)
December 31, 2021	389,415	732,712	1,122,127
Net book value-as at December 31, 2021	185,462	280,623	466,085

Intangibles pertains mainly to computer software. Right-of-use asset pertains mainly to leases of the Bank's head office, branches and ATM kiosks.

10 Other assets →

	Note	2022 SAR '000	2021 SAR '000
Real estate held for sale	10.1	435,905	244,439
Fee receivable for asset management services		354,680	428,152
Financing inventory		130,657	137,402
Prepayments		122,028	98,655
Others		561,875	720,275
Total		1,605,145	1,628,923

10.1 These properties were acquired in settlement of financing due from customers. During the year ended December 31, 2022, properties have been acquired in settlement of financing claims is SAR 191.5 million (2021: SAR 2.2 million).

11 Due to SAMA, banks and other financial institutions →

	Notes	2022 SAR '000	2021 SAR '000
Due to SAMA	11.1	11,870,093	6,990,223
Time investments from banks and other financial institutions	11.2	4,557,615	7,858,406
Current accounts		55,331	391,162
Total		16,483,039	15,239,791

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11.1 This balance includes interest free deposits received from SAMA with gross amount of SAR 6.8 billion with varying maturities in order to support the Bank in its implementation of various regulatory relief packages given by the government in response to COVID-19.

11.2 This balance represents Murabaha, Mudaraba and Wakala with banks.

12 Customers' deposits →

	Notes	2022 SAR '000	2021 SAR '000
Demand		73,887,522	71,323,060
Savings		7,093,170	7,114,298
Customers' time investments	12.1	62,679,182	41,390,005
Others	12.2	1,508,616	1,233,188
Total		145,168,490	121,060,551

12.1 These represent Murabaha and Mudaraba with customers.

12.2 Others represent cash margins for letters of credit and guarantees.

12.3 The above includes foreign currency deposits as follows:

	2022 SAR '000	2021 SAR '000
Demand	1,674,700	1,941,424
Customers' time investments	6,051,283	3,147,831
Others	121,403	80,051
Total	7,847,386	5,169,306

13 Amount due to Mutual Funds' unitholders →

Amount due to Mutual Funds' unitholders represents the non-controlling interest in two Mutual Funds (Alinma Sukuk ETF and Alinma IPO Fund) consolidated in these financial statements.

14 Other liabilities →

	Notes	2022 SAR '000	2021 SAR '000
Outward drafts payable		2,142,889	1,703,972
Accounts payable		1,906,213	1,745,970
Unearned revenue		548,437	495,955
Provision for credit-related commitments	19.3	519,239	347,179
End of service liability	26.2	464,007	438,073
Provision for Zakat	24	413,759	311,545
Lease liability		376,091	381,982
Accrued expenses		337,721	339,302
Others		63,461	204,747
Total		6,771,817	5,968,725

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14.1 Lease liability and lease-related expenses

Below is the undiscounted contractual cash flows for lease liability:

	2022 SAR '000	2021 SAR '000
Less than 1 year	101,266	103,668
1 to 5 years	239,937	235,586
Over 5 years	70,331	89,957
Total	411,534	429,211

Other general and administrative expenses include finance cost of SAR 14.2 million (2021: 14.3 million). Rent and premises related expenses include payments for leases excluded in the calculation of lease liability (i.e., short-term leases and leases of low value assets) of SAR 8.3 million (2021: SAR 2.4 million).

15 Share capital →

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2020: 2,000 million shares) of SAR 10 each.

The ownership of the Bank's share capital is as follows:

	2022 Percentage	2021 Percentage
Public Investment Fund ("PIF")	10	10
General public and others	90	90
Total	100	100

15.1 Dividends

The Board of Directors in its meeting held on December 29, 2021 proposed a final 2021 dividend of SAR 795.1 million for 2021 (2020: SAR 596.2 million) which was approved in the ordinary general assembly meeting held on April 13, 2022 (corresponding to 12 Ramadan 1443H). This resulted to a net payment of SAR 0.40 per share to the shareholders of the Bank (2020: SAR 0.30 per share).

The Board of Directors approved on July 17, 2022 an interim dividend of SAR 896.1 million for the first half of 2022 (2021: SAR 695.7 million). This resulted to a net payment of SAR 0.45 per share to the shareholders of the Bank (2021: SAR 0.35 per share).

The Board of Directors in their meeting held on December 20, 2022 has proposed a final 2022 dividend of SAR 996.1 million (2021: SAR 795.1 million). This will yield a net payment of SAR 0.50 per share to the shareholders of the Bank (2021: SAR 0.40 per share). The proposed final dividend is included within equity.

16 Statutory reserve →

In accordance with the Banking Control Law in the Kingdom of Saudi Arabia, and Bank's By-Laws, 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 899.8 million (2021: SAR 677.3 million) has been transferred from the net income for the year to the statutory reserve. The statutory reserve is not available for cash distribution.

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Treasury shares have been acquired, after due approvals, for discharging the obligations of employees share-based plans (refer to Note 22.2).

17.2 Other reserves

2022	Fair value reserve for FVOCI investments SAR '000	Employees share-based plan reserve (Note 22.2) SAR '000	Social contribution reserve SAR '000	Re-measurement of End of Service Benefits	Total SAR '000
Balance at the beginning of the year	26,617	43,291	85,458	(32,765)	122,601
Net change in fair value of FVOCI equity investments	(412,976)	–	–	–	(412,976)
Net change in fair values of FVOCI Sukuk investments	(247,262)	–	–	–	(247,262)
Net gain realized on sale of FVOCI Sukuk investments	(993)	–	–	–	(993)
Loss on sale of FVOCI equity investments	347	–	–	–	347
Actuarial gain on re-measurement of End of Service Benefits (Note 26)	–	–	–	12,226	12,226
Employee share based plan reserve	–	27,187	–	–	27,187
Vesting of shares	–	(36,623)	–	–	(36,623)
Appropriations, net of utilizations	–	–	28,097	–	28,097
Balance at the end of the year	(634,267)	33,855	113,555	(20,539)	(507,396)

2021	Fair value reserve for FVOCI investments SAR '000	Employees share-based plan reserve (Note 22.2) SAR '000	Social contribution reserve SAR '000	Re-measurement of End of Service Benefits	Total SAR '000
Balance at the beginning of the year	81,630	33,852	61,564	(26,454)	150,592
Net change in fair value of FVOCI equity investments	(411)	–	–	–	(411)
Net change in fair values of FVOCI Sukuk investments	(41,482)	–	–	–	(41,482)
Net gain realized on sale of FVOCI Sukuk investments	(209)	–	–	–	(209)
Gain on sale of FVOCI equity investments	(12,911)	–	–	–	(12,911)
Actuarial loss on re-measurement of End of Service Benefits (Note 26)	–	–	–	(6,311)	(6,311)
Employee share based plan reserve	–	9,439	–	–	9,439
Appropriations, net of utilizations	–	–	23,894	–	23,894
Balance at the end of the year	26,617	43,291	85,458	(32,765)	122,601

During the year an amount of SAR 36 million for 2022 (2021: SAR 27.1 million) was appropriated from retained earnings to social community reserve. Such reserves will be utilized towards discharging the Bank's corporate social responsibilities.

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18 Tier 1 Sukuk →

On July 1, 2021, the Bank through a Shariah compliant arrangement issued Tier 1 Sukuk (the "Sukuk"), amounting to SAR 5 billion.

The issuance was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement. These securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of SAMA.

The applicable profit rate is 4% per annum from date of issue up to 2026 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable quarterly 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 non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

19 Commitments and contingencies →

19.1 Legal proceedings

As at December 31, 2022 and 2021, there were no significant legal proceedings outstanding against the Bank.

19.2 Capital commitments

As at December 31, 2022, the Bank had capital commitments of SAR 51 million (2021: SAR 44 million) relating to acquisition of property and equipment.

19.3 Credit-related commitments and contingencies

Credit related commitments and contingencies comprise letters of guarantee, letters of credit, acceptances and unused irrevocable commitments to extend financing facilities. The primary purpose of these instruments is to ensure that funds are available to customers as required. Letters of guarantee and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as investments and financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to invoke such commitments.

Documentary letters of credit are generally collateralized by the underlying assets to which they relate, and therefore have significantly lower risk.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of approved credit, principally in the form of financing, guarantees and letters of credit. With respect to these commitments, the Bank is exposed to an insignificant potential credit risk 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.

(i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2022	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
Letters of credit	3,283,947	1,259,353	61,777	51,833	4,656,910
Letters of guarantee*	1,274,686	6,735,169	7,248,594	376,117	15,634,566
Acceptances	486,488	71,287	–	–	557,775
Irrevocable commitments to extend credit	–	–	2,750,501	–	2,750,501
Total	5,045,121	8,065,809	10,060,872	427,950	23,599,752

2021	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
Letters of credit	968,796	893,385	164,553	–	2,026,734
Letters of guarantee*	735,700	5,412,284	4,572,057	341,022	11,061,063
Acceptances	323,329	21,633	–	–	344,962
Irrevocable commitments to extend credit	–	–	512,273	–	512,273
Total	2,027,825	6,327,302	5,248,883	341,022	13,945,032

*This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature.

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(ii) The analysis of commitments and contingencies by counter-party is as follows:

	2022 SAR '000	2021 SAR '000
Government and quasi government	801	4,365
Corporate	19,797,042	12,683,709
Banks and other financial institutions	3,801,909	1,256,958
Total	23,599,752	13,945,032

(iii) The outstanding unused portion of commitments as at December 31, 2021 which can be revoked unilaterally at any time by the Bank, amounts to SAR 35,298 million (2021: SAR 29,302 million).

(iv) The following table shows reconciliations from the opening to the closing balance of the gross exposure of credit commitments and contingencies and "Provision for credit-related commitments":

	December 31, 2022			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
Gross exposure of credit commitments and contingencies				
Balance at the beginning of the year	11,152,123	2,217,077	575,832	13,945,032
Transfer to 12-month ECL	99,753	(99,753)	–	–
Transfer to life time ECL, not credit impaired	–	–	–	–
Transfer to life time ECL, credit impaired	–	(25,191)	25,191	–
Net commitments, net of expired/ matured commitments during the year	9,470,379	206,044	(21,703)	9,654,720
Balance as at December 31, 2022	20,722,255	2,298,177	579,320	23,599,752

	December 31, 2021			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
Gross exposure of credit commitments and contingencies				
Balance at the beginning of the year	11,620,627	1,568,559	732,676	13,921,862
Transfer to 12-month ECL	35,151	(35,151)	–	–
Transfer to life time ECL, not credit impaired	(708,111)	708,111	–	–
Transfer to life time ECL, credit impaired	(1,731)	(6,750)	8,481	–
Net commitments, net of expired/ matured commitments during the year	206,187	(17,692)	(165,325)	23,170
Balance as at December 31, 2021	11,152,123	2,217,077	575,832	13,945,032

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	December 31, 2022			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
Provision for credit-related commitments				
Balance at the beginning of the year	37,428	75,037	234,714	347,179
Transfer to 12-month ECL	4,028	(4,028)	–	–
Transfer to life time ECL, not credit impaired	–	–	–	–
Transfer to life time ECL, credit impaired	–	(177)	177	–
Net (reversal)/charge for the year	10,124	174,632	(12,696)	172,060
Balance as at December 31, 2022	51,580	245,464	222,195	519,239

	December 31, 2021			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Life time ECL credit impaired SAR '000	
Provision for credit-related commitments				
Balance at the beginning of the year	51,330	53,735	243,471	348,536
Transfer to 12-month ECL	139	(139)	–	–
Transfer to life time ECL, not credit impaired	(4,818)	4,818	–	–
Transfer to life time ECL, credit impaired	(12)	(286)	298	–
Net (reversal)/charge for the year	(9,211)	16,909	(9,055)	(1,357)
Balance as at December 31, 2021	37,428	75,037	234,714	347,179

20 Income from investments and financing, net →

	2022 SAR '000	2021 SAR '000
Income from investments and financing:		
Investments in Murabaha with SAMA	30,208	13,015
Investments in Sukuk held at amortized cost	769,681	659,747
Investments in Sukuk held at FVOCI	324,810	139,468
Murabaha with banks and other financial institutions	12,430	2,839
Financing:		
Murabaha	1,358,054	1,064,033
Ijarah	1,970,982	1,621,750
Bei Ajel	3,087,325	2,093,488
Other financing products	59,471	83,431
Total income from financing	6,475,832	4,862,702
Total	7,612,961	5,677,771
Return on time investments:		
Customers' time investments	(1,166,164)	(429,732)
Time investments from SAMA, banks and other financial institutions	(380,331)	(107,654)
Total	(1,546,495)	(537,386)
Income from investments and financing, net	6,066,466	5,140,385

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	2022 SAR '000	2021 SAR '000
Income from:		
Trade finance services	124,583	118,433
Card services	1,071,806	739,892
Brokerage fees	88,613	128,192
Fund management and other banking services	616,508	574,026
	1,901,510	1,560,543
Expense on:		
Card services	(663,360)	(470,707)
Other fees	(29,218)	(15,516)
	(692,578)	(486,223)
	1,208,932	1,074,320

21.2 Other operating income

	2022 SAR '000	2021 SAR '000
Gain on sale of properties acquired under settlement	–	47,907
Gain from Sukuk investments held at amortized cost	52,196	23,604
Gain on sale of property and equipment	4,371	1,572
Others, net	29,413	18,765
	85,980	91,848

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22 Salaries and employees-related expenses →

The following table summarizes the Bank's employee categories defined in accordance with SAMA's rules on compensation practices:

Categories of employees SAR '000	Number of employees		Fixed compensation		Variable compensation paid				Total	
					Cash		Shares (Note 22.2)			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Senior executives requiring SAMA no objections	30	24	57,230	56,080	18,727	15,942	9,372	10,064	28,099	26,006
Employees engaged in risk taking activities	898	828	323,292	276,299	54,489	56,198	20,640	1,417	75,129	57,615
Employees engaged in control functions	377	320	127,868	105,667	23,796	18,487	8,043	1,151	31,839	19,638
Other employees	2,371	2,108	493,915	386,902	59,048	57,797	23,089	2,650	82,137	60,447
Outsourcing employees (engaged in risk taking activities)	–	–	–	–	–	–	–	–	–	–
	3,676	3,280	1,002,305	824,948	156,060	148,424	61,144	15,282	217,204	163,706
Variable compensation accrued	–	–	162,021	162,871	–	–	–	–	–	–
Other employee related benefits	–	–	160,998	128,855	–	–	–	–	–	–
Total	3,676	3,280	1,325,324	1,116,674	156,060	148,424	61,144	15,282	217,204	163,706

Refer to Note 22.2 for more details on shares paid during the year ended December 31, 2022 and 2021.

22.1 Salient features of Compensation Policy

As an integral part of the compensation governance, the Bank follows appropriate compensation practices in line with the SAMA guidelines and Financial Stability Board (FSB) Principles/Standards. The Bank has implemented a "Compensation and Allowances" policy approved by the Board of Directors (the "Board").

The Bank has also established a Nomination and Remuneration Committee ("NRC"). It has been mandated by the Board to review and recommend sound compensation policies for adoption by the Bank.

While developing and implementing such policies, the Bank has sought to align the same with the risks related to capital, liquidity and sustainability as well as timing of revenue streams.

The Bank has adopted fixed as well as variable compensation schemes. The variable component is aligned not only with the aforesaid risks but also with the overall performance of the Bank and the individual, and risk involved in the relevant job function. The Bank consistently evaluates its compensation policies against the industry and makes necessary revisions as and when required.

The Bank, as part of their compensation practices which are aligned with the SAMA rules, considers variable compensation programs which are based on (1) market practice, (2) strategy of the business area, (3) roles of the business area, (4) nature and tail of risks undertaken, and (5) actual performance delivered.

As part of the Bank's variable compensation structure, following are the key components of variable compensation in the Bank:

- (1) Cash Bonus – The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
- (2) Deferred Bonus – The portion of the variable compensation that is awarded and paid in cash and/or shares over a period of 3 years.

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Below are the details of the deferred bonus payments for the outstanding years and no deferred bonus is reduced through performance adjustments.

Year	Total amount deferred SAR '000	Amount vested SAR '000	Amount unvested SAR '000	Amount paid in 2021 SAR '000
2019 (awarded in cash)	10,467,646	5,543,843	4,923,803	2,291,674
2020 (awarded in shares)	11,378,680	3,414,514	7,964,167	3,414,541
2021 (awarded in shares)	28,638,600	–	28,638,600	–

The Bank implements procedures so as to support the principles of adjustment to variable compensation outcomes so as to reflect true underlying and actual, realized performance. This can either be achieved through:

- (1) Withholding, whereby deferred payments are to be withheld following subdued or negative performance; or
- (2) Malus, whereby a portion of variable pay is deferred and only released subject to no subdued or negative performance indicating the results on which the variable pay was paid were overstated and that were used to calculate the overall bonus.

As a Sharia'a compliant bank, the Bank uses claw back of previously paid bonuses in its purest form to be appropriate in the context of Sharia'a Board decisions only when the malus clause applies.

Therefore, for the purpose of bonus deferral, the Bank may apply a further malus clause to this deferred amount that may require either a restatement of results for which the bonus was paid and/or additional performance measures.

Linkage of compensation with actual performance

The variable compensation in the Bank is purely performance based and consists of the annual performance bonus. As part of the staff's variable compensation, the annual bonus is driven by delivery of operational and financial targets set each year, the individual performance of the employees and their contribution in delivering the overall Bank's objectives.

The Bank has adopted a Board-approved framework to develop a clear link between variable compensation and performance. The framework is designed on the basis that the combination of meeting both financial performance and achievement of other non-financial factors would deliver a target bonus pool for the employees, prior to consideration of any allocation to business areas and employees individually.

The key performance metrics at the Bank level include a combination of short-term and long-term measures, and include profitability, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable compensation, the Bank starts from setting specific targets, establishing market comparable bottom-up, setting a profit target and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risks via the use of risk-adjusted measures. The NRC carefully evaluates practices by which compensation is paid for potential future revenues whose timing and likelihood remain uncertain. The NRC demonstrates that its decisions

are consistent with an assessment of the Bank's financial condition and future prospects. The Bank uses a formalized and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realized and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRC. For the Bank to have any funding for distribution of a bonus pool, thresholds of financial targets have to be achieved. The performance measures ensure that the total variable compensation is generally considerably contracted where subdued or negative financial performance occurs. Furthermore, the target bonus pool, as determined above, is subject to risk adjustments in line with the risk adjustment and linkage framework.

Deferral policy and vesting criteria

For certain categories of employees such as (1) Employees requiring SAMA No Objection, (2) Material Risk Takers, and (3) Material Risk Controllers, where deemed appropriate, the Bank provides a portion of variable compensation in the form of corporate performance linked cash/shares paid out on a multi-year cycle for identified key employees who have direct impact on the Bank growth and success.

Where variable compensation plans that include corporate performance linked cash/shares payments are introduced, the Bank provides criteria for determining the value for allocation of deferred payments within the plan rules or guidelines. Payouts of such conditional deferred cash/shares plans are required to be subject to a retention or vesting policy that is determined on a plan to plan basis. Such retention or vesting policies are to be outlined within the plan rules or guidelines. As a minimum requirement, the Bank's policy is for cash/shares based awards to be subject to an appropriate retention policy.

Parameters for allocating cash versus other forms of compensation

The quality and long-term commitment of all employees is fundamental to the success of the Bank. The Bank therefore attracts, retains and motivates the best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of Shareholders. The Bank's reward package comprises the following key elements;

- (1) **Fixed Pay** (comprises of basic salary and cash allowances) and other benefits programs are developed so as to support the pay positioning and pay mix policies and align with all applicable regulatory requirements.
- (2) **Cash Allowances** are provided to support the Bank's pay positioning policies and to aid recruitment of sufficiently qualified talent to drive sustainable growth. The Bank reviews which allowances it offers to employees and the quantum of such allowances so as to ensure they support the aims of compensation across the whole Bank.

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(3) Benefits to support retention and recruitment of sufficiently experienced talent across the business. Provision of these benefits is provided in line with local market norms and reviewed on a regular basis to ensure they remain appropriate.

(4) Annual Performance Bonus to enhance employee effectiveness by driving the Bank, business group and individual performance in a sustainable process and create a competitive compensation strategy that supports the Bank's business growth strategy.

22.2 Employees share-based plans

Significant features of the Employees share-based schemes outstanding at the end of the period are as follows:

Nature of scheme	ESGS Plan A	Deferred bonus 2021	Deferred bonus 2022
Number of outstanding schemes	1	1	1
Grant date	May 1, 2019	March 4, 2021	January 24, 2022
Maturity date	April 30, 2024	March 4, 2024	January 24, 2025
Number of shares granted – adjusted after issuance of bonus issue	1,167,452	699,985	1,177,790
Vesting period	5 years	3 years	3 years
Value of shares granted (SAR)	21,864,357	11,535,753	34,627,015
Fair value per share at grant date (SAR) – adjusted after issuance of bonus issue	20.25	16.48	29.4
Vesting condition	Employee remain in service and meets prescribed performance criteria	Employee remain in service and meets prescribed performance criteria	Employee remain in service and meets prescribed performance criteria
Method of settlement	Equity	Equity	Equity
Valuation model used	Market value	Market value	Market value
Weighted average remaining contractual life	1.3 Years	1.2 Years	2.1 Years

The movement in weighted average price and in the number of shares in the employees share participation scheme is as follows:

December 31, 2022	ESPS (Jana)		ESGS Plan A		ESGS Plan B		Deferred bonus	
	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme
Beginning of the year	16.13	1,824,633	19.70	1,422,415	20.25	566,409	16.48	684,934
Granted during the year	–	–	19.70	7,782	–	–	29.40	1,687,097
Vested during the year	16.13	(1,791,147)	19.70	(986,361)	20.25	(558,499)	17.16	(286,201)
Expired during the year	16.13	(33,486)	19.70	(9,302)	20.25	(7,910)	22.99	(56,574)
End of the year	–	–	19.70	434,534	–	–	26.94	2,029,256
Exercisable at year end	–	–	19.70	434,534	–	–	26.94	2,029,256

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December 31, 2021	ESPS (Jana)		ESGS Plan A		ESGS Plan B		Deferred bonus	
	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme
Beginning of the year	16.13	2,117,037	20.25	1,112,381	20.25	1,349,107	–	–
Granted during the year	–	–	17.74	310,034	–	–	16.48	699,985
Vested during the year	–	–	–	–	20.25	(754,667)	–	–
Expired during the year	16.13	(292,404)	–	–	20.25	(28,031)	16.48	(15,051)
End of the year	16.13	1,824,633	19.7	1,422,415	20.25	566,409	16.48	684,934
Exercisable at year end	16.13	1,824,633	19.7	1,422,415	20.25	566,409	16.48	684,934

These rights are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized in consolidated statement of income during the year ended December 31, 2022 in respect of these schemes was SAR 27.2 million (2021: SAR 25 million).

23 Earnings per share →

Basic and diluted earnings per share are calculated by dividing the net income adjusted for Tier 1 Sukuk costs by the weighted average number of outstanding shares which were 1,990.3 million shares at December 31, 2022. Basic and diluted earnings per share as at December 31, 2021 were divided by 1,987.7 million shares. The diluted earnings per share is the same as the basic earnings per share.

24 Zakat liability →

	2022 SAR'000	2021 SAR'000
Opening balance	311,545	227,016
Zakat expense	413,759	312,168
Payments during the year	(311,545)	(227,639)
Ending balance	413,759	311,545

25 Cash and cash equivalents →

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	2022 SAR'000	2021 SAR'000
Cash in hand	1,960,998	2,327,646
Balances with SAMA excluding statutory deposit	278,465	144,805
Due from banks and other financial institutions maturing within three months of acquisition	1,333,480	738,073
Total	3,572,943	3,210,524

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26 Employee benefit obligations →

26.1 General description of Defined Benefit Plan

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

26.2 The amounts recognized in the consolidated statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2022 SAR'000	2021 SAR'000
Defined benefit obligation at the beginning of the year	438,073	404,375
Charge for the year	66,083	56,218
Discount cost	13,731	10,489
Benefits paid	(41,654)	(39,320)
Actuarial (gain)/loss on re-measurement recognized in OCI	(12,226)	6,311
Defined benefit obligation at the end of the year	464,007	438,073

Charge for the year is comprised of:

	2022 SAR'000	2021 SAR'000
Current service cost	66,083	56,218
Past service cost	–	–
Total	66,083	56,218

Actuarial (gain)/loss on re-measurement recognized in OCI is comprised of:

	2022 SAR'000	2021 SAR'000
(Gain)/loss from change in experience assumptions	(4,867)	2,857
(Gain)/loss from change in financial assumptions	(7,359)	3,454
Total	(12,226)	6,311

26.3 Principal actuarial assumptions (in respect of the end of service benefit plan)

	2022	2021
Discount rate	4.76% p.a.	3.31% p.a.
Expected rate of salary increase – next three years	3.50% p.a.	5% p.a.
– thereafter	4.80% p.a.	3.11% p.a.
Normal retirement age	60 years	60 years

The assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

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26.4 Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at December 31, 2022 and 2021:

2022 Base scenario	Impact on defined benefit obligation – Increase/(Decrease)		
	Change in assumption	Increase in assumption SAR'000	Decrease in assumption SAR'000
Discount rate	1%	(41,554)	48,608
Expected rate of salary increase	1%	50,585	(43,974)

2021 Base scenario	Impact on defined benefit obligation – Increase/(Decrease)		
	Change in assumption	Increase in assumption SAR'000	Decrease in assumption SAR'000
Discount rate	1%	(39,218)	45,982
Expected rate of salary increase	1%	47,687	(41,371)

The above sensitivity analyses is based on a change in an assumption holding all other assumptions constant.

26.5 Expected maturity

Expected maturity analysis of undiscounted defined benefit obligation for the end of service benefit plan is as follows:

	2022 SAR'000	2021 SAR'000
Less than a year	38,803	33,993
1-2 years	28,902	28,191
2-5 years	86,558	83,057
Over 5 years	635,028	476,163
Total	789,291	621,404

The weighted average duration of the defined benefit obligation is 14.7 years (2021: 14.7 years).

26.6 Defined contribution plan

The Bank makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SAR 73 million (2021: SAR 53.9 million).

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27 Operating segments →

Operating segments are identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the key decision makers including CEO and the Assets and Liabilities Committee (ALCO), in order to allocate resources to the segments and to assess their performance.

The Bank's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on terms as approved by the management. Majority of the segment assets and liabilities comprise operating assets and liabilities.

The Bank's reportable segments are as follows:

(a) Retail banking

Financing, deposit and other products/services for individuals.

(b) Corporate banking

Financing, deposit and other products and services for corporate, SME and institutional customers.

(c) Treasury

Murabahas with banks, investments and treasury services.

(d) Investment and brokerage

Asset management, custodianship, advisory, underwriting and brokerage services.

Profit is charged or credited to operating segments using internally developed Fund Transfer Pricing (FTP) rates which approximate the marginal cost of funds.

Following is an analysis of the Bank's assets, liabilities, income and results by operating segments:

2022	Retail SAR'000	Corporate SAR'000	Treasury SAR'000	Investment and brokerage SAR'000	Total SAR'000
Total assets	35,600,568	109,953,692	52,381,346	2,500,623	200,436,229
Total liabilities	97,108,721	23,711,603	47,548,547	191,045	168,559,916
Income from investments and financing	3,400,066	2,748,778	1,372,191	91,926	7,612,961
Return on time investments	(518,669)	(306,162)	(721,664)	–	(1,546,495)
Income from investments and financing, net	2,881,397	2,442,616	650,527	91,926	6,066,466
Fees from banking services and other income	365,640	370,175	534,876	625,903	1,896,594
Total operating income	3,247,037	2,812,791	1,185,403	717,829	7,963,060
Charge for impairment of financing	350,642	843,286	–	3,772	1,197,700
Charge/(reversal) for impairment of other financial assets	–	–	13,774	(22,756)	(8,982)
Depreciation and amortization	247,915	16,237	9,617	5,347	279,116
Other operating expenses	1,371,358	604,049	242,430	268,024	2,485,861
Total operating expenses	1,969,915	1,463,572	265,821	254,387	3,953,695
Net operating income	1,277,122	1,349,219	919,582	463,442	4,009,365
Share of profit from an associate and a joint venture	–	–	3,534	–	3,534
Net income for the year before Zakat	1,277,122	1,349,219	923,116	463,442	4,012,899

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2021	Retail SAR'000	Corporate SAR'000	Treasury SAR'000	Investment and brokerage SAR'000	Total SAR'000
Total assets	26,602,261	98,764,555	45,725,529	2,383,739	173,476,084
Total liabilities	81,503,711	23,727,274	36,924,221	609,851	142,765,057
Income from investments and financing	2,445,248	2,165,876	974,590	92,057	5,677,771
Return on time investments	(183,197)	(53,548)	(300,641)	–	(537,386)
Income from investments and financing, net	2,262,051	2,112,328	673,949	92,057	5,140,385
Fees from banking services and other income	306,133	295,792	371,849	545,435	1,519,209
Total operating income	2,568,184	2,408,120	1,045,798	637,492	6,659,594
(Reversal)/charge for impairment of financing	(124,789)	1,375,930	–	462	1,251,603
Charge for impairment of other financial assets	–	–	2,576	12,152	14,728
Depreciation and amortization	210,766	19,765	14,732	5,897	251,160
Other operating expenses	1,179,558	469,370	225,347	232,133	2,106,408
Total operating expenses	1,265,535	1,865,065	242,655	250,644	3,623,899
Net operating income	1,302,649	543,055	803,143	386,848	3,035,695
Share of loss from an associate and a joint venture	–	–	(14,140)	–	(14,140)
Net income for the year before Zakat	1,302,649	543,055	789,003	386,848	3,021,555

December 31, 2022 Other information	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment and brokerage SAR '000	Total SAR '000
Income from:					
– External customers	2,087,551	4,238,174	919,506	717,829	7,963,060
– Inter-segment	1,159,486	(1,425,383)	265,897	–	–
Total operating income	3,247,037	2,812,791	1,185,403	717,829	7,963,060

December 31, 2021 Other information	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment and brokerage SAR '000	Total SAR '000
Income from:					
– External customers	1,373,034	3,771,841	877,227	637,492	6,659,594
– Inter-segment	1,195,150	(1,363,721)	168,571	–	–
Total operating income	2,568,184	2,408,120	1,045,798	637,492	6,659,594

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The Bank's credit exposure by operating segments is as follows:

December 31, 2022	Retail	Corporate	Treasury	Investment and brokerage	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
On balance sheet assets	35,600,568	109,953,692	45,139,493	1,682,474	192,376,227
Commitments and contingencies	–	12,574,758	840,049	–	13,414,807
Total	35,600,568	122,528,450	45,979,542	1,682,474	205,791,034

December 31, 2021	Retail	Corporate	Treasury	Investment and brokerage	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
On balance sheet assets	26,602,261	98,764,556	39,870,397	1,298,985	166,536,199
Commitments and contingencies	–	8,408,820	–	–	8,408,820
Total	26,602,261	107,173,376	39,870,397	1,298,985	174,945,019

Credit exposure comprises the carrying value of on balance sheet assets, excluding cash, property and equipment and right of use assets, equity investments and other assets. The credit equivalent value of commitments and contingencies are included in credit exposure.

28 Credit risk →

Credit risk arises when a counterparty fails to fulfil its contractual obligations to the Bank. To minimize the risk of a counterparty failing to meet its obligations, the Bank is committed to a strong pro-active credit process to ensure that a credit that is originated will meet the institutional risk appetite and will fulfil the criteria under which credits are extended. All credit proposals are subjected to a high degree of due diligence intended to identify all risks associated with granting the credit.

An internal credit-rating model is used to determine the Obligor Risk Rating (ORR), a measure of the obligor's probability of default. Ratings by the major credit rating agencies are also considered, when available and disclosed by clients. Target Market is a key component of this process as it provides the first filter for prospective and existing obligors to avoid initiating or maintaining relationships that do not fit the Bank's strategy and desired risk profile. Risk Acceptance Criteria (RAC) is a set of variables indicating the terms under which the Bank is willing to initiate and/or maintain a credit relationship with an obligor that meets the target market. The business team is a front-end marketing team responsible for originating, evaluating and recommending credit proposals. Approval is granted in accordance with the Board approved "Credit Approval Authority Delegation Matrix" through the Credit Committee which is composed of the CEO, Business Heads and Chief Credit Officer. Credits are extended based on the Corporate, Financial Institutions and Retail Banking Credit Policies and Guidelines.

Risk Management owns and controls the policies established for financing and are tasked with the responsibility of regularly reviewing, and revising the Bank's credit policies, guidelines and processes, to ensure that credits risk is managed and controlled within the Risk Appetite Criteria of the Bank and credit related losses are minimized. Risk Management also ensures that credit policies are aligned and adjusted on periodic basis in accordance with the economic, market, regulatory and legal landscape.

Various credit portfolios are managed to achieve diversification. Concentration in the portfolio mix is managed in terms of economic activity, geography, collateral and underlying product. The Bank seeks diversification of its credit portfolios through customer acquisition across different industry and economic activities and geographical presence across the country and by targeting large, medium and small corporate clients as well as individual clients. Obligor and sector concentrations are monitored to assess different types of financing concentrations. The Bank regularly stress tests its credit portfolios, in order to evaluate the potential impact of negative factors on asset quality, risk ratings, profitability and capital allocations.

28.1 Expected credit Loss (ECL)

Credit Risk Grades

The Bank follows a well-defined credit evaluation process anchored in a clear Target Market and Risk Acceptance Criteria, strong credit policies, extensive due diligence, credit review and approval processes combined with stringent credit administration and monitoring and control of credit limits.

To generate an internal risk rating, the Bank uses Moody's CreditLens. This rating system is used by many leading banks globally and in the Kingdom. It enables the Bank to assign a risk rating to a single obligor. The risk rating is a point-in-time, 12-month probability of default (PD). The Bank assigns a rating from a 10-point rating scale with 1 as the best through 10 as the worst. The rating uses sub-grades (e.g. 3+, 3, and 3-) for a granular assessment of the PD. As part of the Bank's policy, only obligors with risk ratings of -6 or better are eligible for new financing facilities. The Bank reviews and validates the Moody's CreditLens rating system on a regular basis by calibrating score ranges with rating grades and associated PDs. All credit exposures are subject to on-going monitoring and annual review activity, which may result in an exposure being moved to a different credit risk grade because of various qualitative and quantitative aspects related to the specific obligor such as changes in the audited financial statements, compliance with covenants, management changes, as well as changes in the economic and business environment.

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Credit risks in the retail portfolio are estimated based on individual credit-worthiness scores, derived from an automated credit scoring platform and is not subject to the Moody's rating system.

The Bank's internal credit rating grades:

Internal rating grade	Internal rating description	12 month Point in Time (PIT) PD %
Performing		
1	Almost Credit Risk Free	0.011
2+	Almost Credit Risk Free	0.011
2	Almost Credit Risk Free	0.023
2-	Almost Credit Risk Free	0.056
3+	Exceptionally Strong Credit Risk	0.090
3	Exceptionally Strong Credit Risk	0.135
3-	Exceptionally Strong Credit Risk	0.192
4+	Exceptionally Strong Credit Risk	0.282
4	Excellent Credit Risk	0.395
4-	Excellent Credit Risk	0.564
5+	Good Credit Quality	0.902
5	Good Credit Quality	1.410
5-	Good Credit Quality	2.369
6+	Satisfactory Credit Quality	3.948
6	Satisfactory Credit Quality	7.107
6-	Borderline Credit Quality	14.947
7	Weak Credit Quality	33.842
Non-performing		
8	First stage of default	100.000
9	Default/substantial difficulty	100.000
10	Write-off	100.000

Impairment framework

The Bank compares the risk of default at the reporting date with the risk of default at the date of origination. If the change in credit assessment is significant, the obligor is moved from Stage 1 to Stage 2 or Stage 2 to Stage 3. The PD is then changed from a 12-month point-in-time PD to a lifetime PD. The Bank groups its credit exposures on the basis of shared credit risk characteristics with the objective of facilitating analysis designed to identify significant increases in the credit risk on a timely basis. Given below are the most important types of the shared credit risk characteristics:

- (a) Type of exposure
- (b) Obligor risk rating
- (c) Collateral type
- (d) Collateral value

(e) Economic cycle and forward-looking scenario

(f) Date of origination

(g) Remaining term to maturity

(h) Geographical location of the obligor

(i) Industry

The Bank categorizes its financial assets into three stages of impairment, in accordance with IFRS 9 methodology:

Stage 1 Performing assets – Financial asset(s) at origination or existing financial assets, at the reporting date, with no significant increase in credit risk since origination: The Bank recognizes an impairment allowance amounting to 12-month expected credit losses using a point-in-time PD (an estimate of the probability of default over the next 12 months). Profits associated with the asset are recognized on the basis of gross carrying value.

Stage 2 Underperforming assets – Financial asset(s) that have significantly deteriorated in credit quality since origination: In determining whether a significant risk has occurred since initiation, the bank assesses the change, if any, in the risk of default over the expected life of the financial asset. The trigger point for classifying an account to Stage 2 and the consequent calculation of lifetime expected credit loss is based on past due obligations (rebuttable assumption if payments are more than 30 days past due). However, the most important consideration for categorization to Stage 2 is a determination by the Impairment Committee that the credit quality has deteriorated to the degree defined by the IFRS 9 guidelines. For retail borrowers, over 30 days past due is typically the trigger point for Stage 2 Classification. The Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD (an estimate of the probability of default over the life of the asset). Profits associated with the asset are recognized on the basis of gross carrying value.

Stage 3 Credit-impaired assets (non-performing assets) – Financial asset(s) that show objective evidence of impairment: For credit impaired financial asset(s), the Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD as in Stage 2. Profits associated with the asset are recognized on the basis of net carrying value.

Definition of “Default”

The Bank follows the Basel definition for default i.e. “The borrower is more than 90 days past due on principal or profit on any material obligation to the Bank”.

Write-offs

The Bank write-offs any financing exposure in whole or in part, only when it has exhausted all practical recovery and remedial efforts and has concluded that there is no reasonable expectation of recovery in the foreseeable future. The write-off are made after obtaining required approval. The write-off does not dilute the Bank's recovery and collection efforts including legal recourse.

Impairment – Stage assessment and expected credit loss estimation

The Bank recognizes impairment on an on-going basis by calculating the expected credit loss (ECL) at each reporting period. The IFRS 9 methodology requires a forward-looking approach considering ECL for impairment rather than incurred losses.

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By definition, all accounts in the financing portfolio of the Bank are categorized as Stage 1, unless these assets qualify under the rules and guidelines for impairment under the two stages which are “underperforming” Stage 2, and “Impaired,” Stage 3. The levels of credit risk are described below:

Credit losses (CL)

Credit Loss simply defined, is the difference between all the contractual cash flows that are due to the Bank and the NPV of the expected reduced cash flows discounted at the applicable effective rate, in view of certain circumstances that affect the borrower's ability to repay its original obligations. Credit loss could be the total contractual cash flows (100% credit loss), or a portion of the contractual cash flows.

Lifetime expected credit losses

Lifetime expected credit loss is the expected present value of losses that may arise if a borrower defaults on its obligations at some time during the life of the financial asset. This is equivalent to the shortfalls in contractual cash flows, taking into account the potential or the probability of default at any point in time during the life of the asset.

12-month expected credit losses

The 12-month expected credit loss is a portion of the lifetime expected credit loss which is calculated by multiplying the probability of default occurring on the instrument in the next 12 months by the total (lifetime) expected credit losses that would result from that default. They are not the expected cash shortfalls over the next 12 months or the forecast of default in next 12 months but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. An asset moves from 12-month expected credit losses (Stage 1) to lifetime expected credit loss (Stage 2) when there has been a significant deterioration in credit quality since initial recognition. Lifetime expected credit loss is also applied for obligors classified in stage 3.

Sensitivity analysis

The table below shows the sensitivity of change in economic indicators to the ECL computed under three different scenarios used by Bank:

2022	Due from banks and other financial institutions SAR '000	Investments SAR '000	Financing SAR '000	Provision for credit-related commitments SAR '000
Base case (most likely)	3,592	16,158	3,981,256	519,239
Up turn	3,393	15,252	3,768,327	515,768
Down turn	3,682	16,939	4,179,895	523,624

Probability of default

Probability of Default (“PD”) is a critical attribute in credit risk assessment. It is used to compute the expected credit loss. Alinma Bank starts by using its credit risk models to assign a risk rating for an obligor (obligor risk rating). Each obligor risk rating is mapped to a probability of default, a point-in-time estimate of the probability of default over a 12-month period. A macroeconomic forecast is then used to calculate a multi-period probability of default; these multi-period (or term structure PD) are then used in the calculation of lifetime expected credit losses. The Bank formulates three forward-looking scenarios of the economic cycle to generate an estimate of the Term Structure PD (which is the expected migration of PD up or down, depending on the various stages of the economic cycle.) For example, it can be expected that if the economic environment is on a down-swing, the PD of an obligor which is already stressed and is classified under Stage 2 with clear signs of credit weaknesses, will tend to deteriorate. Conversely, if the economic environment is on an up-swing, the PD of a similar obligor will tend to improve. The Bank has incorporated in its lifetime PD an adjustment factor for survivability which recognizes that if a stressed obligor survives over a longer period of time, this indicates that the probability of default is reduced.

Loss given default

Loss Given Default (“LGD”) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. Alinma uses the following LGD Rules matrix:

For non-secured exposures, Alinma uses an LGD of 50% as the minimum for ECL IFRS 9 calculation covering all three-staged classifications.

For Secured exposures, the LGD Rules grid for retail and corporate facilities takes advantage of the eligible collateral values starting with an LGD of 20% as the minimum considering the following factors:

- Forecast of future collateral valuations, including expected sale discounts
- Time to realization of collateral (and other recoveries)
- External costs of realization of collateral

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2021	Due from banks and other financial institutions SAR '000	Investments SAR '000	Financing SAR '000	Provision for credit-related commitments SAR '000
Base case (most likely)	1,308	9,886	4,040,713	347,179
Up turn	1,308	9,855	3,926,515	332,082
Down turn	1,308	9,900	4,125,451	358,443

The base case scenario represents a most-likely outcome. In the up turn scenario, weightings are 50% for baseline assumptions, 10% for optimistic assumptions and 40% for pessimistic assumptions. In the down turn scenario, weightings are 50% for baseline assumptions and 50% for pessimistic assumptions. The Bank currently uses the weightings of 50% for down turn, 40% for baseline and 10% for up turn.

No change has been made in the backstop criteria for all types of exposures.

The Bank considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. In addition to the base case forecast which reflects the negative economic impact as compared to last year, greater weighting has been applied to the downside scenario given the Bank's assessment of downside risks and lesser weighting has been applied to upside scenario.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data. The Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

The PD, EAD and LGD models are subject to the Bank's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality.

During the year, the Bank has made following changes in its ECL methodology to reflect the validation exercise undertaken by the Bank:

- Updating of the forward-looking macroeconomic indicators;
- Updating of the weighted average PDs; and
- Updating of the criteria used in determining SICR for retail portfolio.

The Bank's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement evaluation based over periodic independent model validation and back-testing exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by various assumptions, management expert judgement and uncertainty and therefore, the actual outcomes may be different than those projected.

Economic Indicators	Forecast calendar years used in 2022 ECL model		
	2022	2023	2024
Inflation (%)	2.23	2.03	2.00
GDP per capita (SAR)	79,062	79,780	80,482
Fiscal Spending (SAR billions)	1,201	1,238	1,279
Oil Price/Barrel (USD)	88.64	83.44	79.62

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28.1.1 Due from banks and other financial institutions by risk rating

	12-month ECL	
	2022 SAR '000	2021 SAR '000
Due from banks and other financial institutions		
Grades 1-4: investment grade	1,416,640	705,101
Grades 5-6: good/satisfactory	41,410	34,280
Unrated	–	–
Gross	1,458,050	739,381
Allowance for impairment	(3,592)	(1,308)
Net	1,454,458	738,073

28.1.2 Sukuk and Murabaha investments by risk rating

	12-month ECL	
	2022 SAR '000	2021 SAR '000
Murabahas with SAMA investments – amortized cost		
Grades 1-4: investment grade	904,901	906,617
Sukuk investments – amortized cost		
Grades 1-4: investment grade	22,477,405	22,479,261
Grades 5-6: good/satisfactory	1,355,172	56,522
	23,832,577	22,535,783
Sukuk investments – FVOCI		
Grades 1-4: investment grade	9,595,856	6,291,476
Grades 5-6: good/satisfactory	1,050,289	657,573
	10,646,145	6,949,049
Murabahas with SAMA and Sukuk investments – Total		
Grades 1-4: investment grade	32,978,162	29,677,354
Grades 5-6: good/satisfactory	2,405,461	714,095
Gross	35,383,623	30,391,449
Allowance for impairment	(16,158)	(9,886)
Net	35,367,465	30,381,563

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28.1.3 Financing to customers by risk rating

December 31, 2022	12-month ECL	Life time ECL not credit impaired	Life time ECL credit impaired (Non-performing)	Total
	SAR '000	SAR '000	SAR '000	SAR '000
Financing to customers (at amortized cost) – Retail				
Unrated	35,678,542	1,135,594	–	36,814,136
Impaired financing	–	–	461,214	461,214
Gross financing	35,678,542	1,135,594	461,214	37,275,350
Allowance for impairment	(265,329)	(163,803)	(322,526)	(751,658)
	35,413,213	971,791	138,688	36,523,692
Financing to customers (at amortized cost) – Corporate				
Grades 1-4: investment grade	47,700,501	–	–	47,700,501
Grades 5-6: good/satisfactory	55,716,407	4,720,413	–	60,436,820
Grade 7: Watch-list	–	2,601,841	–	2,601,841
Impaired financing	–	–	2,458,700	2,458,700
Gross financing	103,416,908	7,322,254	2,458,700	113,197,862
Allowance for impairment	(425,859)	(1,468,250)	(1,335,489)	(3,229,598)
	102,991,049	5,854,004	1,123,211	109,968,264
Financing to customers (at amortized cost) – Total				
Grades 1-4: investment grade	47,700,501	–	–	47,700,501
Grades 5-6: good/satisfactory	55,716,407	4,720,413	–	60,436,820
Grades 7: Watch-list	–	2,601,841	–	2,601,841
Unrated	35,678,542	1,135,594	–	36,814,136
Impaired financing	–	–	2,919,914	2,919,914
Gross financing	139,095,450	8,457,848	2,919,914	150,473,212
Allowance for impairment	(691,188)	(1,632,053)	(1,658,015)	(3,981,256)
Financing, net	138,404,262	6,825,795	1,261,899	146,491,956

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December 31, 2021	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Life time ECL credit impaired (Non-performing) SAR '000	Total SAR '000
Financing to customers (at amortized cost) – Retail				
Unrated	27,627,040	191,437	–	27,818,477
Impaired financing	–	–	148,958	148,958
Gross financing	27,627,040	191,437	148,958	27,967,435
Allowance for impairment	(341,134)	(53,953)	(65,413)	(460,500)
	27,285,906	137,484	83,545	27,506,935
Financing to customers (at amortized cost) – Corporate				
Grades 1-4: investment grade	33,920,788	–	–	33,920,788
Grades 5-6: good/satisfactory	57,359,512	5,070,666	–	62,430,178
Grade 7: Watch-list	–	3,860,740	–	3,860,740
Impaired financing	–	–	2,133,063	2,133,063
Gross financing	91,280,300	8,931,406	2,133,063	102,344,769
Allowance for impairment	(260,351)	(1,955,857)	(1,364,005)	(3,580,213)
	91,019,949	6,975,549	769,058	98,764,556
Financing to customers (at amortized cost) – Total				
Grades 1-4: investment grade	33,920,788	–	–	33,920,788
Grades 5-6: good/satisfactory	57,359,512	5,070,666	–	62,430,178
Grade 7: Watch-list	–	3,860,740	–	3,860,740
Unrated	27,627,040	191,437	–	27,818,477
Impaired financing	–	–	2,282,021	2,282,021
Gross financing	118,907,340	9,122,843	2,282,021	130,312,204
Allowance for impairment	(601,485)	(2,009,810)	(1,429,418)	(4,040,713)
Financing, net	118,305,855	7,113,033	852,603	126,271,491

Rating Scale (1-4) represents: Substantially credit risk free, Exceptionally strong credit quality, Excellent credit risk quality, Very good credit risk quality.

Rating Scale (5-6) represents: Good to satisfactory and borderline credit quality.

Rating Scale (7) represents: Watch list category.

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28.1.4 Commitments and contingencies by risk rating

December 31, 2022	12-month ECL	Life time ECL not credit impaired	Life time ECL credit impaired (Non-performing)	Total
	SAR '000	SAR '000	SAR '000	SAR '000
Commitments and contingencies				
Grades 1-4: investment grade	4,213,585	–	–	4,213,585
Grades 5-6: good/satisfactory	6,269,278	1,263,567	–	7,532,845
Grade 7: Watch-list	–	362,303	–	362,303
Unrated	1,011,602	–	–	1,011,602
Impaired	–	–	294,472	294,472
Total amount at credit equivalents	11,494,465	1,625,870	294,472	13,414,807
Provision for credit-related commitments	51,580	245,464	222,195	519,239

December 31, 2021	12-month ECL	Life time ECL not credit impaired	Life time ECL credit impaired (Non-performing)	Total
	SAR '000	SAR '000	SAR '000	SAR '000
Commitments and contingencies				
Grades 1-4: investment grade	1,331,448	–	–	1,331,448
Grades 5-6: good/satisfactory	4,375,561	1,036,153	–	5,411,714
Grade 7: Watch-list	–	403,888	–	403,888
Unrated	971,182	–	–	971,182
Impaired	–	–	290,588	290,588
Total amount at credit equivalents	6,678,191	1,440,041	290,588	8,408,820
Provision for credit-related commitments	37,428	75,037	234,714	347,179

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28.2 Economic sectors risk concentration for financing and allowance for impairment are as follows:

2022	Performing	Non-performing	Life time ECL for credit impaired financing	Financing, net
	SAR '000	SAR '000	SAR '000	SAR '000
Government and quasi government	13,681,025	–	–	13,681,025
Manufacturing	9,093,796	1,098,045	(650,398)	9,541,443
Electricity, water, gas and health services	5,312,933	–	–	5,312,933
Building and construction	7,908,210	8,218	(6,163)	7,910,265
Services	17,422,594	66,162	(43,246)	17,445,510
Mining	2,826,249	–	–	2,826,249
Agriculture	3,302,830	–	–	3,302,830
Consumer financing	36,814,217	461,133	(322,446)	36,952,904
Transportation and communication	6,741,803	27,516	(20,637)	6,748,682
Commerce	9,727,806	716,119	(373,954)	10,069,971
Real estate business	20,180,174	516,936	(219,743)	20,477,367
Others	14,541,661	25,785	(21,428)	14,546,018
	147,553,298	2,919,914	(1,658,015)	148,815,197
ECL against performing financing				(2,323,241)
Financing, net				146,491,956

2021	Performing	Non-performing	Life time ECL for credit impaired financing	Financing, net
	SAR '000	SAR '000	SAR '000	SAR '000
Government and quasi government	12,429,991	–	–	12,429,991
Manufacturing	10,014,669	1,150,141	(922,636)	10,242,174
Electricity, water, gas and health services	5,032,171	–	–	5,032,171
Building and construction	6,555,210	579,964	(286,711)	6,848,463
Services	15,137,291	76,668	(27,607)	15,186,352
Mining	–	–	–	–
Agriculture	3,484,484	–	–	3,484,484
Consumer financing	27,818,477	148,958	(65,412)	27,902,023
Transportation and communication	6,046,234	–	–	6,046,234
Commerce	9,902,252	99,494	(43,929)	9,957,817
Real estate business	19,123,535	206,437	(61,932)	19,268,040
Others	12,485,869	20,359	(21,191)	12,485,037
	128,030,183	2,282,021	(1,429,418)	128,882,786
ECL against performing financing				(2,611,295)
Financing, net				126,271,491

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28.3 Collateral

The Bank, in the ordinary course of business holds collaterals as security to mitigate credit risk. These collaterals mostly include customers' deposits, financial guarantees, equities, real estate and other fixed assets. As at December 31, 2022, the Bank held collaterals of SAR 188,104 million (2021: SAR 164,210 million) against its secured financing.

The amount of collaterals held as security for financing that are credit-impaired are as follows:

	2022 SAR '000	2021 SAR '000
Collateral coverage		
Less than 50%	2,033,827	1,390,358
51% to 70%	52,829	36,814
More than 70%	833,258	854,849
Total	2,919,914	2,282,021

The Bank's policies regarding obtaining collateral have not significantly changed during the year and there has been no significant change in the overall quality of the collaterals held by the Bank.

The following table sets out the principal types of collateral held against financing. The Bank does not hold any type of collateral for its financial assets other than financing.

	2022	2021
Types of Collateral		
Real estate and fixed assets	127,061,959	105,870,160
Shares	26,528,968	25,677,410
Others	34,513,230	32,662,385
Total	188,104,157	164,209,955

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28.4 Geographical concentration of financial assets, financial liabilities, commitments and contingencies are as follows:

2022	Kingdom of Saudi Arabia SAR '000	Other GCC and Middle East countries SAR '000	Europe SAR '000	Other countries SAR '000	Total SAR '000
Financial assets					
Cash and balances with SAMA	9,723,259	–	–	–	9,723,259
Due from banks and other financial institutions					
Current accounts	–	15,365	358,143	558,369	931,877
<i>Murabaha</i> and <i>Wakala</i> with banks	146,199	376,382	–	–	522,581
Investments, net					
Investments held at amortized cost	24,664,751	56,569	–	–	24,721,320
Investments held at FVOCI	10,959,879	1,109,527	886	14,312	12,084,604
Investments held at FVSI	904,572	222,817	13,099	511,991	1,652,479
Investments in associate and joint venture	70,214	–	–	–	70,214
Financing, net					
Retail	36,523,692	–	–	–	36,523,692
Corporate	107,017,039	–	–	2,951,225	109,968,264
Other assets	916,556	–	–	–	916,556
Total financial assets	190,926,161	1,780,660	372,128	4,035,897	197,114,846
Financial liabilities					
Due to SAMA, banks and other financial institutions					
Demand	22,650	31,597	–	1,084	55,331
Time investments and due to SAMA	15,079,137	61,615	1,286,956	–	16,427,708
Customers' deposits					
Demand, savings and others	82,305,356	–	–	183,952	82,489,308
Customer's time investments	62,679,182	–	–	–	62,679,182
Other liabilities	6,223,378	–	–	–	6,223,378
Total financial liabilities	166,309,703	93,212	1,286,956	185,036	167,874,907
Commitments and contingencies					
Letters of credit	4,656,910	–	–	–	4,656,910
Letters of guarantee	15,634,566	–	–	–	15,634,566
Acceptances	557,775	–	–	–	557,775
Irrevocable commitments to extend credit	2,750,501	–	–	–	2,750,501
Total commitments and contingencies	23,599,752	–	–	–	23,599,752
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies:					
Letters of credit	931,319	–	–	–	931,319
Letters of guarantee	10,550,463	–	–	–	10,550,463
Acceptances	557,775	–	–	–	557,775
Irrevocable commitments to extend credit	1,375,250	–	–	–	1,375,250
Total maximum credit exposure	13,414,807	–	–	–	13,414,807

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2021	Kingdom of Saudi Arabia SAR '000	Other GCC and Middle East countries SAR '000	Europe SAR '000	Other countries SAR '000	Total SAR '000
Financial assets					
Cash and balances with SAMA	9,177,296	–	–	–	9,177,296
Due from banks and other financial institutions					
Current accounts	–	17,933	245,384	174,494	437,811
<i>Murabaha and Wakala with banks</i>	300,262	–	–	–	300,262
Investments, net					
Investments held at amortized cost	23,376,220	56,294	–	–	23,432,514
Investments held at FVOCI	6,971,999	439,663	963	–	7,412,625
Investments held at FVSI	1,966,719	13,537	–	385,494	2,365,750
Investments in associate and joint venture	66,680	–	–	–	66,680
Financing, net					
Retail	27,506,935	–	–	–	27,506,935
Corporate	96,058,887	–	–	2,705,669	98,764,556
Other assets	1,071,240	–	–	–	1,071,240
Total financial assets	166,496,238	527,427	246,347	3,265,657	170,535,669
Financial liabilities					
Due to SAMA, banks and other financial institutions					
Demand	359,910	24,286	–	6,966	391,162
Time investments and due to SAMA	13,638,324	942,990	–	267,315	14,848,629
Customers' deposits					
Demand, savings and others	79,504,847	–	–	165,699	79,670,546
Customer's time investments	41,390,005	–	–	–	41,390,005
Other liabilities	5,467,382	–	–	–	5,467,382
Total financial liabilities	140,360,468	967,276	–	439,980	141,767,724
Commitments and contingencies					
Letters of credit	2,026,734	–	–	–	2,026,734
Letters of guarantee	11,061,063	–	–	–	11,061,063
Acceptances	344,962	–	–	–	344,962
Irrevocable commitments to extend credit	512,273	–	–	–	512,273
Total commitments and contingencies	13,945,032	–	–	–	13,945,032
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies:					
Letters of credit	405,347	–	–	–	405,347
Letters of guarantee	7,402,375	–	–	–	7,402,375
Acceptances	344,962	–	–	–	344,962
Irrevocable commitments to extend credit	256,136	–	–	–	256,136
Total maximum credit exposure	8,408,820	–	–	–	8,408,820

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28.5 The distribution by geographical concentration of non-performing financing and allowances for impairment on financing is as follows:

2022	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Non-performing financing, net					
Retail	461,214	–	–	–	461,214
Corporate	2,458,700	–	–	–	2,458,700
Total	2,919,914	–	–	–	2,919,914
Allowances for impairment on financing					
Retail	751,658	–	–	–	751,658
Corporate	3,223,116	–	–	6,482	3,229,598
Total	3,974,774	–	–	6,482	3,981,256

2021	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Non-performing financing, net					
Retail	148,958	–	–	–	148,958
Corporate	2,133,063	–	–	–	2,133,063
Total	2,282,021	–	–	–	2,282,021
Allowances for impairment on financing					
Retail	460,500	–	–	–	460,500
Corporate	3,572,710	–	–	7,503	3,580,213
Total	4,033,210	–	–	7,503	4,040,713

29 Market risk →

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates and commodity prices. The Bank classifies exposures to market risks into either trading or non-trading (or banking book).

Market risk – trading book

The Bank is exposed to an insignificant market risk on its trading book position of equities in local currency which is regularly marked to market and losses or gains on equity prices are taken directly into consolidated statement of income.

Market risk – non-trading book

Market risks on non-trading book mainly arise from profit rate movements and, to a minor extent, from currency fluctuations. The Bank also faces price risks on investments held at “FVOCI”.

29.1 Profit rate risk

It arises from changes in profit rates which will affect either the fair values or the future cash flows of the financial instruments. The Board has established profit rate gap limits which are regularly monitored by ALCO. Treasury imputes the funding costs based on the yield curve and the margins are also adjusted to account for liquidity premium based on the duration of the financing.

Following table depicts the sensitivity on the Bank's consolidated statement of income or equity due to reasonably possible changes in profit rates, with other variables held constant. The sensitivity is the effect of the assumed changes in profit rates on the net income or equity, based on profit bearing non-trading financial assets and financial liabilities as of the reporting date after taking in to account their respective maturities and re-pricing structure. Due to insignificant foreign currency exposures of profit-bearing financial assets and liabilities in banking book, all the banking book exposures are monitored only in reporting currency.

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2022	Average sensitivity of net income from financing and investments	Sensitivity of equity				Total SAR '000
		Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	
Increase/decrease in basis points						
10	14,564	3,904	10,632	(6,155)	(19,162)	(10,781)
-10	(14,564)	(3,904)	(10,632)	6,155	19,162	10,781

2021	Average sensitivity of net income from financing and investments	Sensitivity of equity				Total SAR '000
		Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	
Increase/decrease in basis points						
10	20,586	2,245	18,232	(5,094)	(14,202)	1,181
-10	(20,586)	(2,245)	(18,232)	5,094	14,202	(1,181)

Yield sensitivity of assets, liabilities and off-balance sheet items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The Bank uses the SAIBOR for SAR and appropriate reference rates for USD lending as a benchmark rate for different maturities. At times when these benchmark rates are not representative of the actual transactions in the market, marginal cost of fund is provided by Treasury. The Bank charges profit rates based on the maturity of loans (longer term loans usually require a higher profit rate) based on marginal costs of funds.

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The table below summarizes the Bank's exposure to profit rate risks. Included in the table are the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

2022	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Non-profit bearing SAR '000	Total SAR '000
Assets						
Cash and balances with SAMA	–	–	–	–	9,723,259	9,723,259
Due from banks and other financial institutions						
Current accounts	–	–	–	–	931,877	931,877
Murabaha and Wakala with banks	401,603	120,978	–	–	–	522,581
Investments, net						
Investments held at amortized cost	107,529	17,315	4,555,457	20,041,019	–	24,721,320
Investments held at FVOCI	1,261,204	–	2,216,120	7,168,821	1,438,459	12,084,604
Investments held at FVSI	–	–	–	–	1,652,479	1,652,479
Investments in associate and joint venture	–	–	–	–	70,214	70,214
Financing, net						
Retail	4,043,985	4,333,227	14,034,303	14,112,177	–	36,523,692
Corporate	45,857,569	56,294,606	5,346,155	2,469,934	–	109,968,264
Property and equipment, net	–	–	–	–	2,632,794	2,632,794
Other assets	–	–	–	–	1,605,145	1,605,145
Total assets	51,671,890	60,766,126	26,152,035	43,791,951	18,054,227	200,436,229
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand	–	–	–	–	55,331	55,331
Time investments and due to SAMA	7,822,795	7,960,338	644,575	–	–	16,427,708
Customer deposits						
Demand, savings and others	3,914,130	784,975	1,175,452	3,302,592	73,312,159	82,489,308
Customer's time investments	35,449,518	23,649,001	3,419,181	161,482	–	62,679,182
Amounts due to Mutual Funds' unit holders	–	–	–	–	136,570	136,570
Other liabilities	–	–	–	–	6,771,817	6,771,817
Total equity	–	–	–	–	31,876,313	31,876,313
Total liabilities and equity	47,186,443	32,394,314	5,239,208	3,464,074	112,152,190	200,436,229
Yield sensitivity – On statement of financial position	4,485,447	28,371,812	20,912,827	40,327,877	(94,097,963)	–
Yield sensitivity – Off statement of financial position	5,045,121	8,065,809	10,060,872	427,950	–	23,599,752
Total yield sensitivity gap	9,530,568	36,437,621	30,973,699	40,755,827		
Cumulative yield sensitivity gap	9,530,568	45,968,189	76,941,888	117,697,715		

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2021	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Non-profit bearing SAR '000	Total SAR '000
Assets						
Cash and balances with SAMA	30,000	–	–	–	9,147,296	9,177,296
Due from banks and other financial institutions						
Current accounts	–	–	–	–	437,811	437,811
<i>Murabaha and Wakala</i> with banks	300,262	–	–	–	–	300,262
Investments, net						
Investments held at amortized cost	796,253	1,697,697	5,981,616	14,956,948	–	23,432,514
Investments held at FVOCI	16,397	2,173,781	2,808,695	1,950,176	463,576	7,412,625
Investments held at FVSI	–	–	–	–	2,365,750	2,365,750
Investments in associate and joint venture	–	–	–	–	66,680	66,680
Financing, net						
Retail	1,089,888	3,352,881	12,610,678	10,453,488	–	27,506,935
Corporate	29,756,053	62,985,072	5,616,700	406,731	–	98,764,556
Property and equipment, net					2,382,732	2,382,732
Other assets					1,628,923	1,628,923
Total assets	31,988,853	70,209,431	27,017,689	27,767,343	16,492,768	173,476,084
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand	–	–	–	–	391,162	391,162
Time investments and due to SAMA	7,609,308	991,335	6,247,986	–	–	14,848,629
Customer deposits						
Demand, savings and others	2,003,996	850,584	4,603,800	217,321	71,994,845	79,670,546
Customer's time investments	19,810,357	19,457,919	1,995,613	126,116	–	41,390,005
Amounts due to Mutual Funds' unit holders	–	–	–	–	495,990	495,990
Other liabilities	–	–	–	–	5,968,725	5,968,725
Total equity	–	–	–	–	30,711,027	30,711,027
Total liabilities and equity	29,423,661	21,299,838	12,847,399	343,437	109,561,749	173,476,084
Yield sensitivity – On statement of financial position	2,565,192	48,909,593	14,170,290	27,423,906	(93,068,981)	–
Yield sensitivity – Off statement of financial position	2,027,825	6,327,302	5,248,883	341,022	–	13,945,032
Total yield sensitivity gap	4,593,017	55,236,895	19,419,173	27,764,928		
Cumulative yield sensitivity gap	4,593,017	59,829,912	79,249,085	107,014,013		

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29.2 Currency risk

Currency risk represents the risks of change of value of financial instruments due to changes in foreign exchange rates. The Bank's Risk Appetite Framework and policies contain limits for positions by currencies. However, the Bank has negligible exposure in foreign currencies because its assets and liabilities are primarily denominated in Saudi Riyals and to a smaller extent in United States Dollars (USD) or in USD pegged currencies.

The Bank has the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2022 SAR '000	2021 SAR '000
Assets		
Cash and balances with SAMA	230,297	199,392
Due from banks and other financial institutions	1,311,119	738,069
Investments, net	3,550,121	1,541,066
Financing, net	4,389,664	3,831,989
Other assets	9,955	6,157
Total currency risk on assets	9,491,156	6,316,673
Liabilities		
Due to SAMA, banks and other financial institutions	1,518,272	1,331,069
Customers' deposits	7,847,386	5,169,306
Other liabilities	252,655	78,578
Total currency risk on liabilities	9,618,313	6,578,953
Net liability	(127,157)	(262,280)

The table below shows the currencies to which the Bank has a significant exposure as at December 31:

	2022 SAR '000	2021 SAR '000
USD	(89,382)	(324,756)
Euro	(45,234)	(8,772)
UAE Dirham	3,267	25,780
BHD	(13,463)	6,145
QAR	8,161	2,782
Others	9,494	36,541
Total	(127,157)	(262,280)

29.3 Equity price risk

Equity price risk refers to the risk of decrease in fair values of equities as a result of changes in the levels of equity index and the value of individual stocks.

The effect on the Bank's equity investments held at FVOCI due to reasonable possible change in equity index, with all other variables held constant is as follows:

Market index – (Saudi Exchange)	2022		2021	
	Increase/decrease in market prices %	Effect on equity SAR '000	Increase/decrease in market prices %	Effect on equity SAR '000
Impact of change in market prices	± 10	± 141,668	± 10	± 44,737

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Liquidity risk is the risk that the Bank 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, the Bank has diversified funding sources and assets are managed taking liquidity into consideration, maintaining an adequate balance of cash and cash equivalents. The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors the liquidity risk of the Bank.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of customers' time investments.

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

30.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at December 31, 2022 and 2021 based on contractual undiscounted repayment obligations whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As profit payments up to contractual maturity are included in the table, totals do not match with the figures as appearing in the consolidated statement of financial position.

2022	Within 3 months SAR '000	3 months to 12 months SAR '000	1 to 5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
Liabilities						
Due to SAMA, banks and other financial institutions						
<i>Demand</i>	–	–	–	–	55,331	55,331
<i>Time investments and due to SAMA</i>	6,766,604	7,934,084	1,791,601	–	–	16,492,289
Customers' deposits						
<i>Demand, savings and others</i>	–	–	–	–	82,489,308	82,489,308
<i>Customer's time investments</i>	35,618,236	24,483,451	3,650,288	223,864	–	63,975,839
Other liabilities	–	–	–	–	6,908,387	6,908,387
Total liabilities	42,384,840	32,417,535	5,441,889	223,864	89,453,026	169,921,154

2021	Within 3 months SAR '000	3 months to 12 months SAR '000	1 to 5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
Liabilities						
Due to SAMA, banks and other financial institutions						
<i>Demand</i>	–	–	–	–	391,162	391,162
<i>Time investments and due to SAMA</i>	7,831,479	991,746	6,246,792	–	–	15,070,017
Customers' deposits						
<i>Demand, savings and others</i>	–	–	–	–	79,670,546	79,670,546
<i>Customer's time investments</i>	19,894,913	19,630,724	1,980,994	171,692	–	41,678,323
Other liabilities	–	–	–	–	6,464,715	6,464,715
Total liabilities	27,726,392	20,622,470	8,227,786	171,692	86,526,423	143,274,763

Notes to the Consolidated Financial Statements

For the year ended December 31

30.2 The tables below show the maturity profile of the assets and liabilities:

The maturities of assets and liabilities have been determined on the basis of the remaining period at reporting date and does not reflect the effective maturities as indicated by the historical experience.

2022	Within 3 months SAR '000	3 months to 12 months SAR '000	1 to 5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
Assets						
Cash and balances with SAMA	–	–	–	–	9,723,259	9,723,259
Due from banks and other financial institutions						
Current accounts	–	–	–	–	931,877	931,877
<i>Murabaha</i> and <i>Wakala</i> with banks	401,603	120,978	–	–	–	522,581
Investments, net						
Investments held at amortized cost	311,197	249,917	3,775,341	20,384,865	–	24,721,320
Investments held at FVOCI	116,483	11,155	2,762,670	7,755,837	1,438,459	12,084,604
Investments held at FVSI	–	–	–	–	1,652,479	1,652,479
Investments in associate and joint venture	–	–	–	–	70,214	70,214
Financing, net						
Retail	2,761,347	5,546,207	13,883,654	14,332,484	–	36,523,692
Corporate	17,054,868	24,440,382	42,807,997	25,665,017	–	109,968,264
Property and equipment, net	–	–	–	–	2,632,794	2,632,794
Other assets	–	–	–	–	1,605,145	1,605,145
Total assets	20,645,498	30,368,639	63,229,662	68,138,203	18,054,227	200,436,229
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand	–	–	–	–	55,331	55,331
Time investments and due to SAMA	6,761,065	7,870,389	1,796,254	–	–	16,427,708
Customers' deposits						
Demand, savings and others	–	–	–	–	82,489,308	82,489,308
Customer's time investments	35,449,518	23,649,001	3,419,181	161,482	–	62,679,182
Amount due to Mutual Funds' unitholders	–	–	–	–	136,570	136,570
Other liabilities	–	–	–	–	6,771,817	6,771,817
Total equity	–	–	–	–	31,876,313	31,876,313
Total liabilities and equity	42,210,583	31,519,390	5,215,435	161,482	121,329,339	200,436,229
Commitments and contingencies						
Letters of credit	3,283,947	1,259,353	61,777	51,833	–	4,656,910
Letters of guarantee	1,274,686	6,735,169	7,248,594	376,117	–	15,634,566
Acceptances	486,488	71,287	–	–	–	557,775
Irrevocable commitments to extend credit	–	–	2,750,501	–	–	2,750,501

For the year ended December 31

Notes to the Consolidated
Financial Statement

2021	Within 3 months SAR '000	3 months to 12 months SAR '000	1 to 5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
Assets						
Cash and balances with SAMA	30,000	–	–	–	9,147,296	9,177,296
Due from banks and other financial institutions						
Current accounts	–	–	–	–	437,811	437,811
Murabaha and Wakala with banks	300,262	–	–	–	–	300,262
Investments, net						
Investments held at amortized cost	–	2,025,906	7,701,721	13,704,887	–	23,432,514
Investments held at FVOCI	–	201,822	2,498,117	4,249,110	463,576	7,412,625
Investments held at FVSI	–	–	–	–	2,365,750	2,365,750
Investments in associate and joint venture	–	–	–	–	66,680	66,680
Financing, net						
Retail	1,379,250	3,837,242	11,816,876	10,473,567	–	27,506,935
Corporate	14,396,343	23,600,505	39,863,111	20,904,597	–	98,764,556
Property and equipment, net	–	–	–	–	2,382,732	2,382,732
Other assets	–	–	–	–	1,628,923	1,628,923
Total assets	16,105,855	29,665,475	61,879,825	49,332,161	16,492,768	173,476,084
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand	–	–	–	–	391,162	391,162
Time investments and due to SAMA	7,830,896	991,511	6,026,222	–	–	14,848,629
Customers' deposits						
Demand, savings and others	–	–	–	–	79,670,546	79,670,546
Customer's time investments	19,875,591	19,502,291	1,885,568	126,555	–	41,390,005
Amount due to Mutual Funds' unitholders	–	–	–	–	495,990	495,990
Other liabilities	–	–	–	–	5,968,725	5,968,725
Total equity	–	–	–	–	30,711,027	30,711,027
Total liabilities and equity	27,706,487	20,493,802	7,911,790	126,555	117,237,450	173,476,084
Commitments and contingencies						
Letters of credit	968,796	893,385	164,553	–	–	2,026,734
Letters of guarantee	735,700	5,412,284	4,572,057	341,022	–	11,061,063
Acceptances	323,329	21,633	–	–	–	344,962
Irrevocable commitments to extend credit	–	–	512,273	–	–	512,273

Notes to the Consolidated Financial Statements

For the year ended December 31

31 Operational risk →

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Bank has an Operational Risk Team as a part of Risk Management Group which is tasked with monitoring and controlling the operational risks of the Bank. Functions of this unit are guided by the Operational Risk Policy and Framework. To systematize the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established through Risk Control and Self-Assessment (RCSA) along with establishing Key Risk Indicators (KRIs) for all business and support units. These risk metrics are proactively monitored by Operational Risk department on a regular basis. In addition, the Bank has a successfully tested and documented business continuity plan and operational disaster recovery site.

32 Sharia'a non-compliance risk →

Being an Islamic bank, the Bank is exposed to the risk of Sharia'a non-compliance. To mitigate such risk, extensive Sharia'a policies and procedures are in place. Further, the Bank has established a Sharia'a Board and a Sharia'a Compliance Audit Unit to monitor such risk.

33 Reputational risk →

Reputational risk covers the potential adverse effects resulting from negative publicity about the Bank's products, services, competence, integrity and reliability.

As an Islamic bank, one of the major sources of reputational risk is Sharia'a non-compliance. The other sources of negative publicity could be major frauds, customer complaints, regulatory actions and negative perceptions about the Bank's financial condition. The Bank has put in place controls around reputational risk in order to mitigate and avoid such risks. Currently, the Bank measures the reputational risk through a Scorecard based approach, where Risk Management Group compiles the results of assessments made by business heads to derive the Bank's overall reputational risk indicators.

34 Fair values of financial assets and liabilities →

Fair value is the price that would be received on sale of an asset or paid to discharge 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 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.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying values included in the consolidated financial statements.

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

Level 1: Quoted prices in active market for the same instrument (i.e. without modification or repacking).

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category include all instruments for which the valuation technique include inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation technique and significant unobservable inputs for financial instruments at fair value

The Bank uses various valuation techniques used in measuring Level 2 and Level 3 fair values at December 31, 2022 and December 31, 2021, as well as the significant unobservable inputs used.

For the valuation of investments in mutual funds, the Bank utilizes fund manager reports. The fund manager deploys various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying assets classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk-adjusted discount rates, marketability and liquidity discounts and control premiums.

For the year ended December 31

Notes to the Consolidated
Financial Statement**34.1 Fair values of financial assets and liabilities carried at fair value**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2022	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
Financial assets held as FVSI				
Equities	109,733	–	35,317	145,050
Mutual funds	234,258	1,044,036	229,135	1,507,429
Financial assets held as FVOCI				
Equities	1,416,680	–	21,779	1,438,459
Sukuk	3,571,086	7,075,059	–	10,646,145
Total	5,331,757	8,119,095	286,231	13,737,083

2021	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
Financial assets held as FVSI				
Equities	110,468	–	13,537	124,005
Mutual funds	188,079	1,827,813	225,853	2,241,745
Financial assets held as FVOCI				
Equities	447,372	–	16,204	463,576
Sukuk	2,201,833	4,747,216	–	6,949,049
Total	2,947,752	6,575,029	255,594	9,778,375

There were no transfers between Stages 1, 2 and 3 during the year.

Reconciliation of Level 3 fair values

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values:

	Financial assets held as FVSI SAR '000	Financial assets held as FVOCI SAR '000
Balance at January 1, 2021	239,390	16,204
Additional/new investments	59,679	–
Capital return and disposals during the year	(62,701)	(50)
Net change in fair value (unrealized)	28,084	5,625
Balance at December 31, 2022	264,452	21,779

Notes to the Consolidated
Financial Statements

For the year ended December 31

	Financial assets held as FVSI SAR '000	Financial assets held as FVOCI SAR '000
Balance at January 1, 2021	200,780	17,967
Additional/new investments	18,460	6,875
Transfer from Level 2 to Level 3	12,000	–
Capital return and disposals during the year	(20,274)	(1,138)
Net change in fair value (unrealized)	28,424	(7,500)
Balance at December 31, 2021	239,390	16,204

34.2 Fair values of financial assets and liabilities not carried at fair value

Management adopts discounted cash flow method using the current yield curve to arrive at the fair value of financial instruments which is categorized within Level 3 of the fair value hierarchy except for investments in *Sukuks* and *Murabaha* with SAMA which are categorized within Level 2. Following table shows the fair value of financial instruments carried at amortized cost.

	2022		2021	
	Carrying value SAR '000	Fair value SAR '000	Carrying value SAR '000	Fair value SAR '000
Assets				
Due from banks and other financial institutions	1,454,458	1,451,928	738,073	738,073
Investments – <i>Murabaha</i> with SAMA	904,901	899,487	906,617	905,875
<i>Sukuks</i> – Amortized cost	23,832,577	23,440,021	22,535,783	22,581,490
Financing, net	146,491,956	144,813,324	126,271,491	126,892,032
Liabilities				
Due to SAMA, banks and other financial institutions	16,483,039	16,299,059	15,239,791	15,239,376
Customers' deposits	145,168,490	145,079,131	121,060,551	121,135,509

35 Related party balances and transactions →

In the ordinary course of its activities, the Bank transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA.

The balances as at December 31, resulting from such transactions included in the consolidated financial statements are as follows:

	2022 SAR '000	2021 SAR '000
Directors, key management personnel, major shareholders and affiliates		
Financing to key management personnel	50,503	43,685
Financing to other related parties	935,993	745,520
Customers' deposits	107,960	323,538
Investments in associate and joint venture	70,214	66,680
Bank's mutual funds		
Investments in mutual funds	625,708	1,755,631
Deposits from mutual funds	796,174	216,662
Borrowings from mutual fund	–	50,388

Customers' deposits mainly include deposits from major shareholders, affiliates and directors.

For the year ended December 31

Notes to the Consolidated
Financial Statement**(i) Income and expenses pertaining to transactions with related parties included in the consolidated statement of income are as follows:**

	2022 SAR '000	2021 SAR '000
Income on financing	20,413	10,877
Return on time investments	3,803	25,151
Fee from banking services, net	378,163	332,191
Directors' remuneration	9,086	6,860

The advances and expenses related to executives are in line with the normal employment terms.

(ii) The total amount of compensation to key management personnel during the year is as follows:

	2022 SAR '000	2021 SAR '000
Short-term employees' benefits	80,604	71,363
End of service benefit	7,312	7,682

36 Capital adequacy →

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 monitored by the Bank's management. SAMA requires to hold and maintain a ratio of total regulatory capital to the risk-weighted assets at or above the Basel prescribed minimum percentage.

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 statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

SAMA has issued the framework and guidance for implementation of capital reforms under Basel III, which are effective from January 01, 2013. Accordingly, the risk weighted assets, total capital and related ratios are calculated using Basel III framework.

In accordance with SAMA's Guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures issued on April 26, 2020, SAMA allowed the banks to add-back up to 100% of the Day 1 impact of IFRS-9 transitional adjustment amount to Common Equity Tier 1 (CET1) for the two years period comprising 2020 and 2021. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years. The Bank has applied the aforementioned transitional arrangement in the calculation of the Bank's capital adequacy ratios effective March 31, 2020.

Previously, the Bank was applying the ECL accounting transitional arrangement for regulatory capital that allowed banks to transition Day 1 impact of IFRS9 (applicable from 1 January 2018) on regulatory capital over (5) years by using the dynamic approach to reflect the impact of the transition in accordance with SAMA Circular no. 391000029731 dated 15 Rabi-I 1439H (corresponding to December 3, 2017).

The impact of these revised transitional arrangements to the Bank's Tier 1 and Tier 1 + 2 ratio have been an improvement of 27 bps as of December 31, 2022 (2021: 40 bps).

	2022 SAR '000	2021 SAR '000
Particulars		
Credit risk weighted assets	160,491,295	133,095,735
Operational risk weighted assets	12,713,318	11,242,756
Market risk weighted assets	399,339	945,712
Total Pillar-I Risk weighted assets	173,603,952	145,284,203
Tier I Capital	32,358,224	31,433,895
Tier II Capital	2,006,141	1,663,697
Total Tier I & II Capital	34,364,365	33,097,592
Capital adequacy ratio %		
Tier I ratio	19%	22%
Tier I + Tier II ratio	20%	23%

37 Investment management and brokerage services →

The Bank offers investment management services to its customers through its subsidiary which include management of funds with total assets under management of SAR 76,220 million (2021: SAR 72,980 million).

Notes to the Consolidated Financial Statements

For the year ended December 31

38 Prospective changes in the International Financial Reporting Standards →

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2023. The Bank has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements of the Bank.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>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.</p> <p>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.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than January 1, 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 1, 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 1, 2023
IFRS 17, "Insurance contracts", as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/ effective date deferred indefinitely

39 Comparative figures →

Figures have been rearranged or reclassified wherever necessary for the purpose of better presentation; however, no significant rearrangements or reclassifications have been made in these consolidated financial statements.

40 Approval of the consolidated financial statements →

These consolidated financial statements were approved by the Board of Directors of the Bank on 2 Rajab 1443H (corresponding to February 1, 2023).

Alinma Bank branches

Riyadh
Majmaah
Kharj
Diriyah
Aldawadmi
West Suwaidi
Al Yasamin
Al Rawabi
AlRawda
Al Shifa
Alnozhah
King Faisal Qurtoba
Alyarmouk
AlMoruj
Al Azizyah
Al Rayyan
Al Nahdha
Al-Swaide
Al Rabwa
AlNaseem
Al Ghadeer
Al Badeaa
takhasusy
takhasusy sales
Al Malaz
Al Murabba
AlAmal District
Alshifa Dist
Al Deerah
Airport
2nd Industrial City
Digital City
Dhahrt leban
Hatten
AL Nada
Al-Sulimaniyyah
Alfarooq
Alkhaldiah
Shagraa
Irqah
Almuhamadiyah
Ar Rabi
King Fahad
western alnasim

Almadina
Aldefaa
Almadinah
Qiblateen
Yanbu

Albaha
Albaha

Aljouf
Skaka
Al Qurayyat

Makkah
Taif
Al Manar
Al Safa
Al Rabwah
Al Rrodah
Albalad
AlMarwa
Aziziah
Al Rehab
Al shatea
AlAwali
Aziziah
AlShawqia
Al Nuzha
Alsadad
Alzahraa
Alhamadaniyyah

Eastern
Jubail
Jubail Industrial
Tahlia
Al Hada
Al Yarmok (Al-Samo)
Al Rakah
Thuqbah
Ghurnatah
Ohad
AlRayan
Altubaishi
King Fahad Airport
Taiba
Doha
Qusoor
Qatif
Mubarraz
AlRawda
AlSouq
Hafer Albatin
Military City
Ras Tanoura
AL Jawhara



Alqassim
Bukairiyah
Al Ras
Al Saffra
Al Rayyan
Onizah

Najran
Najran

Hail
Hail
Eastern Al Muntazih

Tabouk
Tabouk

Aseer
Abha
Bisha
Khamis Mushait

Jazan
Jazan
Jazan Alsafa
Sabya

Notern boarder
Rafha
Arar
Turaif

Corporate information

Name

Alinma Bank

Trade Name

Alinma Bank

Commercial Registration No.

1010250808

Registered Logo

مصرف الإنماء
alinma bank 

Legal Form

Joint stock Company – publicly traded

Stock Exchange Listing

Saudi Exchange since 2008

Stock Code

1150

Subsidiary Companies and Branches

Name of subsidiary	Country of operation	Country of establishment
Alinma Investment Company, (Closed Joint Stock Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Fintech Company, (Closed Joint Stock Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Esnad Company (Limited Liability Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tanweer Real Estate Company (Limited Liability Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma SPV Limited	Kingdom of Saudi Arabia	Cayman Islands

Auditors

PricewaterhouseCoopers and Ernst & Young

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