Disclosures Under Basel III Framework

Qualitative & Quantitative Disclosures

Basel III Pillar 3 Disclosures

December 31, 2022

Basel III Pillar 3 Disclosures 31 December 2022

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Table OVA: Bank’s Risk Management approach

a) Business model determination and risk profile

Riyad Bank is a full service Bank, undertaking Retail, Commercial and Wholesale banking activities. The Bank provides sophisticated corporate and retail products, doing so through both conventional and Shari’a-compliant programs.

Riyad Bank has a large retail franchise covering a multitude of segments across the market. The Bank is a market leader in project and syndicated finance business, and its main emphasis in corporate arena is on the mid cap corporates as well as emerging enterprises (EEU). The Bank’s Treasury & Investment Division is an active participant in Saudi riyal and various other foreign currency denominated money markets in the Kingdom.

The Bank is selectively increasing its branch and ATM networks but has a major focus on digital/ non-physical channels. Capital market and investment services are provided through the wholly-owned subsidiary i.e. Riyad Capital.

The Bank also has a branch in London, a representative office in Singapore and an agency in Houston, USA.

The Bank is undergoing a transformation journey into becoming the most innovative and trusted financial solution partner in the Saudi market. Bank is resolutely focused on delivering an excellent customer experience and an excellent employee experience. An excellent customer experience means that Bank shall pursue a programme of initiatives to deliver what “Brilliant Banking”; the Bank shall focus on new and growth markets (such as emerging sectors, SMEs and private sector), and bank shall continue to deliver a best-in-class digital offering with constant innovation. An excellent employee experience requires continually developing bank's talent to respond to an ever more competitive market, clear well-laid out career paths, and high-caliber leaders who inspire the bank staff people to out-run the competition, delight bank customers, and excel in their jobs and careers.

The Bank adopted an integrated enterprise-wide approach with regard to risk management where all risk types and cross-risk type issues are identified/understood, measured and monitored at all levels to provide one integrated view on the Bank’s business risk profile.

b) The risk governance structure

The Board of Directors are responsible to ensure that the Bank is organized effectively and efficiently, and is conducting its business in accordance with all appropriate regulatory and good corporate governance and practices. The bank has relevant corporate governance and risk related Board committees that include the Executive Committee, Audit Committee, Risk Management Committee, ALCO, Nomination and Compensation Committee and the Strategic Planning Group.

The Board carries out the core responsibilities of setting the Bank’s risk appetite, approving the Bank-wide risk frameworks and relevant policies, monitoring compliance with Board approved risk limits and progress on implementation of strategic risk related projects as well as compliance with all regulatory matters. These high level frameworks and policies provide the fundamental corporate governance principles and guidance for risk taking, managing and monitoring activities throughout the Bank and its subsidiaries.

Risk Management is an independent function from the business, headed by CRO and comprises of Enterprise Risk Management Division and Corporate Credit Division. Risk Management responsibilities in the Bank cover all facets of Credit, Market and Operational Risks as well as Liquidity and Interest rate risk in Banking book. The Enterprise Risk Management Division also has the responsibility of coordinating and managing the risk appetite and Internal Capital Adequacy Assessment Plan (ICAAP), on the basis of a comprehensive risk-profile of the Bank.

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

The Bank's fundamental risk management goal is to build a culture of risk understanding so that better decisions can be made at every level. Risk culture is an integral part of the Bank's overall corporate culture. The conservative risk profile is embedded in the risk culture by means of communication and training, and is monitored through periodic performance assessment.

The Chief Risk Officer (CRO) is responsible for the actual risk profile and risk processes in the Bank for all risk types (credit, market, operational, liquidity, interest rate risk, etc.) across all products and business segments. The Risk Management function headed by the CRO is independent from the Bank's business activities.

The Bank, through Compliance Department, reporting to the CEO , ensures that decisions which legally commit the Bank are in compliance with internally approved policies and procedures, the regulations of the countries in which the Bank operates, including its branches/overseas units and its fully-owned subsidiaries.

d) The scope and main features of risk measurement systems.

1. Credit Risk Measurement Systems

The fundamental pillars of the Bank's credit risk management systems are its credit rating systems for assessing the credit quality of its customers on a regular basis. These advanced systems are deployed in quantifying credit risk and is leveraged in setting various lending policies incorporating robust credit underwriting standards.

The scope and features of the risk management system deployed in credit risk management are as follows:

i. Credit Limit Management and Application Workflow System:

System for wholesale business is divided into two main components as follows:

· **Credit Workflows Manager-** facilitates automation of credit management processes by ensuring the timely and accurate capture of data and documents, validating consistent business rules and standards, for a wide range of users across the bank

· **Credit Limit Manager-** manages multiple levels of credit limits at any point-in-time in a counterparty structure and across any combination of user-specified criteria such as industry, group, country, rating, category, product type and risk type etc. It also controls the credit exposures during lifecycle of facility utilization as excess, past-due and suspension.

Credit Limit Management System features:

· The system is able to produce all the required information to enable the management to assess quickly and accurately the level of credit risk as well as ensure adherence to the risk tolerance levels, throughout credit lifecycle.

System is capable to apply risk policies and business rules in the processes to validate and control credit decisions and exposures to generate warnings in case of violations.

The system is able to provide information on the composition of the portfolio, concentrations of credit risk, quality of the overall credit portfolio as well as various categories of the portfolio and information on rescheduled/restructured and ''watch-list'' accounts;

· The system is able to demonstrate control over the amounts of credit exposures undertaken with break-down by loans categories, geography, types of exposures, products and level of credit grades, etc.;

· The system is able to provide details on the overall quality of the credit portfolio. This may include, inter alia, details of problem loans including those on the watch-list, categories of their classification, potential loss to the bank on each significant problem loan, the level of existing and additional provisions required etc.;

ii. Obligor's Risk Rating System

This system provides a comprehensive Obligor risk information by combining financial spreading, Credit Analysis & Robust Data Storage using one flexible, secured Enterprise Platform.

System features:

· Highly flexible and Integrated Credit Limit Management and workflow system;

· Risk Analyst's open architecture design enables integration with proprietary and third-party applications and ratings models; promotes accuracy integrity and consistency;

· Streamline credit decision process and reduce turnaround time for management

· System has unique architecture and modular components, enabling Riyad Bank to meet credit risk assessment goals;

iii. Treasury Risk System for Counterparty Credit Risk Measurement

Riyad Bank Treasury System for Counterparty Credit Risk measurements is compliant with Basel III Standardised Approach for Counterparty Credit Risk (SACCR) as adopted by SAMA.

Treasury System features:

- Solution complies with Basel III SA CCR computation for EAD (Exposure at Default) OTC Derivatives as per SAMA/BASEL requirements;

- Solution measures Exposure at Default (EAD) through replacement cost and potential future exposure while adjusting variation margins posted as collateral.

- Solution is a real-time solution that assist Riyad Bank to achieve a consistent and compliant risk policy for derivative counterparty exposures. This is accomplished by allowing a bank to apply the same risk methodology across capital reporting and internal risk limits management

- Solution provide capabilities on checking available limits based on Risk Based and Notional. Further, system also provides Pre-Deal calculation facilities in a fully integrated and automated environment.

IFRS9 solution for calculation of Expected Credit Loss (ECL):

Bank has implemented Finevare solution for calculating IFRS9 Expected Credit Loss Model (ECL) provisioning.

Finevare solution complies and conform with the IFRS 9 standard for impairment calculations, simulations, risk parameters, interest revenue correction and Effective Interest rate. Business reports are also generated from Finevare in an automated environment.

3. Retail Risk Measurement Systems

For retail asset business, the Bank uses Origination Manager Decision Module for automating the applications of credit risk acceptance criteria, business acceptance rules, and scorecard decisions. This system is integrated with customer relationship management systems to allow a seamless origination and management of retail asset activity.

Moreover, the accounts are managed within the core banking systems given transaction and exposure management. The accounts rehabilitation process is performed at the collection management system which has seamless identification and status of the accounts under process.

4. Market Risk Measurement Systems

Riyad Bank uses an integrated market risk system that brings together bank-wide market, ALM and Liquidity risk management into one platform for daily monitoring and reporting. Kamakura Risk Manager (KRM) enables Riyad Bank to measure market valuations, Value at Risk, Net interest Income at Risk, Economic Value of Equity at Risk and IRRBB. Risk is monitored on Banking and Trading Books under normal and stressed scenarios. The VaR model is subject to daily back-testing and any exceptions to the one-day 99% VaR are analyzed and documented.

The system is regularly validated and upgraded to cater for changes in regulatory requirements and Riyad Bank's risk profile.

5. Operational Risk Measurement Systems

SAS - Governance Risk and Compliance Manger (GCM) is a single web based platform for Operational Risk which captures both quantitative and qualitative data for risk identification, assessment & measurement, mitigation, monitoring and for both internal and external reporting's by using the following modules:

Risk Control & Self-Assessment – a key tool which facilitates hosting of risks faced by the organization and enables their assessment, measurement and monitoring.

Key risk indicators – an important tool within risk management used to enhance the monitoring and mitigation of risks and facilitate risk reporting.

Incident management module – a robust and complete process life cycle of operational losses (potential, actual and near-miss with the recovery effects) to produce both internal and regulatory reporting's.

Issues and action plans — module that supports creation and tracking of issues and their corresponding action plans.

Risk Management – used as a risk register repository for the bank, which is linked to other modules to provide a 360 - degree view of the banks risk profile.
Insurance policies – a tool to manage banks insurance policies, their performance, documentation and renewal.

Control Testing – module that facilitates the periodic control self-assessment process to enable a reasonable assurance on the effectiveness and adequacy of control environment.

Compliance Department also uses the 'Policy Module' in the SAS (GCM) system which is: an important tool used for logging regulatory circulations, policies, guidelines and their implementation plan as well as ownership for better tracking and monitoring of the bank's compliance.

e) Process of risk information reporting provided to the Board and Senior management

Riyad Bank has the following measures in place to monitor the Capital Adequacy Ratio and Risk related information of the Bank on a continuing basis.

i. Risk Appetite Statement Dashboard and Enterprise Risk management Report, which includes Capital Adequacy Ratios, is prepared and submitted to the Board of Directors on a quarterly basis. This report also contains the Minimum CAR threshold set by SAMA every year and internally sets target for the Bank for the year. The risk appetite statement describes both the nature of, and tolerance for, the material risks that are inherent to bank's business. Actual performance against the risk appetite statement thresholds is presented periodically to Board Risk Management Committee (BRMC), which besides providing a snapshot view, also acts as a monitoring tool to holistically review the bank's actual risk profile against RAS. Explanation is provided where the ratio is below target level.

ii. Weekly movement report- a snapshot of weekly movement in loan portfolio along with overview of major transactions and past dues (below and above 90 days) categorized through facilities and segments. This report is submitted to Senior Management on a weekly basis

iii. Asset Quality report - this comprehensive report is produced on a monthly basis and covers details about portfolio growth, NPLs and Loan loss reserves, portfolio quality, provision coverage and concentrations in the portfolio. It also includes Portfolio risk profile and risk migration as well as exposures in different economic sectors.

iv. ALCO Report is circulated on a monthly basis to the ALCO Members and Invitees which comprises of senior management of the Bank. This is an exhaustive report covering amongst other topics but not limited to Funding Liquidity Ratio, Risk Indicators Dashboard, Interest income at risk, Stress tests, Concentration risk, FX trading positions and VAR analysis etc.

v. Provisioning Report at transactional and client level is produced on a monthly basis from Finevare solution and provided to Senior Management. The report covers exhaustive information on client's provisioning, staging information, rating, past due for management's analysis.
A range of other standard are also generated from Finevare to meet vast requirements related to IFRS 9 standard reporting as well as specific regulatory or internal reporting requirements.

vi. Quarterly Provision Study closely monitors and identifies provisioning requirements and problem loan migration. This is approved by the Audit Committee

vii. Bank is reporting on a monthly basis for Retail Portfolio to the Retail Risk Management Committee as well as Asset Quality Reports which also includes retail risk information is reported to the Board

viii. Risk & Compliance Committee (RMCC) acts as the senior risk and regulatory compliance committee of the Bank. RMCC has responsibility for overseeing the control environment through monthly reports, the level of risks taken, compliance with Board and management policies, limits, as well as compliance with all regulatory requirements. The scope of responsibilities of RMCC extends to all risk types except for Credit Risk. RMCC receives key metrics related to People Risk with its monthly report for a comprehensive oversight on the enterprise level risks.
The bank has also instituted an Operational Resilience Committee (ORC) which serves as a designated committee for overseeing operational resilience related matters which includes, but not limited to, Operational Risk, Technology Risk, Cyber & Information Security, Business Continuity, etc.

ix. Operational Risk Management Dept. submits periodic reports to the management and board level committees to provide an oversight of the major operational risks within the bank. The main objective of the report is to assist senior executives and Board to take informed timely decisions to keep operational risk within the bank's operational risk appetite

x. Interim condensed financial statements are prepared on a quarterly basis. The external auditors of the Bank provide a Review Report on the quarterly financial statements. Annual consolidated financial statements are prepared based on which the External Auditors issue audit opinion

xi. A comprehensive Internal Capital Adequacy Assessment Plan (ICAAP) is prepared once every year with rigorous involvement of risk owners and other internal stakeholders to assess Bank's capital adequacy position on forward looking basis. The Plan is reviewed by the senior management and approved by the Board of Directors and subsequently submitted to SAMA. It forms the basis of an active one-to-one dialogue with SAMA under Supervisory Review Process.

xii. The objective of Internal Liquidity Adequacy Assessment Process (ILAAP) is to comprehensively identify and quantify all sources of Bank's liquidity risk, document how the Bank intends to mitigate those risks, and assess how much current and future liquidity is required. An important aim of developing the ILAAP is to ensure compliance with the overall liquidity adequacy rules set by SAMA. Through ILAAP, the Bank aims to highlight how it embeds liquidity as a fundamental aspect of its strategic business planning and regularly assesses liquidity requirements & availability given its balance sheet structure under normal & stress conditions. The Bank also details its liquidity risk appetite & limits and justifies how it is in line with the size and complexity of the Bank's business.

xiii. Bank also undertakes risk assessment and capital requirements under defined stress scenarios for its material risks. This semi-annual stress exercise is conducted in line with SAMA Rules on Stress Testing. The results of regular and reverse stress testing are reviewed by the management and shared with Board of Directors and subsequently submitted to SAMA. The stress testing results are used as an input into the Bank's business and contingency funding plans and also forms part of the regulatory dialogue and engagement under Supervisory Review Process.

xiv. On a quarterly basis the Bank submits CAR to SAMA after due review and approval by senior management. During the review process the increase/decrease over the previous quarter is analyzed.

xv. Eligible capital is a key component of the CAR calculations. The Bank closely monitors the dividend payout ratio to consider the impact of dividend payments on its CAR each time it considers dividend distribution. The impact on CAR, (both before and after distribution of dividends) is an integral part of the file request sent to SAMA for approval of dividends.

xvi. Key investment decisions taken by Investment Committee consider potential impact on CAR.

xvii. Third party independent review of the bank's internal Obligor Risk Rating (ORR) models' validation is placed for Credit Risk Policy Committee (CRPC) perusal on annual basis. Furthermore, ORR models' performance and monitoring report is shared with the Senior Management on quarterly basis

f) Qualitative information on stress testing

An assessment of risk and capital requirements under defined stress scenarios is conducted to cover Pillar 1 risks (credit, market and operational risk) and material Pillar 2 risks

For each risk type the key model variable(s)/factor(s) are identified that directly influence size of the risk being measured before applying stress them.

Coverage of the Portfolio:

Adequate coverage of the stress test is achieved through designing scenarios for balance sheet exposures

i. On the assets side, stress testing covers:

- **Loan Book:** Corporate, commercial, SME, retail / consumer loans (wherever Bank's significant exposure exists)

- **The traded market portfolios:** These portfolios include interest rate, equity, foreign exchange, commodity and credit market instruments bearing the ability to mark them to market on a regular basis.

ii. On the liabilities side, funding and liquidity is tested at various levels of shocks.

Methodologies Used in Risk Management:

The Bank has adopted following stress testing methodologies for the purpose its risk management across the organization:

i. Bank uses Advanced approach for stress testing of Corporate asset class both for pillar 1 "Credit" and pillar 2 "Credit Concentration" along with Market Risk in pillar 1.

ii. For Pillar 1 risks (excluding above) required capital under stressed conditions is based on models used for Standardized Approach with appropriate set of assumptions specific to the given risk type.

iii. For Pillar 2 risks the required capital under stressed conditions is based on internal models (quantitative or judgmental) that are used for capital estimation under normal conditions with appropriate set of assumptions specific to the given risk type.

iv. For each risk type the key model variable(s)/factor(s) are identified that directly influence size of the risk being measured before stressing them.

v. From a process perspective, after consultation, future plausible stressed events are agreed and scenarios are drawn with likely implications for the Saudi Arabia's economic indicators, like oil prices, non-oil GDP growth, interest rate, inflation, etc. As a next step, Bank specific impact on the financial performance under each risk area is assessed under certain assumptions. The results are then aggregated to assess Bank's Capital Adequacy Ratio (CAR) under the stressed conditions. Stress results are presented to Senior Management (Asset and Liability Committee - ALCO) for capital adequacy assessment and planning purposes and is also shared with the Board of Directors and its Risk Committee.

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

Suitable policies and procedures have been adopted by Riyad Bank in order to ensure an appropriate level of risk management is directed at the relevant element of the business.
The Bank's risk management strategy is to support the Bank's corporate and strategic objectives by effectively and efficiently assisting business and support units.

The Bank has effective risk mitigation techniques in place to manage and mitigate risk as follows:

i. Bank has comprehensive Credit Risk Management (CRM) Framework in place approved by the Board of Directors to cover all Bank-wide credit functions and activities. The CRM framework along with strong credit risk governance structure are designed to provide comprehensive controls and continuing management of the credit risk.

ii. The bank has an overarching board approved enterprise risk management framework (ERMF) to outline the high level risk management goals, risk governance and strategy for risk management in Riyad bank including fully owned subsidiaries, offshore agencies, branches and representative offices, where applicable. ERMF applies to all levels and assists in achieving the strategic objectives by bringing a systematic approach to identifying, analyzing, mitigating and reporting of risks.

A strong risk Strategy and risk appetite approved by the Board is in place and monitored and reported through risk appetite dashboard which provide integrated approach to spot and trigger immediate remedial actions with clearly defined roles and responsibilities keeping in view the best international market practices

iii. Bank has Business and Risk Acceptance (BACs and RACs) criteria to manage the risk on its loan book and provide effective screening and measurement tool of credit risk to assist with the building of high quality credit portfolio at the outset.

iv. The Board of Directors has approved credit policy guidelines for the Bank. All exposures must confirm to these macro credit-limits, product types and tenors. Cross border counterparty credit lines are subject to the availability of respective country-limits, where applicable.

v. Bank's maximum exposure to a single borrower is in line with the maximum legal limits set by SAMA supported by policies, processes and auto solution to monitor the total indebtedness of group counterparties. Further the bank has also complied with the minimum requirements on setting large exposure rules with respect to bank's exposure to single counterparties, group of connected counterparties and related counterparties to meet the new regulatory requirements for large and connected exposures reporting. The rules have now been fully operationalized in the bank's lending system and complies with SAMA's requirements.

vi. Bank has deployed an advanced internal loan grading system as well as early warning signal system that covers areas such as loan usage, documentation, company information, third party information as well as external information. The Bank is also more vigilant in terms of the application of credit mitigants. At a bank-wide level, credit exposures are managed to promote alignment to Bank's risk appetite statement, to maintain the target business mix and to ensure that there is no undue concentration of risk. Concentration risk is also well managed through well-defined policy and employment of robust methodology.

vii. Bank has adopted the new IFRS9 impairment methodology under which the impairment model under IFRS-9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS-9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. Impairment approach of IFRS-9 applies to financial assets measured at Amortized cost and Fair Value through Other Comprehensive Income. For the risk management and reporting purposes, Bank has deployed new ECL calculation solution (Finevare) that calculates provisioning based on IFRS9 guidelines and supports an integrated modular approach in an automated environment for business and regulatory reporting. Bank has also put in place the required policies, process and procedure documents as well as respective models are in place to enable the computation of ECL for financial instruments that are subject to ECL calculation.

viii. Enhancement of management information system is carried out to provide timely, integrated and informative reports that properly identify, measure, monitor, individual and related exposures as well as credit risk concentrations. Revision of under writing procedures to be more formalized and specific to take quick and necessary corrective actions, with policy exception, being immediately tracked and reported to management and Board of Directors.

ix. Bank has further refined it's internal rating system together with the introduction of risk migration matrix to assist with more accurate calculation of PD's associated with loan portfolio and enhancing risk premium/ review pricing policies.

x. For retail asset portfolios, second line oversight is provided by an independent Retail Risk Management Department which is involved in the process of setting risk acceptance criteria for product programs, providing risk assurance on origination, exposure management, and collections activity, as well as with analytics on the health of the retail portfolio with recommendations for remediation.

Post Crisis Mitigants

i. The Bank has enhanced collateral coverage in designated business activities, together with the reduction of risk limits at an individual and portfolio levels. Further, the bank can tighten credit underwriting requirements to reduce credit risk as well as restructuring, unwinding or hedging certain positions.

ii. Amend pricing policies (e.g. as interest spread or margin income) to reflect previously unidentified risks; the Bank has also deployed RAROC which is a valuable tool, both for senior management to compare different businesses on a like-for-like basis, and for business managers to compare different products/ customers/ transactions on a like-for-like basis.

iii. Re profiling of the loans which are likely to default due to sudden change in macroeconomic environment as these may require some time to adjust to the changes.

iv. The Bank has enhanced remedial and restructuring capabilities so as to identify and cure the problem accounts at the right time in order identify potential NPLs at an earlier stage.

the Bnak reassess market sector exposure and realign Bank's strategy to one where risk adjusted return on capital is maximized and carry out more frequent interim revision of riskier/concentrated sections and collateral limits.

Riyad Bank بنك الرياض

Template KM1: Key metrics

SAR Million

		a	b	c	d	e
	Available capital (amounts)	**Dec-22**	**Sep 22**	**Jun 22**	**Mar 22**	**Dec 21**
1	Common Equity Tier 1 (CET1)	49,465	**46,657**	46,716	**48,117**	47,306
1a	Fully loaded ECL accounting model	49,465	**46,657**	46,716	**48,117**	47,306
2	Tier 1	56,036	**49,476**	49,530	**50,930**	47,306
2a	Fully loaded ECL accounting model Tier 1	56,036	**49,476**	49,530	**50,930**	47,306
3	Total capital	65,353	**58,776**	58,851	**60,202**	56,695
3a	Fully loaded ECL accounting model total capital	65,353	**58,776**	58,851	**60,202**	56,695
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	310,425	**308,390**	301,635	**313,214**	298,475
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	15.9%	**15.1%**	15.5%	**15.4%**	15.8%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	15.9%	**15.1%**	15.5%	**15.4%**	15.8%
6	Tier 1 ratio (%)	18.1%	**16.0%**	16.4%	**16.3%**	15.8%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.1%	**16.0%**	16.4%	**16.3%**	15.8%
7	Total capital ratio (%)	21.1%	**19.1%**	19.5%	**19.2%**	19.0%
7a	Fully loaded ECL accounting model total capital ratio (%)	21.1%	**19.1%**	19.5%	**19.2%**	19.0%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	**2.500%**	2.500%	**2.500%**	2.500%
9	Countercyclical buffer requirement (%)	0.0370%	**0.0242%**	0.0265%	**0.0340%**	0.0352%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.50%	**0.50%**	0.50%	**0.50%**	0.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.037%	**3.024%**	3.027%	**3.034%**	3.035%
12	CET1 available after meeting the bank's minimum capital requirements (%)	12.9%	**12.1%**	12.5%	**12.3%**	12.8%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	436,752	**423,661**	441,444	**425,069**	401,897
14	Basel III leverage ratio (%) (row 2 / row 13)	12.8%	**11.7%**	11.2%	**12.0%**	11.8%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)(row 2a / row13)	12.8%	**11.7%**	11.2%	**12.0%**	11.8%
	Liquidity Coverage Ratio*					
15	Total HQLA	55,946	**71,611**	53,645	**51,441**	52,913
16	Total net cash outflow	30,741	**43,407**	31,141	**32,850**	31,553
17	LCR ratio (%)	182%	**165%**	172%	**157%**	168%
	Net Stable Funding Ratio					
18	Total available stable funding	239,070	**233,468**	236,317	**237,788**	220,366
19	Total required stable funding	202,420	**198,777**	201,993	**202,665**	189,747
20	NSFR ratio	118%	**117%**	117%	**117%**	116%

OV1: Overview of RWA - 31 December 2022

SAR 000

		a	b	c
		RWA		Minimum capital requirements
		Dec-22	Sep-22	Dec-22
1	**Credit risk (excluding counterparty credit risk) (CCR)** Includes item 23	**280,192,986**	**277,051,098**	**22,415,439**
2	Of which standardised approach (SA)	280,192,986	277,051,098	22,415,439
3	Of which internal rating-based (IRB) approach			
4	**Counterparty credit risk**	**3,654,755**	**4,104,223**	**292,380**
5	Of which standardised approach for counterparty credit risk (SA-CCR)	3,654,755	4,104,223	292,380
6	Of which internal model method (IMM)			
7	**Equity positions in banking book under market-based approach**			
8	**Equity investments in funds – look-through approach**			
9	**Equity investments in funds – mandate-based approach**			
10	**Equity investments in funds – fall-back approach**			
11	**Settlement risk**			
12	**Securitisation exposures in banking book**			
13	Of which IRB ratings-based approach (RBA)			
14	Of which IRB Supervisory Formula Approach (SFA)			
15	Of which SA/simplified supervisory formula approach (SSFA)			
16	**Market risk**	**5,175,649**	**6,564,170**	**414,052**
17	Of which standardised approach (SA)	5,175,649	6,564,170	414,052
18	Of which internal model approaches (IMM)			
19	**Operational risk**	**21,401,471**	**20,670,939**	**1,712,118**
20	Of which Basic Indicator Approach			
21	Of which Standardised Approach	21,401,471	20,670,939	1,712,118
22	Of which Advanced Measurement Approach			
23	**Amounts below the thresholds for deduction (subject to 250% risk weight)**			
24	**Floor adjustment**			
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**310,424,861**	**308,390,430**	**24,833,989**

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories - 31 December 2022

SAR 000

	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with SAMA	33,366,652	33,366,652	33,366,660				
Due from banks and other financial institutions	20,613,232	20,613,232	20,613,815				
Positive fair vale of derivatives	3,790,841	3,790,841		3,790,841			
Investments, net	52,196,120	52,196,120	50,528,091		-	1,363,419	
Loans and advances, net	242,364,947	242,364,947	244,586,644				
Investment in associates	371,215	371,215	371,215				
Other real estate	465,249	465,249	465,249				
Property and equipment, net	3,308,655	3,308,655	3,308,655				
Other assets	3,175,946	3,175,946	3,435,987				
Total assets	**359,652,857**	**359,652,857**	**356,676,315**	**3,790,841**	**-**	**1,363,419**	**-**
Liabilities							
Due to banks and other financial institutions	38,760,068						38,760,068
Negative fair value of derivatives	2,854,285						2,854,285
Customer deposits	240,007,085						240,007,085
Debt securities in issue	8,758,419						8,758,419
Other liabilities*	13,099,651						13,099,651
Total liabilities	**303,479,508**	**-**	**-**	**-**	**-**	**-**	**303,479,508**

*This includes loss allowance for credit related commitments and contingencies

Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements - 31 December 2022

SAR 000

		a	b	c	d	e
		Total (&/or Notional Amounts)	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	359,652,857	356,676,315	-	3,790,841	1,363,419
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	359,652,857	356,676,315	-	3,790,841	1,363,419
4	Off-balance sheet amounts*	215,004,119	67,300,011			
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of provisions		-			
8	Differences due to prudential filters					
9	Market risk on Foreign exchange					1,074,825
#	Derivatives (also subject to Credit valuation adjustment)	148,383,318			(316,120)	158,855
#	**Exposure amounts considered for regulatory purposes**	**723,040,294**	**423,976,326**	**-**	**3,474,721**	**2,597,099**

**Includes commitments that are unconditionally cancellable at any time by the Bank or automatic cancellation due to deterioration in a borrower'screditworthiness*

Table LIA: Explanations of differences between accounting and regulatory exposure amounts

Riyad Bank does not have any difference between ‘Carrying values as reported in published financial statements’ and ‘Carrying values under scope of regulatory consolidation’

On-Balance Sheet

In case of On-Balance Sheet items, currently there are no differences between carrying values and amounts considered for regulatory purposes except certain provisions.

Off-Balance Sheet & Derivatives

In case of Off-Balance sheet and Derivatives Notional values are populated as total carrying/accounting value whereas credit equivalent amounts (i.e. after applying conversion factors including Add-on adjustments in case of Derivative portfolio) are populated under respective regulatory framework.

Valuation methodologies

Please refer to note no. 2 of Annual Published Financial Statements

CAPITAL STRUCTURE - 31 December 2022
CC2 – Reconciliation of regulatory capital to balance sheet

Balance sheet - Step 1 (Table 2(b))

All figures are in SAR '000

	Balance sheet in Published financial statements (C)	Under regulatory scope of consolidation (E)
Assets		
Cash and balances at central banks	33,366,652	33,366,652
Due from banks and other financial institutions	20,613,232	20,613,232
Investments, net	52,196,120	52,196,120
Loans and advances, net	242,364,947	242,364,947
Debt securities	0	0
Trading assets	0	0
Investment in associates	371,215	371,215
Derivatives	3,790,841	3,790,841
Goodwill	0	0
Other intangible assets	0	0
Property and equipment, net	3,308,655	3,308,655
Other assets	3,641,195	3,641,195
Total assets	359,652,857	359,652,857
Liabilities		
Due to Banks and other financial institutions	38,760,068	38,760,068
Items in the course of collection due to other banks	0	0
Customer deposits	240,007,085	240,007,085
Trading liabilities	0	0
Debt securities in issue	8,758,419	8,758,419
Derivatives	2,854,285	2,854,285
Retirement benefit liabilities	0	0
Taxation liabilities	0	0
Accruals and deferred income	0	0
Borrowings	0	0
Other liabilities	13,099,651	13,099,651
Subtotal	303,479,508	303,479,508
Paid up share capital	30,000,000	30,000,000
Statutory reserves	10,942,054	10,942,054
Other reserves	(790,260)	(790,260)
Retained earnings	7,500,430	7,500,430
Minority Interest	0	0
Proposed dividends	1,950,000	1,950,000
Tier 1 Sukuk	6,571,125	6,571,125
Total liabilities and equity	359,652,857	359,652,857

CAPITAL STRUCTURE- 31 December 2022

Balance sheet - Step 2 (Table 2(c))

All figures are in SAR '000

	Balance sheet in Published financial statements (C)	Adjustment of banking associates / other entities (D)	Under regulatory scope of consolidation (E)	Reference
Assets				
Cash and balances at central banks	33,366,652	0	33,366,652	
eligible provisions	8	0	8	A
Due from banks and other financial institutions	20,613,232	0	20,613,232	
eligible provisions	582	0	582	A
Investments, net	52,196,120	0	52,196,120	
eligible provisions	5,429	0	5,429	A
Loans and advances, net	242,364,947	0	242,364,947	
eligible provisions	2,221,697	0	2,221,697	A
Debt securities	0	0	0	
Equity shares	0	0	0	
Investment in associates	371,215	0	371,215	
Derivatives	3,790,841	0	3,790,841	
Goodwill	0	0	0	
Other intangible assets	0	0	0	
Property and equipment, net	3,308,655	0	3,308,655	
Other assets	3,641,195	0	3,641,195	
Total assets	359,652,857	0	359,652,857	
Liabilities				
Due to Banks and other financial institutions	38,760,068	0	38,760,068	
Items in the course of collection due to other banks	0	0	0	
Customer deposits	240,007,085	0	240,007,085	
Trading liabilities	0	0	0	
Debt securities in issue	8,758,419	0	8,758,419	
of which Tier 2 capital instruments	8,758,419	0	8,758,419	B
Derivatives	2,854,285	0	2,854,285	
Retirement benefit liabilities	0	0	0	
Taxation liabilities	0	0	0	
Accruals and deferred income	0	0	0	
Borrowings	0	0	0	
Other liabilities	13,099,651	0	13,099,651	
eligible provisions	38,779	0	38,779	A
Subtotal	303,479,508	0	303,479,508	
Paid up share capital	30,000,000	0	30,000,000	
of which amount eligible for CET1	30,000,000	0	30,000,000	C
of which amount eligible for AT1	0	0	0	
Statutory reserves	10,942,054	0	10,942,054	E
of which representing stock Surplus	0		0	
Other reserves	(790,260)	0	(790,260)	F
Retained earnings	7,500,430	0	7,500,430	G
Minority Interest	0	0	0	
Proposed dividends	1,950,000	0	1,950,000	
Tier 1 Sukuk	6,571,125	0	6,571,125	
Total liabilities and equity	359,652,857	0	359,652,857	

CAPITAL STRUCTURE Dec 2022
CC1: Composition of regulatory capital

Common template (Post 2018) - Step 3 (Table 2(d)) i

All figures are in SAR'000

(2)		Components[1] of regulatory capital reported by the bank	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: Instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	30,000,000	C
2	Retained earnings	7,500,430	G
3	Accumulated other comprehensive income (and other reserves)	12,101,794	E+F
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
	Common Equity Tier 1 capital before regulatory adjustments	**49,602,224**	
	Common Equity Tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(9,213)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
11	Cash-flow hedge reserve	(127,977)	
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% thresh		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financials		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common equity Tier 1**	(137,191)	
	Common Equity Tier 1 capital (CET1)	**49,465,033**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	6,571,125	
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which: instruments issued by subsidiaries subject to phase out		
	Additional Tier 1 capital before regulatory adjustments	**6,571,125**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	National specific regulatory adjustments		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	Total regulatory adjustments to Additional Tier 1 capital		
44	Additional Tier 1 capital (AT1)	6571125	
	Tier 1 capital (T1 = CET1 + AT1)	**56,036,158**	

CAPITAL STRUCTURE Dec 2022
CC1: Composition of regulatory capital

Common template (Post 2018) - Step 3 (Table 2(d)) ii

All figures are in SAR'000

		Components[1] of regulatory capital reported by the bank	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	8,758,419	B
47	*Directly issued capital instruments subject to phase out from Tier 2*		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	*of which: instruments issued by subsidiaries subject to phase out*		
50	Provisions	558,044	A
51	**Tier 2 capital before regulatory adjustments**	**9,316,463**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
54 a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital		
58	**Tier 2 capital (T2)**	**9,316,463**	
59	**Total capital (TC = T1 + T2)**	**65,352,621**	
60	**Total risk weighted assets**	**310,424,861**	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.9%	
62	Tier 1 (as a percentage of risk weighted assets)	18.1%	
63	Total capital (as a percentage of risk weighted assets)	21.1%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.5%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement	0.037%	
67	of which: G-SIB / D-SIB buffer requirement	0.5%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)		
	National minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	n/a	
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	n/a	
71	National total capital minimum ratio (if different from Basel 3 minimum)	n/a	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities		
73	Significant investments in the common stock of financials	371,215	
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	558,044	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	3,548,097	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

CAPITAL STRUCTURE

Main features template of regulatory capital instruments - (Table 2(e))

1	Issuer	Riyad Sukuk Limited
2	Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement)	ISIN: XS2120069047
3	Governing law(s) of the instrument	English law (except certain provisions, including those relating to the status and subordination of the Certificates, the Master Purchase Agreement and Sale/Transfer Agreement which shall be governed by Saudi Arabian law)
	Regulatory treatment	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group&solo	Solo
7	Instrument type	Subordinated Trust Certificates
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	USD 1,500 million
9	Par value of instrument	USD 1,500 million
10	Accounting classification	Liability at amortised cost
11	Original date of issuance	25/Feb/20
12	Perpetual or dated	Dated
13	Original maturity date	25/Feb/30
14	Issuer call subject to prior supervisory approval	At the 5th anniversary of the Issue Date, and each Periodic Distribution Date thereafter, subject to, amongst other conditions, prior written approval from the Financial Regulator, if then required
15	Option call date, contingent call dates and redemption amount	The Trust Certificates may be redeemed prior to the scheduled dissolution date due to: (i) a Capital Disqualification Event, (ii) tax reasons, or (iii) at the option of the Issuer on the Periodic Distribution Date that falls on the 5th anniversary of the Issue Date, and each Periodic Distribution Date thereafter, in each case, subject to the conditions to redemption and repurchase, and as further set out in the terms and conditions of the Trust Certificates
16	Subsequent call dates if applicable	As above
	Coupons / dividends	
17	Fixed or Floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.174% per annum fixed rate payable semi-annually in arrear on each Periodic Distribution Date from and including the Issue Date to but excluding the First Call Date. The Profit Rate shall thereafter reset on the First Call Date
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Yes
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Yes
31	If write-down, write-down trigger (s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If write-down, full or partial	Can be full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary writedown, description of the write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated. Senior obligations are immediately senior to this instrument
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA
37	If yes, specify non-compliant features	

CAPITAL STRUCTURE

Main features template of regulatory capital instruments - (Table 2(e))

1	Issuer	Riyad Bank
2	Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement)	RIBL: AB
3	Governing law(s) of the instrument	The instrument is governed by the laws of the Kingdom of Saudi Arabia
	Regulatory treatment	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group&solo	Solo
7	Instrument type	Sub-ordinated sukuk
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	SAR 3,000 million
9	Par value of instrument	SAR 3,000 million
10	Accounting classification	Liability at amortised cost
11	Original date of issuance	9/Feb/21
12	Perpetual or dated	Dated
13	Original maturity date	9/Feb/31
14	Issuer call subject to prior supervisory approval	Issuer call at the [5th] anniversary of the Issue Date, subject to prior written approval from the regulator, if then required.
15	Option call date, contingent call dates and redemption amount	The Sukuk may be redeemed prior to the scheduled dissolution date due to: (i) regulatory capital reasons, (ii) tax reasons, or (iii) at the option of the Issuer on the Periodic Distribution Date that falls on the [5th] anniversary of the Issue Date, in each case, as set out in the terms and conditions of the Sukuk
16	Subsequent call dates if applicable	As above
	Coupons / dividends	
17	Fixed or Floating dividend/coupon	Floating
18	Coupon rate and any related index	6-month SAIBOR plus 150 basis point
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Yes
31	If write-down, write-down trigger (s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If write-down, full or partial	Can be full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary writedown, description of the write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Sub-ordinated. Senior Bond holders are immediately senior to this instrument
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

Riyad Bank بنك الرياض

CAPITAL STRUCTURE

Main features template of regulatory capital instruments - (Table 2(e))

1	Issuer	Riyad Tier 1 Sukuk Limited
2	Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement)	RIBL 4 PERP
3	Governing law(s) of the instrument	English law (except certain provisions, including those relating to the status and subordination of the Certificates, the Master Purchase Agreement and Sale/Transfer Agreement which shall be governed by Saudi Arabian law)
	Regulatory treatment	
4	Transitional Basel III rules	Tier 1
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group&solo	Solo
7	Instrument type	USD denominated Additional Tier 1 capital sukuk.
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	USD 750 million
9	Par value of instrument	USD 750 million
10	Accounting classification	Capital Instrument Tier 1
11	Original date of issuance	16/Feb/22
12	Perpetual or dated	Perpetual
13	Original maturity date	Perpetual Tier 1 Capital (subject to any early redemption as described below)
14	Issuer call subject to prior supervisory approval	(6-month par call) at the 5th anniversary of the Issue Date, and each Periodic Distribution Date thereafter, subject to, amongst other conditions, prior written approval from the Financial Regulator, if then required
15	Option call date, contingent call dates and redemption amount	The Capital Certificates are perpetual securities in respect of which there is no fixed redemption date may be redeemed prior to the scheduled dissolution date due to: (i) a Capital Disqualification Event, (ii) tax reasons, or (iii) at the option of the Issuer on the Periodic Distribution Date that falls on the 5th anniversary of the Issue Date, and each Periodic Distribution Date thereafter, in each case, subject to the conditions to redemption and repurchase, and as further set out in the terms and conditions of the Capital Certificates
16	Subsequent call dates if applicable	As above
	Coupons / dividends	
17	Fixed or Floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.000 per cent for the period from and including the Issue Date to but excluding the First Reset Date. Resets on the First Reset Date and every five years thereafter on the basis of the Relevant Five Year Reset Rate
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Yes
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Yes
31	If write-down, write-down trigger (s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If write-down, full or partial	Can be full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary writedown, description of the write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordination (i) constitute Additional Tier 1 Capital of the Bank, (ii) constitute direct, unsecured, unconditional and subordinated obligations of the Bank, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank pari passu with all other Pari Passu Obligations and rank in priority only to all Junior Obligations.
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA
37	If yes, specify non-compliant features	

CAPITAL STRUCTURE

Main features template of regulatory capital instruments - (Table 2(e))

1	Issuer	Riyad Bank
2	Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement)	RIBL 4 PERP
3	Governing law(s) of the instrument	The instrument is governed by the laws of the Kingdom of Saudi Arabia
	Regulatory treatment	
4	Transitional Basel III rules	Tier 1
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group&solo	Solo
7	Instrument type	SAR denominated Additional Tier 1 capital sukuk.
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	SAR 3,750 million
9	Par value of instrument	SAR 3,750 million
10	Accounting classification	Capital Instrument Tier 1
11	Original date of issuance	5/Oct/22
12	Perpetual or dated	Perpetual
13	Original maturity date	Perpetual Tier 1 Capital (subject to any early redemption as described below)
14	Issuer call subject to prior supervisory approval	at the 5th anniversary of the Issue Date, and each Periodic Distribution Date thereafter, subject to, amongst other conditions, prior written approval from the Financial Regulator, if then required
15	Option call date, contingent call dates and redemption amount	The Capital Certificates are perpetual securities in respect of which there is no fixed redemption date may be redeemed prior to the scheduled dissolution date due to: (i) a Capital Disqualification Event, (ii) tax reasons, or (iii) at the option of the Issuer on the Periodic Distribution Date that falls on the 5th anniversary of the Issue Date, and each Periodic Distribution Date thereafter, in each case, subject to the conditions to redemption and repurchase, and as further set out in the terms and conditions of the Capital Certificates
16	Subsequent call dates if applicable	As above
	Coupons / dividends	
17	Fixed or Floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.25 per cent. per annum payable quarterly in arrear on each Periodic Distribution Date from and including the issue date to but excluding 5/10/2027G (the First Reset Date). The return rate shall thereafter reset on the First Reset Date and every five years thereafter, as detailed in the offering circular in relation to the Sukuk.
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Yes
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Yes
31	If write-down, write-down trigger (s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If write-down, full or partial	Can be full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary writedown, description of the write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordination (i) constitute Additional Tier 1 Capital of the Bank, (ii) constitute direct, unsecured, unconditional and subordinated obligations of the Bank, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank pari passu with all other Pari Passu Obligations and rank in priority only to all Junior Obligations.
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

CCyB1 – Geographical distribution of credit exposures used in the countercyclical capital buffer - 31 December 2022

a	b	e
Geographical breakdown	Countercyclical capital buffer rate	Bank-specific countercyclical capital buffer rate
KSA	0.0%	0.0000%
GCC and ME	2.5%	0.0190%
North America	0.0% to 2.5%	0.0013%
Latin America	0.0% to 2.5%	0.0001%
Europe	0.0% to 2.5%	0.0084%
South East Asia	0.0% to 2.5%	0.0015%
Others	0.0% to 2.5%	0.0066%
Total		**0.0370%**

Leverage ratio common disclosure

31 December 2022

LR1: Summary Comparison of accounting assets versus leverage ratio exposure measure (Table 1)

Row #	Item	Dec 31, 2022 In SR 000's
1	Total Assets as per published financial statements	359,652,857
2	Adjustment for investments in banking, financial insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustment for derivative financial instruments	1,709,457
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of Off-balance sheet exposures)	77,415,583
7	Other adjustments	-2,025,577
8	**Leverage ratio exposure (A)**	**436,752,320**

LR2: Leverage Ratio Common Disclosure Template (Table 2)

Row #	Item	Dec 31,2022 In SR 000's	Sep 30, 2022 In SR 000's
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	355,862,016	344,181,078
2	(Relevant Asset amounts deducted in determining Basel III Tier 1 capital)		
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2) **(a)**	355,862,016	344,181,078
	Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	1,765,264	1,977,621
5	Add-on amounts for Potential Financial Exposure (PFE) associated with *all* derivatives transactions	1,709,457	1,790,944
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of lines 4 to 10) (b)**	3,474,721	3,768,565
	Securities financing transaction exposures		
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sales accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Credit Conversion Factor (CCR) exposure for Security Financing Transaction (SFT) assets		
15	Agent transaction exposures		
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**		
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount **	215,004,119	210,636,878
18	(Adjustments for conversion to credit equivalent amounts)	(137,588,535)	(134,925,618)
19	**Off-balance sheet items (sum of lines 17 and 18) (c)**	77,415,583	75,711,260
	Capital and total exposures		
20	**Tier 1 capital (B)**	56,036,158	49,476,646
21	**Total exposures (sum of lines 3, 11, 16 and 19) (A) = (a+b+c)**	436,752,320	423,660,903
	Leverage ratio		
22	**Basel III leverage ratio*** (C) = (B) / (A)**	**12.8%**	**11.7%**

***Includes commitments that are unconditionally cancellable at any time by the Bank or automatic cancellation due to deterioration in a borrower's creditworthiness*

Reconciliation (Table 5)

Row #	Item	Dec 31,2022 In SR 000's
1	Total Assets on Financial Statements	359,652,857
2	Total On balance sheet assets Row # 1 on Table 2	355,862,016
3	**Difference between 1 and 2 above**	**3,790,841**
	Explanation	
	Positive fair value of Derivatives	3,790,841
	Other adjustment represents provision	
		3,790,841

LIQA – Liquidity risk management

Governance of liquidity risk management

Riyad Bank has a robust risk management and governance framework that covers all material risks. Liquidity risk is deemed to be a material risk for the Bank and is part of the overall risk management framework. The risk management framework comprises of Board and Senior Management committees, a Board-approved Risk Appetite Statement, Liquidity Risk Policy, Internal Liquidity Adequacy Assessment Plan, limit management, monitoring and control framework, and an overarching Enterprise Risk Policy.

The Bank adopts a set of liquidity management strategies that limits the liquidity risk to acceptable levels. The compliance of such internal limits is independently monitored and regularly reported to management and to the Asset and Liability Committee (ALCO). According to the degree of imminence of liquidity/funding risk, risk stages are outlined in the CFP. These stages are Precaution, Caution and Crisis. For each of these stages, a specific contingency plan has been laid out.

The policy stipulates activation of the Contingency Funding Plan (CFP) in the event of a major liquidity problem. The CFP delineates responsibilities of selected senior executives and sets out a plan of action to be followed in any emerging or sudden liquidity crisis. In order to manage the liquidity contingency process, senior executives designated in this plan draw support from other key management process already established within Riyad Bank. ALCO, on an ongoing basis provides a forum to exchange information, both internal and external, which can affect Riyad Bank's liquidity.

Funding Strategy

The formulation of funding strategy for the Bank is integrated with the annual strategic planning process. Annually, the Bank develops a detailed budget for immediate next year and three years rolling forecast. For each asset type, forecast volumes are developed. Based on the forecast volumes and forecast mix, the funding strategy of the Bank is developed.

The funding strategy of the Bank focuses on increasing the customer base of non-interest-bearing stable deposits, diversification of funding sources as well enlarging the product mix and customer base of interest-bearing deposits. It also ensures that there is minimum reliance on the whole sale funding (inter-bank) markets and that the Bank maintains a conservative and healthy repo able investment portfolio.

Liquidity risk mitigation techniques

Riyad Bank operates within an approved Liquidity risk appetite which is defined as the level and nature of risk that the Bank is willing to take (or mitigate) in order to safeguard the interests of the depositors whilst achieving business objectives. In addition, the risk appetite statement takes into consideration constraints imposed by other stakeholders such as regulators and counterparties.

Funding and Liquidity Risk is deemed to be a material risk for the Bank; the risk appetite for funding and liquidity is conservative and deemed to be low. The liquidity risk appetite statement is approved by the Board. Risk appetite is defined on an annual basis or on an ad hoc basis if there is a significant change in the external environment or business strategy.

In addition, the Bank's liquidity risk management techniques include:

a. Pro-actively monitor and manage regulatory liquidity ratios such as LCR, NSFR and SAMA Liquidity Ratio
b. Gap Reports to monitor the mismatch risk
c. Concentration Risk limits

Stress Testing

Riyad Bank measures its liquidity requirements by undertaking scenario analysis under the normal scenario and three stress scenarios as follows:

- Normal/Going-concern scenario – this refers to the normal behavior of cash flows in the ordinary course of business and would form the day-to-day focus of the Bank's liquidity management.
- Bank-specific ("Name") crisis scenario – This covers the behavior of cash flows where there is some actual or perceived problem specific to Riyad Bank.
- Market crisis scenario – This covers the behavior of cash flows where there is some actual or perceived problem with the genera banking industry.
- Combined Scenario – This covers severe Bank-specific liquidity shock coupled with a severe market wide liquidity impact. Under combined stress scenario, Bank's liquidity position is considered to be under most pressure compared to other two scenarios.

In addition, Riyad Bank has adopted more stringent standards or parameters to reflect its liquidity risk profile and its own assessment of the compliance with the SAMA's Liquidity Coverage Ratio (LCR) standards. The LCR incorporates many of the shocks experienced during the Global Financial Crisis (GFC) into one acute systemic stress for which sufficient liquidity is needed to survive up to 30 calendar days. Riyad Bank adopts a number of liquidity management strategies to control its liquidity risk and ensures that its liquidity requirements can be met even during a crisis situation.

Contingency Funding Planning

Riyad Bank has its own Contingency Funding Plan (CFP). The objective of the Bank's CFP is to ensure the Bank meets its payment obligations as they fall due under a liquidity crisis scenario. It contains (i) an assessment of the sources of funding under different liquidity conditions, (ii) liquidity status indicators and metrics and (iii) contingency procedures. Contingency liquidity risk is the risk of not having sufficient funds to meet sudden and unexpected short-term obligations. The CFP references business area action plans and a communications plan. Action plans have been developed for a range of circumstances that might arise in wholesale funding markets. The communications plan aims to reassure principal stakeholders via a rapid communications response to a developing situation. CFP is reviewed annually or if there is a significant change in the external environment or the balance sheet or funding profile of the Bank.

OTHER QUALITATIVE INFORMATION

1. Main drivers of LCR & NSFR:

As at 31st of Dec 2022, against the regulatory requirement of 100% of LCR, the Bank is at a comfortable level of quarterly average of 182%. The main drivers of LCR of the Bank are sufficient high-quality liquid assets (HQLAs) to meet liquidity needs of the Bank at all times and funding from stable customer deposits.

NSFR can be described as the Bank Funding requirement to support the asset maturity profile focusing on 1Y horizon and above considering the credit quality, counterparty and residual maturity of the assets.

As at 31st of Dec 2022, against the regulatory requirement of 100% the bank's NSFR is 118.1%

2. Intra period changes as well as changes overtime:

LCR: The average LCR is 182% in Q4 2022 compared to 165% in Q3 2022. The ratio has improved mainly due to an increase in one-month inflow during Q4.

NSFR: The ratio in Q4 2022 is 118.1% compared to 117.5% in Q3 2022 mainly due to an increase of capital and deposits balances during Q4.

3. Composition of High Quality Liquid Assets (HQLA)

HQLA comprises of high-quality unencumbered assets that can be readily converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios. HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets is further divided into Level 2A and Level 2B assets, keeping in view their price volatility.

Level-I assets are those assets which are highly liquid. As at 31st of Dec 2022, the Level-I assets of the Bank included cash, due from SAMA and high-quality qualifying government securities.

Level-2A & 2B assets are those assets that are less liquid. The Bank's level 2A assets include sovereign central bank, PSE assets qualifying for 20% risk weighting and qualifying corporate bonds rated AA- or higher. SAMA does not allow the inclusion of level 2B assets.

4. Concentration of Funding Sources

This metric includes those sources of funding; whose withdrawal could trigger liquidity risks. It aims to address the funding concentration of a bank by monitoring its funding requirement from each significant counterparty and each significant product/instrument.
The Bank regularly reviews and measures concentration of funding for each counterparty as well as from all products and instruments to ensure that it is within Bank's liquidity risk appetite.

LIQ1: Liquidity Coverage Ratio (LCR) Dec 2022
[LCR Common Disclosure Prudential Return Template]

SAR 000

		TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
1	Total high quality liquid assists (HQLA)		**55,945,827**
2	Retail deposits and deposits from small businesses customers of which:	**89,029,088**	**8,902,909**
3	*Stable deposits*	-	-
4	*Less stable deposits*	89,029,088	8,902,909
5	Unsecured wholesale funding of which:	**101,879,415**	**45,755,264**
6	*Operational deposits (all counterparties)*		
7	*Non operational deposits (all counterparties)*	101,879,415	45,755,264
8	*Unsecured debt*	-	-
9	Secured wholesale funding	1,232,114	1,232,114
10	Additional requirement of which:	**24,332,136**	**2,441,999**
11	*Outflows related to derivative exposure and other collateral requirements*	9,761	9,761
12	*Outflows related to loss of funding on debt products*	-	-
13	*Credit and liquidity facilities*	**24,322,374**	**2,432,237**
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	**249,615,672**	**5,352,577**
16	**TOTAL CASH OUTFLOWS**		**63,684,863**
17	Secured lending (eg reverse repos)	-	-
18	Inflows from fully preforming exposures	42,547,309	32,942,350
19	Other cash inflows	1,508	1,508
20	**TOTAL CASH INFLOW**	42,548,817	**32,943,859**
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		**55,945,827**
22	TOTAL NET CASH OUTFLOW		**30,741,005**
23	**LIQUIDITY COVERAGE RATIO**		**182%**

LIQ2 – Net Stable Funding Ratio (NSFR) DEC 2022

SAR 000

	(In Currency Amount)	Unweighted value by residual maturity				Weighted value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital	**65,489,812**	**-**	**-**	**-**	**65,489,812**
2	Regulatory capital	65,489,812				65,489,812
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	**88,677,052**	**6,572,304**	**1,395,406**	**769,248**	**87,749,533**
5	Stable deposits					
6	Less stable deposits	88,677,052	6,572,304	1,395,406	769,248	87,749,533
7	Wholesale funding	**55,225,404**	**91,414,118**	**16,927,597**	**17,232,907**	**85,830,885**
8	Operational deposits					
9	Other wholesale funding	55,225,404	91,414,118	16,927,597	17,232,907	85,830,885
10	Liabilities with matching interdependent assets					
11	Other liabilities:	**15,949,009**	**-**	**-**	**-**	**-**
12	NSFR derivative liabilities		-			
13	All other liabilities and equity not included in the above categories	14,332,304				-
14	**Total ASF**					**239,070,231**
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					**1,837,782**
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:	**-**	**107,628,070**	**29,684,013**	**142,074,009**	**182,327,253**
18	Performing loans to financial institutions secured by Level 1 HQLA		-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		21,103,690	255,737	1,963,974	5,257,396.14
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		81,568,847	26,966,736	129,398,351	164,256,390
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
22	Performing residential mortgages, of which:					
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	4,955,533	2,461,540	10,711,684	12,813,468
25	Assets with matching interdependent liabilities					
26	Other assets:	**16,391,190**	**735,916**	**-**	**-**	**17,016,718**
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		735,916			625,528
29	NSFR derivative assets					-
30	NSFR derivative liabilities before deduction of variation margin posted					-
31	All other assets not included in the above categories	16,391,190	-	-	-	16,391,190
32	Off-balance sheet items				24,763,828	1,238,191
33	**Total RSF**					**202,419,945**
34	**Net Stable Funding Ratio (%)**					**118%**

Table CRA: General qualitative information about credit risk

a) Business Model & Credit Risk Profile

For the purposes of aligning business model to Bank's credit risk profile, Riyad Bank has a policy defining the Target Sectors and Non-Target Sectors for different segments within corporate portfolio. In addition, bank has defined criteria in the form of BAC's i.e. Business Acceptance Criteria for any customer to enter into relationship with the Bank.

Further Bank defines Risk Acceptance Criteria (RAC's) for different segments; and products depending on Obligor Rating, segments, type of products mitigants etc. Bank also align the pricing of the facilities to the Risk profile of the Obligor. All these parameters assist Bank to balance business profiling to Credit Risk.

b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits

The Credit Risk Manual is an integral part of the Credit Risk Management (CRM) framework. It provides details of Riyad Bank's strategy towards the granting of credit and the management of associated credit risk. It deals with the details of the principles, standards, risk manuals and processes related to lending. The audience of the Credit Policy are the Relationship Managers and the credit sanctioning authorities such as the Credit Review and Approval Department and the Credit Committees jointly with the personnel engaged in the evaluation, measurement, management and monitoring of risk.

Shown below are the components of the Credit Risk Manual and how it fits/integrates with the CRM framework of the bank.

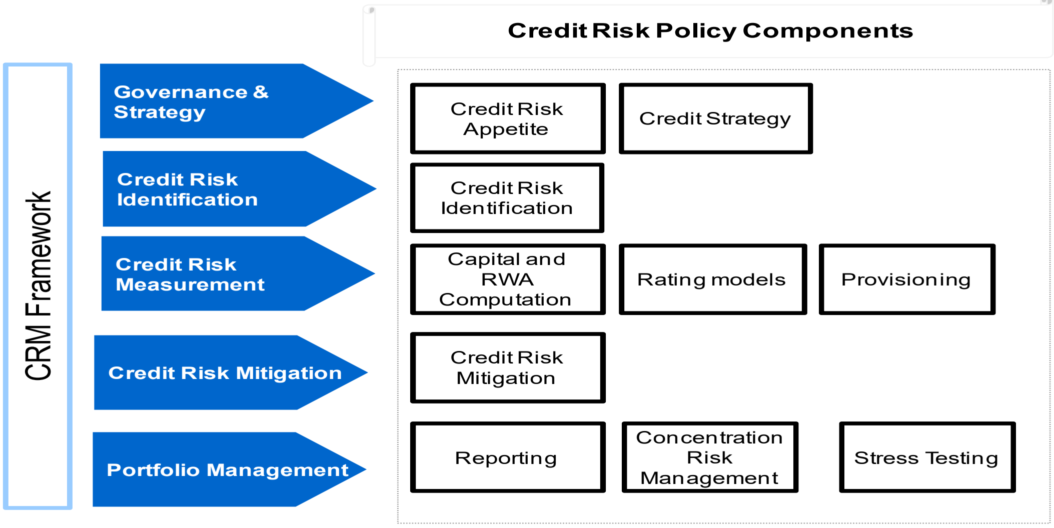


Figure 1: Integration of the Credit Risk Manual with CRM Framework

With respect to the business of the Bank, this Credit Risk Manual:

- Provides guidelines that deal with the identification, measurement, mitigation and management of Credit Risk
- Addresses regulatory requirements that are not directly linked to loan decision and monitoring, such as the Basel capital computation rules and the Basel credit risk mitigation rules that are adopted by the Bank.

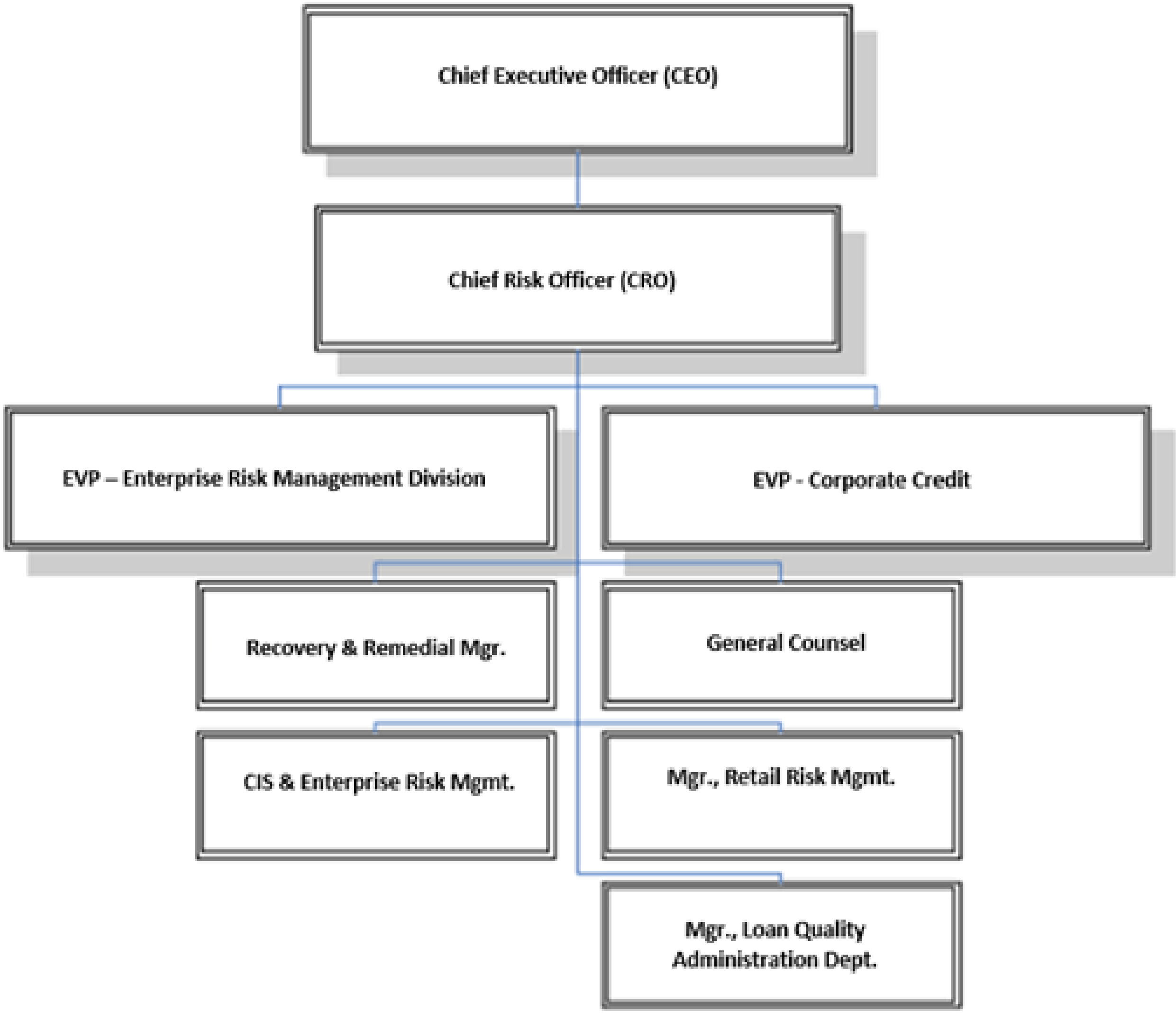
- Lays down guidelines for the relationship manager and the credit sanctioning units. The scope of the manual covers all the credit risk management activities pertaining to the management of corporate credit portfolios (i.e. all non-retail portfolios), their management and reporting.

Riyad Bank establishes limits for each aspect of risk (single borrower limit, industry sector analysis, collateral limits, country limits, product line limits etc.)

Documents described in previous section encompass criteria/guidelines provide risk/reward relationship for the Bank, whereas Obligor credit risk ratings are tied to maximum allowed exposure, product, pricing and collateral. Indeed, supplemental control/limits are in place for large exposure and related counterparties.

c) Structure and organization of the credit risk management and control function

The Credit Risk Management Structure within the Bank is shown in the diagram below:



d) Relationships between the credit risk management, risk control, compliance and internal audit functions

At Riyad Bank, a number of control functions are responsible for oversight monitoring design and implementation of internal controls.

1. Risk Management function

Riyad Bank's credit risk management aims at preserving the high credit quality of the Bank's portfolios and thereby protecting the Bank's short-and long-term viability. The Bank's credit risk management builds on the principles of (1) appropriate risk diversification within the scope of the mission; (2) thorough risk assessment at the credit appraisal stage; (3) risk-based pricing and application of risk mitigation techniques; (4) continuous risk monitoring at the individual/ counterparty level as well as at portfolio level; (5) avoidance of undesirable risks to the extent possible. Key risk indicators monitored are, among others, the development in risk class distribution in the lending and treasury portfolios as well as large exposures to individual counterparties, sectors and countries

2. Compliance function

The compliance function, including regulatory compliance, is separately performed by the Bank's Compliance Department with reporting lines to the Bank's CEO. Bank has implemented an Integrated Internal Control and Reporting Governance policy which clearly sets out the roles and responsibilities of the executive management and various committees.

3. Internal Audit function

Internal Audit is an independent function providing assurance over effectiveness of controls over banks activities and reports to Board Audit Committee. Internal Audit annually assess various aspects of credit risk on sample basis within Riyad bank's corporate and retail portfolios.

e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

Riyad Bank and its fully owned subsidiaries requires management reporting from the various risk management functional divisions/departments (Credit Division, Risk Management Division) Finance, Treasury etc. on a daily, monthly, quarterly and annual basis, as and when applicable.

Information compiled from all the business areas is to be examined and processed in order to analyze, control and identify early warning signs, emerging risks in line with their respective assigned roles and responsibilities. This information is to be presented and explained to the Board and its committees (in line with their respective charters), as well as, to the Executive Management and Management Committees including business division Heads on a periodical basis.

Specific risk related reports are to be prepared and distributed at all relevant levels in the Bank in order to ensure that all risk oversight functions and business divisions have access to extensive, relevant, complete and up-to-date information to support their risk management activities.

The following under-mentioned are the reports that is shared from credit risk with the senior management of the bank:

1. Asset Quality Report

This comprehensive report is produced and shared on a monthly basis and covers details regarding portfolio growth, NPLs (Non-Performing Loans) and Loan loss reserves, portfolio quality, provision coverage and concentrations in the portfolio. It also includes Portfolio risk profile and risk migration as well as exposures in different economic sectors

2. Risk Appetite Statement/ Dashboard:

Risk Appetite is the quantum of risk that Riyad Bank Board is willing to accept in pursuit of its financial and strategic objectives, recognizing a range of possible outcomes detailed in the Group's overall business plan and budget. Riyad Bank's) Risk Appetite combines a top-down view of its capacity to accept risk with a bottom-up view of the business risk profile requested and recommended by each Business Division.

3. Weekly movement Report

It's a snapshot of weekly movement in loan portfolio along with overview of major transactions and past dues (below and above 90 days) categorized through facilities and segments. This report is submitted to Senior Management on a weekly basis.

4. Economic sector ceiling

A yearly studies study/report conducted to analyze the portfolio of the bank to aggregate and monitor all risk exposures and mainly to obtain a yearly approval from Riyad Bank Board for the ceilings that limits the bank exposure towards the specific economic sectors in order to control the sectorial concentration risk.

Yearly ceilings are recommended considering the bank strategies as well as customers' needs per sector. The main predictions and plans for each coming year is based on the yearly budget of the Saudi Government, additionally bank consider the utilization against each sector, risk and reward (yields and the probability of default) within each sector. Recommendations (increase, maintain or decrease) is provided in order to achieve better balanced distribution of exposures among different and various economic sectors.

The economic sector ceiling is continuously and frequently monitored on a monthly basis and reported to the Board and Senior Management. Any exceptions to the rule are highlighted and reported immediately along with remedial actions taken.

CR1: Credit quality of assets - 31 December 2022

SAR 000

		a	b	c	d
		Gross carrying values of		Allowances/ impairments**	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures*		
1	Loans	4,880,688	242,239,057	4,754,798	**242,364,947**
2	Debt Securities	688,977	49,041,443	315,469	**49,414,951**
3	Off-balance sheet exposures	806,126	214,197,992	206,944	**214,797,174**
4	*Total*	**6,375,791**	**505,478,492**	**5,277,211**	**506,577,072**

**Includes commitments that are unconditionally cancellable at any time by the Bank or automatic cancellation due to deterioration in a borrower'screditworthiness*

*** The impairment allowance on debt instruments also includes allowance on the investments at FVOCI*

CR2: Changes in stock of defaulted loans and debt securities - 31 December 2022

SAR 000

		a
1	**Defaulted loans and debt securities at end of the previous reporting period**	**5,239,205**
2	Loans and debt securities that have defaulted since the last reporting period	
3	Returned to non-defaulted status	
4	Amounts written off	(970,321)
5	Other changes*	1,285,997
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**5,554,881**

** Other changes include addition, deletion and re-measurement.*

Table CRB: Additional disclosure related to the credit quality of assets

a) Scope and definitions of "past due" and "impaired" exposures

Default due to Non Payment
Basel II specifies that a default occurs when the client is past due for more than 90 days and more than 5% credit obligation is overdue to the banking group. The outstanding obligation includes principal, Interest, commission and penal fees, as applicable.

Default prior to reaching 90 Days Past Due Status
Default is said to have occurred when the Bank considers that an obligor is unlikely to repay its credit obligations, even if on the default date the Obligor is not yet more than 90 days past due. The default on one facility would classify the Obligor as default and all other facilities to the Obligor would be considered to be in default.

Bank conducts assessment at each period end date to determine if there is any objective evidence that a financial asset or group of financial assets may be impaired. Objective evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission or principal payments, the probability that it will enter bankruptcy or other financial reorganization.

Riyad Bank considers Exposures past-due more than 90-days but not considered impaired for accounting purposes are considered as Defaulted and therefore are treated accordingly.

An exposure to a counterparty is deemed restructured when the counterparty is experiencing difficulty in meeting its financial commitments and concessions are granted due to the counterparty's financial difficulty on any exposure whether on or off balance sheet item.

A forborne exposure are identified as such until the following exit criteria are fulfilled:
• When repayments as per revised terms have been made in a timely manner over a continuous repayment period of not less than one year.
• The counterparty has solved its financial difficulties.

The definition of forbearance covers exposure of performing and non-performing status before the granting of forbearance measurers.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

These instances are normally substantiated by in-depth financial analysis and the management's strong conviction based on client's prior credit experience and future indications that the borrower will honor his obligations towards the Bank such as his ability to remedy temporary hiccup, collection of high quality receivables, strong collateral that is placed for liquidation etc.

c) Description of methods used for determining impairments.

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or group of financial assets carried at amortized cost may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised for changes in its carrying amounts.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the group on the terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers.

It may also include instances where Bank considers that the obligor is unlikely to pay its credit obligations to the Bank, in full, without recourse by the Bank to actions such as realizing the security, if held.

d) The bank's own definition of a restructured exposure.

Restructuring occurs when there is a change or modification of the terms and conditions of the original exposure contract. Restructuring may only occur in the form of either:

- Renegotiation/Refinancing/Rescheduling or
- Forbearance

The determination of whether restructuring results in forbearance or renegotiation is based on whether the modified terms of the original exposure contract is concessionary, as a result of the financial difficulty of the borrower.

Any modification in the Assets which are classified as Amortized Cost may lead to two scenarios – De-recognition of Assets and continuance as Recognized Asset (No De-recognition).

The Bank does not prefer multiple times restructuring of contract with the counterparty, however, in exceptional circumstances, if the Bank needs to do so, Obligor's financial health will be evaluated and accordingly the asset will be transferred to Stage 2 (Significant Increase in Credit Risk) or Stage 3 (De-recognition/ Re-recognition) based on above mentioned criteria. Latest restructured Present Value of cash-flow will be assessed against the previous restructured Present Value of cash-flow for the purposes of determining, the amount of impairment.

In case the Modification of Asset does not result into De-recognition, the Bank will recalculate the gross carrying amount of the asset by discounting the modified contractual cash-flows using EIR prior to the modification. Any difference between the recalculated amount and the existing gross carrying amount will be recognised in Profit or Loss for Asset Modification.

The asset will be provided appropriate treatment according to the identified staging after Asset Modification i.e. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3.

Quantitative disclosures

For disclosure requirements from 'e' to 'h', please refer to Quantitative tables:

CRB related Quantitative disclosures

CREDIT RISK: GENERAL DISCLOSURES 31 December 2022

Geographic Breakdown SAR '000'

Portfolios	Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other Countries	Total
Sovereigns and central banks:	59,662,072	589,026	2,838	1,779,801	-	-	84,790	**62,118,527**
- SAMA and Saudi Government	59,662,072	-	-	872,505	-	-	-	**60,534,577**
- Others	-	589,026	2,838	907,296	-	-	84,790	**1,583,950**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	**-**
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	**-**
Banks and securities firms	20,494,853	4,061,188	6,738,227	9,297,009	-	2,305,718	3,492,624	**46,389,620**
Corporates	179,097,772	1,760,092	9,128,860	12,088,574	970,154	1,348,969	2,253,170	**206,647,590**
Retail non-mortgages	29,123,655	-	-	-	-	-	-	**29,123,655**
Small Business Facilities Enterprises (SBFEs)	3,255,860	-	-	-	-	-	-	**3,255,860**
Mortgages	57,043,207	-	-	-	-	-	-	**57,043,207**
- Residential	57,043,207	-	-	-	-	-	-	**57,043,207**
Securitized assets	-	-	-	-	-	-	-	**-**
Equity	1,120,204	197,546	300	470,915	-	-	-	**1,788,965**
Others	16,367,779	-	1,028,378	11,333	-	-	2,445	**17,409,936**
Total	**366,165,402**	**6,607,851**	**16,898,603**	**23,647,634**	**970,154**	**3,654,687**	**5,833,029**	**423,777,359**

بنك الرياض
Riyad Bank

TABLE (STA): CREDIT RISK: GENERAL DISCLOSURES - 31 December 2022

Industry Sector Breakdown SAR '000'

	Government and quasi Government	Banks and other Financial institutions	Agriculture and Fishing	Manufacturing	Mining and Quarrying	Electricity, Water, Gas and Health Services	Building and Construction	Commerce	Transportation and Communications	Services	Consumer loans and Credit cards	Others	Total
Sovereigns and central banks:	62,118,527	-	-	-	-	-	-	-	-	-	-	-	**62,118,527**
– SAMA and Saudi Government	60,534,577	-	-	-	-	-	-	-	-	-	-	-	**60,534,577**
– Others	1,583,950	-	-	-	-	-	-	-	-	-	-	-	**1,583,950**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks and securities firms	-	46,389,620	-	-	-	-	-	-	-	-	-	-	**46,389,620**
Corporates	-	5,322,970	4,147,841	35,081,767	13,359,502	20,614,983	35,964,791	54,315,095	9,926,447	21,676,438	-	6,237,757	**206,647,590**
Retail non mortgages	-	-	-	-	-	-	-	-	-	-	29,123,655	-	**29,123,655**
Small Business Facilities Enterprises (SBFEs)	-	-	13,522	429,631	3,725	48,877	521,758	1,368,160	53,544	737,533	-	79,111	**3,255,860**
Mortgages	-	-	-	-	-	-	-	-	-	-	57,043,207	-	**57,043,207**
– Residential	-	-	-	-	-	-	-	-	-	-	57,043,207	-	**57,043,207**
Securitized assets	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Equity	-	-	-	153,071	-	-	-	-	-	1,635,893	-	-	**1,788,965**
Others	-	-	1,068	483,661	4,589	7,395	607,052	4,355,143	6,917	378,128	-	11,565,983	**17,409,936**
Total	**62,118,527**	**51,712,589**	**4,162,431**	**36,148,131**	**13,367,816**	**20,671,255**	**37,093,601**	**60,038,398**	**9,986,907**	**24,427,993**	**86,220,406**	**17,882,851**	**423,777,359**

CREDIT RISK: GENERAL DISCLOSURES - 31 December 2022

Residual Contractual Maturity Breakdown SAR '000'

	Less than 8 days	8-29 days	30-89 days	90-179 days	180-359 days	1-3 years	3-5 years	Over 5 years	Total
Sovereigns and central banks:	29,693,344	72,261	200,670	17,357	2,806,846	1,453,744	2,839,619	25,034,686	**62,118,527**
- SAMA and Saudi Government	29,693,344	72,261	200,670	17,357	2,430,536	1,237,735	2,388,411	24,494,262	**60,534,577**
- Others	-	-	-	-	376,310	216,009	451,208	540,423	**1,583,950**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-	**-**
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-	**-**
Banks and securities firms	19,321,003	2,180,791	6,504,093	6,298,833	1,645,632	4,312,769	2,621,273	3,505,226	**46,389,620**
Corporates	18,541,504	16,185,067	34,733,297	29,837,873	30,024,621	26,026,886	17,355,893	33,942,448	**206,647,590**
Retail non-mortgages	284,097	11,238	191,612	230,081	644,376	9,426,739	17,351,360	984,153	**29,123,655**
Small Business Facilities Enterprises (SBFEs)	173,269	129,097	377,564	454,643	515,713	825,981	709,547	70,046	**3,255,860**
Mortgages	708	394	1,537	8,842	15,240	266,463	716,701	56,033,323	**57,043,207**
- Residential	708	394	1,537	8,842	15,240	266,463	716,701	56,033,323	**57,043,207**
Securitized assets	-	-	-	-	-	-	-	-	**-**
Equity	1,788,965	-	-	-	-	-	-	-	**1,788,965**
Others	5,890,625	241,186	584,678	916,471	980,513	634,805	196,915	7,964,743	**17,409,936**
Total	**75,693,515**	**18,820,033**	**42,593,452**	**37,764,099**	**36,632,941**	**42,947,387**	**41,791,308**	**127,534,624**	**423,777,359**

CREDIT RISK: GENERAL DISCLOSURES - 31 December 2022

Impaired Loans, Past Due Loans and Allowances SAR '000'

Industry Sector	Nonperforming loans and advances	Ageing of loans and advances (Excluding non-performing loans)				Charges during the period	Charge-offs during the period	Balance at the end of the period
		31-90	91-180	181-360	Over 360			
Government and quasi government						772	-	**772**
Banks and other financial institutions		-				(13,219)	-	**15,177**
Agriculture and fishing		-				145	-	**3,557**
Manufacturing	288,122	120,096	**5,754**	241	9,338	(47,097)	(12,890)	**828,558**
Mining and quarrying	294					(6,805)	-	**4,348**
Electricity, water, gas and health services	17,027	14,877				(469)	-	**18,221**
Building and construction	759,012	46,345	796	13,650	-	378,016	(449,370)	**1,460,447**
Commerce	1,247,666	131,535	17,835	3,752	-	305,034	(75,769)	**976,812**
Transportation and communication	4,357		80	-	-	(1,967)	-	**7,572**
Services	616,527	27,550	8,474	1,922	-	347,828	(28,023)	**392,306**
Consumer loans and credit cards	1,310,629	1,224,494				617,397	(422,075)	**1,046,090**
Others	328	-				680	-	**938**
Portfolio provision							-	**-**
Total	**4,243,962**	**1,564,897**	**32,939**	**19,565**	**9,338**	**1,580,315**	**(988,127)**	**4,754,798**

*Definitions: * 'Defaulted' are Loans that are Past Due over 90 days, but not yet Impaired*

CREDIT RISK: GENERAL DISCLOSURES - 31 December 2022

SAR '000'

Geographic Area	Impaired Loans	Ageing of loans and advances (Excluding non-performing loans)				Specific Allowances
		31-90	91-180	181-360	Over 360	
Saudi Arabia	4,243,962	1,564,897	32,939	19,565	9,338	4,750,540
Other GCC & Middle East	-	-	-		-	-
Europe	-	-	-	-	-	4,059
North America	-	-	-	-	-	199
South East Asia	-	-	-	-	-	-
Others countries	-	-	-	-	-	-
Total	**4,243,962**	**1,564,897**	**32,939**	**19,565**	**9,338**	**4,754,798**

CREDIT RISK: GENERAL DISCLOSURES - 31 December 2022

Reconciliation Of Changes In The Allowances For Loan Impairment SAR '000'

Particulars	Specific Allowances
Balance, beginning of the year	4,514,157
Charge-offs taken against the allowances during the period	(988,127)
Amounts set aside (or reversed) during the period	1,580,315
Other adjustments:	-
- exchange rate differences	-
- business combinations	-
- acquisitions and disposals of subsidiaries	-
- etc.	(351,547)
Transfers between allowances	-
Balance, end of the year	**4,754,798**

Note: *Charge-offs and recoveries have been recorded directly to the income statement.*

' other adjustments' represents write-offs that have been charged to P&L in previous years

Table CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

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

Netting can reduce capital adequacy requirements by offsetting deposits held by the bank against financing arrangements. However netting arrangements are not used by Riyad Bank unless the deposits need to be in the form of collateral with a specific charge or lien on the deposit for any credit risk mitigation benefits to be derived by Riyad Bank.

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

Collateral residual risk is monitored to manage valuation, maturity, enforceability, liquidity and marketability of collaterals.

Acceptable collaterals are detailed as per Bank's policy. Different classes of collaterals are subject to independent policy guidelines and periodic valuation. Real Estate, Shares, Mutual Funds and Non- rated Corporate Guarantees are not considered as eligible credit risk mitigants by local Regulator and are excluded while calculating regulatory capital of the Bank.

- Collateral Valuation

Valuation is based on the current market value of the collateral. Documentation and Security Department maintains and update the list of approved external valuers and surveyors on a frequent basis. They are professionally qualified, reputable, experienced and competent valuers. Where required, or when in doubt, Documentation and Security Department always ask collateral specialists to perform a check valuation. External experts are pre-approved by the Credit Risk Management/Vendor management Department. Collateral inspection reports are kept with Documentation Security Dept. in the documents File.

- On-going Collateral Monitoring and Management

Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary.

The administration and safe-keeping of the loan facilities documentation and collateral documentation instruments is the responsibility of a specialized Credit Documentation & Security unit within the Credit Control Department. The existence of appropriate signed collateral documentation prior to entering a credit facility into the Bank's limits systems is the responsibility of the Credit Documentation and Security Department.

In addition to credit facility limit expiry dates, the expiry dates of any time-sensitive collateral/cover are also captured. The notice period required for timely renewal of such cover or the presentation of claims under the same is flagged for proper and timely notification. Credit Documentation & Security Department maintains a collateral expiry agenda and notify Relationship Management in advance of upcoming collateral events.

Timely re-appraisal of collateral values is notified by Documentation and Security Department. Such re-appraisal frequencies are in accordance with the standard re-appraisal rules of the Bank.

Documentation and files of each credit facility are checked at least once a year at the review dates to ensure that all authorizations, maturity dates, appraisals etc. are current and as they should be.

c) Credit risk concentrations

Riyad Bank strives to avoid excess credit risk concentrations in any single party, counterparty and industry sector.

- Management of Credit Concentration Risk

Concentration risk refers to the risk arising from an uneven distribution of counterparties in credit or any other business relationship or from concentration in business sectors or geographical regions. Accordingly, concentration risk in the credit portfolios comes into being through a skewed distribution of loans to individual borrowers (name concentration) or in industry / service sector (sector concentration).

- Types of Concentration Risk

Historical experience has shown that concentration of Credit Risk in asset portfolios has been one of the key drivers of stress in the Banking sector. This is true for both individual institutions as well as the Banking system at large. The importance of Concentration Risk in the Bank's portfolio requires a separate assessment to gauge the gap between Pillar 1 capital requirement and the actual underlying risk.

Concentration Risk refers to the risk arising from an uneven distribution of counterparties in credit or any other business relationship or from concentration in business sectors or geographical regions. Accordingly, Concentration Risk in the credit portfolios comes into existence through a skewed distribution of financing to:

- Geographical regions (regional concentration);
- Collateral types (collateral concentration);

- Individual borrowers (name concentration) including assessment of connected party exposures;

- Industry / sector (sector concentration)

These aforesaid areas of concentration have also been highlighted by SAMA's guideline document on the Internal Capital Adequacy Assessment Plan (ICAAP).

- Coverage

The Bank ensures that the concentration risk assessment covers all of the portfolios, not limited to but including the following asset classes

- Sovereign
- Banks and FIs
- Corporate

The following are the guidelines for managing and accessing concentration risk:

- Exposures to counterparty include its on- and off-balance sheet exposures and indirect exposures.

- Exposures arising from securities, foreign exchange, derivatives or other off-balance sheet exposures are captured where appropriate;

- The criteria used for identifying a group of related persons has been identified;

- Large exposures are identified and reported separately as part of management reporting

- The circumstances in which the exposure limits can be exceeded and authority to approve such breaches (e.g. the Board of directors) are clearly documented

- The individual and aggregate exposure limits for various types of counterparty (e.g. governments, banks, corporate and individual borrowers) are made as part of normal management reporting.

Economic sector ceiling is set and regularly monitored to ensure that balance distributed loan portfolio is built, and any potential industry / economic sector concentration is avoided.

CR3: Credit risk mitigation techniques – overview - 31 December 2022

SAR 000

	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	240,993,784	1,371,163	422,808	1,816,585	601,781	-	-
Debt securities	49,414,951	-	-	846,333	846,333	-	-
Total	**290,408,735**	**1,371,163**	**422,808**	**2,662,918**	**1,448,114**	**-**	**-**
Of which defaulted	2,366,834	-		-	-	-	-

Table CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

a) "Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs)

The Bank uses Moody's, Standard & Poor's and Fitch as External Credit Assessment Institutions (ECAIs) in accordance with SAMA guidelines for determining the risk weights of Sovereigns, Public Sector Entities (PSE), Multilateral Development Banks (MDBs), Banks and Securities Firms and Corporate exposures. There are no changes over the reporting period.

b) The asset classes for which each ECAI or ECA is used;

Eligible ECAIs are used for Sovereigns, Central Banks, Banks, Securities Firms and Corporate exposures, when available. In accordance with the guidelines issued by the local Regulator, if a given exposure is rated by two External Credit Assessment Institutions, then the lower rating is applied; in case any exposure is rated by three External Credit Assessment Institutions, the two lowest ratings are referred to and the higher of these two ratings is applied.

c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking

Under the Standardized Approach, the Bank applies the issue specific risk weights where the bank's claim is not an investment in a specific assessed issue. The Bank use issue-specific assessment for cases where specific debt ranks pari-passu or senior to the claim. The Bank fully complies with paragraph 99-101 of BASEL II International Convergence of Capital Measurement and Capital Standards dated June 2006. And in cases, where borrower has an issuer assessment, this assessment typically applies to senior unsecured claims on that issuer. Consequently, only senior claims on that issuer will benefit from a high quality issuer assessment. Other unassessed claims of a highly assessed issuer are treated as unrated.

d) The alignment of the alphanumerical scale of each agency used with risk buckets.

ECAIs use alphanumerical scales to represent risk levels. Riyad Bank uses Saudi Central Bank's prescribed External Credit Assessment Institutions' mapping tables issued by the local Regulator for Sovereign and Central Banks, Banks and Securities Firms, as well as for Corporate exposures

The tool that bank has deployed to assess is referred to as ''Master Rating Scale''(MRS). The MRS serves as a consistent benchmark and label to group obligors with similar risk profiles into particular rating grades, which in turn are associated with unique Probability of Defaults (PD). MRS facilitates a single view to risk management for future reporting and portfolio management including limit setting, credit pricing and also for capital computation. The MRS with a twenty three point scale has been formulated and benchmarked against Moody's MRS scale.

CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects - 31 December 2022

SAR 000

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount*	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	61,870,283	30,262	61,870,283	3,069	1,397,195	0.02
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	28,798,666	10,532,061	28,798,666	5,991,020	11,306,966	0.33
5	Securities firms	9,954,238	2,734,451	9,908,313	690,041	4,894,288	0.46
6	Corporates	149,989,963	184,794,983	149,649,945	57,053,236	194,657,759	0.94
7	Regulatory retail portfolios	31,444,764	13,013,831	31,440,857	1,049,922	24,285,358	0.75
8	Secured by residential property	57,043,207	2,490,614	57,043,207	-	28,521,604	0.50
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	1,788,965	-	1,788,965	-	2,367,281	1.32
11	Past-due loans	2,366,834	797,308	2,366,834	260,008	2,701,501	1.03
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	13,919,496	610,608	13,886,539	75,894	10,061,034	0.72
14	*Total*	**357,176,416**	**215,004,119**	**356,753,608**	**65,123,191**	**280,192,986**	**0.66**

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Riyad Bank

CR5: Standardised approach – exposures by asset classes and risk weights - 31 December 2022

SAR 000

	Asset classes/ Risk weight*	0%	10%	20%	35%	50%	75%	85%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	58,090,825	-	3,609,802	-	2,838	-	-	673,816	-	-	62,377,280
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	20,842,471	-	13,618,687	-	-	327,330	1,199	-	34,789,686
5	Securities firms	-	-	1,614,157	-	8,825,480	-	-	158,716	-	-	10,598,354
6	Corporates	-	-	870,021	-	13,864,161	-	31,739,244	158,353,811	1,479,671	-	206,306,907
7	Regulatory retail portfolios	-	-	3,610	-	-	32,379,515	-	-	-	-	32,383,125
8	Secured by residential property	-	-	-	-	57,043,207	-	-	-	-	-	57,043,207
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	1,403,420	-	385,545	1,788,965
11	Past-due loans	-	-	-	-	-	-	-	2,477,523	149,319	-	2,626,842
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-
13	Other assets	3,894,726	-	8,341	-	-	-	-	10,059,366	-	-	13,962,433
14	*Total*	**61,985,551**	**-**	**26,948,401**	**-**	**93,354,373**	**32,379,515**	**31,739,244**	**173,453,982**	**1,630,188**	**385,545**	**421,876,799**

Table CCRA: Qualitative disclosure related to counterparty credit risk

a) Risk management objectives and policies related to counterparty credit risk, including:

Counterparty Limits

Riyad Bank has developed and implemented a credit risk management process to ensure prudent and timely risk identification, quantification, monitoring and reporting of exposures. All counterparties are assessed in conjunction with the Banks's counterparty risk appetite benchmarks and internal risk matrix.

The Bank use appropriate reporting matrix and limits systems, have well developed and comprehensive stress testing, and maintain systems that facilitate measurement and aggregation of Counterparty Credit Risk (CCR) throughout the organization.

Meaningful limits on CCR exposures are an important part of the risk management framework. The bank have an appropriate independent exposure monitoring system that tracks exposures against established limits. Adequate risk controls are in place to mitigate limit exceptions.

Pre-settlement risk is the credit risk associated with dealing room products before Settlement. It is generally based on the "replacement value" (Mark-to-Market) plus "potential future" volatility concept.

Since 1st January, 2017 the bank has adopted a SA-CCR methodology introduced by Basel which calculates the EAD according to the new Standardized Approach for CCR. The implemented risk system complies with SA-CCR exposure computation methodology based on the framework issued by SAMA and BIS. The Bank has approved policies and processes related to counterparty limits and exposure calculations.

Senior management and the board of directors are responsible for setting risk tolerances for CCR; measuring, monitoring, and controlling CCR risk exposures; and developing and implementing effective policies and procedures. Senior management receives comprehensive CCR exposure reports on a frequent basis.

The bank is subject to daily variation margining on its un-cleared derivatives exposures. Bank has established Margin Policies and Practices which to help mitigate CCR exposure; the policies addresses establishment of processes and periodical review minimum transfer amounts, eligible margining collateral, eligible currencies, minimum haircuts, recognizing any volatility and liquidity concerns with underlying collateral. Policies also cover when CCR should lead to the decision to require posted margin to be segregated. Additionally, bank have policies and procedures for monitoring margin agreements involving third-party custodians that identify the location of the account where collateral is posted and methods for gathering adequate documentation from the custodian to confirm collateral disposition

Credit valuation adjustment

The credit valuation adjustment is the capital charge for potential mark to market losses due to the credit quality deterioration of a counterparty. The standardized approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default.

Bank is applying non-IMM bank methodology to measure CVA capital charge since it uses SA-CCR (Standardised counterparty credit risk) for measuring EAD of OTC Derivatives transactions. CVA charge for the Bank is not material.

b) The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures

All exposures are subject to continuous monitoring of events/signals that could potentially lead to or indicate a material change in risk.

Monitoring of compliance with limits for counterparty credit exposure is carried out by Risk Management on a daily basis against applicable limits. Limit breaches are reported to senior management as well as to the Board of Directors if the maximum exposure limit is exceeded.

Bank has developed and designed risk matrix for Financial Institutions (BACs and RACs) that sets target sectors, minimum pricing guidelines, risk profile of the counterparty, nature of the product, Products Weighting, Tenor of transaction and country of issue etc.

Establishment of Central Counter Party (CCP) is still work in progress at SAMA; however, SAMA has assessed and published the list of the Foreign Qualifying CCPs (for G4 currencies i.e. US$, Euro, GBP, JPY) through which business can be conducted. There is currently no qualified National CCP. However, in order to conduct business with CCP (G4 currencies) bank has engaged clearing broker who acted as bank's Clearing Broker and collateral is placed in an asset segregated account with them. The trade will be cleared through them. Bank has established credit limit for this broker services which is approved by the senior management committee.

c) Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs;

The bank has approved Collateral Management (CSA) policy which defines eligible collateral & currency, thresholds related to minimum transfer amounts and rounding conventions.

All exposures with CCPs are subject to daily initial and variation margins and are closely monitored against mark to market valuations of underlying transactions.

Riyad Bank reviews central counterparties where exposures exist. Such reviews include a due diligence evaluation of the central counterparty's risk management framework. For example, Bank reviews each central counterparty's membership requirements, guarantee fund contributions, margin practices, default-sharing protocols, and limits of liability. Additionally, the Bank considers the counterparty's procedures for handling the default of a clearing member, obligations at post-default auctions, and post-default assignment of positions

d) Policies with respect to wrong-way risk (WWR) exposures;

WWR occurs when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty itself. This is also governed by Financial Institution Matrix that has an inverse relationship. When the counterparty rating has improved and credit risk is low it enjoys high operating limits to prevent wrong way risk. Riyad Bank regularly assesses the potential exposure that the bank may have to wrong way risk which are likely to lead to this risk.

e) The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.

The Bank standard documentation in place that allows the Bank in case of credit rating downgrade, to embed impacts of such downgrade in the covenant for monitoring purposes and also at the same time allows Riyad Bank to call off/terminate such facility and request for additional collateral to mitigate such risk.

Riyad Bank

CCR1: Analysis of counterparty credit risk (CCR)[1] exposure by approach - 31 December 2022

SAR 000

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	1,260,903	1,221,040		1.4	3,474,721	1,697,209
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**						**1,697,209**

CCR2: Credit valuation adjustment (CVA) capital charge - 31 December 2022

SAR 000

		a	b
		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital charge	2,446,342	1,957,546
4	**Total subject to the CVA capital charge**	**2,446,342**	**1,957,546**

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights - 31 December 2022

SAR 000

	a1	a2	b	c	d	e1	e2	f	g	h	i
Regulatory portfolio*/ Risk weight**	**0%**	**2%**	**10%**	**20%**	**50%**	**75%**	**85%**	**100%**	**150%**	**Others**	**Total credit exposures**
Sovereigns and their central banks	-	-	-	245,175	-	-	-	-	-	-	245,175
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	165,305	610,203	-	-	2,933	-	-	778,441
Securities firms	-	-	-	7,464	215,675	-	-	4,679	-	-	227,817
Corporates	-	-	-	-	41,528	-	10,957	1,142,425	-	-	1,194,909
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	1,028,378	-	-	-	-	-		-	-	1,028,378
Total	**-**	**1,028,378**	**-**	**417,944**	**867,405**	**-**	**10,957**	**1,150,037**	**-**	**-**	**3,474,721**

B.26 - CCR5: Composition of collateral for CCR exposure 31 December 2022

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	307,837	608,490	275,175	37,018	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**307,837**	**608,490**	**275,175**	**37,018**	**-**

B.29 - Template CCR8: Exposures to central counterparties

		a	b
		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**	**419,889**	**20,568**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,028,378	20,568
3	(i) OTC derivatives	1,028,378	20,568
4	(ii) Exchange-traded derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	(608,490)	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**	**-**	**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Table SECA: Qualitative disclosure requirements related to securitisation exposures

Bank's objectives in relation to securitization and re-securitization activity

Currently, the Bank is neither the originator, sponsor nor investor for any Securitization exposure.

Details of SPEs/Affiliated entities where Bank is acting as sponsor

Not applicable as bank don't have any exposure

Summary of the bank's accounting policies for securitization activities.
Not applicable as bank don't have any exposure
Names of external credit assessment institution (ECAIs) used for securitizations
Not applicable as bank don't have any exposure

Basel internal assessment approach (IAA)

Not applicable to Riyad Bank

SEC1: Securitisation exposures in the banking book - 31 December 2022

SAR 000

		a	b	c	e	f	g	i	j	k
		Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitisation	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which	-	-	-	-	-	-	-	-	-
7	loans to corporates	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitisation	-	-	-	-	-	-	-	-	-

SEC4: Securitisation exposures in the banking book and associated capital requirements – bank acting as investor - 31 December 2022

SAR 000

	a	b	c	d	e	f	g	h	i
	Exposure values (by RW bands)					Exposure values (by regulatory approach)			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
1 **Total exposures**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2 Traditional securitisation	-	-	-	-	-	-	-	-	-
3 Of which securitisation	-	-	-	-	-	-	-	-	-
4 Of which retail underlying	-	-	-	-	-	-	-	-	-
5 Of which wholesale	-	-	-	-	-	-	-	-	-
6 Of which re-securitisation	-	-	-	-	-	-	-	-	-
7 Of which senior	-	-	-	-	-	-	-	-	-
8 Of which non-senior	-	-	-	-	-	-	-	-	-
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-
10 Of which securitisation	-	-	-	-	-	-	-	-	-
11 Of which retail underlying	-	-	-	-	-	-	-	-	-
12 Of which wholesale	-	-	-	-	-	-	-	-	-
13 Of which re-securitisation	-	-	-	-	-	-	-	-	-
14 Of which senior	-	-	-	-	-	-	-	-	-
15 Of which non-senior	-	-	-	-	-	-	-	-	-

SAR 000

	j	k	l	m	n	o	p	q
	RWA (by regulatory approach)				Capital charge after cap			
	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
1 **Total exposures**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2 Traditional securitisation	-	-	-	-	-	-	-	-
3 Of which securitisation	-	-	-	-	-	-	-	-
4 Of which retail underlying	-	-	-	-	-	-	-	-
5 Of which wholesale	-	-	-	-	-	-	-	-
6 Of which re-securitisation	-	-	-	-	-	-	-	-
7 Of which senior	-	-	-	-	-	-	-	-
8 Of which non-senior	-	-	-	-	-	-	-	-
9 Synthetic securitisation	-	-	-	-	-	-	-	-
10 Of which securitisation	-	-	-	-	-	-	-	-
11 Of which retail underlying	-	-	-	-	-	-	-	-
12 Of which wholesale	-	-	-	-	-	-	-	-
13 Of which re-securitisation	-	-	-	-	-	-	-	-
14 Of which senior	-	-	-	-	-	-	-	-
15 Of which non-senior	-	-	-	-	-	-	-	-

Table MRA: Qualitative disclosure requirements related to market risk

Risk management Objectives and Policies

Riyad Bank's market risk objectives are governed by Market Risk Management Framework, which provides the Bank's market risk appetite and a robust market risk management. The framework is approved by the Board and sets out the objectives and requirements of policies and procedures for Market Risk Management. Market Risk Guidelines provides roles & responsibilities of the Bank's Senior Management and Market & Liquidity Risk Management Department for effective management of market risks in the Bank's trading activates as per the appetite set by the Board.

a) Strategies and processes of the bank

The Bank's risk management strategy is to support the Bank's corporate and strategic objectives within the Risk Appetite set by the Board through effective controls and monitoring.

The Bank's trading activities are guided by Asset and Liability Committee (ALCO) within the strategic objective of market risk averseness

The Bank maintains minimal trading positions through FX trading. Derivative trading positions are taken for the Bank's customer needs but are closed back to back to offset market risks arising from it. All trading positions are subject to Value-at-Risk and Stop-Loss limits which is monitored and reported on a daily basis. All proprietary investments are classified in Banking Book to avoid the increased market risk.
The Bank has and independent Market & Liquidity Risk Management Department (MLRM) within its Enterprise Risk Management Division which is responsible for identification, measurement, monitoring and reporting of market risk. The function closely monitors and reports inherent market risks related to the trading activities of the bank.

The bank allows limited products for hedging purposes to avoid complexity. The classification of each hedge deal is approved by MLRM and the hedge effectiveness of all hedging and hedged instruments is monitored and reported on a regular basis.

b) Structure and organization of the market risk management function

Asset and Liability Committee (ALCO)

Riyad Bank ALCO oversees the effective management of the assets and liabilities of the bank in order to maximize shareholder value, support business growth and optimize capital and its utilization. In doing so, it protects the institution from any adverse consequences arising from changes in financial and non-financial risk. It ensures growth of the bank in line with the business strategy and Board approved risk appetite.

Investment Committee

Riyad Bank maintains a substantial domestic and international investment portfolio to provide an alternative income source for the Bank via investment in countercyclical investments which are expected to perform well during periods when more normal sources of Bank income may not perform as well. The Investment Committee is responsible for establishing investment guidelines and mandates (limits and parameters) for the investment managers who manage the portfolio, and for monitoring and reviewing the risks and performance of this investment portfolio.

Market and Liquidity Risk Management Department comprises of -

i. Asset Liability Management Section

ALM section supports the Bank's capital markets businesses and Asset and Liability Committee (ALCO). The section conducts regular analysis of the Bank's interest rate and liquidity risks using simulation models. These measures include Net Interest Income at Risk, Economic Value of Equity at Risk and Liquidity ratios which are reported to ALCO and the Board of Directors.

ii. Market Risk Management Section

Market Risk section covers the monitoring of market risk on the trading book, banking book, and the international investments portfolio. The section also conducts a daily analysis of the risks on banking and trading book under stress scenarios along with a daily back testing to record any breaches. The section is also responsible for the capital charge calculation and reporting the same under normal and stressed conditions.

iii. Treasury Middle Office (TMO) Section

TMO independently monitors the risks and profitability of Treasury. It ensures the segregation and integrity of key reporting processes especially the market rate revaluation process, and ensures that Treasury complies with the approved limits structure. It also assists Treasury with business and systems developments.

c) Risk Reporting

Risks and control effectiveness are reported to management to ensure that managers within the business lines, and at senior levels, for a more informed decision making process. As the first line of defense, it is the responsibility of line managers, and senior managers, to be able to manage risks in accordance with Board approved risk appetite.

Risk reports are provided to managers and senior management on regular basis (e.g. monthly, weekly etc.) to ensure that management has the opportunity to assure themselves that risk positions are within limits and in line with the Bank's current strategy. Typically, these would be provided to senior management on a monthly or weekly basis for the purposes of holding the various Risk Committee meetings and reviews. Line managers, supervisors and staff directly responsible for managing risk on a day to day basis, would obviously receive full positions reports on a much more frequent basis.

The general policy within Riyad Bank is for risk issues to be raised with the line manager first, then to escalate it to the senior manager responsible for that area. Risk matters are also escalated to the relevant risk committee, either immediately if critical, or as part of the normal reporting process, if less urgent. If insufficient action is taken as a result of this reporting and escalation process, staff and risk managers have the authority to take matters further, such as to the Chief Risk Officer, to the Chief Executive Officer, to Internal Audit Department, or in very extreme cases, to the Board of Directors office or to external auditors.

Independent risk reporting is also a key component of the risk reporting controls. Separation between the group creating the risk (the risk taking business unit) and the unit reporting the risk level (the risk monitoring unit) is very common throughout the Bank. Internal Audit periodically assess this fundamental segregation of duties within the Bank. Risk Management Division also takes this into account when assessing the risk within business units. Much of the Bank's risk reporting is prepared and delivered by various units within the Risk Management Division as an independent check.

For Enterprise-wide risk reporting purposes, a tabular risk weight was developed to provide comprehensive description of the risk coverage in the Bank. It is based on all risk types relevant to the Bank and how each respective risk weight is governed, evaluated, managed, monitored and reported within the Bank as well as the frequency of such reporting.

The Bank deploys adequate risk management systems for the effective measurement, monitoring and reporting. For market risk, Kamakura Risk Manager (KRM) is used by the Bank which is widely acknowledged and used for Value at Risk and other risk measures such as Net Interest income at Risk and Economic Value of Equity at Risk. The systems are regularly assessed and upgraded for improvement in risk measurement and adherence to regulatory changes.

MR1: Market risk under standardised approach - 31 December 2022

SAR 000

		a
		RWA
	Outright products	5,175,649
1	Interest rate risk (general and specific)	1,429,800
2	Equity risk (general and specific)	2,671,024
3	Foreign exchange risk	1,074,825
4	Commodity risk	
	Options	-
5	Simplified approach	
6	Delta-plus method	
7	Scenario approach	
8	Securitisation	
9	**Total**	**5,175,649**

Table IRRBBA – IRRBB risk management objectives and policies

Qualitative disclosure

a	Interest Risk in the Banking Book (IRRBB) is the risk to Riyad Bank's earnings and capital that arises out of customers' demands for interest rate related products with various repricing profiles. As Riyad Bank engages in such activities as lending, balance sheet funding and capital management, it may be exposed to the inherent Interest Rate, Foreign Exchange and Liquidity risks.
b	Riyad Bank manages Interest Rate Risk in the Banking Book (IRRBB) within its established Net Interest Income at Risk (NII@R) and Economic Value of Equity at Risk (EVE) limit that are measured and monitored by Risk Management Division and reported to the Asset and Liability Committee and to the Board. The strategies used to mitigate the stressed IRRBB are through the Funds Transfer Pricing (FTP) mechanism, the management of interest rate risk is taken out of the hands of the business units and entrusted to the Treasury /Balance Sheet Management units. The Treasury /Balance Sheet Management performs analysis of the risks inherent in the balance sheet based on the calculations provided by the Market and Liqudity Risk Management (M&LRM), and determines appropriate hedging strategies in consultation with the ALCO and then executes those strategies.
c	The periodicity of calculation of bank's IRRBB measures is monthly. The bank uses interest income at risk and economic value of equity at risk to gauge and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB.
d	*While the Basel committee recommends a 200 bps parallel shifts for stress testing purpose, the bank uses seven interest rate shock scenarios to gauge the change in its economic value and earnings; +/- 100 bps and +/- 200 bps; +/- 400 bps ramp (12 months period to achieve an increase of 400 bps for all terms) and one rotation (6 months period to achieve an increase of short term rates by 50bps up to 6 months term).*
e	Re-pricing and yield curve risks were determined to be the predominant risk categories affecting the Bank. The risk exposure to the embedded options like early redemptions and delays, is not material and hence has not been considered over the past years. Based on the behavioral trends it has been concluded that options risk (excluding prepayments) is not currently significant for the Bank and hence can be excluded from the capital allocation process for interest rate risk at present.
f	Strategies to mitigate IRRBB include the use of cash and derivative instruments. In the case of significant and fast parallel shifts in rates in either direction, the alternative products available to the Bank are: 1. Buy/Sell long/short term government securities or bonds 2. Liquidate some Investments 3. Buy/Sell futures 4. Buy/Sell forwards 5. Write payer/receiver swaps 6. Pay/Receive fixed rate deposits 7. Issue fixed/floating bonds/loans/CDs 8. Buy/sell caps/floors In each case the strategy undertaken by the ALCO is to appropriately adjust the Bank's exposure in terms of duration, timing and interest rates whilst minimizing the accounting issues and remaining within all regulatory limits and ratios.
g	For generating cash flows, the end rates (including commercial margins and other spreads) have been used. For discounting however, SAIBOR and LIBOR rates have been used. The average repricing maturity for NMD's have been estimated based on a historical ten year redemption data analysis of deposits. The impact of prepayments in retail fixed loans has been incorporated in the calculations. The historical prepayments are analyzed to estimate the annual CPR rates.

Quant Quantitative disclosures

1	Average maturity assigned to NMDs: 4 years.
2	Longest repricing maturity assigned to NMDs: within 7-8 years.

SAR Millions

Template IRRBB1 – Quantitative information on IRRBB - 31 December 2022

In reporting currency	△EVE		△NII	
Period	Dec-22	Dec-21	Dec-22	Dec-21
Parallel up	5,661	4,770	636	701
Parallel down	5,796	4,121	843	964
Steepener	2,358	3,620		
Flattener	933	2,385		
Short rate up	1,894	141		
Short rate down	1,791	538		
Maximum	**5,796**	**4,770**	**843**	**964**
Period	**T**		**T-1**	
Tier 1 Capital (See note below)	**56,036**		**47,306**	

Operational risk

Operational Risk Management: Strategy & Objectives:

Operational risk is a risk of Bank not achieving its strategic objectives as a consequence of inadequate or failed internal processes, people and systems, or from external events

Operational Risk Management Department (ORMD) provides professional risk management services to all business and support areas of the bank to optimally manage their operational risks. ORMD objective, as a 2nd Line of Defense function, is to facilitate business and support functions in controlling and managing their operational risks through identification, measurement/ assessment, monitoring, mitigating and reporting the risks. ORMD role, as 2nd Line of Defense function, is to adopt a pro-active approach in supporting the 1st Line of Defense functions for identification of risks thus reasonably minimizing the risks within the Bank's risk appetite. It is supported by robust operational risk management framework, policies and procedures.

Structure and Organization of Operational Risk Management:

Operational Risk Management Department is headed by the Senior Vice President of Operational Risk who reports to the EVP – Enterprise Risk Management Division. Head of Operational Risk is responsible for the development and implementation of Bank's Operational Risk Management Policy across the Bank.

Operational Risk Management Department activities are supported by five functional areas within the department to facilitate the sustainability and integrity of the Bank's operations and to protect its reputation by controlling, mitigating or transferring the impact of operational risk by performing various risk controlling activities within their scope of work.

i. Operational Loss Analysis Section

The primary objective of the Operational Loss Analysis section is to minimize operational risk through the timely recording, tracking, analysis, and reporting using SAS GCM system operational loss module to the relevant departments, personnel, committees and SAMA. In addition, it helps to determine chain of events (root cause, event and effect) and suggests ways to reduce the probability and impact of losses in order to bring risk to the acceptable level set-up by the Board. The Section is also involved in ICAAP and stress testing exercise mandated by SAMA.

ii. Incident Management & Resolutions Section

It is one of the key functions within the operational risk management department, which performs risk- based examination of the bank's branch network in accordance with approved methodology to minimize the operational risk exposures.
Investigate on operational losses incidents to identify the root – cause for the breach and control failures bases on technical report and publish investigation reports to the stakeholders for implementing appropriate remediation. Additionally, as a member of the process and charter review committee (PCRC), provide feedback and suggestions concerning the issuance of bank-approved process, procedures and charter.

iii. Risk Analysis Section

Risk Analysis Sections is responsible to systematically manage and minimize the operational risks faced by the Bank. The section monitors the risks through various operational risk tools including Key Risk Indicators (KRI's), KRI's Data Quality review, Risk Assessments of New / Changes to existing Product & Services, and review of bank-wide Change requests (CR's), and Policies & Procedures to ensure appropriate coverage of Operational risk.

iv. The Insurance Section

The insurance section manages the Bank's insurance program and risk transfer of operational losses experienced by the Bank through a cost-effective insurance program that provides adequate protection against insurable risks.

The primary objective is to ensure that appropriate level of cover is maintained for insurable risks across the bank's business areas, and for the design, placement and administration of the bank's insurance plan.

The Insurance Section performs claims management activity that monitors the progress of all reported claims under different types of insurance until final settlement of the claim as per agreed-upon terms & conditions

v. Risk Monitoring and Reporting

This section plays a major role in monitoring key activities, limits and metrics including KRIs for significant products of bank and most critical branches network. Major Responsibilities include:
- Monitoring of activities transactions, and processes.
- Enhance coverage over monitoring with special focus on financial limits through digital channels.
- Aid in monitoring key elements or indicators which will be based on ongoing risk assessments relating to a new products, services and key changes to the process.
- Supporting ORMD in developing customized management reports.
- Provide periodic reporting

vi. Internal Control Section

Internal Control Section is one of the control functions instituted within the Bank to ensure adherence with the requirements of SAMA's Guidelines on Internal Control. The bank has established an effective mechanism for identification, measurement, monitoring and reporting of key risks and their mitigating controls. Guidance for testing of the controls associated with the key risks is approved by the Executive Management and is implemented through quarterly control testing process. The executive management has also implemented the 3 Lines of Defense model within the bank which defines the roles and responsibilities and relationship between business and risk oversight/monitoring functions.

IC Section is assigned with the responsibility of facilitating the periodic control testing through bank-wide divisional controllers. The results of the key controls testing and findings from other control functions are shared with Divisional Heads to enable them ensure that exceptions are adequately followed-up for timely remediation.

iv. Technology Risk Department

Technology Risk Department as a section ensures the governance of technology activaties and the oversight of technology risk across the bank in coordination with technology functions.

Scope and Nature of Operational Risk Reporting

Operational Risk Management Department ensures that a regular risk reporting is carried out for senior executives and the board. In this regard an integrated risk report is presented on a monthly basis to the Operational Resilience Committee (ORC) and Semi-Annual Report updates to the Risk Committee as well as Audit Committee of the Board.

There are other risk assessments, examination and investigation reports which are prepared by ORMD and are presented to concerned stakeholders.

Operational Risk Weighted Assets for Capital Allocation

Bank has adopted Standardized Approach methodology in determining its regulatory Operational risk capital charge and the risk weighted assets as per Basel and SAMA guidelines of operational risk management.

REMA – Remuneration policy (Compensation & Incentives Policy)

Introduction

Riyad Bank's compensation and incentives policy is the foundation upon which its base pay, incentive pay, allowances and benefits programs are built. They are underpinned by the performance management process.

Both external and internal equity are important in developing, administering and maintaining the salary management program. Market competitive pay is important in attracting, retaining and engaging the highest quality and caliber of employees.

RB has a salary management program that supports its strategic business objectives, that is externally competitive and internally equitable, and is designed to provide compensation opportunities based on performance.

RB is committed to varying compensation – base pay and incentive rewards – based on company, business and individual performance. The appropriate mix of base pay and incentives depends on a job's duties, competitive practices versus the KSA banking sector market and grade level.

RB views performance as a combination of results and behavioural competence. While the emphasis is on achieving and exceeding goals, superior performance will also include behaviours and activities consistent with RB's purpose, values and adherence to prudent risk management policies.

RB communicates openly the basic principles of the salary management and performance evaluation programs so that they are clearly understood, supported and perceived as fair by employees.

Policy Summary

Purpose	To establish and apply compensation policies and processes which support delivery of business strategy, reinforce the desired organisational culture, reflect prudent risk management practices and comply with SAMA regulations.
Core Principles	· Rewards performance – both the measurable and behavioural. · Competitive within the Bank's chosen markets. ·Uses a total reward model (i.e. basic salary, allowances, benefits and variable pay). · Fair and equitable in its treatment of employees. · Simple to understand and easy to administer. · Effectively managed (Risk Management and Governance).
Enablers	· Effective communicated to employees. · A well-designed and evenly applied performance management process. · Effective governance (policies, monitoring and oversight). · Good decision-making in design, implementation and review. · Efficient supporting systems and processes. · Comprehensive, accurate and timely management information.

Core Principle	What it means	What it looks like
Rewards Performanc	1. Reward arrangements which offer high rewards for high performance and lower to no rewards for average or poor performance. 2. Linking reward to agreed measures of business and individual performance. 3. Differentiation based on performance 4. A meaningful proportion of reward 'at risk'	• Salary increases and bonus payments should reflect market, business & individual performance, including adherence to risk management policies and processes. • Where individual performance is below expectations, no salary increase or annual bonus award is made. • Everyone has the opportunity to earn a bonus, if justified by business performance. • The maximum bonus opportunity should is significantly more than the on-target opportunity. • For bonus purposes, the chosen business performance measure is a percentage of the Bank's overall profitability • Personal performance is measured against individual KPIs & competencies. • Personal KPIs always includes an assessment of the employee's compliance with risk management policies, procedures and controls. • Salary increases & bonus awards are markedly different for different levels of performance • Employees who do not meet their goals or do not follow risk management policies will not receive an annual bonus award.
Competitiveness	1. Ensuring that rewards are implemented at a level that enables each part of the Bank to attract and retain employees of the required caliber. 2. Systematic benchmarking of total reward against the right market comparators (Reward policy is not driven by market trends and movements alone, but is informed by them).	• Positioning salaries overall at market median against explicitly defined & agreed external salary markets, provided that this is justified by business performance. • Managing fixed cost elements of reward (e.g. allowances & other benefits) so that they conform to market practice (measured against defined & agreed external markets). • Targeting special programmes towards key at-risk populations.

Core Principle	What it means	What it looks like
Total Reward	1. Ensuring the right balance of reward, with an emphasis on: • variable versus fixed pay • motivation versus activity 2. Managing total remuneration, including: • salary • incentives (short-term and deferred) • allowances • benefits 3. Applying recognition policies that motivate. 4. Balancing short-term gains and long-term risks.	• The mix of reward emphasises those elements which can motivate performance rather than those where cost is fixed and does not produce additional organisational benefit. • Reward recommendations are not shaped in isolation but are always determined based on a clear understanding of the intended total reward package. • Reward decisions take account of the balance between external competitiveness and affordability. • Taken together, these mean: - Controlling, not unjustifiably enhancing, allowances, benefits and other fixed costs. - Not providing guaranteed bonus awards. - Focusing attention on building motivational and performance related reward arrangements. • Introducing recognition programmes (financial or non-financial), where motivational benefits clearly outweigh costs. • For specific roles/grades, using a combination of short-term and deferred bonuses to create an equilibrium between the requirement for the delivery of financial results in the short-term with balanced risk-taking over the long-term. • The payment of deferred bonuses takes into account: ROE, net income, credit portfolio, cost/income ratio and performance versus peer banks.
Fair & Equitable	Ensuring fairness of treatment (not outcomes) within and between business functions and employee groups.	• Clearly defined and well-applied reward and performance management processes and decision-making criteria. • Compliance with relevant regulatory frameworks. • Rigorous monitoring.

Core Principle	What it means	What it looks like
Simplicity	1. Clarity of focus. 2. Ease of understanding by employees. 3. Ease of administration and operation.	• All reward proposals clearly state what they are designed to achieve. • Reward communications are clear, user friendly and feedback is obtained to test that these objectives are being met. • Employees at each level in a business or functional area should enjoy the same reward arrangements unless there is a clear business, market and performance reasons for separate treatment. • Employees at each level have their reward package clearly explained to them so that they are able to accurately value it correctly. • Informal 'return on investment' (ROI) calculations and discussions should be done periodically to ensure that programmes are not costing more in terms of cash and administrative effort than the benefit they are providing.
Risk Management	1. Rewards for employees in control functions to be determined independently of the functions they control. 2. Risk Management review of compensation and incentives policies to ensure employees are not rewarded for taking excessive risk or creating undue concentration of risk.	• Business Heads in functions being monitored and controlled by Audit, Compliance, Risk Management and Credit Risk do not have any input to reward decisions of employees in the control functions. • Any changes to reward policies is signed off by the Risk Management function before submission to the Nomination & Compensation Committee (NCC).
Governance	1. Board of Directors is responsible for reward across the Bank. 2. The Nominations & Compensation Committee (NCC) advises the Board of Directors. 3. The Nominations & Compensation Committee (NCC) is responsible for ensuring that compensation decisions take account of risk.	• The Board of Directors has ultimate responsibility for approving the compensation & incentives policy, and ensuring the effective implementation of the policy. • The Board is advised by the Nominations & Compensation Committee on all matters relating to the compensation & incentives policy • The Committee takes reports and recommendations from the Executive Management of the Bank, supported by Human Resources and Risk Management. • The Nominations & Compensation Committee reviews and recommends to the Board of Directors all compensation matters relating to Executive Management. • Decisions affecting compensation reflect all aspects of risk, including hard-to-measure risks such as reputational risk. • The Committee ensures that compensation decisions do not threaten capital ratios or liquidity.

REM1: Remuneration awarded during the financial year - 31 December 2022

			a	b
		Remuneration amount	**Senior management**	**Other material risk-takers**
1	**Fixed remuneration**	**Number of employees**	**12**	**362**
2		**Total fixed remuneration (3 + 5 + 7)**	**28,322**	**151,204**
3		Of which: cash-based	28,322	151,204
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	**Variable remuneration**	**Number of employees**	**12**	**362**
10		**Total variable remuneration (11 + 13 + 15)**	**30,565**	**59,874**
11		Of which: cash-based	30,565	59,874
12		Of which: deferred	11,271	9,327
13		Of which: shares or other share-linked instruments		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	**Total remuneration (2 + 10)**		**58,887**	**211,078**

REM2: Special payments - 31 December 2022

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments		
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Number of employees	Total amount
Senior management							
Other material risk-takers							

REM3: Deferred remuneration - 31 December 2022

	a	b	c	d	e
Deferred and retained remuneration	**Total amount of outstanding deferred remuneration**	**Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment**	**Total amount of amendment during the year due to ex post explicit adjustments**	**Total amount of amendment during the year due to ex post implicit adjustments**	**Total amount of deferred remuneration paid out in the financial year**
Senior management	27,720				
Cash					
Shares					
Cash-linked instruments					
Other					
Other material risk-takers	48,515				
Cash					
Shares					
Cash-linked instruments					
Other					
Total	**76,235**	**-**	**-**	**-**	**-**

General Qualitative Disclosure Requirements

Disclosure Policy for Basel III Pillar 3

To comply with the requirements of 'General Guidance Notes: Part A' issued via SAMA's circular 361000126572 dated July 9, 2015, Para 10 Riyad bank has established a Disclosure Policy for Basel III Pillar 3 information.

The Disclosure Policy amongst other things covers scope, implementation date, purpose, applicability and the roles and responsibilities and Internal Controls over preparation of Pillar 3 Disclosures.

	The below list of tables and templates are Not Available
Overview of risk management and RWA	KM2 – Key metrics – TLAC requirements (at resolution group level)
Linkages between financial statements and regulatory exposures	PV1 – Prudent valuation adjustments (PVA)
Composition of capital and TLAC	TLAC1 –TLAC composition for G-SIBs (at resolution group level)
	TLAC2 – Material subgroup entity – creditor ranking at legal entity level
	TLAC3 – Resolution entity – creditor ranking at legal entity level
Macroprudential supervisory measures	GSIB1 – Disclosure of G-SIB indicators
Credit risk	CRE – Qualitative disclosures related to IRB models
	CR6 – IRB – credit risk exposures by portfolio and probability of default (PD) range
	CR7 – IRB – effect on RWA of credit derivatives used as CRM techniques
	CR8 – RWA flow statements of credit risk exposures under IRB
	CR9 – IRB – backtesting of PD per portfolio
	CR10 – IRB (specialised lending and equities under the simple risk weight method)
Counterparty credit risk	CCR4 – IRB – CCR exposures by portfolio and PD scale
	CCR6 – Credit derivatives exposures
	CCR7 – RWA flow statements of CCR exposures under the Internal Model Method (IMM)
Securitisation	SEC2 – Securitisation exposures in the trading book
	SEC3 – Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor
Market risk	MRB – Qualitative disclosures for banks using the IMA
	MRC – The structure of desks for banks using the IMA
	MR2 – RWA flow statements of market risk exposures under IMA (Phase I only) MR2 – Market risk IMA per risk type (Phase II only)
	MR3 – IMA values for trading portfolios (Phase I only) MR3 – RWA flow statements of market risk exposures under IMA (Phase II only)
	MR4 – Comparison of VaR estimates with gains/losses (Phase I only)