Disclosures Under Basel III Framework

Qualitative & Quantitative Disclosures

Basel III Pillar 3 Disclosures

December 31, 2023

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Table OVA: Bank's Risk Management approach

a) Business Model Determination and Interaction with Overall Risk Profile

Riyad Bank is a full-service Bank, undertaking Retail, investment, Commercial and Wholesale banking activities. The Bank provides sophisticated corporate and retail products, doing so through both conventional and Shar'iah 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 emerging enterprises. The Bank's Treasury & Investment Division is an active participant in Saudi riyal and various other foreign currency denominated money markets in the Kingdom, and OTC derivatives to meet its customers trading needs.

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. The 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 sectors), 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 to out-run the competition, delight bank customers, and excel in their jobs and careers. The Bank has also embarked on a journey of leveraging internal and external data using Machine Learning and Artificial Intelligence capabilities to enhance customer experience and increase its market share.

The Bank adopted an integrated enterprise-wide approach in regards to risk management where all risk types and cross-risk type issues are identified, measured and monitored at all levels to provide one integrated view on the Bank's risk profile. The Bank fosters a sound risk culture of shared responsibility and accountability, along with an enabling risk appetite and Enterprise Risk Management Framework (ERMF), to ensure a robust internal control environment and effective risk management practices. The Bank's ERMF enables it to identify, measure, manage, and control risks in order to ensure sustainable capital adequacy on an ongoing basis. A fully embedded ERMF covers the Bank's risk universe.

The Bank approaches the development of its business strategy, risk appetite, and balance sheet management in an integrated manner. Besides, the Bank's Capital Management Framework (CMF) is designed to meet key stakeholders' expectations, with a focus on adequacy of the Bank's capital in relation to its risk profile.

The Bank has a comprehensive Credit Risk Management Framework defining the principles related to credit risk management at the Bank and details the governance structure associated with monitoring and managing credit risk. Credit Risk Management Framework is designed to ensure that the quantum of credit risk taken by the Bank is within the Board of Directors' approved risk appetite thresholds. The Bank follows a prudent approach to credit risk ensuring to protect the shareholders' interests by maintaining profitability and growth along with strong balance sheet. Risk and reward relationship with clients and loan portfolios is achieved through Risk Adjusted Pricing while ensuring a balance between risk and reward. The Bank discourages acquisition/retention of credit exposures that do not generate adequate returns above the cost of funds.

The Bank has established Cyber & Information Security function with an objective to manage cyber security risks efficiently, through implementing the necessary detective and preventive cyber security controls that can be used to protect the bank's information assets against internal and external threats. The Bank's strategy and associated business models are enabled by IT systems that introduce technology risks, which are integral part of the risk profile of the bank. The Board approved policies and regulatory frameworks are implemented to govern technology risks.

b) 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 practices. The Bank has oversight committees of Board for risk governance. These committees are Executive Committee, Audit Committee, Risk Management Committee, Nomination and Compensation Committee and the Strategic Planning Group. In addition, the Board of Directors has delegated certain responsibilities to the respective Management Committees to monitor and manage risks of the Bank as per their mandate.

The Board of Directors carries out the core responsibilities of approving the Bank's risk appetite, the risk frameworks and relevant policies. These frameworks and policies provide the fundamental principles and guidance for risk management throughout the Bank and its subsidiaries. The Board monitors the progress on implementation of its risk strategy related projects, the compliance with all regulatory matters and adherence to Board approved risk limits.

The Bank ensures an independence of its risk management function, in line with the guidance and direction provided by the Saudi Central Bank (SAMA) and the Basel Committee on Banking Supervision (BCBS). In addition, the Bank has put in place a comprehensive and effective operating structure to identify and manage risks at different levels of organization. The Bank's sound governance and robust risk management are reinforced by three lines of defense approach that is an integral part of its Enterprise Risk Management Framework (ERMF).

The Bank's Risk Appetite Framework (RAF) is an integral component of its ERMF, and is embedded in the Bank's strategy and annual operating plan. The RAF establishes an overall approach through which the Bank ensures prudent risk-taking. It is established on the basis of best practices and outlines the process of developing a Risk Appetite Statement (RAS), its governance, monitoring and reporting. The Bank's RAS is integrated with its strategic planning process and is approved by the Board of Directors on an annual basis. In addition, the RAS may be reviewed more frequently, as needed. The Bank has established strategic risk objectives that contain a full suite of quantitative metrics and qualitative statements as part of its risk appetite. In addition, the Bank also expresses its risk appetite qualitatively, in terms of policies, processes, procedures and controls, duly meant to manage risks that may or may not be quantifiable. The Bank will continue to invest in a risk management ecosystem for all key existing and emerging risks.

Risk Management is an independent function duly headed by the Chief Risk Officer (CRO) and comprises mainly of Enterprise Risk Management Division and Corporate Credit Division. Risk management responsibilities in the Bank cover all facets of existing and emerging risks including credit risk, market risk, operational risk, liquidity risk and interest rate risk in banking book. The Enterprise Risk Management Division also has the responsibility of managing the Risk Appetite, Stress Testing and Internal Capital Adequacy Assessment Plan (ICAAP) exercises of the Bank. The Bank has established an independent model risk development and validation under Enterprise Risk Management Division to strengthen governance around model risk management and to enhance roles of the three lines of defense.

In pursuit of its strategy, the Bank is exposed to and actively works to monitor and mitigate various types of risks, including but not limited to credit risk, market risk, liquidity risk, operational risk, technology risk, fraud risk and cyber security risk.

Credit Risk Management

Credit risk is defined as the risk of financial loss resulting from the other party to a credit transaction not meeting (or not meeting completely) its financial obligations. Accordingly, the Bank developed various credit risk management frameworks and policies that encompass all financing programmes to ensure it minimizes the overall risk in its credit portfolio and reduces the losses incurred by financing activities. The Bank operates in accordance with a set of stringent credit framework, policies, manuals and procedures, which are reviewed regularly, considering latest updates issued by SAMA, BCBS and changes in risk dynamics. Credit limits are established that correspond to the level of risk and are within the risk acceptance criteria. Excessive concentration of credit risk is avoided in all dimensions for both retail and corporate exposure.

The Bank's credit rating system conforms to international standards. The Bank, while having its own internal credit rating system, also incorporates the ratings of external agencies in its due diligence process. The credit risk assessment is executed through standardized measurement tools. This provides a comprehensive picture of the Bank's asset quality, along with measurement of probability of default, which is a prerequisite for calculating expected credit losses in accordance with relevant Accounting Standards.

The Bank's processes are constantly evolving in line with the requirements of both local and international regulations and best practices. The Bank complies with all Basel requirements in measuring the capital adequacy ratio required to cover credit risk according to the standard method (Standardized Approach).

The Bank uses internal credit risk models for credit assessments. These models are independently validated annually. Qualitative and quantitative validation tests are carried out to ensure the reliability of the credit rating models.

Market Risk and Liquidity Risk Management

Market risk is the risk of losses resulting from fluctuations in market prices of relevant instruments, such as special commission rates, stock prices, foreign exchange rates, and any changes in the fair value of financial instruments and securities held by the Bank. The Bank continuously measures and monitors risks pertaining to assets and liabilities resulting from fluctuations in fair values or future cash flows of financial instruments due to changes in market prices. This is achieved using risk structure, limits, and metrics approved by the Board of Directors and monitored by the Market and Liquidity Risk Management Department.

There is also a trade-off between liquidity and profitability, and an appropriate balance must be struck in all operations while maintaining a strong liquidity position to increase customer confidence and improve the cost of funding. Additionally, periodic reports on market and liquidity risks are submitted to the Asset and Liability Management Committee and the Investments Committee. Such reports are then submitted to the Board's Risk Committee.

The Bank has adopted the value at risk (VaR) standard, which is a tool to measure and quantify the level of financial risk in a Bank or a portfolio. Thereby, the Bank can monitor the changes and volatility of market prices and the relationship linking these changes to one another as a basic standard for measuring market risks. Moreover, several other advanced standards are used to improve analytical capabilities in managing market risks, including liquidity, stress tests and analysis of market risk sensitivity. The Bank continues to enhance its operations and systems to manage market and liquidity risks effectively, and to implement the latest regulatory standards as per the requirements of SAMA and BIS.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk is inherent in all products, activities, processes and systems of the Bank. This risk may also emanate from third-party and outsourcing arrangements in which the Bank engages. Effective management of operational risk is a fundamental element of the Bank's risk management strategy and is a critical aspect to ensure Bank-wide stability and resilience.

The Bank effectively manages operational risk through a comprehensive, Board-approved operational risk management policy. This policy prescribes key risk management aspects of the three lines of defense model and operational risk management tools to facilitate appropriate identification, assessment, mitigation, monitoring and reporting of operational risks. The Bank has also developed a robust governance structure outlining the roles and responsibilities of various stakeholders for managing operational risks.

The Operational Risk Management Department plays an independent and critical second line of defense function in the Bank, which ensures implementation of the operational risk management policy. It is responsible for operationalizing tools like Risk & Control Self-assessment (RCSA), Key Risk Indicators (KRI), control testing, risk assessment of new products/processes, and incident management to ensure appropriate management of operational risks. It also promotes a culture of risk identification and mitigation within the Bank, through continual employee engagement and awareness sessions.

The Bank also invests in advanced technologies and employee training initiatives aimed at enhancing operational efficiency and reducing vulnerability to risks. It regularly engages in self-evaluation exercises to align itself with industry best practices, regulatory compliance, and improving the overall operational resilience. This structured approach to managing operational risks underscores the Bank's commitment to continuous improvement and adaptability in unforeseen scenarios, including adherence to sound operational risk management practices, transparency, and the sustained success of the Bank's operations.

Technology Risk Management

The technology landscape of the Bank continues to evolve in order to support business strategy and operational needs. The "Digitally Enabled" pillar of the Bank's strategy has triggered multiple automation and process improvement projects involving acquisition of new systems and upgrade of existing technology across business units and support functions. The incremental risks arising from the use and adoption of technology must be managed in a structured manner, in compliance with the SAMA IT Governance Framework.

Technology risk is recognized as one of the key risk areas under the broader category of operational risks. As a specialist control function, the Technology Risk Department was established under Enterprise Risk Management to oversee and support mitigation of technology risks in the Bank, in collaboration with Business Technology Division and other control functions, such as Cyber & Information Security, Technology Service Continuity and Compliance.

The Bank pays great attention to the risks associated with business technology and has developed a technology risk policy and procedures to (i) understand impact of technology risks on the business, (ii) put in place the relevant measures and controls to mitigate technology risks, and (iii) limit the impact in case a risk materializes. The Technology Risk Department conducts ad-hoc assessments triggered by IT incidents, periodic assessments of business applications, and risk assessment of technology projects to support business with identification of risks and to recommend risk mitigation strategies. Technology risk assessment results are shared with the respective business units and presented at Operational Resilience Committee for management awareness and support, as required.

Cyber and Information Security Risks Management

Cyber and information security risks refer to risks arising from the possibility of breaching the necessary regulatory, technical and procedural measures put in place to protect the Bank's information from unauthorized access, disclosure or reproduction, as well as from use, modification, transfer, loss, theft or misuse thereof, in a deliberate and subversive, or accidental manner.

The Bank manages cyber and information security risks through a comprehensive practical framework through which governance is applied across all its information systems, practical procedures are organized, and implementation of the regulatory requirements and necessary rules is facilitated, ensuring the protection of the Bank's informational assets to reduce various cyber and information security risks. Moreover, cyber and information security legislations issued by the relevant authorities are enforced. There is direct and complete supervision of all relevant activities from the viewpoint of cyber and information security. A process of security testing and assessments is established, and continuous monitoring of system events in correlation with cyber threat intelligence information is performed for the purpose of identifying security risks and taking necessary measures to immediately reduce/mitigate those risks.

The Bank fully complies with applicable regulatory directives, international standards and best practices, besides constantly enhancing the awareness programme to raise awareness amongst all employees, contractors, vendors and customers.

Anti-Financial Fraud

In recent years, financial fraud has emerged as a serious threat and challenge to financial institutions, their customers and the financial stability of the system. Riyad Bank realizes the gravity of such crimes and their consequences. Therefore, efforts were made to take preventive measures of a strategic nature to combat and prevent financial fraud and protect the Bank's clients and assets.

The Bank has incorporated the best international practices to execute its strategy to combat and monitor fraud risk, including controls designed to combat embezzlement, unauthorized account activity, fraudulent funds transfers and monitoring bank accounts for suspicious activity. The Bank will continue to further strengthen the controls to prevent and detect fraudulent activity and ensure full risk coverage as well, as a high level of security and protection for the Bank, its customers and its other stakeholders.

Fraud risk is dynamic and subject to changes dependent on external factors, such as the economic environment, alongside updates to the banking industry itself through enhanced digitization. Therefore, the Bank's strategy is subject to periodic reviews and frequent updates.

In addition, a risk assessment review is carried out periodically that encompasses the functions, departments, policies and procedures for addressing risks of internal and external fraud, and determines the level and nature of those risks. Since they may pose special risks, all new financial products and services are subject to a risk assessment by control functions before they are launched.

Riyad Bank sought to raise employee awareness by launching an awareness programme throughout the year to boost commitment to combating financial fraud. The Bank's customers and other concerned parties play an important role in helping the Bank to detect fraud. Accordingly, awareness and ad-hoc campaigns are launched regularly to inform customers about new types and forms of fraud they may face, and how to report them.

c) Channels to Communicate, Define and Enforce the Risk Culture

Risk culture is one of the critical principles of the Bank's enterprise risk management. It sets the norms of behaviour and actions around risk management. It shapes the Bank's ability to identify, understand, assess and mitigate current and future risk while ensuring that a proper risk culture is embedded within the organization and promoted via implementation of awareness programmes. The Bank continuously upgrades the skillset of its staff through the delivery of a range of fit for purpose trainings throughout the year.

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.

Riyad Bank has a well-established internal control system to ensure an effective internal control environment, in line with the 'Guidelines on Internal Control' issued by SAMA. This system ensures that the risk communication channels between businesses and control functions are in place and there is an adequate risk governance principles guidance at each line of defense to embed risk management practices with the organization. Internal controls include clear corporate governance that defines the roles and responsibilities of Board of Directors and its Committees. The Executive Management and its Committees ensure that risks related to regulatory requirements, strategy, financial performance, information technology, assets and liabilities management, liquidity, credit, operations, legal affairs and information security are appropriately managed and reported.

Bank's employees are responsible for the efficiency and effectiveness of their respective internal control environments. This assurance is provided through periodic self-assessment reviews of processes and controls to proactively identify areas of improvement and ensure timely remediation. Additionally, independent control functions conduct reviews to ensure adequacy of the internal control environment.

The Compliance Department ensures compliance with regulatory requirements and guidelines. Meanwhile, the Internal Audit Department independently assesses the adequacy and efficiency of the internal control environment, by ensuring all applicable policies and procedures are implemented and practiced appropriately. 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. An independent risk management function ensures the risk identification, management, monitoring and mitigations as per approved policies and procedures.

The Bank through Compliance Department ensures that decisions, which legally commit the Bank, are following 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

Riyad bank has implemented systems, frameworks processes, policies, models and methodologies for timely and effective assessment of existing and emerging risks. In addition, the Bank has developed and implemented risk management tools to ensure the stable risk profile. Given below is a brief on the components of overarching risk management tools.

Risk Appetite

Risk appetite is the quantum of risk that the bank's board of directors 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. The Board sets the risk appetite annually, at a level that minimizes erosion of earnings or capital due to avoidable losses in the banking and trading books or from frauds and operational inefficiencies. On-going monitoring by the related stakeholders considers whether the objectives set, and the risk response decisions made, are consistent with the bank's risk appetite statement. As part of the internal reporting process, any variation from the specified risk appetite, as well as the necessary corrective actions required/taken in this regard should then reported to management and the Board/Board Risk Committee for further action, where necessary.

Stress Testing and Risk Capital

Stress Testing is an integral component of risk framework and has an important connection to risk appetite, risk capital, emerging risks and day-to-day risk management. Stress testing is used to assess the vulnerability of the bank's financial position to exceptional but plausible stress events and scenarios, and the impact that they may have on business plans, risk management strategies or capital plan. The ultimate objective of the stress testing is to develop and implement (where and when applicable) a set of remedial actions that would either reduce or pre-empt the probability of occurrence or mitigate the impact of stress events. The stress test results serve as an input into the bank's strategic decision-making by linking these results to risk appetite, capital and contingency planning.

Key Risk Indicators

Key Risk Indicator (KRI) refers to a qualitative and quantitative metric used to measure key risks across an organization and is derived based on banks procedures and current business practice.

Risk Control Self-Assessment

The bank has introduced Risk Control Self-Assessment as a risk management technique applied to assess the effectiveness of risk and control environment of the business divisions and support areas.

Risk Assessments

The bank must be aware of, and deal with, the risks it faces. It has established the assessment mechanism to identify, analyze, manage the related risks and evaluate all applicable risks and controls, which business stakeholders need to take into consideration as part of decision-making process.

Early Warning Signals

The Bank has implemented an effective early warning system duly aimed to detect potential deterioration in credit quality.

Risk Acceptance Criteria (RAC)

The Bank has put in place an appropriate set of Risk Acceptance Criteria to determine the target clients and exposures.

In addition, the Bank is maintaining following risk 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 are leveraged in establishing 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. Obligor's Risk Rating System

The Obligor Risk Rating System hosts several customized rating models designed to assess the risk of obligors operating in different market segments and industries, requiring various types of financing. This system provides comprehensive Obligor risk information by hosting financial and business data, facilitating credit analysis and assignment of internal ratings with robust data storage capability using one flexible, secured Enterprise Platform. The Bank continuously enhance its obligor risk assessment capabilities by upgrading the System to advanced versions when made available, ensuring the use of best industry practices.

ii. 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 underwriting 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.

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.

iii. Credit Risk Weighted Assets (CRWAs) Measurement System

For the calculation of Credit Risk Weighted Assets, the Capital Calculator is deployed in the Bank. It uses a single data feed from the Bank's Data Warehouse and calculate CRWAs as per SAMA guidelines. Pillar 3 is one of the outputs of Capital Calculator.

iv. Treasury Risk System for Counterparty Credit Risk Measurement

Riyad Bank Treasury System for Counterparty Credit Risk measurements is compliant with Basel III Standardized Approach for Counterparty Credit Risk (SACCR) as adopted by SAMA. This system complies with Basel III SA CCR computation for EAD (Exposure at Default) OTC Derivatives as per SAMA/BASEL requirements. In addition, the solution measures Exposure at Default (EAD) through replacement cost and potential future exposure while adjusting variation margins posted as collateral. The solution allows Riyad Bank to achieve a consistent and compliant risk policy for derivative counterparty exposures.

v. IFRS-9 Solution for calculation of Expected Credit Loss (ECL):

The Bank has implemented IFRS-9 solution for calculating Expected Credit Loss Model (ECL) provisioning. The system 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 the system in an automated environment.

vi. Retail Risk Measurement Systems

For retail asset business, the Bank uses the system 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.

2. Market and Liquidity Risk Measurement Systems

Riyad Bank uses an integrated market and liquidity risk systems that brings together Bank-wide market, ALM and Liquidity risk management into one platform for daily monitoring and reporting. The risk systems enable Riyad Bank to measure market valuations, Value at Risk, Net interest Income at Risk, Economic Value of Equity at Risk, LCR, NSFR 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.

3. Operational Risk Measurement Systems

The Bank has implemented a web-based platform for Operational Risk Management 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 tool which facilitates hosting of risks faced by the organization and enables their assessment, measurement and monitoring.
- Key Risk Indicators – a tool used to enhance the monitoring and mitigation of risks and facilitate risk reporting.
- Incident management module – a 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 — a module that supports creation and tracking of issues and their corresponding action plans.
- Risk Management – a module hosting the risk register repository for the bank, which is linked to other modules to provide a 360 - degree view of the banks risk profile.
- 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 operational risk management 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.

4. Cyber Risk Measurement System

Cyber Risk Assessments - Riyad Bank is continuously facing new Cyber threats and Cyber risks. Thus, Cybers and Information Security Risk Assessment are designed to ensure cyber security risks are properly managed to protect the confidentiality, integrity, and availability of the Riyad Bank's information and technology assets, and to ensure the cyber security risk management process is aligned with the Riyad Bank's enterprise risk management process.

KPI and KRI Measurement – An activity which is performed periodically by Cyber security team to monitor and evaluate the performance, compliance of the cyber security controls for reporting the trend and identification of potential improvements.

TIP - Threat Intelligence Platform – Riyad Bank utilizes a Threat Intelligence Platform (TIP) solution that collects, aggregates and organizes threat intel data from multiple sources and correlate with SIEM data. A TIP provides security teams with information on known malware and other threats, powering efficient and accurate threat identification, investigation and response.

SOAR - Security Orchestration, Automation and Response - Cyber Security utilizes security orchestration, automation and response (SOAR) technology helps coordinate, execute and automate tasks between various people and tools all within a single platform to manage the Cyber Risks.

SIEM – Splunk – Riyad Bank cyber security is utilizing a security events management solution to corelate, investigate and respond to cyber threats or incidents.

Vulnerability Management (Qualys) – Riyad bank utilizes the tool for identifying the open vulnerabilities and threats within the Riyad bank environment.

5. Technology Risk Measurement System

Risk measurement system is in place to identify, assess and monitor technology-related threats and vulnerabilities across the Bank. Technology risk measurement system's scope and features cater specifically to the unique challenges and dynamic nature of technology risks. The scope ensures broad coverage, forward looking and business alignment; whereas, the main features include qualitative assessments, risk registers, quantitative metrics (where possible), visualization, reporting and regulatory compliance monitoring.

e) Description of process of risk information reporting provided to the Board and Senior Management

The Board of Director and senior management is constantly informed regarding the risk profile of the Bank through several reports. Given below are the key reports providing the risk assessments and monitoring on periodic basis to the Board of Directors and Senior Management.

i. Risk Appetite Dashboard and Enterprise Risk management Report includes Capital Adequacy Ratios, is prepared and submitted to the Board of Directors on a quarterly basis. 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. In addition, Enterprise Risk Management report captures the risk profile of the Bank and is comprised of analysis of key risks within the Bank. These reports are presented to the Risk management Committee of the Board for their oversight purposes. In addition, the Bank also kept on providing adhoc risk reports to the Board or its sub-committees for their monitoring purpose.

ii. Weekly movement report is 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 the Senior Management on a weekly basis.

iii. Asset Quality Report is a 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. By Market Risk the Capital Dashboard is produced and is circulated to the bank's senior management and to all major stakeholders. The dashboard provides senior management with a holistic view of the market risk limits and utilization of treasury's portfolios. Multiple market risk parameters are considered in the dashboard such as VAR, Stop loss, net open positions. In addition, capital dashboard provides the movement of capital adequacy ratio.

v. Liquidity daily monitoring and early warning Indicators where liquidity risk indicators (including LCR and NSFR) are produced, monitored, and reported to senior management on a daily and weekly basis. Liquidity Early Warning Indicators monitors certain market driven parameters with given thresholds and it is circulated to stakeholders and senior management on a weekly basis.

vi. Investment Committee Report is circulated to the Investment Committee Members which comprises of senior management of the Bank. This is an exhaustive report covering all the compliance and limit guidelines set by the Investment Committee.

vii. 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.

viii. Provisioning Report at transactional and client level is produced on a monthly basis from IFRS9 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 reports are also generated from IFRS9 solution to meet vast requirements related to IFRS 9 standard reporting as well as specific regulatory or internal reporting requirements.

ix. Quarterly Provision aims to Study closely monitors and identifies provisioning requirements and problem loan migration. This is approved by the Audit Committee of the Board.

x. Bank is reporting on a monthly basis of Retail Portfolio to the Retail Risk Management Committee besides asset quality reports to the Board of Directors.

xi. Internal Capital Adequacy Assessment Plan (ICAAP) is a compressive document 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. Internal Liquidity Adequacy Assessment Process (ILAAP) comprehensively identifies and quantifies all sources of Bank's liquidity risk, documents how the Bank intends to mitigate those risks, and assesses 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. Cyber and Information Security Department submits periodic reports highlighting the Cyber security risk posture to various committees such as Board Risk Committee, Operational Resilience Committee, Risk & Compliance Committee, and Cyber Security committee.

xvi. Effectiveness of existing controls, compliance with relevant regulations, and any gaps or potential improvements needed are reported to the senior management.

xvii. The Retail Risk Management Committee (RRMC) is provided with Management Information (MI) Packages and retail performance presentations on a monthly basis, which gives them comprehensive insights into the performance of the retail product portfolios, including drill downs in to the cohorts.

f) Qualitative information on stress testing

Stress tests are simulations to test the resilience of the Bank and its risk management capabilities. The Bank applies its Stress Testing Framework to all material types of risks, including all banking activities to test its resilience under financial and economic changes. Regular stress testing exercises are conducted to assess the adequacy of the Bank's capital to withstand various scenarios. The Bank regularly reviews and updates its stress testing methodologies along with underlying assumptions to ensure the efficacy and relevance of its stress testing models.

Stress testing is considered as an important internal tool of analyzing the risk profile of the Bank at the enterprise level to provide an understanding of Group's capital adequacy in extreme conditions. It is also part of the Internal Capital Adequacy Assessment Plan (ICAAP), Internal Liquidity Adequacy Assessment Plan (ILAAP), Recovery Planning and to supplement the Bank's internal capital planning.

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

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

i. The Bank uses advance techniques for stress testing of Pillar 1 and Pillar 2 risk types including Credit Risk, Market Risk, Operational Risk, Concentration Risk, etc.

ii. 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.

iii. 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.

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 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. 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.

ii. A strong risk strategy and risk appetite approved by the Board is in place and monitored 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. 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 activities as per the appetite set by the Board.

iv. 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.

v. 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.

vi. Bank's maximum exposure to a single borrower is in line with the regulatory limits. 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 regulatory requirements for large and connected exposures reporting. The rules are fully operationalized in the Bank's lending system and complies with SAMA's requirements. 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.

vii. 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. Bank continues to refine its existing internal rating systems as well as develop new or enhanced rating systems on an ongoing basis to ensure robust obligor risk assessment. These risk ratings together with the risk migration matrix assist with more accurate calculation of PD's associated with loan portfolio and enhancing risk premium/ review pricing policies.

viii. The Bank uses IFRS9 impairment methodology under which the impairment model reflects 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 ECL calculation System that calculates provisioning based on IFRS9 guidelines and supports an integrated modular approach in an automated environment for business and regulatory reporting. The Bank has also put in place the required policies, process and procedure documents, and respective risk models are in place to enable the computation of ECL for financial instruments that are subject to ECL calculation.

ix. The Bank has implemented risk management tools and methodologies, like, Risk & Control Self-assessment (RCSA), Key Risk Indicators (KRI), control testing, risk assessment of new products/processes, and incident management to ensure appropriate management of operational risks. It also promotes a culture of risk identification and mitigation within the Bank, through continual employee engagement and awareness sessions. Moreover, several risk mitigation techniques are used in the Bank, including but not limited to:

- Controls testing
- Operation Losses Risk appetite thresholds.
- Process improvement and streamlining of procedures via active participation by control functions.
- Having adequate insurance policies and coverage across the bank activities.
- Business continuity planning and execution.

x. The Bank has an approved Cybers and Information Security Risk Assessment & Management Framework and Methodology (CISRAM) designed to ensure cyber security risks are properly managed to protect the confidentiality, integrity, and availability of all Riyad Bank's information and technology assets and to create culture, processes and structures that are directed towards the effective management of potential cybersecurity risks and adverse effects on Riyad Bank business operations.

xi. The strategies and processes to manage, hedge and mitigate technology and cyber risks that arise from the bank's business model and the processes for monitoring are in place.

xii. For Interest rate risk, the bank is using a DV01 by maturity bucket to measure the exact period of time that attracts interest rate risk. Based on that, the bank hedges its interest rate volatility using several hedging solutions such as asset swaps and interest rate swaps. The bank has a hedging strategy along with a hedging plan that gets updated and discussed in ALCO meetings.

xiii. 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.

xiv. The Bank has also deployed RAROC (Risk-adjusted **return on capital**) tool 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.

xv. 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.

KM1: Key metrics (at consolidated group level)

SR 000

		a	b	c	d	e
		Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	53,451,132	50,659,386	50,892,993	49,011,530	49,465,033
1a	Fully loaded ECL accounting model	53,451,132	50,659,386	50,892,993	49,011,530	49,465,033
2	Tier 1	60,013,632	57,222,224	57,455,868	55,576,805	56,036,158
2a	Fully loaded ECL accounting model Tier 1	60,013,632	57,222,224	57,455,868	55,576,805	56,036,158
3	Total capital	70,511,967	67,310,080	66,803,127	64,766,324	65,352,621
3a	Fully loaded ECL accounting model total capital	70,511,967	67,310,080	66,803,127	64,766,324	65,352,621
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	340,106,914	325,145,862	320,997,326	312,669,662	310,424,861
4a	Total risk-weighted assets (pre-floor)	340,106,914	325,145,862	320,997,326	312,669,662	310,424,861
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	15.72%	15.58%	15.85%	15.70%	15.90%
5a	Fully loaded ECL accounting model CET1 (%)	15.72%	15.58%	15.85%	15.70%	15.90%
5b	CET1 ratio (%) (pre-floor ratio)	15.72%	15.58%	15.85%	15.70%	15.90%
6	Tier 1 ratio (%)	17.65%	17.60%	17.90%	17.80%	18.10%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.65%	17.60%	17.90%	17.80%	18.10%
6b	Tier 1 ratio (%) (pre-floor ratio)	17.65%	17.60%	17.90%	17.80%	18.10%
7	Total capital ratio (%)	20.73%	20.70%	20.81%	20.70%	21.10%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.73%	20.70%	20.81%	20.70%	21.10%
7b	Total capital ratio (%) (pre-floor ratio)	20.73%	20.70%	20.81%	20.70%	21.10%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.082%	0.082%	0.093%	0.053%	0.037%
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)	3.082%	3.082%	3.093%	3.053%	3.037%
12	CET1 available after meeting the bank's minimum capital requirements (%)	12.63%	12.50%	12.76%	12.65%	12.90%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	486,290,189	472,266,587	476,442,462	469,075,757	436,752,320
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	12.34%	12.12%	12.06%	11.80%	12.80%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	12.34%	12.12%	12.06%	11.80%	12.80%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	12.34%	12.12%	12.06%	11.80%	12.80%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	12.34%	12.12%	12.06%	11.80%	12.80%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	12.34%	12.12%	12.06%	11.80%	12.80%
Liquidity Coverage Ratio (LCR)						
15	Total high-quality liquid assets (HQLA)	51,802,125	53,776,953	59,815,270	55,643,141	55,945,827
16	Total net cash outflow	32,394,413	31,859,308	33,057,921	29,682,496	30,741,005
17	LCR ratio (%)	160%	169%	181%	187%	182%
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	260,634,284	253,064,624	256,057,814	244,946,142	239,070,231
19	Total required stable funding	229,766,552	222,957,640	217,506,163	208,583,855	202,419,945
20	NSFR ratio	113%	114%	118%	117%	118%

OV1: Overview of RWA

SR 000's

		a	b	c	
		RWA		Minimum capital requirements	Drivers behind significant differencesin Dec-23 and Sep-23
		Dec-23	Sep-23	Dec-23	
1	**Credit risk (excluding counterparty credit risk)**	**311,214,735**	**297,894,867**	**24,897,179**	**Increase in Loans & Advances and off-balance sheet portfolio.**
2	Of which: standardised approach (SA)	311,214,735	297,894,867	24,897,179	
3	Of which: foundation internal ratings-based (F-IRB) approach				
4	Of which: supervisory slotting approach				
5	Of which: advanced internal ratings-based (A-IRB) approach				
6	**Counterparty credit risk (CCR)**	**2,575,932**	**2,429,486**	**206,075**	**Increase in Derivatives Portfolio**
7	Of which: standardised approach for counterparty credit risk	2,575,932	2,429,486	206,075	
8	Of which: IMM				
9	Of which: other CCR				
10	**Credit valuation adjustment (CVA)**	**4,858,343**	**4,062,055**	**388,667**	**Increase in Derivatives Portfolio**
11	**Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period**				
12	**Equity investments in funds - look-through approach**	**152,953**	**149,927**	**12,236**	
13	**Equity investments in funds - mandate-based approach**				
14	**Equity investments in funds - fall-back approach**				
15	**Settlement risk**				
16	**Securitisation exposures in banking book**				
17	Of which: securitisation IRB approach (SEC-IRBA)				
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)				
19	Of which: securitisation standardised approach (SEC-SA)				
20	**Market risk**	**7,843,841**	**7,148,418**	**627,507**	**Increase in FX open positions**
21	Of which: standardised approach (SA)	7,843,841	7,148,418	627,507	
22	Of which: internal model approach (IMA)				
23	**Capital charge for switch between trading book and banking book**				
24	**Operational risk**	**13,461,109**	**13,461,109**	**1,076,889**	
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**				
26	**Output floor applied**				
27	**Floor adjustment (before application of transitional cap)**				
28	**Floor adjustment (after application of transitional cap)**				
29	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)**	**340,106,914**	**325,145,862**	**27,208,553**	

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories - 31 December 2023

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 securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with SAMA	26,175,226	26,175,226	26,175,279				
Due from banks and other financial institutions	15,433,725	15,433,725	15,435,157				
Positive fair vale of derivatives	3,668,130	3,668,130		3,668,130			
Investments, net	58,108,824	58,108,824	55,431,109			2,322,845	
Loans and advances, net	274,398,246	274,398,246	277,447,489				
Investment in associates	379,941	379,941	379,941				
Other real estate	670,470	670,470	670,470				
Property and equipment, net	5,467,247	5,467,247	5,467,247				
Other assets	2,547,120	2,547,120	2,774,218				
Total assets	**386,848,929**	**386,848,929**	**383,780,909**	**3,668,130**	**-**	**2,322,845**	**-**
Liabilities							
Due to banks and other financial institutions	42,464,026						42,464,026
Negative fair value of derivatives	3,428,575						3,428,575
Customer deposits	254,907,624						254,907,624
Debt securities in issue	13,372,622						13,372,622
Other liabilities*	12,418,012						12,418,012
Total liabilities	**326,590,858**	**-**	**-**	**-**	**-**	**-**	**326,590,858**

*This includes loss allowance for credit related commitments and contingencies

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements - 31 December 2023

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)	386,848,929	383,780,909	-	3,668,130	2,322,845
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	326,590,858	-	-	-	-
3	Total net amount under regulatory scope of consolidation	60,258,071	383,780,909	-	3,668,130	2,322,845
4	Off-balance sheet amounts*	262,754,732	98,712,574			
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	807,546				807,546
10	Derivatives (also subject to Credit valuation adjustment)	179,183,619			4,396,817	

**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 and 37 of Annual Published Financial Statements

Riyad Bank بنك الرياض

CC1 - Composition of regulatory capital - 31 December 2023

SR 000's

		a	b	
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Commentary to explain any significant changes over the reporting period and the key drivers of such change
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	30,000,000	A	
2	Retained earnings	11,277,171	B	
3	Accumulated other comprehensive income (and other reserves)	12,418,400	C-E	
4	Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)			
6	**Common Equity Tier 1 capital before regulatory adjustments**	**53,695,571**		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudent valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	(129,571)		
10	Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)			
11	Cash flow hedge reserve	(114,868)		
12	Shortfall of provisions to expected losses			
13	Securitisation gain on sale (as set out in SACAP4.1.4)			
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 subtracted from 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, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)			
20	MSR (amount above 10% threshold)			
21	DTA 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: MSR			
25	Of which: DTA arising from temporary differences			
26	National specific regulatory adjustments			
27	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions			
28	Total regulatory adjustments to Common Equity Tier 1 capital	(244,439)		
29	**Common Equity Tier 1 capital (CET1)**	**53,451,132**	F	
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	6,562,500	G	
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 capital			
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 additional Tier 1 capital)			
35	Of which: instruments issued by subsidiaries subject to phase-out			
36	**Additional Tier 1 capital before regulatory adjustments**	**6,562,500**		
	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, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation			
41	National specific regulatory adjustments			
42	Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions			
43	Total regulatory adjustments to additional Tier 1 capital	0		
44	Additional Tier 1 capital (AT1)	6,562,500		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**60,013,632**		
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	8,772,270	H	
47	Directly issued capital instruments subject to phase-out from Tier 2 capital			
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	1,726,066		
51	**Tier 2 capital before regulatory adjustments**	**10,498,336**		
	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)			
54a	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	10,498,336		
59	Total regulatory capital (= Tier 1 + Tier2)	70,511,967		
60	Total risk-weighted assets	340,106,914		
	Capital adequacy ratios and buffers			
61	Common Equity Tier 1 capital (as a percentage of risk-weighted assets)	15.72%		
62	Tier 1 capital (as a percentage of risk-weighted assets)	17.65%		
63	Total capital (as a percentage of risk-weighted assets)	20.73%		
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of riskweighted assets)	3.08%		
65	Of which: capital conservation buffer requirement	2.5%		
66	Of which: bank-specific countercyclical buffer requirement	0.08%		
67	Of which: higher loss absorbency requirement	0.5%		
68	Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	12.63%		
	National minima (if different from Basel III)			
69	National minimum Common Equity Tier 1 capital adequacy ratio (if different from Basel III minimum)			
70	National minimum Tier 1 capital adequacy ratio (if different from Basel III minimum)			
71	National minimum Total capital adequacy ratio (if different from Basel III minimum)			
	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 financial entities	379,941	I	
74	MSR (net of related tax liability)			
75	DTA arising from temporary differences (net of related tax liability)			
	Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap)	1,726,066		
77	Cap on inclusion of provisions in Tier 2 capital under standardised approach	3,922,383		
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings based approach (prior to application of cap)			
79	Cap for inclusion of provisions in Tier 2 capital 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 capital 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 capital due to cap (excess over cap after redemptions and maturities)			
84	Current cap on Tier 2 instruments subject to phase-out arrangements			
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)			

CC2 – Reconciliation of regulatory capital to balance sheet - 31 December 2023

	A Balance sheet in Published financial statements	B Under regulatory scope of consolidation	SR 000's Reference
Assets			
Cash and balances at central banks	26,175,226	26,175,226	
Due from banks and other financial institutions	15,433,725	15,433,725	
Positive fair value of derivatives	3,668,130	3,668,130	
Investments, net	58,108,824	58,108,824	
Loans and advances, net	274,398,246	274,398,246	
Other assets	2,547,120	2,547,120	
Investment in associates	379,941	379,941	I
Other real estate	670,470	670,470	
Property, equipment and right of use assets, net	5,467,247	5,467,247	
Total assets	386,848,929	386,848,929	
Liabilities			
Due to banks and other financial institutions	42,464,026	42,464,026	
Negative fair value of derivatives	3,428,575	3,428,575	
Customer deposits	254,907,624	254,907,624	
Debt securities in issue and term loan	13,372,622	13,372,622	H
Other liabilities	12,418,011	12,418,011	
Subtotal	326,590,858	326,590,858	
Share capital	30,000,000	30,000,000	A
Treasury shares	(165,912)	(165,912)	C
Statutory reserve	12,953,515	12,953,515	D
Other reserves	(369,203)	(369,203)	E
Retained earnings	11,277,171	11,277,171	B
Proposed dividends	-	-	
Equity attributable to the shareholders of the Bank	**53,695,571**	**53,695,571**	F
Tier 1 Sukuk	6,562,500	6,562,500	G
Total equity	**60,258,071**	**60,258,071**	
Total liabilities and equity	386,848,929	386,848,929	

CDC: Capital distribution constraints

				SR 000's
		a	b	
		CET1 capital ratio that would trigger capital distribution constraints (%)	Current CET1 capital ratio (%)	Constrains imposed
1	CET1 minimum requirement plus Basel III buffers (not taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	7.58%	15.72%	
2	CET1 capital plus Basel III buffers (taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	7.58%	15.72%	
		Leverage ratio that would trigger capital distribution constraints (%)	Current leverage ratio (%)	
3	[Applicable only for G-SIBs] Leverage ratio			

Table CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments - 31 December 2023

		a Quantitative / qualitative information
1	Issuer	Riyad Sukuk Limited
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (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)
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	As per the terms and conditions of the sukuk, the write-down clause is subject to, and superseded by, any applicable statutory loss absorption regime becoming effective in KSA."
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (refer to SACAP)	Subordinated Trust Certificates
8	Amount recognised in regulatory capital (currency in millions, 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	25/02/2020
12	Perpetual or dated	Dated
13	Original maturity date	25/02/2030
14	Issuer call subject to prior SAMA 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	Optional 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	Writedown feature	Yes
31	If writedown, writedown trigger(s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If writedown, full or partial	Can be full or partial
33	If writedown, permanent or temporary	Permanent
34	If temporary write-down, description of writeup mechanism	NA
34a	Type of subordination	Unsecured
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Sub-ordinated. Senior obligations are immediately senior to this instrument
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

Table CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments - 31 December 2023

		a Quantitative / qualitative information
1	Issuer	Riyad Bank
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	As per the terms and conditions of the sukuk, the write-down clause is subject to, and superseded by, any applicable statutory loss absorption regime becoming effective in KSA."
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (refer to SACAP)	Sub-ordinated sukuk
8	Amount recognised in regulatory capital (currency in millions, 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	09/02/2021
12	Perpetual or dated	Dated
13	Original maturity date	09/02/2031
14	Issuer call subject to prior SAMA approval	Issuer call at the [5th] anniversary of the Issue Date, subject to prior written approval from the regulator, if then required.
15	Optional 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	Writedown feature	Yes
31	If writedown, writedown trigger(s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If writedown, full or partial	Can be full or partial
33	If writedown, permanent or temporary	Permanent
34	If temporary write-down, description of writeup mechanism	NA
34a	Type of subordination	Unsecured
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	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

Table CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments - 31 December 2023

		a Quantitative / qualitative information
1	Issuer	Riyad Tier 1 Sukuk Limited
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (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)
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	As per the terms and conditions of the sukuk, the write-down clause is subject to, and superseded by, any applicable statutory loss absorption regime becoming effective in KSA."
4	Transitional Basel III rules	Tier 1
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (refer to SACAP)	USD denominated Additional Tier 1 capital sukuk.
8	Amount recognised in regulatory capital (currency in millions, 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	16/02/2022
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 SAMA 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	Optional 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	Writedown feature	Yes
31	If writedown, writedown trigger(s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If writedown, full or partial	Can be full or partial
33	If writedown, permanent or temporary	Permanent
34	If temporary write-down, description of writeup mechanism	NA
34a	Type of subordination	Unsecured
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	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

Table CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments - 31 December 2023

		a Quantitative / qualitative information
1	Issuer	Riyad Bank
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (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
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	As per the terms and conditions of the sukuk, the write-down clause is subject to, and superseded by, any applicable statutory loss absorption regime becoming effective in KSA."
4	Transitional Basel III rules	Tier 1
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (refer to SACAP)	SAR denominated Additional Tier 1 capital sukuk.
8	Amount recognised in regulatory capital (currency in millions, 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	05/10/2022
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 SAMA 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	Optional 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	Writedown feature	Yes
31	If writedown, writedown trigger(s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If writedown, full or partial	Can be full or partial
33	If writedown, permanent or temporary	Permanent
34	If temporary write-down, description of writeup mechanism	NA
34a	Type of subordination	Unsecured
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	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

Riyad Bank

CCyB1 - Geographical distribution of credit exposures used in the calculation of the bank-specific countercyclical capital buffer requirement

SR 000's

	a	b	c	d	e
Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets (RWA) used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical capital buffer amount
		Exposure values	RWA		
Saudi Arabia	0.0%	311,465,365	260,119,842	0.00000%	-
Afghanistan					
Albania					
Algeria					
Argentina					
Australia	1.0%	285,343	204,521	0.00070%	164
Austria	2.5%	22,646	22,646	0.00019%	45
Bahamas					
Bahrain	2.5%	1,668,154	1,591,414	0.01366%	3,183
Bangladesh					
Barbados					
Belgium	0.0%	929,107	871,379	0.00000%	-
Bermuda	2.5%	5,375	8,063	0.00007%	16
Bosnia and Herzegovina					
Brazil	0.0%	376,156	397,542	0.00000%	-
Brunei					
Bulgaria					
Canada	2.5%	8,307	7,377	0.00006%	15
Cayman Island					
China	0.0%	366,919	370,499	0.00000%	-
Comoros Islands					
Croatia					
Cyprus					
Denmark					
Djibouti					
Ecuador					
Egypt	2.5%	30,666	31,065	0.00027%	62
Finland	2.5%	7,300	7,300	0.00006%	15
France	0.5%	269,988	216,038	0.00037%	86
Germany	0.8%	1,198,867	639,146	0.00165%	383
Ghana					
Greece					
Hong Kong	1.0%	277,293	249,237	0.00086%	199
India	0.0%	261,837	239,122	0.00000%	-
Indonesia					-
Iran					
Iraq					
Ireland	2.5%	52,745	64,188	0.00055%	128
Italy	0.0%	1,563,463	1,527,882	0.00000%	-
Jamaica					
Japan	0.0%	148,032	81,529	0.00000%	-
Jordan	2.5%	1,350	1,072	0.00001%	2
Kenya					
Korea S.	0.0%	235,056	47,011	0.00000%	-
Kosovo					
Kuwait	2.5%	796,003	787,656	0.00676%	1,575
Lebanon					
Libya					
Macedonia					
Malaysia	2.5%	5,322	5,322	0.00005%	11
Mauritania	2.5%	41,845	32,282	0.00028%	65
Mexico	0.0%	268,823	391,751	0.00000%	-
Montenegro					
Morocco					-
Myanmar					
Nepal					
Neth. Antilles					
Netherlands	1.0%	979,734	578,465	0.00199%	463
New Zealand					
Nigeria	2.5%	445,978	222,989	0.00191%	446
Norway	2.5%	514	103	0.00000%	0
Oman	2.5%	292,858	292,550	0.00251%	585
Pakistan	2.5%	49,309	49,249	0.00042%	98
Palestine	2.5%	50,082	50,496	0.00043%	101
Peru	2.5%	15,277	15,277	0.00013%	31
Philippines					-
Qatar	2.5%	770,036	742,013	0.00637%	1,484
Romania					
Russia	0.0%	5,120	2,560	0.00000%	-
Senegal					
Serbia					
Seychelles					
Sierra Leone					
Singapore	0.0%	36,182	18,091	0.00000%	-
Slovenia					
Somalia					
South Africa	0.0%	188,033	202,466	0.00000%	-
Spain	0.0%	1,343,760	1,086,991	0.00000%	-
Sri Lanka					
Sudan					-
Sweden					-
Switzerland					
Syria	2.5%	21,148	21,169	0.00018%	42
Taiwan					
Thailand					
Tunisia					
Turkey					
United Arab Emirates	2.5%	342,969	334,205	0.00287%	668
United Kingdom	2.0%	2,562,502	1,846,203	0.01268%	2,954
United States	0.0%	13,011,119	11,048,033	0.00000%	-
Uruguay					
Venezuela					
Yemen	2.5%	6,230	5,295	0.00005%	11
Residual Other European Countries					
Residual Other European Union Countries	0.5%	2,796,053	1,529,994	0.00263%	612
Residual Other African Countries	2.5%	2,700	4,050	0.00003%	8
Residual Other Asian Countries	0.0%	2,478,938	2,426,576	0.00000%	-
Residual Other Middle Eastern Countries					
Residual Other North & Central American Countries	2.5%	1,643,356	1,621,201	0.01356%	3,160
Residual other Oceania Countries					
Residual Other South American Countries	2.5%	487,728	445,238	0.00382%	890
International Inst.					
Unallocated	2.5%	884,712	793,731	0.00681%	1,587
SUM		**16,022,391**	**12,419,553**		
Total		**348,700,301**	**291,250,827**	**0.08194%**	**19,092**

LR1- Summary comparison of accounting assets vs leverage ratio exposure measure - 31 December 2023

SR 000's

#	Particulars	a
1	Total consolidated assets as per published financial statements	386,848,929
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	1,706,313
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of offbalance sheet exposures)	98,712,574
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	-977,628
13	**Leverage ratio exposure measure**	**486,290,189**

بنك الرياض Riyad Bank

LR2- Leverage ratio common disclosure

SR 000's

		a	b
		Dec-23	Sep-23
	On Balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	383,180,799	371,926,188
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Basel III Tier 1 capital)		
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)		
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**383,180,799**	**371,926,188**
	Derivative exposures		
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	2,690,502	2,360,316
9	Add-on amounts for potential future exposure associated with all derivatives transactions	1,706,313	1,702,066
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivative exposures (sum of rows 8 to 12)**	**4,396,816**	**4,062,382**
	Securities financing transaction exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	**-**
	Other off balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	262,754,732	248,316,906
20	(Adjustments for conversion to credit equivalent amounts)	-164,042,158	-152,038,889
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	**Off-balance sheet items (sum of rows 19 to 21)**	**98,712,574**	**96,278,017**
	Capital and total exposures		
23	Tier 1 capital	60,013,632	57,222,224
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**486,290,189**	**472,266,587**
	Leverage ratio		
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	**12.34%**	**12.12%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**12.34%**	**12.12%**
26	National minimum leverage ratio requirement	**3.0%**	**3.0%**
27	Applicable leverage buffers		
	Disclsoure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	486,290,189	472,266,587
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	486,290,189	472,266,587
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	12.34%	12.12%
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	12.34%	12.12%

Riyad Bank

ENC: Asset encumbrance - 31 December 2023

SR 000's

		a	b	c
		Encumbered Assets	Unencumbered Assets	Total
1	The assets on the balance sheet would be disaggregated; there can be as much disaggregation as desired	11,838,497	331,407,906	343,246,403

LIQA – Liquidity Risk Management

Qualitative disclosures:

a) 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 Contingency Funding Plan 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 (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.

b) 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.

c) 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:

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

d) 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.

e) 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.

f) Measurement Tools and Metrics:

Riyad Bank measures its liquidity and cashflow positions using various ratios like Liquidity Coverage Ratio, Net Stable Funding Ratio, SAMA Liquidity Ratio, Loans to Deposit Ratio, Depositor Concentration ratio, Intraday indicators etc. to assess the liquidity and funding needs of the bank. Additionally, bank monitors the liquidity mismatch gaps, currency gaps etc. The bank considers all the on balance sheet and off balance sheet exposures which impact the liquidity position of the bank, in its liquidity measurement tools and metrics.

g) Concentration Limits and Sources of Funding:

The bank monitors concentration of its various sources of funds including customer deposits and borrowings. The customer deposit concentration is monitored through various dimensions like counterparties, products, currencies segments etc. The bank has established top customer depositor concentration limit as part of its risk appetite to achieve diversification of its customer base and to avoid over reliance on few customers. These measures are reported to ALCO on a monthly basis.

h) Liquidity exposures and funding needs of legal entities, foreign branches and subsidiaries:

The Bank has a branch in London, a representative office in Singapore, an agency in Houston, Riyad Capital as a subsidiary etc. Funding and liquidity needs of the subsidiaries and foreign branches are managed at their level. The Bank may support the Intra Group entities in future through the available liquidity or by raising funding if required.

i) Balance Sheet Maturity Buckets and Liquidity Gaps:

Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

Riyad Bank monitors the liquidity gaps and mismatches of its on and off-balance sheet assets and liabilities. Bank's disclosure on liquidity risk in financial statement shows the mismatches by maturity buckets based on contractual maturities, i.e. non maturing products are bucketed in overnight bucket.

LIQ1: Liquidity Coverage Ratio (LCR) - 31 December 2023

SR 000's

		a	b
		Total unweighted value (average)	Total weighted value (average)
	High quality liquid assets		
1	Total HQLA		51,802,125
	Cash outflows		
2	**Retail deposits and deposits from small business customers, of which:**	**97,976,080**	**9,797,608**
3	Stable deposits		
4	Less stable deposits	97,976,080	9,797,608
5	**Unsecured wholesale funding, of which:**	**90,569,249**	**40,915,386**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	**-**
7	**Non-operational deposits (all counterparties)**	**90,569,249**	**40,915,386**
8	Unsecured debt	**-**	**-**
9	**Secured wholesale funding**	**760,334**	**760,334**
10	**Additional requirements, of which:**	**29,440,646**	**3,187,744**
11	Outflows related to derivative exposures and other collateral requirements	**270,755**	270,755
12	Outflows related to loss of funding on debt products	**-**	**-**
13	Credit and liquidity facilities	**29,169,891**	2,916,989
14	**Other contractual funding obligations**		
15	**Other contingent funding obligation**	**271,486,096**	5,885,346
16	**TOTAL CASH OUTFLOWS**		**60,546,418**
	Cash inflows		
17	Secured lending (eg reverse repos)	-	-
18	Inflows from fully performing exposures	40,766,191	28,152,005
19	Other cash inflows	-	-
20	**TOTAL CASH INFLOWS**		**28,152,005**
			Total adjusted value
21	Total HQLA		51,802,125
22	Total net cash outflows		32,394,413
23	Liquidity Coverage Ratio (%)		159.91%

Riyad Bank

LIQ2: Net Stable Funding Ratio (NSFR) - 31 December 2023

SR 000's

		a	b	c	d	e
	(In currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) item					
1	**Capital:**	70,511,967	-	-	-	70,511,967
2	Regulatory capital	70,511,967				70,511,967
3	Other capital instruments					
4	**Retail deposits and deposits from small business customers, of which:**	92,558,498	12,991,272	2,197,739	624,182	97,596,940
5	Stable deposits					
6	Less stable deposits	92,558,498	12,991,272	2,197,739	624,182	97,596,940
7	**Wholesale funding:**	44,181,773	114,291,932	7,111,235	25,775,933	92,525,376
8	Operational deposits					
9	Other wholesale funding	44,181,773	114,291,932	7,111,235	25,775,933	92,525,376
10	**Liabilities with matching interdependent assets**					
11	Other liabilities	16,604,397	-	-	-	-
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in the above categories	16,604,397				
#	**Total ASF**					**260,634,284**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					1,931,755
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		112,093,066	36,449,681	157,453,071	202,949,989
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		15,946,427	488,499	2,831,702	5,467,915
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:		90,334,658	32,378,565	147,842,464	187,022,707
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		5,811,980	3,582,617	6,778,904	10,459,367
25	Assets with matching interdependent liabilities					
26	Other assets:	22,752,762	1,069,684	-	-	23,661,994
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties		1,069,684			909,232
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	22,752,762	-	-	-	22,752,762
32	Off-balance sheet items				24,456,278	1,222,814
#	Total RSF					**229,766,552**
#	Net Stable Funding Ratio (%)					**113.43%**

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 defined the targeted sectors for different segments. In addition, the 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.

Furthermore, 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 the 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 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, along with the personnel engaged in the evaluation, measurement, management and monitoring of risk.

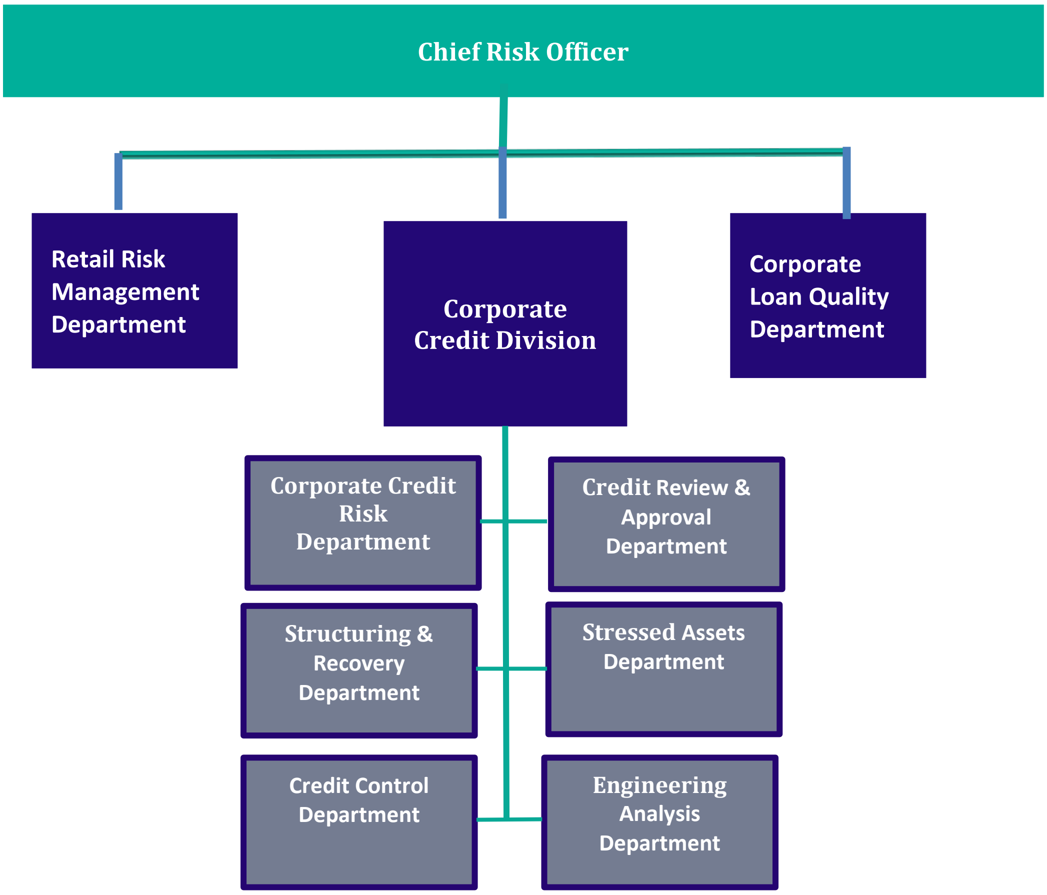
With respect to the business of the Bank, this Credit Risk Manual:

- 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 Basel capital computation rules and 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 limits, collateral limits, country limits, product line limits etc.)
- Documents described in previous section encompass criteria/guidelines and provide risk/reward relationship for the Bank, whereas Obligor credit risk ratings are tied to maximum allowed exposure, products, pricing, and collaterals. Indeed, supplemental control/limits are in place for large exposure and related counterparties 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 Basel capital computation rules and Basel credit risk mitigation rules that are adopted by the Bank.

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:

Credit Risk Management Organizational Structure



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

In addition, the Bank has established Internal Control system duly comprised of three lines of defense to ensure an effective internal control environment, in line with the 'Guidelines on Internal Control' issued by SAMA. Given below is the brief on Bank's Three Lines of Defense model: -

- The first line of defense: Divisions and departments who are owners of risks within their respective lines of business, support function or control functions.
- The second line of defense: All risk oversight functions which are responsible for oversight or risk owned by the first line of defense.
- The third line of defense: Internal Audit

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, Enterprise 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 credit risk reports are shared with the executive 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 study/report conducted annually to analyze the portfolio of the bank to aggregate and monitor all risk exposures and mainly to obtain an annual 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.

The annual ceiling is recommended considering the bank strategies as well as obligors needs per sector. The main predictions and plans for the future year are based on the annual 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 2023

SR 000's

		a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
		Defaulted exposures	Nondefaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	4,332,665	274,987,900	4,922,319	3,109,154	1,813,165		274,398,246
2	Debt Securities	794,897	53,363,136	475,820	395,028	80,792		53,682,213
3	Off-balance sheet exposures	757,749	128,880,121	206,180	146,231	59,949		129,431,689
4	**Total**	**5,885,311**	**457,231,156**	**5,604,319**	**3,650,413**	**1,953,906**	**-**	**457,512,149**

Table CR2: Changes in stock of defaulted loans and debt securities - 31 December 2023

SR 000's

		a
1	**Defaulted loans and debt securities at end of the previous reporting period**	5,308,095
2	Loans and debt securities that have defaulted since the last reporting period	
3	Returned to non-defaulted status	
4	Amounts written off	-691,063
5	Other changes	510,530
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)**	**5,127,562**

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

The obligor will be classified as default if it meets Basel Accords specification that a default occurs when the client is past due for more than 90 days on a material credit obligation as per the materiality threshold set by the banking group.

b) 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 is 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.

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 recognized for changes in it carrying amounts.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, forbearance 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.

For categorization of specific and general provisions, the Bank has defined a methodology in alignment with regulator's guidance and using these provisions as per Bank's capital management framework.

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.

The Bank does not prefer multiple times forbearance 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 recognized 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:

CREDIT RISK: GENERAL DISCLOSURES 31 December 2023

Geographic Breakdown SAR '000'

Asset Classes	Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other Countries	Total Exposures post-CCF and post- CRM
Sovereigns and their central banks	36,636,863	800,430	-	1,089,057	-	-	93,753	**38,620,103**
Non-central government public sector entities	-	-	-	-	-	-	-	**-**
Multilateral development banks	-	-	-	-	-	-	-	**-**
Banks	2,143,058	3,831,602	3,017,381	473,120	72,763	257,561	3,231,160	**13,026,647**
Subordinated debt, equity and other capital	698,679	74,926	1,590,997	1,168,985	-	-	62,472	**3,596,059**
Retail	35,106,631	788	-	-	150	-	9,539	**35,117,107**
Corporates and Securities Firms And Other Financial	169,008,670	2,839,064	11,255,341	15,245,463	391,254	487,482	4,053,906	**203,281,180**
Specialised Lending	15,443,546	1,024,248	-	-	-	-	407,626	**16,875,421**
Real Estate Exposure	86,255,078	-	1,061,835	-	-	15,519	17,195	**87,349,627**
Defaulted exposures	2,393,665	-	5,601	2,068	29	-	7,336	**2,408,699**
Others	188,162	-	-	-	-	-	-	**188,162**
Total	**347,874,352**	**8,571,058**	**16,931,155**	**17,978,693**	**464,197**	**760,562**	**7,882,988**	**400,463,005**

Table CRB contains exposures related to Loans, Debt Securities and Off-balance sheet.

TABLE (STA): CREDIT RISK: GENERAL DISCLOSURES - 31 December 2023

Industry Sector Breakdown SAR '000'

Asset Classes	Agriculture, forestry and Fishing	Mining and Quarrying	Manufacturing:	Electricity, gas, steam and air conditioning supply	Water supply; sewerage, waste management and remediation activities	Construction:	Wholesale and retail trade; repair of motor vehicles and motorcycles:	Transportation and storage:	Accommodation and food service activities:	Information and communication	Financial and insurance activities	Real estate activities:	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defense; compulsory social security	Education	Arts, entertainment and recreation	Household (Personal)	Other Activities	Total
Sovereigns and their central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,620,103	-	-	-	-	**38,620,103**
Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks	-	-	-	-	-	-	-	-	-	-	13,026,647	-	-	-	-	-	-	-	-	**13,026,647**
Subordinated debt, equity and other capital	-	-	-	-	-	-	-	-	-	-	3,596,059	-	-	-	-	-	-	-	-	**3,596,059**
Retail	-	-	23,373	1,195	20	375,971	72,195	327	1	695	500	1,969	9	101,897	-	-	-	34,405,126	133,829	**35,117,107**
Corporates and Securities Firms And Other Financial institutions	3,037,262	10,943,898	35,658,100	11,662,993	1,998,000	48,576,018	24,314,840	4,524,811	6,327,647	6,004,499	19,198,812	3,747,151	331,605	16,979,288	852,528	512,052	951,186	3,005,736	4,654,757	**203,281,180**
Specialised Lending	-	628,951	4,333,083	8,810,232	1,841,370	241,135	-	-	-	69,385	39,331	238,965	-	627,606	-	-	-	-	45,363	**16,875,421**
Real Estate Exposure	-	-	-	-	-	752,013	-	-	-	-	-	22,548,895	-	157,087	-	-	-	63,891,632	-	**87,349,627**
Defaulted exposures	3,737	511	335,394	98,545	617	600,684	546,673	350	27,193	3,160	2,006	6,653	515	127,770	-	972	110	606,803	47,006	**2,408,699**
Others	-	-	-	-	-	-	-	-	-	-	188,162	-	-	-	-	-	-	-	-	**188,162**
Total	**3,040,999**	**11,573,360**	**40,349,950**	**20,572,965**	**3,840,007**	**50,545,821**	**24,933,708**	**4,525,488**	**6,354,841**	**6,077,739**	**36,051,518**	**26,543,633**	**332,128**	**17,993,647**	**39,472,630**	**513,023**	**951,296**	**101,909,296**	**4,880,955**	**400,463,005**

CREDIT RISK: GENERAL DISCLOSURES - 31 December 2023

Residual Contractual Maturity Breakdown SAR '000'

Asset Classes	Short Term : Less Than one Year	Medium Term : 1 - 3 Years	Medium Term : 3 - 5 Years	Long Term : Over 5 Years	No Stated maturity	On demand	Total Exposures post-CCF and post-CRM
Sovereigns and their central banks	5,489,222	3,341,030	5,212,243	24,577,608	-	-	38,620,103
Non-central government public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
Banks	6,236,334	3,613,054	2,738,756	438,503	-	-	13,026,647
Subordinated debt, equity and other capital	22,732	1,342,280	303,104	1,223,201	704,743	-	3,596,059
Retail	4,217,420	9,282,610	20,965,312	651,765	-	-	35,117,107
Corporates and Securities Firms And Other Financial institutions	134,914,893	26,873,998	16,181,628	25,310,661	-	-	203,281,180
Specialised Lending	1,537,274	2,002,427	3,763,943	9,571,776	-	-	16,875,421
Real Estate Exposure	21,064,013	985,525	2,045,178	63,254,911	-	-	87,349,627
Defaulted exposures	-	-	-	-	-	2,408,699	2,408,699
Others	-	-	-	-	188,162	-	188,162
Total	**173,481,888**	**47,440,923**	**51,210,164**	**125,028,425**	**892,905**	**2,408,699**	**400,463,005**

CREDIT RISK: GENERAL DISCLOSURES - 31 December 2023

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		-	-	-	-	708	-	**1,480**
Banks and other financial institutions		-	-	-	-	23,059	-	**38,236**
Agriculture and fishing	7,489	1,305	-	-	-	8,722	-	**12,279**
Manufacturing	496,490	266,620	14,410	-	-	173,263	(33,528)	**876,162**
Mining and quarrying	688	-	-	-	-	5,754	-	**10,102**
Electricity, water, gas and health services	11,271	-	276	-	-	31,576	(289)	**49,323**
Building and construction	645,841	179,885	15,928	-	-	566,753	(75,049)	**1,600,098**
Commerce	741,219	145,627	70,053	18,776	-	251,160	(91,804)	**977,698**
Transportation and communication	83,419	373	-	-	-	9,568	(2,072)	**13,486**
Services	236,929	58,583	29,712	311	862	390,232	(292,226)	**206,471**
Consumer loans and credit cards	1,240,472	1,128,062	-	-	-	703,850	(621,594)	**1,128,346**
Others	-	-	-	-	-	7,700	-	**8,638**
Portfolio provision							-	**-**
Total	**3,463,818**	**1,780,455**	**130,379**	**19,087**	**862**	**2,172,345**	**- 1,116,562**	**4,922,319**

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

CREDIT RISK: GENERAL DISCLOSURES - 31 December 2023

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	3,463,818	1,780,455	130,379	19,087	862	4,918,061
Other GCC & Middle East	-	-	-		-	-
Europe	-	-	-	-	-	4,059
North America	-	-	-	-	-	199
South East Asia	-	-	-	-	-	-
Others countries	-	-	-	-	-	-
Total	**3,463,818**	**1,780,455**	**130,379**	**19,087**	**862**	**4,922,319**

CREDIT RISK: GENERAL DISCLOSURES - 31 December 2023

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

Particulars	Specific Allowances
Balance, beginning of the year	4,754,798
Charge-offs taken against the allowances during the period	(1,116,562)
Amounts set aside (or reversed) during the period	2,172,345
Other adjustments:	-
- exchange rate differences	-
- business combinations	-
- acquisitions and disposals of subsidiaries	-
- etc.	(888,262)
Transfers between allowances	-
Balance, end of the year	**4,922,319**

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 CRB-A: Additional disclosure related to Prudential Treatment of Problem Assets

Default (Non-Performing Loans) is broadly defined as either non-payment of a material financial obligation of 5% persisting for more than 90 days or occurrence of events that would lead the bank to consider that the obligor is unlikely to service its credit obligations to the bank. Basel accords specifies that a default occurs when the client is past due for more than 90 days on a material credit obligation as per the materiality threshold. to the banking group.

Default occurs when the Bank considers that an obligor is unlikely to repay its credit obligations to the banking group in full even if on the default date the Obligor is not yet more than 90 days past due.

An exposure ceases to be non-performing and can be recategorized as performing once the counterparty does not have any material exposure more than 90 days past due, repayments have been made when due over a continuous repayment period, the counterparty's situation has improved so that the full repayment of the exposure is likely.

Forbearance

As per SAMA's guidelines, the definition of forbearance in the bank is based on meeting two conditions together for any borrower, the first condition is that the borrower is experiencing financial difficulty in meeting the financial commitments, and the bank granting a concession that it would not otherwise consider in normal circumstances. The forbearance is based on a Bank's judgment that the loan will not be repaid fully and in time under the current circumstances, and action is needed in view of the borrower's deteriorating situation.

The obligor under the Forbearance category will be reclassified as performing based on the satisfactory repayment and performance of the obligor over a stipulated period. Based on the bank's assessment of the customer's performance, the obligor may be reclassified as performing.

Table CRB-A (C) – Additional disclosure related to prudential treatment of problem assets

SR 000's

		Gross carrying values of		Defulted exposeure (Stage 3)			
		Performing	Non-Performing	Non-performing/ impaired	Non- defaulted/impaired exposures but are more than 90 days past due	Other exposures*	Allowances/ impairments
1	Loans Corporate	180,544,431	2,223,346	2,223,346	170,176	698,671	3,793,973
2	Loans Retail	95,312,316	1,240,472	1,240,472	-	-	1,128,346
3	Debt Securities	53,363,136	794,897	794,897			475,820
4	Off-balance sheet exposures	128,912,160	725,710	711,330	12,793	33,627	206,180

*other exposures includes:
- where there is evidence that full repayment is unlikely without the bank's realisation of collateral (which would include exposures that are not defaulted/ impaired and are not more than 90 days past due but for which payment is unlikely without the bank's realisation of collateral, even if the exposures are not past due;
- other balances

Table CRB-A (D) – Additional disclosure related to prudential treatment of problem assets

SR 000's

		Gross carrying values of		
		Performing	Non-Performing	Allowances/ impairments
1	Loans Corporate	2,759,860	157,808	401,992
2	Loans Retail	971,658	33,573	20,408
3	Debt Securities		311,827	140,322
4	Off-balance sheet exposures	320,589	9,697	533

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.

For financial derivatives contracts (OTC), the bank has with Financial Counterparties bilateral netting agreements to mitigate the credit risk.

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 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 Function 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 Function requires collateral specialists to perform a check valuation. Collateral inspection reports are kept with Documentation Security Function. In addition, Collateral evaluation criteria and process for residential finance are well established in the product Business and Risk Acceptance Criteria Manual and bank procedures.

- 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 Function. 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 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.

Table CR3: Credit risk mitigation techniques - overview - 31 December 2023

SR 000's

		a	b	c	d	e
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	254,436,389	19,961,857	13,664,542	3,505,359	-
2	Debt securities	52,873,358	808,855	-	808,855	-
3	**Total**	**307,309,747**	**20,770,713**	**13,664,542**	**4,314,214**	**-**
4	Of which defaulted	2,896,788	18,634	13,922	-	-

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.

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 (ECAIs) with different risk weights, then the rating which corresponds to the higher risk weight is applied; in case any exposure is rated by three ECAIs with different risk weights, the two ratings that correspond to the lower risk weights are referred to and the higher of these two risk weights 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, if bank invests in a particular issue that has an issue-specific rating. Where the bank's claim is not an investment in a specific assessed issue. In circumstances where the borrower has a specific assessment for an issued debt, but the bank's claim is not an investment in this particular debt, a high-quality credit assessment on that specific debt is only be applied to the bank's un-assessed claim if senior to the claim with an assessment in all respects. If not, the credit assessment is not used and the un-assessed claim receives the risk weight for unrated claims.

In circumstances where the borrower has an issuer assessment, this assessment typically applies to senior unsecured claims on that issuer. Consequently, only senior claims on that issuer benefit from a high-quality issuer assessment. Other un-assessed claims of a highly assessed issuer are treated as unrated. If either the issuer or a single issue has a low-quality assessment, an un-assessed claim on the same counterparty is assigned the same risk weight as is applicable to the low-quality assessment

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

ECAIs use alphanumerical scales to represent risk levels. 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 grade scale has been formulated and benchmarked against external rating agencies ratings.

CR4: Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects - 31 December 2023

SR 000's

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-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	61,324,396	1,561,687	60,929,582	387,217	1,721,816	0.03
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	21,594,940	23,823,393	21,360,178	7,082,515	7,613,473	0.27
	Of which: securities firms and other financial institutions	-	-	-	-	-	-
5	Covered bonds	-	-	-	-	-	-
6	Corporates	174,815,929	217,700,647	157,800,302	73,270,605	218,984,673	0.95
	Of which: securities firms and other financial institutions	13,420,835	3,355,713	8,592,669	443,253	7,904,239	0.87
	Of which: specialised lending	13,966,185	10,661,437	13,154,261	3,721,160	19,150,570	1.13
7	Subordinated debt, equity and other capital	3,584,067	-	3,596,059	-	5,647,544	1.57
8	Retail	35,307,940	14,395,656	33,743,912	1,456,039	26,539,719	0.75
	MSMEs	29,025	770,025	29,009	67,924	72,700	0.75
9	Real estate	84,564,242	4,496,997	75,555,379	1,004,371	39,308,639	0.51
	Of which: general RR	72,184,006	2,954,277	63,596,204	295,428	22,399,810	0.35
	Of which: IPRRE	-	-	-	-	-	-
	Of which: general CRE	-	-	-	-	-	-
	Of which: IPCR	3,425,745	-	3,396,529	-	3,001,445	0.88
	Of which: land acquisition, development and construction	8,954,491	1,542,720	8,562,647	708,943	13,907,385	1.50
10	Defaulted exposures	4,947,552	776,351	2,161,052	247,647	2,639,104	1.10
11	Other assets	12,390,517	-	12,390,517	-	8,912,721	0.72
12	**Total**	**398,529,583**	**262,754,732**	**367,536,982**	**83,448,393**	**311,367,689**	**0.69**

CR5: Standardised approach - exposures by asset classes and risk weights - 31 December 2023

SR 000's

		0%	20%	25%	30%	40%	45%	50%	70%	75%	80%	85%	90%	100%	110%	130%	150%	250%	Other	Total credit exposure amount (post-CCF and post-CRM)
1	Sovereigns and their central banks	55,880,157	4,643,533	-	-	-	-	-	-	-	-	-	-	793,109	-	-	-	-		61,316,799
2	Non-central government public sector entities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
3	Multilateral development banks		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
4	Banks		16,378,213	-	9,879,008	-	-	1,630,055	-	146	-	-	-	547,829	-	-	7,441	-		28,442,693
	Of which: securities firms and other financial institutions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
5	Covered bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
6	Corporates		994,209	-	-	-	-	13,420,694	-	8,054,001	2,837,314	37,551,610	-	157,086,142	-	9,475,373	1,651,564	-		231,070,907
	Of which: securities firms and other financial institutions		289,853	-	-	-	-	1,252,884	-	1,287,891	-	-	-	6,037,650	-	-	167,645	-		9,035,922
	Of which: specialised lending		-	-	-	-	-	-	-	-	2,837,314	-	-	4,562,734	-	9,475,373	-	-		16,875,421
7	Subordinated debt, equity and other capital		-	-	-	-	-	-	-	-	-	-	-	-	-	376,073	2,891,316	328,670		3,596,059
8	Retail		-	-	-	-	1,225,850	-	-	31,944,063	-	-	-	2,030,039	-	-	-	-		35,199,952
	MSMEs		-	-	-	-	-	-	-	96,933	-	-	-	-	-	-	-	-		96,933
9	Real estate	-	6,331,364	4,369,014	17,060,020	31,781,765	-	4,170,285	819,647	-	-	-	2,392,758	-	363,307		9,271,590			76,559,750
	Of which: general RRE	-	6,331,364	4,369,014	17,060,020	31,781,765	-	4,170,285	179,184	-	-	-	-	-	-	-	-	-		63,891,632
	Of which: no loan splitting applied		6,331,364	4,369,014	17,060,020	31,781,765	-	4,170,285	179,184	-	-	-	-	-	-	-	-	-		63,891,632
	Of which: loan splitting applied (Secured)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
	Of which: loan splitting applied (Unsecured)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
	Of which: IPRRE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
	Of which: general CRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-			-
	Of which: no loan splitting applied		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
	Of which: loan splitting applied (Secured)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
	Of which: loan splitting applied (Unsecured)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
	Of which: IPCRE		-	-	-	-	-	-	640,463	-	-	-	2,392,758	-	363,307	-	-	-		3,396,529
	Of which: land acquisition, development and construction		-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,271,590	-		9,271,590
10	Defaulted exposures		-	-	-	-	-	241,003	-	-	-	-	-	1,465,882	-	-	701,814	-		2,408,699
11	Other assets	3,474,649	3,933	-	-	-	-	-	-	-	-	-	-	8,911,935	-	-	-	-		12,390,517
12	**Total**	**59,354,806**	**28,351,252**	**4,369,014**	**26,939,028**	**31,781,765**	**1,225,850**	**19,462,037**	**819,647**	**39,998,209**	**2,837,314**	**37,551,610**	**2,392,758**	**170,834,935**	**363,307**	**9,851,446**	**14,523,726**	**328,670**	**-**	**450,985,375**

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures

		a	b	C	D
	Risk Weight	On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF*	Exposure (post-CCF and post CRM)
1	Less than 40%	113,751,881	28,103,164	0.2618	119,014,100
2	40-70%	54,079,993	26,925,808	0.3041	53,289,299
3	75%	36,619,848	12,177,188	0.3519	39,998,209
4	80- 85%	35,633,428	27,164,313	0.3252	40,388,924
5	90-100%	135,850,313	158,161,271	0.3375	173,227,694
6	105-130%	7,793,100	8,247,542	0.4000	10,214,753
7	150%	14,481,952	1,975,446	0.4728	14,523,726
8	250%	319,069	-	-	328,670
9	400%				
10	1250%				
11	**Total exposures**	**398,529,583**	**262,754,732**		**450,985,375**

*** Weighting is based on off-balance sheet exposure (pre-CCF).**

Table CCRA: Qualitative disclosure related to counterparty credit risk

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

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

The monitoring of 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.

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.

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

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.

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 has established collateral management guidelines which defines eligible collateral, currency, threshold, minimum transfer amount and eligible collaterals.

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

c) 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.

d) 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 CCR exposures by approach - 31 December 2023

SR 000's

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	969,418	1,006,230		1.4	2,765,907	2,543,314
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	Value-at-risk (VaR) for SFTs						
6	**Total**						**2,543,314**

CCR3: Standardised approach - CCR exposures by regulatory portfolio and risk weights - 31 December 2023

SR 000's

		a	b	c	d	e	f	g	h	i
Regulatory portfolio*↓	Risk weight*→	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns										-
Non-central government public sector										-
Multilateral development banks										-
Banks				85,626	4,738				185,657	276,021
Securities firms					42,713	1,629	55,510			99,852
Corporates							2,390,035			2,390,035
Regulatory retail portfolios										-
Other assets										-
Total		**-**	**-**	**85,626**	**47,451**	**1,629**	**2,445,544**	**-**	**185,657**	**2,765,908**

CCR5: Composition of collateral for CCR exposure - 31 December 2023

SR 000's

	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			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash - domestic currency	20,330		64,650			
Cash - other currencies	1,559,793		177,238		120,793	12,096
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						
Total	**1,580,123**	**-**	**241,888**	**-**	**120,793**	**12,096**

Riyad Bank

CCR8: Exposures to central counterparties - 31 December 2023

SR 000's

		a	b
		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		32,618
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC derivatives	1,630,909	32,618
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	952,370	
8	Non-segregated initial margin		
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 securitization 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 doesn't have any exposure

Summary of the bank's accounting policies for securitization activities.

Not applicable as bank doesn't have any exposure

Names of external credit assessment institution (ECAIs) used for securitizations

Not applicable as bank doesn't have any exposure

Basel internal assessment approach (IAA)

Not applicable to Riyad Bank

Riyad Bank

SEC4: Securitisation exposures in the banking book and associated capital requirements - bank acting as investor - 31 December 2023

SR 000's

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		<=20%	>20% to 50%	>50% to 100%	>100% to <1250%	1250%	SEC-IRBA	SEC-IRBA and SEC-IAA	SEC-SA	1250%	SEC-IRBA	SEC-IRBA and SEC-IAA	SEC-SA	1250%	SEC-IRBA	SEC-IRBA and SEC-IAA	SEC-SA	1250%
1	Total Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Tradition securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	of which STC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which STC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SEC1: Securitisation exposures in the banking book - 31 December 2023

SR 000's

		a	b	c	d	e	f	g	h	i	j	k	l
		Bank acts as originator				Bank acts as sponsor				Bank acts as investor			
		Traditional	Of which simple, transparent and comparable (STC)	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total
1	Retail (total) - of which	-	-	-	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-
5	resecuritisation	-		-	-	-		-	-	-		-	-
6	Wholesale (total) - of which	-	-	-	-	-	-	-	-	-	-	-	-
7	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-
11	resecuritisation	-		-	-	-		-	-	-		-	-

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 activities as per the appetite set by the Board.

a) Strategies and processes of the bank

1) 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

2) The Bank maintains trading positions in different asset classes. Some derivatives are conducted for the Bank’s customer needs and covered back to back to offset market risks arising from it. All net open trading positions are subject to Value-at-Risk and Stop- Loss limits which are monitored and reported on a daily basis.

3) 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.

4) The bank has approved policies and processes to conduct Fair Value and Cashflow hedges to hedge its balance sheet assets and liabilities items. The designation of hedges are reviewed by the Treasury Risk Section including the monitoring and effectiveness testing of all hedging and hedged instruments. The hedging strategies are reviewed by the ALCO

5) The trading Activities are governed by The Trading Book Guidelines as well as The Market Risk Framework. The Trading Book Guidelines establishes a clear definition of the trading book and defines the activities that the Bank considers to be trading. The bank’s policies restrict the bank from reassignment of the regulatory books and any deviation from the policies should require SAMA approval.

6) The bank does not have any internal risk transfer activities; however, the Trading Book Guidelines covers the regulations of undertaking any risk transfer activities.

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. It ensures growth of the bank in line with the business strategy and Board approved risk appetite.

Investment Committee

The Investment Committee is responsible to oversee the banks domestic and international investments which provides an alternative income and liquidity source to the bank. 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 Risk Section

Treasury Risk Section independently monitors the risks of Treasury and Investment Division. 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. daily, weekly, monthly,.) 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, the risk systems are used by the bank which are 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.

Table MR1: Market risk under the standardised approach - 31 December 2023

SR 000's

		a
		Capital requirement in standardised approach
1	General interest rate risk	77,559
2	Equity risk	299,846
3	Commodity risk	-
4	Foreign exchange risk	80,755
5	Credit spread risk - non-securitisations	-
6	Credit spread risk - securitisations (non-correlation trading portfolio)	-
7	Credit spread risk - securitisation (correlation trading portfolio)	-
8	Default risk - non-securitisations	169,348
9	Default risk - securitisations (non-correlation trading portfolio)	-
10	Default risk - securitisations (correlation trading portfolio)	-
11	Residual risk add-on	-
12	Total	**627,507**

Table CVAA: General qualitative disclosure requirements related to CVA

a) An explanation and/or a description of the bank's processes implemented to identify, measure, monitor and control the bank's CVA risks, including policies for hedging CVA risk and the processes for monitoring the continuing effectiveness of hedges

The credit valuation adjustment is the capital charge for potential mark to market losses due to the credit quality deterioration of a counterparty. The Bank is applying the Reduced Basic Approach (Reduced BA-CVA) methodology to measure CVA capital charge based on the SA-CCR (Standardized counterparty credit risk) for measuring EAD.

Bank currently does not perform CVA hedging hence using the reduced version of BA-CVA methodology

b) Whether the bank is eligible and has chosen to set its capital requirement for CVA at 100% of the bank's capital requirement for counterparty credit risk as applicable under SMAR14

The bank computes the CVA based on the BA-CVA reduced version for which it adheres to the Central Bank (SAMA) minimum capital requirements for counterparty credit risk and Credit Valuation Adjustment guidelines.

CVA1: The reduced basic approach for CVA (BA-CVA) - 31 December 2023

SR 000's

		a	b
		Components	BA-CVA RWA
1	Aggregation of systematic components of CVA risk	735,682	
2	Aggregation of idiosyncratic components of CVA risk	177,394	
3	Total		4,858,343

Table ORA: General qualitative information on a bank's operational risk framework

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.

The Bank effectively manages operational risk through a comprehensive, Board-approved operational risk management policy. This policy prescribes key risk management aspects of the three lines of defense model and operational risk management tools to facilitate appropriate identification, assessment, mitigation, monitoring and reporting of operational risks. The Bank has also developed a robust governance structure outlining the roles and responsibilities of various stakeholders for managing operational risks. these policies were developed in alignment with the regulatory guidelines and best practices, i.e. SAMA, BCBS, etc.

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.

Risk Analysis

This function is responsible for the implementation of RCSA and monitor risks through various operational risk tools including Key Risk Indicators (KRI's), KRI Data Quality review, Risk Assessments of New / Changes to existing Products & Services, review of Change requests (CR's), and review of Policies & Procedures.

Operational Incident

This function performs risk- based examination of the bank's branch network in accordance with approved methodology to minimize the operational risk exposures. It also investigates on operational loss incidents to identify root – causes of the breach and control failures and publish investigation reports to the stakeholders for implementing appropriate remediations.

Risk Mitigation

This function is responsible for operational loss data management and insurance related mandate. It facilitates the bank in timely recording, tracking, analysis, and reporting of operational loss incidents using the operational risk management system. It manages and oversee the insurance program and risk transfer of operational losses through a cost-effective insurance program that provides adequate protection against insurable risks.

Risk Monitoring and Advisory

Conducts monitoring key activities, limits and metrics including, monitoring of activities transactions, and processes across the Bank domains. Moreover, develop and implement the awareness plan to increase the awareness and training across Lines of defense to increase and enhance the risk culture.

Internal Controls

This function is 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 risks and their mitigating controls. Guidance for testing of the controls associated with the risks 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.

Scope and Nature of Operational Risk Reporting

Operational Risk Management Department ensures that a regular risk reporting is carried out for executive management and the Board. In this regard an integrated risk report is presented periodically to the Operational Resilience Committee (ORC), Risk Committee of the Board and Audit Committee of the Board.

The reporting framework encompasses the identification, assessment, monitoring, and mitigation of operational risks across the bank. The main context of the reporting framework is to provide executive management and the board of directors with a clear understanding of the bank's operational risk profile and the effectiveness of operational risk management efforts

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.

Riyad Bank بنك الرياض

OR1: Historical losses

SR 000's

		a	b	c	d	e	f	g	h	i	j	k
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Ten year Average
Using 44,600 SAR threshold												
1	Total amount of operational losses net of recoveries (no exclusions)	108,177	54,432	20,246	87,028	10,710	11,640	20,534	12,070	4,384	3,496	
2	Total number of operational risk losses	51	66	44	26	33	14	16	24	29		
3	Total amount of excluded operational risk losses	-	-	-	-	-	-	-	-	-	-	
4	Total number of exclusions	-	-	-	-	-	-	-	-	-	-	
5	Total amount of operational losses net of recoveries and net of excluded losses	108,177	54,432	20,246	87,028	10,710	11,640	20,534	12,070	4,384	3,496	
Using 446,000 SAR threshold												
6	Total amount of operational losses net of recoveries (no exclusions)	103,107	48,102	13,616	85,394	18,594	17,501	21,723	10,303	3,712	6,907	32,896
7	Total number of operational risk losses	16	26	7	9	10	6	5	4	5	4	
8	Total amount of excluded operational risk losses	-	-	-	-	-	-	-	-	-	-	-
9	Total number of exclusions	-	-	-	-	-	-	-	-	-	-	-
10	Total amount of operational losses net of recoveries and net of excluded losses	103,107	48,102	13,616	85,394	18,594	17,501	21,723	10,303	3,712	6,907	32,896
Details of operational risk capital calculation												
11	Are losses used to calculate the ILM (yes/no)?	Yes										
12	If "no" in row 11, is the exclusion of internal loss data due to non compliance with the minimum loss data standards (yes/no)?	-										
13	Loss event threshold: 44,600 SAR or 446,000 SAR for the operational risk capital calculation if applicable	44,600 SAR										

OR2: Business Indicator and subcomponents

SR 000's

		a	b	c
	BI and its subcomponents	2022	2021	2020
1	Interest, lease and dividend component	6,665,126		
1a	Interest and lease income	12,907,561	9,108,106	9,813,394
1b	Interest and lease expense	2,855,116	814,993	1,599,789
1c	Interest earning assets	296,249,762	296,997,578	281,687,313
1d	Dividend income	79,861	126,969	102,518
2	Services component	3,204,304		
2a	Fee and commission income	3,559,071	3,154,791	2,710,220
2b	Fee and commission expense	1,130,404	1,037,144	836,665
2c	Other operating income	64,210	45,157	79,464
2d	Other operating expense	80,423	52,637	54,100
3	Financial component	489,650		
3a	Net P&L on the trading book	219,029	196,683	218,874
3b	Net P&L on the banking book	121,775	407,521	305,068
4	BI	10,359,080		
5	Business indicator component (BIC)	1,420,062		

Disclosure on BI:

		a
6a	BI gross of excluded divested activities	
6b	Reduction in BI due to excluded divested activities	

OR3: Minimum required operational risk capital

SR 000's

#	Particulars	a
1	Business indicator component (BIC)	1,420,062
2	Internal loss multiplier (ILM)	0.76
3	Minimum required operational risk capital (ORC)	1,076,889
4	Operational risk RWA	13,461,109

Table IRRBBA - IRRBB risk management objectives and policies (Quantitative disclosures)

Qualitative disclosure

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.

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 Liquidity Risk Management Department(M&LRM), and determines appropriate hedging strategies in consultation with the ALCO and then executes those strategies.

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.

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).

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. Impact of Prepayments in fixed retail loans is incorporated in IRRBB calculations. 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.

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:
Buy/Sell long/short term government securities or bonds

- Liquidate some Investments
- Buy/Sell futures
- Buy/Sell forwards
- Write payer/receiver swaps
- Pay/Receive fixed rate deposits
- Issue fixed/floating bonds/loans/CDs
- 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.

For generating cash flows, the end rates (including commercial margins and other spreads) have been used. For discounting however, SAIBOR and SOFR 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 historical prepayments are analyzed to estimate the annual CPR rates.

Quantitative disclosures

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

SAR Millions

IRRBB1 – Quantitative information on IRRBB - 31 December 2023

In reporting currency	△EVE		△NII	
Period	Dec-23	Dec-22	Dec-23	Dec-22
Parallel up	(6,431.22)	(5,661.48)	40.96	635.94
Parallel down	6,567.24	5,795.63	(88.64)	(842.94)
Steepener	(1,271.84)	(2,357.77)		
Flattener	22.94	933.44		
Short rate up	(3,173.24)	(1,894.13)		
Short rate down	3,556.45	1,791.19		
Maximum	(6,431.22)	(5,661.48)	(88.64)	842.94
Period	2023		2022	
Tier 1 Capital (See note below)	60,014		56,036	

Table IRRBBA - IRRBB risk management objectives and policies (Quantitative disclosures)

Quantitative disclosures		
1	Average repricing maturity assigned to non-maturity deposits (NMDs).	4 years
2	Longest repricing maturity assigned to NMDs.	within 7-8 years

REMA – Remuneration policy (Compensation Policy)

Introduction

Riyad Bank aims to attract, motivate and retain qualified talent and provide employees with the necessary vocational skills, capabilities and expertise to carry out their tasks and responsibilities efficiently and effectively. Riyad Bank compensation policy has been prepared to document the regulations followed by the Bank in connection with compensation, benefits and incentives.

The Bank follows a systematic approach to the management of compensation that aims to establish internal equity as well as external competitiveness. Some components of this approach include:

- A documented reward management program;
- Market surveys;
- A salary scale based upon market compensation surveys;
- Job profiles and grades;
- A performance management program;
- Periodic salary reviews

The nature of work, competitive market conditions, the Bank's financial status, its performance versus budget/strategic objectives and anticipated future developments are also taken into consideration.

Coverage	Brief Description
Purpose	To establish and apply compensation policies and processes which support the delivery of business strategy, reinforce the desired organizational culture, reflect prudent risk management practices and comply with SAMA rules and regulations.
Scope	The Human Capital Division is responsible for the implementation and application of this policy through specific processes and procedures. The Operational Risk Department, Compliance Department and Internal Audit Department are responsible for monitoring the application of this policy. The scope of the compensation policy covers all levels and categories of employees, whether regularly or contractually employed, as well as outsourcing arrangements with third party service providers if applicable. In addition, all subsidiaries' compensation policies and practices are required to be consistent with Riyad Bank compensation policy and approved by the respective Board of Managers or nominated representatives. The compensation policy applies also to branches operating in any foreign territory, provided that there is no inconsistency with the legal and regulatory requirements of the territory in question.
Core Principles	• Performance-based rewards. • Competitive within the Bank's selected markets. • Uses a total reward model (i.e. basic salary, fixed allowances, role-based allowance, benefits and variable pay). • Fair and equitable in its employee's treatment. • Effectively managed (Risk Management and Governance).

Core Principle	What it means	What it looks like
Performance-based rewards	1. Reward arrangements which offer higher 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. A meaningful proportion of reward 'at risk'.	• Salary increases and bonus payments (Rewards) should reflect market, business & individual performance, including adherence to risk management policies and processes. • Everyone has the opportunity to earn a bonus, if justified by business performance. • The lower the performance, the higher the chance of losing rewards. • Business KPIs always includes an assessment of the employee's compliance with risk management policies, procedures and controls. • Personal performance is measured against individual KPIs and competencies. • Individual rewards are markedly different for different levels of performance.
Competitiveness	1. Ensuring that rewards are implemented at a level that enables the Bank to attract and retain employees of the required caliber. 2. Applying a systematic approach to benchmarking total reward structure against the right market competitors.	• The bank develops a remuneration strategy that ensure remuneration competitiveness against the market including all elements of which fixed pay (Basic salary & Allowance) variable pay (Short term & Long term), benefits, and allowance. • The bank carries out salary, compensation and benefits surveys to compare its practices. This process conducted in collaboration with several reputable consulting firms.
Total Rewards	1. Ensuring the right balance of rewards in a way that aligns with the interest of the bank, risk management, business and individual performance. 2. Designing remuneration structure that includes: • Basic Salary • Fixed Allowances • (Short-term & long-term incentives) • Benefits 3. Developing short incentive scheme that drives and motivates high performance.	• Reward decisions take account of the balance between external competitiveness and affordability. Taken together, these means: - 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 executive, senior management and other

Core Principle	What it means	What it looks like
	4. Designing a system does not encourage exposure to risks that are not proportionate to the bank's risk appetite.	specific roles/grades, the bank uses a combination of short- term and deferred bonuses where the allocation of the deferral bonus shall be after three years 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. • Disbursement of the deferred portion is dependent upon the long-term performance of the Bank and the realization of shareholder value based on the plan approved by the Board • The payment of deferred bonuses takes into account: ROE, net income, credit portfolio, cost/income ratio and performance versus peer banks.
Fair & Equitable	1. The Bank follows a systematic approach to the management of compensation that aims to establish internal equity. 2. Ensuring fairness of treatment within and between business functions and employee groups.	• Clearly defined and well-applied reward and performance management processes and decision-making criteria. • Ensure that an employee's remuneration is appropriate and that employees who perform similar work to a similar level of performance are remunerated in a broadly similar manner. • Compliance with relevant regulatory frameworks. • Continues monitoring.
Risk Management	1. Remuneration 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.	• The remuneration of employees engaged in control functions such as Audit, Compliance, Risk Management and Credit Risk is designed to ensure objectivity and independence of these functions in which assured that their remuneration cannot interfere by Business Heads in functions being monitored and controlled. • Identified risk takers such as executives, senior management and other specific roles/grades within the bank in alignment with the risk management framework, ensuring a strategic approach to managing risks and fostering a secure financial environment. • Any changes to Remuneration 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	• The Board of Directors owns the responsibility for approving the compensation policy, and ensuring the

Core Principle	What it means	What it looks like
	Committee (NCC) which comp advises the Board of Directors. 3. The Nominations & Compensation Committee (NCC) is responsible for ensuring that compensation decisions take account of risk.	effective implementation of the policy. • The Board is advised by the Nominations & Compensation Committee on all matters relating to the compensation policy. • The Nominations & Compensation Committee reviews and recommends to the Board of Directors all compensation matters relating to Executive Management. • The Nominations & Compensation Committee reviews and recommends to the Board of Directors the remuneration policy and structure. • The Nominations & Compensation Committee takes into account during their review and endorsement of the remuneration policy and structures all aspects of risk, including reputational risk, capital risk, liquidity risk, etc.

Riyad Bank

REM1: Remuneration awarded during the financial year - 31 December 2023

SR 000's

			a	b
		Remuneration amount	**Senior management**	**Other material risk-takers**
1	**Fixed remuneration**	**Number of employees**	**12**	**422**
2		**Total fixed remuneration (3 + 5 + 7)**	**27,316**	**141,740**
3		Of which: cash-based	27,316	141,740
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**	**273**
10		**Total variable remuneration (11 + 13 + 15)**	**40,950**	**27,992**
11		Of which: cash-based	40,950	27,992
12		Of which: deferred	12,285	3,332
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)**		**68,266**	**169,732**

Riyad Bank بنك الرياض

REM2: Special payments - 31 December 2023

SR 000's

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 2023

SR 000's

	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	23,295				
Cash					
Shares					
Cash-linked instruments					
Other					
Other material risk-takers	5,386				
Cash					
Shares					
Cash-linked instruments					
Other					
Total	**28,681**	**-**	**-**	**-**	**-**

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
	CVA2 – The full basic approach for CVA (BA-CVA)
	CVAB – Qualitative disclosures for banks using the SA-CVA
	CVA3 – The standardised approach for CVA (SA-CVA)
	CVA4 – RWA flow statements of CVA risk exposures under SA-CVA
	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
	MR2: Market risk for banks using the IMA
	MR3: Market risk under the simplified standardised approach