Annual Report 2022

Capitalize on Capital

www.alrajhi-capital.sa

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بسم الله الرحمن الرحيم

In the name of Allah the most Merciful the most Gracious

المملكة العربية السعودية

Kingdom of Saudi Arabia

King Salman bin Abdulaziz Al Saud

The Custodian of the Two Holy Mosques

His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince and Prime Minister

Table of Contents

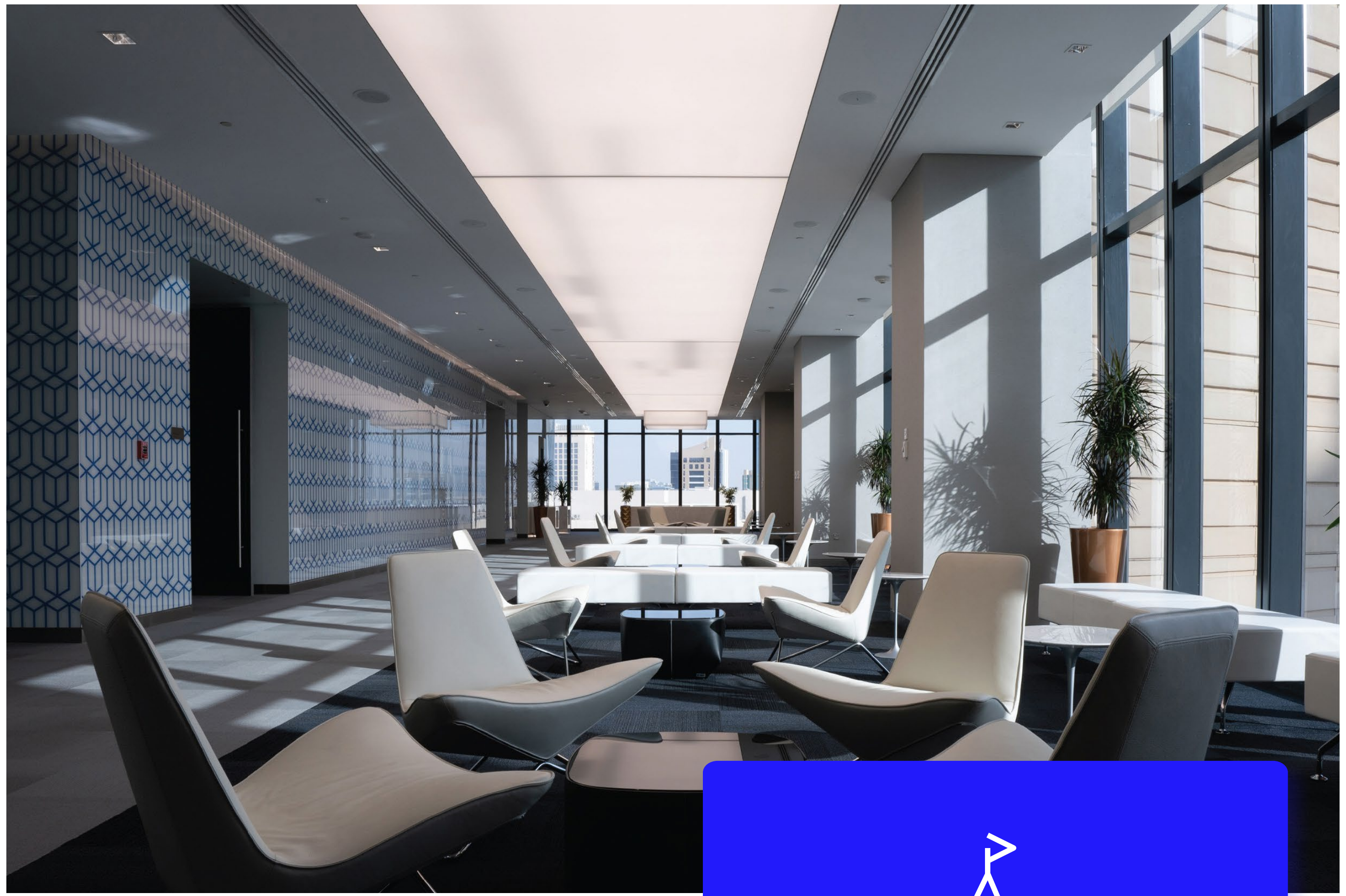
Company Profile

Company Overview

Founded in 2008, Al Rajhi Capital is a leading Saudi Arabian firm in financial services and products. It provides a wide range of innovative and structured financial products and services across Brokerage, Asset Management, and Investment Banking.

Al Rajhi Capital is a dedicated partner to its customers, with an open model and commitment to excellence. Having extensive experience, deep knowledge, and a national presence across the financial market, the Company enables businesses and the economy to fund innovation, manage risk and create jobs.

Al Rajhi Capital is a subsidiary of Al Rajhi Bank, one of the most prominent Islamic banks in the world, with assets of SAR 762 billion. Al Rajhi Capital combines the strength and resources of its regional presence with best-in-class investment advice and insightful research to deliver fully integrated and streamlined solutions.



Vision

Being the leading player in KSA capital markets investment and advisory services, home to leading talent and unparalleled customer satisfaction.

Values

Al Rajhi Capital DNA is underpinned by an ambitious purpose and a robust set of values, supported by a credible code of conduct that lays the foundation for success.

- Passion to perform
- Recurring value to customers
- Integrity and transparency
- Dependability
- Employer of choice

2022 Key Achievements

Performance

Al Rajhi Capital has successfully maintained its leadership status in brokerage in the Saudi market, with a market share of 17.58% in terms of value traded for main market and 23.85% for Nomu parallel market, driven by a 19% YoY increase in the number of active clients.

Scaled up the Asset Management, by most of the mutual funds delivering positive performance against their respective benchmark and their peer average, amidst highly volatile global market conditions and geo-political turmoil.

Continued its steps to lead in Asset Management, by consistently delivering award winning performances and with its commitment to applying the Global Investment Performance Measurement Standards (GIPS®).

The Lead Manager of the private issuance of Al Rajhi Bank Sukuk with a value of SAR 6.5 billion, in which the number of investors exceeded more than 750 subscribers, the largest of its kind.

The sole financial advisor and sole lead manager of the public offering and recent listing of Al Rajhi Bank's 10 billion Saudi riyals additional Tier 1 Sukuk; it was very well received by the market as over 125,000 investors subscribed, with coverage of over 300%. It is the first additional Tier 1 sukuk to be listed on the Saudi stock exchange, as a first of its kind.

Al Rajhi Capital is ranked no. 1 in global Sukuk league tables, and no. 4 in KSA Equity Capital Market (ECM) league tables, by the end of 2022.

The sole financial advisor, lead manager, bookrunner and underwriter for the SAR 1,247 million IPO of Al Masane Al Kobra Mining Company.

The paying agent for National Debt Management Centre and Al Rajhi Sukuk.

17.58 %

Market Share in the Saudi Market

23.85 %

Market Share for Nomu Parallel Market

Recognition

Received awards for:

- "Best Broker" award by the Saudi Stock Exchange Awards (Tadawul). (22/03/2022)
- "Sukuk House of the Year" for the year of 2022 by GFC Media Group.
- "Best Fund Over 3 Years & Over 5 Years" at Refinitiv Lipper Fund Awards in the following categories: MENA Markets, MENA Markets Domestic Funds and the Global Islamic Fund. (18/05/2022)
- "Best Research House" award by the Saudi Stock Exchange Awards (Tadawul). (22/03/2022)
- "Best Dept Capital Markets (DCM) House" award by the Saudi Stock Exchange (Tadawul). (13/02/2023)

Expansion

Al Rajhi Capital established the International Investments department to deepen and broaden its client engagement by offering an enhanced suite of international investment options.

Continued to support growth by providing investment solutions and advisory services to institutional and individual investors through various products and investment funds, the most recent of which is Al Rajhi Monthly Distribution Fund, the first of its kind as a multi-asset public fund which distributes profits on a monthly basis.

In order to enhance the financial sustainability of non-profit entities and the development of the sector, Al Rajhi Capital signed agreements to establish and manage five endowment investment funds with a total value exceeding 180 million riyals, including Quran Kareem Associations Endowment Fund, Orphans Associations Endowment Fund, Eastern Region Associations Endowment Fund, Autism Associations Endowment Fund and Health Associations Endowment Fund.

In addition, Al Rajhi Capital also ventured into the alternative investments domain, by focusing on private market strategies. Al Rajhi Capital has entered into MOUs/agreements with multiple local and international partners to offer alternative investment solutions to its clients.

2022 Key Achievements
(continued)

AUM exceeding

52.6
SAR bn.

Trading carried on electronic platforms

90%

Digitalization

Established the digital department and appointed a Chief Digital Officer, to handle and streamline all Al Rajhi Capital digital activities in line with Al Rajhi Capital's transformational strategy 2023. This step is to integrate digital technology into all areas of business, resulting in fundamental improvements in business operations and the value delivered to our customers.

Initiated the development of the new mobile app that has all of Al Rajhi Capital's investment products and services brought onto a single platform, effectively and efficiently enriching a seamless multi-channel customer experience.

Enhanced the mutual fund's feature on the primary Al Rajhi Bank mobile app resulting in a 94% YoY increase in total unit subscribers.

Achieved significant record in managing the end-to-end delivery of IT services to customers by spurring innovation in key areas, such as Cloud Native Agile Integration Platform, Digital Factory Foundation, and Al Rajhi Capital IT Channel Implementation for Demand and ITSM Processes.

Successfully implemented a new custody system to manage Sukuks and customer payments seamlessly without human intervention.

Technology and digital enablers implemented throughout the year resulted in over 90% of all trading being carried out on electronic platforms.

BOD & Executive Management

Chairman's Foreword

Abdullah bin Sulaiman Al Rajhi

We are centered towards achieving exceptional results by way of providing the best investment services via Al Rajhi Capital's diversified and growing investment products, which meet our clients' needs.

Since its inception, we have been proud of Al Rajhi Capital's leading position as a Saudi company operating in the area of investment services and products. We are also proud of the pathfinding role played by the Kingdom of Saudi Arabia and of the Kingdom's Vision 2030, with the incentive and support it provides to all sectors. Our strategic plans, aim to offer investment services that are consistent with this role.

We are centered towards achieving exceptional results by way of providing the best investment services via Al Rajhi Capital's diversified and growing investment products, which meet our clients' needs. We have enhanced our flexibility to achieve our strategic ambitions, and maintain our leading position in Brokerage, diversify the investment options in Asset Managements, achieve distinctiveness in the Investment Banking through the qualitative transactions in the Sukuk and equity capital markets, reinforce our status in the real estate market, as well as diversify our proprietary investments.

The Company's goal is to contribute fully and effectively as developers of investments and as active and pioneering managers of asset management. The Company has high experience in managing assets of various categories and has a distinguished investment record in the financial markets. Within the framework of our commitment to satisfy our customers and enable them to achieve their investment goals, we also aim to implement our digital services strategy.

We build our business model with the objective of achieving growth in our investments, through the continuous development of the operations and managing them with efficiency within a positive and talent motivating environment, as well as investing in the human resources in order to inspire innovation and meet our clients' needs.

In conclusion, we express the highest verses of thanks, gratitude and appreciation to the leader of our blessed march, the Custodian of the Two Holy Mosques and His Royal Highness The Crown Prince, may God support them, for the progress and prosperity achieved in our beloved country in various aspects. Motivated and inspired by this strong support, we cannot but continue to be a trusted partner for all our stakeholders.

Finally, I would like thank the Board of Directors, and all our employees and work teams, for their commitment and continued support.

CEO's Statement

Waleed bin Hamad AlRashed AlHumaid

During the year 2022, Al Rajhi Capital, maintained its leadership position in the market, and was also able to maintain its high ranking position as the biggest broker in the Saudi retail investors market. In addition, Al Rajhi Capital, ranked top in the Investment Banking, and attained the top rank globally by the end of the year, in managing Sukuk offering, and issuance.

At the end of the fiscal year 2022, we are proud to speak of our great achievements. The Company's financial position has grown exceptionally. Al Rajhi Capital continued as the market front runner with Brokerage maintaining its leading status on Tadawul and the Nomu - Parallel equity markets.

Al Rajhi Capital, as one of the top five Asset Managers in the Middle East & North Africa region, has demonstrated its commitment towards leadership in Asset Management sector by complying with the Global Investment Performance Measurement Standards (GIPS). Additionally, Al Rajhi Capital continued to provide diversified investment solutions and advisory services to institutional and individual investors, through various public and private products, the most recent of which was "Al Rajhi Monthly Distribution Fund", the first of its kind as a multi-asset public fund which distributes profits on a monthly basis. This is in addition to enhancing the financial sustainability for the non-profit sector, as Al Rajhi Capital has signed some agreements for establishing and managing five Waqf (Endowment) investment funds covering more than 50 charities in the Kingdom.

Moreover, Al Rajhi Capital was positioned on top of the Investment Banking, as it ranked First at the global level by the end of the year, in the management and issuance of Sukuk. In this respect, Al Rajhi Capital worked on a number of distinguished offerings, the most important of which was Al Rajhi Bank SAR 6.5 bn. Sukuk Issuance, whereas the number of investors in this issuance, exceeded 750 investors, the largest of its kind. This is, in addition to the recent public offering of Al Rajhi Bank's Sukuk offering, which attracted a large number of investors exceeding 125,000 subscribers, with a coverage amounting to nearly three times the size of the original issue, and is considered the first listing of its kind in the Saudi Sukuk Market.

As a result, we are proud of being awarded "Best Debt Capital Markets (DCM) House Award" of the Saudi Stock Exchange (Tadawul) awards for 2022.

The Company is committed to enhancing the quality and digitalization of its financial and advisory services as part of its investment leadership strategy. To stay at the forefront of the technological advancement in financial services, the company has established digital stewardship. As a result, Al Rajhi Capital will launch its new mobile application in the first quarter (Q1) of 2023. The application merges all services into one platform, facilitating investment transactions and enabling users to navigate quickly and smoothly between different products and services with simplicity. For the first time, clients can trade local and international stocks and investment funds in one place through Al Rajhi Capital's new application, which allows opening investment accounts and registrations in one place. We trust that, the new platform will be a unique experience based on the state-of-the-art methodologies which contribute to achieving our clients' satisfaction, and will always continue to improve.

In conclusion, I would like to affirm that, Al Rajhi Capital had witnessed, many other achievements during the past year and the start of the new fiscal year, that we are all proud of. Moreover, we are pleased to launch the new corporate identity of Al Rajhi Capital.

Finally, I want to express my gratitude to the Board of Directors for their continuous support, and to all of our employees for their exceptional efforts throughout the past year which enabled the company to achieve the investment leadership strategy and become the first destination for investment without boundaries. Let us continue to capitalize on capital to reach new heights.

Board of Directors

Abdullah Bin Sulaiman Al Rajhi

Chairman/Non-Executive

Education

- Bachelor of Business Administration - College of Economics and Administration „King Abdulaziz University", 1979

Most prominent previous positions

- Numerous senior positions in Al Rajhi Bank
- CEO - Al Rajhi Bank
- Vice Board Chairman - ARB
- Member of the Executive Committee - Al Rajhi Bank
- Chairman - Al Rajhi Bank Malaysia
- Chairman - Al Arrab Contracting Company

Membership of other boards

- Chairman - Al Rajhi Bank
- Chairman - Al Rajhi Cooperative Insurance Co.
- Chairman - Al Rajhi Holding Group Co.
- Chairman - Faraby Petrochemicals Co.
- Chairman - Al Ajial Holding Co.
- Chairman - Internal and External Geotextile Solution Holding Company

Sulaiman Bin Saleh Al Rajhi

Non-Executive Member (Chairman of Audit Committee)

Education

- High School

Most prominent previous positions

- Number of senior positions in Al Rajhi Bank
- Board Member - Qassim Cement Company
- Board Member - Gas & Industrialization Company
- Board Member - Al Rajhi Bank

Membership of other boards

- Non-Executive Member Al Rajhi & Almesfer Agriculture Company LLC
- Non-Executive Member Saleh Abdul Aziz Al Rajhi Company LLC

Salah Bin Ali Aba Al Khail

Non-Executive Member (Chairman of Compliance Committee)

Education

- Bachelor of Electrical Engineering - University of Arizona, 1972

Most prominent previous positions

- Committee Member Engineering Arbitration
- Member of a Number of Engineering Committees

Membership of other boards

- Chairman / Non-Executive National Veterinary Company

Abdulaziz Bin Khaled Al Ghufaily

Non-Executive Member

Education

- Master of Economics – western Illinois university – 1990
- Bachelor of Economics – King Saud University – 1981

Most prominent previous positions

- 1981 - 2013 Acting general manager financial investment – (GOSI)

Membership of other boards

- Non - Executive member Al Rajhi Banking & Investment Corporation
- Non - Executive member National Petrochemical Industrial Co. (NATPET)

Faisal Bin Saud Al Saleh

Independent Member (Chairman of Nomination & Remuneration Committee)

Education

- Master of Electrical Engineering - University of Pittsburgh, 1979
- Bachelor of Electrical Engineering - University of Arizona, 1977

Most prominent previous positions

- 1998 - 2006 Chairman of the Board of Directors of Bahri Chemicals
- 1995 - 2006 Board member of the National Shipping Company of Saudi Arabia (Bahri)

Membership of other boards

- Independent member - Saudi Plastic Products Co. LLC (SAPCO)
- Executive member - Al-Saleh Development Company
- Non-Executive member - Green Kingdom Manufacturing Company LLC
- BOD member / MD - Arabian Plastic Manufacturing Co. LLC
- Chairman Non-Executive Faisal Saud Al-Saleh & Partners Co.

Khalid Bin Hamad Al Yahya

Independent Member

Education

- Master of Civil and Environmental Engineering - University of Wisconsin-Madison, US
- Bachelor of Civil and Environmental Engineering - University of Wisconsin-Madison, US

Most prominent previous positions

- His Excellency the Saudi Railways Organization President
- Representative of Saudi Arabia in the World Bank Group
- Number of executive positions in the Saudi Fund for Development

Membership of other boards

- Independent member - Riyadh Steel Company
- Independent member - Dividend Gate Capital Bahrain

Executive Management

The Senior Management team is core to the Company's overall decision-making structure; and plays a pivotal role in the planning, policy formulation, governance, reporting and decision- making processes.

Led by the Chief Executive Officer, the team is responsible for the day-to-day operations of Al Rajhi Capital, in line with the goals and authorities set by the Board of Directors.

Waleed AlRashed AlHumaid
Chief Executive Officer

Previous Position
- General Manager of Asset Management at HSBC Saudi Arabia

Qualifications
- Master Degree - Financial Economics

Experience
- More than 19 years.

Ahmed Al Mohsen
Chief Financial Officer

Previous Position
- CFO at Al Rajhi Bank – Jordan Branches

Qualifications
- Master Degree - Business Administration

Experience
- More than 18 years.

Naif AlDegaither
Head of Strategy & Transformation

Previous Position
- CMA Deputy, Strategy & International Affairs at the Capital Market Authority

Qualifications
- Master Degree - Business Administration

Experience
- More than 21 years.

Mohammed Alkassem
Head of Brokerage

Previous Position
- Head of Brokerage Advisory at SNB Capital

Qualifications
- B.Sc. degree - Public Administration

Experience
- More than 18 years.

Fares Al Fares
Head of Asset Management

Previous Position
- Head of Equities at Al Rajhi Capital

Qualifications
- B.Sc. degree - Accounting

Experience
- More than 16 years.

Assem Raqaban
Head of Real Estate

Previous Position
- Senior Vice President at Saudi Investment Department – Real Estate and Infrastructure in The Public Investments Fund

Qualifications
- M.Sc. Degree - Real Estate Finance and Investment
- M.Sc. Degree - Financial Analysis and Fund Management

Experience
- More than 13 years.

Usman Sikandar
Head of Investment Banking

Previous Position
- Head of investment banking at Saudi Fransi Capital

Qualifications
- Master Degree - Business Administration

Experience
- More than 25 years.

Arup Asadullah
Head of International Investment

Previous Position
- Founder and CEO Fenical Investments - London

Qualifications
- Master Degree - Business Administration

Experience
- More than 20 years.

Mazen Al Sudairi
Head of Research

Previous Position
- Head of Sell-Side research team at Alistithmar Capital

Qualifications
- M.Sc. Degree - Finance
- Chartered Financial Analyst (CFA) – CFA Institute

Experience
- More than 17 years.

Abdullah Alibrahim
Chief Digital Officer

Previous Position
- CIO at the International Digital Solutions Company "neoleap"

Qualifications
- Master Degree - Business Administration

Experience
- More than 16 years.

Tarik Alsugair
Governance Director

Previous Position
- Head of Compliance Unit - Al Rajhi Capital

Qualifications
- Master Degree - Business Administration

Experience
- More than 21 years.

Abdulmuhsen Al Ajaji
Chief Operating Officer

Previous Position
- Regional Manager for sales, advisory, and customer experience at Oracle Corporation and Cisco Systems

Qualifications
- B.Sc. degree - Business Administration and Economics

Experience
- More than 13 years.

Mohammed Al Monajem
Chief Compliance Officer and Head of Anti-Money Laundering

Previous Position
- Chief Compliance Officer and Head of Anti-Money Laundering at Riyad Capital

Qualifications
- B.Sc. degree - English Language

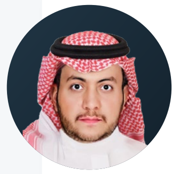
Experience
- More than 21 years.

Waleed Al Thnayan
HR & Administration Director

Previous Position
- Training department at the Royal Embassy of Saudi Arabia in Washington DC

Qualifications
- Master degree - Human Resources Management

Experience
- More than 27 years.



Mohamed Sakr
Chief Risk Officer

Previous Position
- Head of Risk Management at Albilad Capital

Qualifications
- MSc degree - Investments

Experience
- More than 17 years.

Business Report

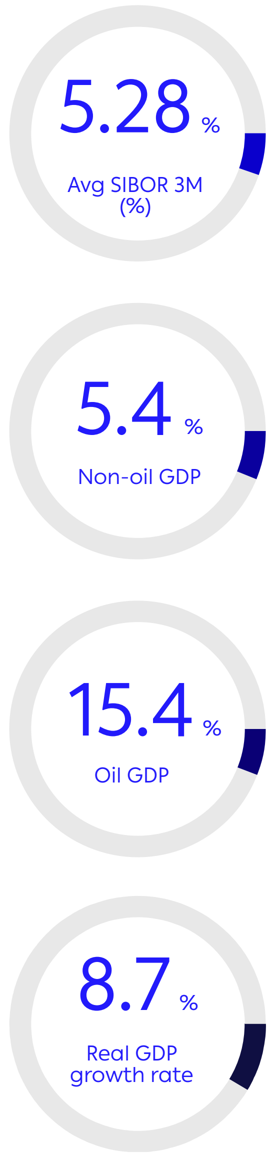
Macroeconomic Overview

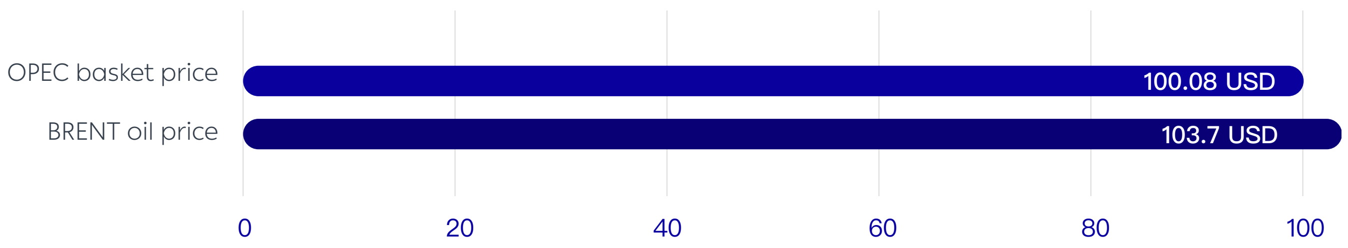
Al Rajhi Capital has established a strong foundation for success with its solid results and profitable funds, as well as its commitment to its clients and ongoing technology advancements. These factors position the Company well to capitalise on the growth opportunities in the Saudi economy in 2023.

The financial outlook for 2023 looks optimistic, with an expected real GDP growth of 3.1%, although slower than the growth of the staggering 8.7% seen in 2022. Despite a weaker global environment, lower oil prices, and stagnating oil output, the economy is projected to maintain growth around the average of the previous decade.

The budget for 2023 projects a reduced surplus of 0.4% of GDP, compared to an estimated 2.6% surplus this year. Yet a surplus, no matter how small, is welcome given the eight consecutive years of deficits during the 2014-2021 period.

GDP Growth 2022

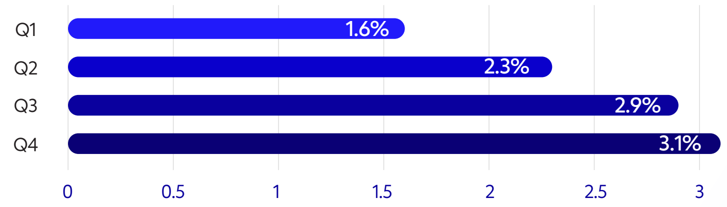




The Non-oil S&P Global Purchasing Managers' Index (PMI) showed a substantial improvement in private sector operating conditions in 2022, ending the year at 56.9. The PMI remained above 50.0, indicating growth, and was driven by rising employment and robust demand, as well as investment boosted by the ongoing Saudi Vision 2030 reforms.

Saudi inflationary pressures have remained low, with an annual average of 3.3% in 2022, one of the lowest rates among G20 nations. Inflation is expected to soften heading into 2023 due to moderating commodity prices and economic momentum. The Ministry of Finance projects inflation to average 2.1% in 2023 and 2024.

2022 Inflation



The Company believes that it has the necessary momentum and a favourable opportunity to maintain its growth in the long term. Al Rajhi Capital has had a history of growth since its establishment and will continue to focus on development as a priority in the future.

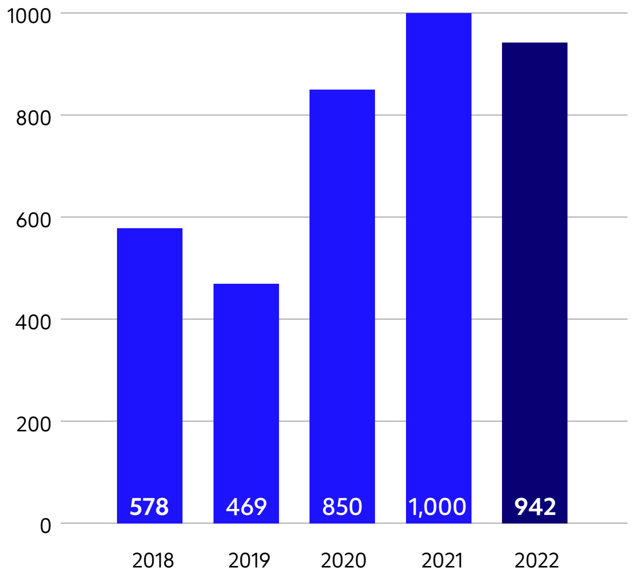
The Company has strong financial and competitive positions, which allows it to pursue new opportunities and achieve its strategic goals.

Financial Highlights

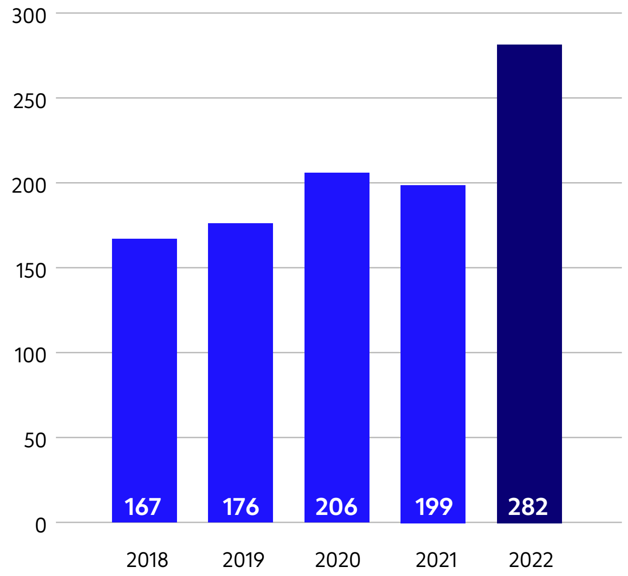
	2018	2019	2020	2021	2022
Revenue (SAR Million)	578	469	850	1,000	942
Expenses (SAR Million)	167	176	206	199	282
Profit before Zakat (SAR Million)	411	293	644	801	660
Assets (SAR Million)	2971	3270	3921	4911	6825
Total Liabilities (SAR Million)	138	148	211	455	1857
Shareholder's Equity (SAR Million)	2833	3123	3710	4457	4968
Assets Under Management (SAR Billion)	41	42	50	58	52.6

Financial Highlights (continued)

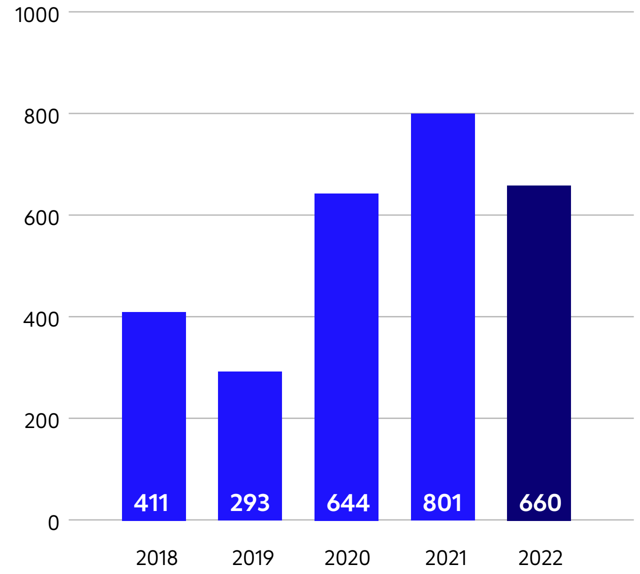
Revenue (SAR Million)



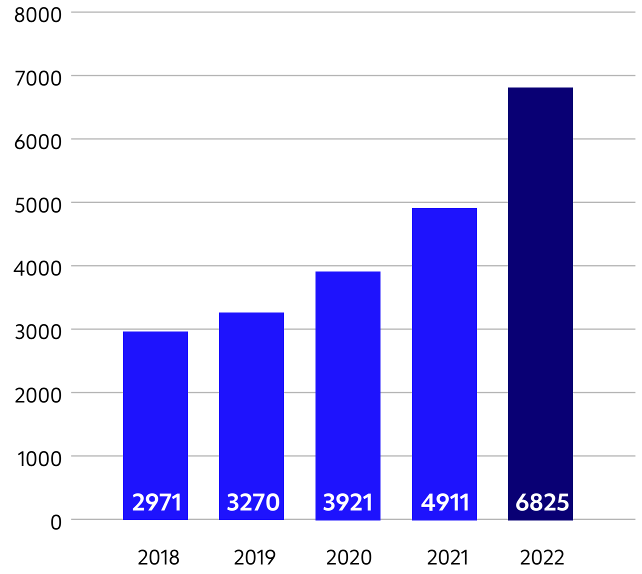
Expenses (SAR Million)



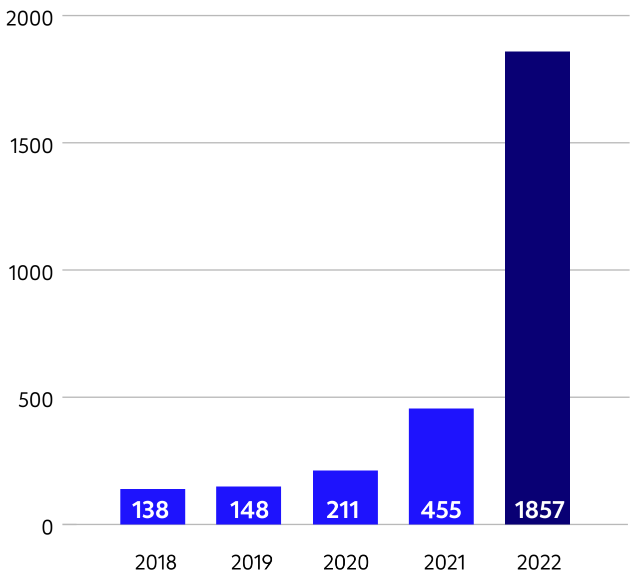
Net Profit before Zakat (SAR Million)



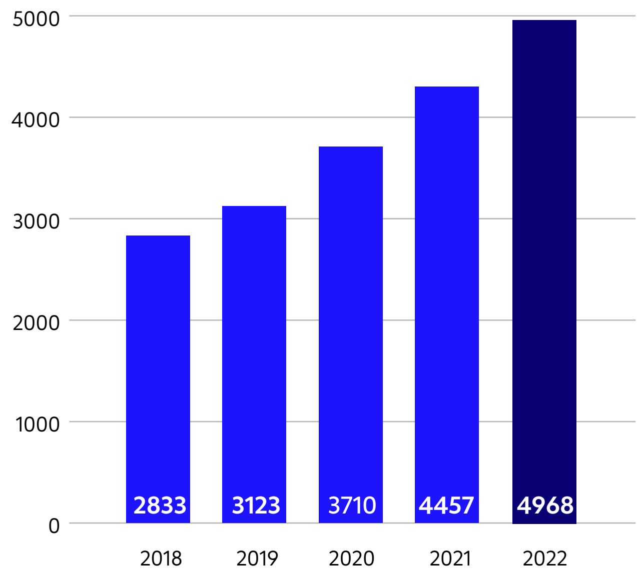
Assets (SAR Million)



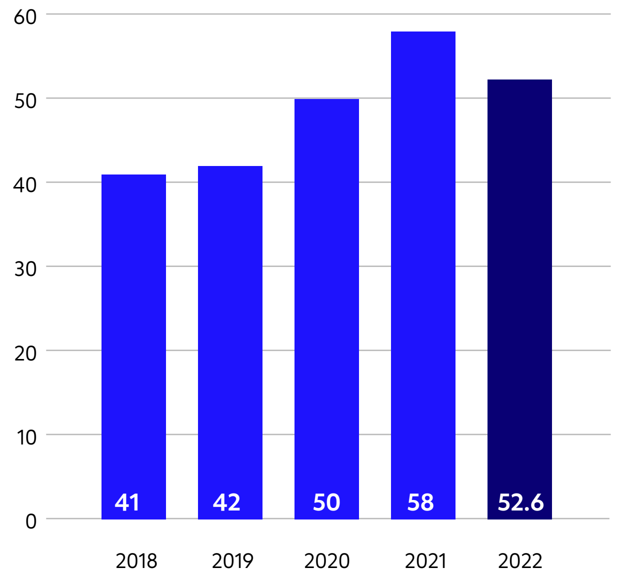
Total Liabilities (SAR Million)



Shareholder's Equity (SAR Million)



Assets Under Management (SAR Billion)



Operational Review

Al Rajhi Capital is a leading Sharia-compliant Saudi Arabian financial services company. It is committed to continuously evolving in advocating for institutional investors and individuals to create a better investment landscape, hence this focus to continue to deliver enriched value to capture attractive opportunities.

The Company's broad service spectrum helps generate a balanced stream of revenues and net assets and allows investors to capture growth opportunities.

Al Rajhi Capital's team of professionals delivers a range of Sharia-compliant financial instruments designed to help clients achieve their strategic investment objectives.

Al Rajhi Capital's clients increasingly require superior investment products coupled with broader risk management, asset allocation, and asset/liability solutions. The Company continues to evolve to help meet this need and serve as a trusted solution-oriented advisor that can help investors achieve specific outcomes in an increasingly complex marketplace.

The Company has built an investment platform with a unique breadth and depth of investment capabilities across asset classes and investment styles.

Al Rajhi Capital's several active investment strategies across asset classes enable the Company to tailor investment outcomes and asset allocation solutions for clients.

The product offerings include single and multi-asset portfolios investing in equities, fixed income, money market instruments and alternatives. Products are offered in various vehicles, including open-end and closed-end mutual funds, separate accounts, collective investment funds, and other pooled investment vehicles equipped with risk management analytics, advisory services, and solutions.

The Company is highly regulated and meets various investor and borrower needs through multiple investment strategies.

Al Rajhi Capital draws on the capabilities of dedicated diligence teams and shares the expertise of autonomous investment processes that manage a wide range of portfolios across the risk/return spectrum.

Our teams manage a SAR 52.6 billion portfolio of Equity Investments, Public and Private Mutual Funds, Discretionary Portfolios, Fixed Income and Money Markets, and REIT Management.

Our business model is designed to support our growth strategy harnessing the combination of strengths in our business. We structure our business model to deliver growth on several pillars:

- Brokerage
- Asset Management
- Real Estate Investments
- Investment Banking
- International Investment
- Research

Our approach is to add value:

01 No.1 broker platform in KSA powered by leading technology

02 Investment capabilities with a broad range of asset classes

03 A broad ecosystem of capabilities in the wealth management

04 Agile operating model

05 Strong real estate capabilities

06 Harnessing investment banking advisory excellence

07 Solid capital resources to invest

Brokerage

Al Rajhi Capital is the largest brokerage service provider in the local market, and it serves individual, institutional, corporate and retail investors. It plays a leading role in enabling investors to access local and international markets seamlessly and promptly according to their needs.

In 2022, we have been rewarded as "Best Broker" in Saudi Exchange market (Tadawul) for 2021, the Company reinforced its status as the leading brokerage service provider reaching 17.58% in Saudi exchange's main market, and 23.85% in the parallel market (Nomu) in terms of value traded.

Which is representing the extensive experience of the brokerage department in Al-Rajhi Capital through the distinguished services it provides, leveraging on technology systems, and powered at the same time by rich research services with direct contact with listed companies in the market.

ARC's Brokerage Division also offers a comprehensive international brokerage and execution service utilizing state-of-the-art technology, which enables multi-platform stock trading across major international capital markets, including the GCC/MENA markets.The division is committed to constantly enhancing its performance and improving results. In line with the Company's digitalisation strategy, this includes investing in the latest technologies to offer

17.58% In Saudi exchange's main market

23.85% In Parallel Market (Nomu)

clients the best trading tools and products, and developing brokerage systems to fit a range of new features to enhance the customer experience. Al Rajhi Capital has unique experience in digital brokerage field through trading channels, in addition to its capacity for growth and acquisition through our strong and scalable infrastructure.

Our tech heritage, innovative culture, and iconic brand are the main factors in the brokerage industry and boosting the company continued power in the Saudi Arabian market, which led our online trading platform to high level of innovation, as over 89% of all trading being carried out on electronic platforms.

Unrivalled in digital brokerage Al Rajhi Capital is serving peak volumes across trading channels with the capacity for growth and acquisition through our strong and scalable infrastructure.

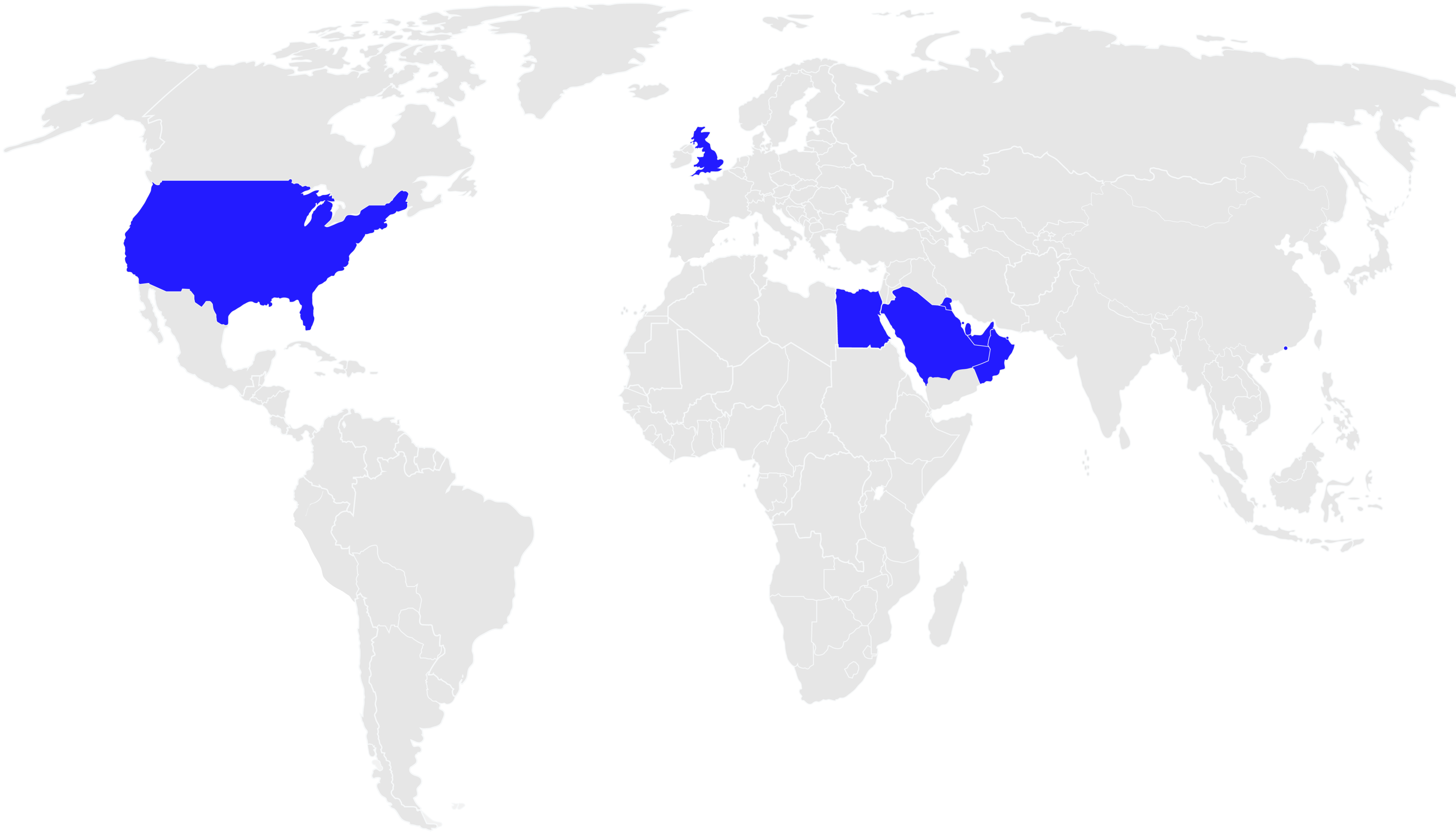
Our tech heritage, innovative culture, and iconic brand are the intangibles in the brokerage industry and a continued force in the Saudi Arabian market. Our online trading platform has driven a great deal of innovation. All technology and digital enablers implemented throughout the year resulted in over 89% of all trading being carried out on electronic platforms.

With unparalleled technology and service, we have advanced our offering beyond brokerage capabilities to deliver a robust and diversified suite of solutions.

Today, we offer comprehensive trading capabilities and a leading stock plan administration platform. Our commitment to innovation garnered a triumphant year of award and recognition.

Gulf & International Markets

- **Dubai** Financial Market
- **Abu Dhabi** Securities Exchange
- **Qatar** Stock Exchange
- **Kuwait** Stock Exchange
- **Bahrain** Bourse
- **Musqat** Securities Market
- **The Egyptian** Exchange
- **US Markets** New York Stock Exchange
- **US Markets** NASDAQ
- **United Kingdome** Market
- **Hong Kong** Markets



Trade Globally on Our Unified Online Platform

We are also proud to provide our clients with a multi-market unified international online platform, that allows our clients to invest and trade in the following GCC, MENA, and International markets.

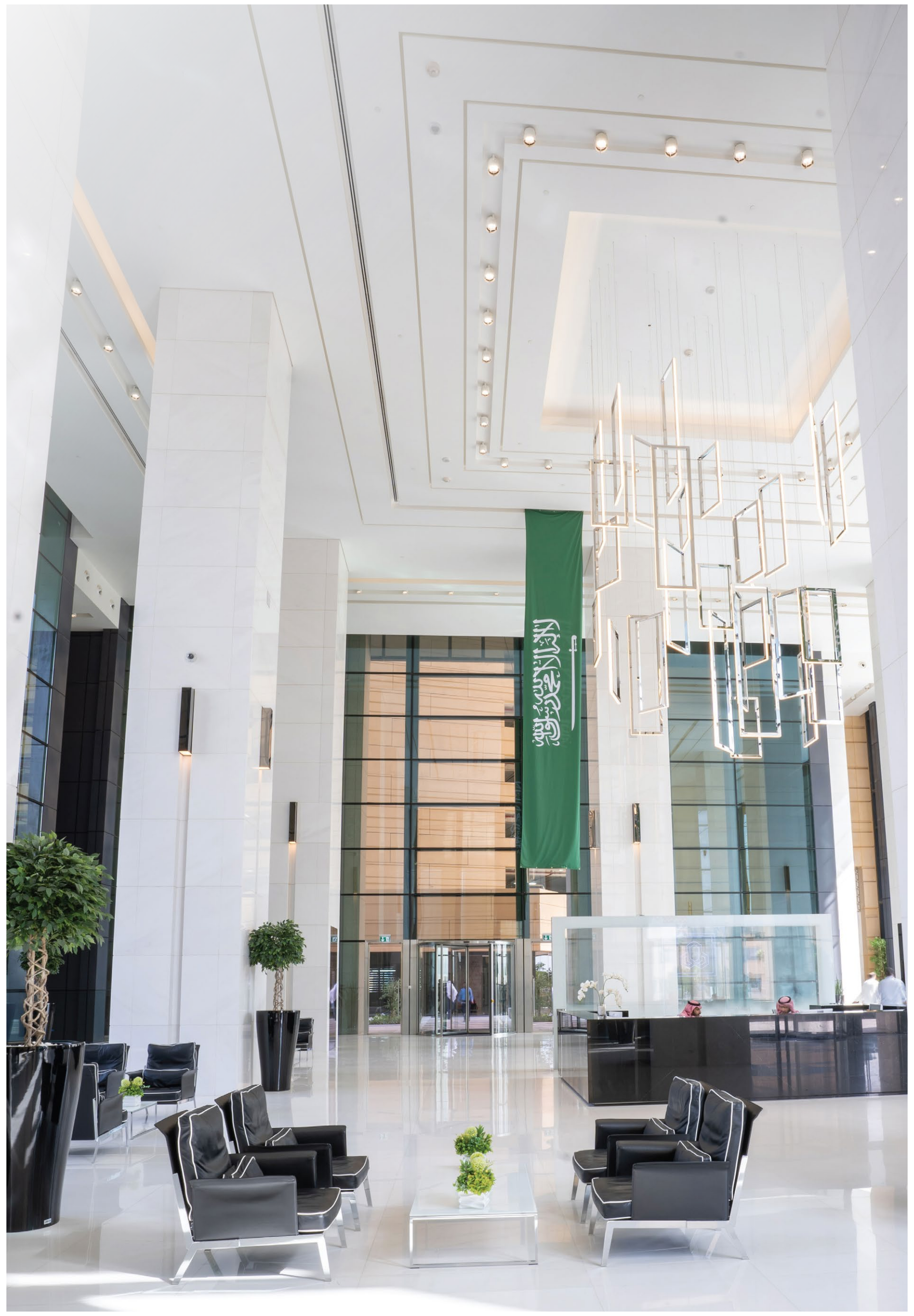
Efficient International Brokerage Services at Al Rajhi Capital

Al Rajhi Capital is proud to offer international brokerage services to its clients through its highly experienced brokers, who provide high levels of efficiency and quality in terms of handling client's accounts with total care. This allows our clients to execute their trading with total ease.

Asset and Wealth Management

We are proud to mention that during the reporting period, almost all products delivered positive performance against their respective benchmarks and peer average.

The department's performance was recognized publicly with Al Rajhi GCC Equity Fund by winning the "Best Fund Over 3 Years & Over 5 Years" at Refinitiv Lipper Fund Awards in the following categories: MENA Markets, MENA Markets Domestic Funds and the Global Islamic Fund.



Al Rajhi Capital is one of the leading asset managers in Saudi Arabia.

We provide investment services through Asset and Wealth Management to help clients preserve and grow their financial assets. Individual and institutional clients are the main beneficiaries of these services.

The Asset and Wealth Management department offers a wide range of unique Shariah-compliant investment products across all major asset classes; equity; money market; fixed income, and multi-asset. It includes all our public and private funds.

Al Rajhi Capital leverages a broad, open-architecture investment platform and execution capabilities to help clients achieve their investment goals by providing investment solutions in various structures, including managed investment portfolios and investment funds. We also provide customised investment advisory solutions designed to address our clients' investment needs.

These solutions begin with identifying clients' objectives and continue through portfolio construction, ongoing asset allocation, risk management and investment realization.

Our product range spans various investment disciplines and mandates covering multiple asset classes. During 2022, Asset Management department worked on developing seven new products in the different asset classes:

- Establishment and management of five endowment investment funds.
- One public investment fund, "Al Rajhi Monthly Distribution Fund," which was widely and well put forward, raising nearly 300 million Saudi riyals. The fund contributed to increasing the total number of subscribers in investment funds managed by Al-Rajhi Capital by 96% annually.
- One endowment fund "Al-Rajhi Health Endowment Fund".

To expand the range of products, new products were developed and launched during the past two years, achieving the desired results and successfully contributing to the increase in assets under management and revenues.

The value of assets under management reached 52.6 billion Saudi Riyals at the end of 2022, which puts the company in a leading position in the Kingdom. Because of our flexible and diversified business model in attracting investments, it is planned to launch several new products for 2023, including asset classes.

Asset and Wealth Management (continued)

Performance of Al Rajhi Capital's Public Funds

Local and Regional Equity Funds	Return for the year 2022
Al Rajhi Saudi Equity Fund	2.76%
Al Rajhi GCC Equity Fund	5.89%
Al Rajhi Materials Sector Equity Fund	(1.08)%
Al Rajhi MENA Dividend Growth Fund	0.46%
Al Rajhi Saudi Equity Income Fund	0.39%
Al Rajhi MSCI Saudi Multi Factor Index Fund	(5.42)%
Al Rajhi Freestyle Saudi Equity Fund	(2.44)%

International Equity Funds	Return for the year 2022
Al Rajhi Global Equity Fund	(31.08)%

Sukuk Funds	Return for the year 2022
Al Rajhi Sukuk Fund	(1.02)%

Commodities Mudaraba	Return for the year 2022
Al Rajhi Commodity Fund - USD	1.70%
Al Rajhi Commodity Fund - SAR	2.09%

Multi Asset Funds	Return for the year 2022
Al Rajhi Multi Asset Balanced Fund	(1.08)%
Al Rajhi Multi Asset Growth Fund	(6.61)%
Al Rajhi Multi Asset Conservative Fund	0.89%
Al Rajhi Monthly Distribution Fund	(0.12)%*

Awqaf Funds	Return for the year 2022
Health Awqaf Fund	0.33%**

* Since inception returns 05/09/2022
** Since inception returns 21/08/2022

Real Estate

Al Rajhi Capital has been instrumental in developing and expanding the Real Estate market and adopting listed real estate securities as a strategic allocation.

From the establishment of the company, Al Rajhi Capital, has been a pioneer in real estate investments in the kingdom of Saudi Arabia. The Company is committed to maintaining its legacy. The Real Estate department primarily focuses on growing Al Rajhi REIT assets, enhancing the yield to investors, and increasing the income's sustainability.

As a result, Al Rajhi REIT saw an increase in its dividends per share for the second half of 2022, followed by an announcement of a policy change for distributing cash dividends from semi-annual to quarterly cash distributions starting from the first quarter of 2023.

In addition, it is activating the private funds business within the real estate department. The department has signed several MOUs for establishing private real estate development funds to consolidate its leadership in this sector.

Among these agreements is a tripartite agreement to establish an investment fund worth 1.5 billion Saudi riyals with the Tourism Development Fund (TDF) and Ennismore, the world's largest and fastest-growing hospitality company, to provide financing for hospitality projects throughout the Kingdom, contribute to the tourism sector, and Al Rajhi Financial Company continues to focus on private real estate funds, which contributes to the growth of real estate developers by providing the infrastructure for project financing through providing specific and innovative investment tools for its clients. This will help support the real estate sector as a whole.

Investment Banking

The fiscal year 2022 was indeed a strong year for investment banking services, as the Company's revenues reached SAR 76 million as a result of the execution of 14 deals, including some notable deals, such as the private placement of Al-Rajhi Bank Sukuk valued at SAR 6.5 billion, and the public offering of ARB Sukuk valued at SAR 10 billion, the SAR 1,247 million IPO of Al Masane Al Kobra Mining Company, the IPO of Jahez with a value of SAR 1,600 million, the accelerated book-building process for the Saudi Tadawul Group with a value of SAR 2,300 million, and the rights offering of the Arab Cooperative Insurance Company with a value of SAR 265 million.

In addition to the financial performance, fiscal year 2022 also marked a period during which Al Rajhi Capital reinforced its reputation as a major player in the KSA investment banking space. The Investment Banking department played a leading role in transactions and exhibited its capacity to execute large and complex transactions. Leveraging these successful transactions, the Investment Banking Team was able to build a strong pipeline of deals across all product lines; Equity Capital Market (IPO and Rights Issues), Debt Capital Markets (Sukuks) and Merger & Acquisitions (public and private M&A, private placements and general corporate finance advisory).

To enhance the institutional integration within the Al Rajhi Group, Al Rajhi Capital took on the role of the financial advisor in the acquisition of Al Rajhi Bank of Ejada Systems, the leading regional company in the field of information and communication technology solutions.

Furthermore, Al Rajhi Capital has overseen a total of 12 significant transactions in both domestic and international Sukuk markets. These deals involve a diverse range of issuers such as the Ministry of Finance in Saudi Arabia, the government of Sharjah, Arada in the UAE, as well as entities associated with the KSA government. Al Rajhi Capital has also issued perpetual Sukuk bonds through Al Rajhi Bank, which marked the first public issuance by a bank in Saudi Arabia and attracted 125,000 investors.

Al Rajhi Capital has established its prominent position in the global, regional, and local Sukuk markets, which demonstrates the unparalleled trust and confidence that both issuers and investors have in the company's ability to structure and manage Sukuk offerings.

International Investment

In line with its new investment approach, Al Rajhi Capital established the International Investment Department, which aims to diversify the products offered to its clients by including private investments in major international markets.

The department has been operating at total capacity since the end of last year and has developed an ambitious growth plan, with the first investments expected to be executed in 2023.

The key priority of the International Investment Department is to guarantee excellent transactions for Al Rajhi Capital's clients, facilitated by streamlined and adaptable operations and backed up by effective governance and risk control measures in place.

The International Investment Department is collaborating closely with prominent investment managers in Europe and the United States to evaluate investment prospects within various asset classes and sectors.

It should be emphasized that the global investment market is currently encountering a demanding situation characterized by factors such as inflation, economic slowdown, increasing interest rates, and a challenging climate for private investments that result in substantial instability. However, the management team is confident that numerous investment opportunities exist with more appealing valuations and appropriate levels of risk. The Company leverages its expertise and relationships to provide better investment opportunities for its clients.

Proprietary Investment

Proprietary Investment

The Company's proprietary investment team continued its efforts on generating alternative sources of income for the Company based on the specified risk appetite.

In 2022, the Proprietary Investment team's focus was on enhancing the Company's current yielding assets as well as acquiring new assets with higher yields while at the same time maintaining an appropriate risk level.

As a result, the Company's investment portfolio witnessed an increase in net returns in all investment assets during 2022, thus achieving an increase in the net return ratio on investment, where the return increased from 4.8% in 2021 to 5.7% in 2022.

Research

The Al Rajhi Capital Research division provides fundamental insights and analysis on various investment experiences, including stock, bond, commodity, and foreign currency analysis and macroeconomic performance research.

In March 2022, the division received the "Best Research House" award for 2021 within the Saudi Stock Exchange.

Its role is to build market efficiency and enable clients to make better investment decisions by helping them understand the economic factors at the broader market and stock-picking levels and identify emerging trends. The analysis of Al Rajhi Capital's research continually reflects changes in the global economies and provides a report on price indicators in local and international markets.

The Company's research coverage increased from 43 companies in 2021 to 45 in 2022. The key reports published were MSCI Saudi Index analysis, fund manager surveys, banking sector notes, and initiations on critical companies.

Al Rajhi Capital Research coverage

43
2021

45
2022

The department also increased the number of earnings calls it hosts and helped more clients connect with the management of the companies.

The department provided high-quality research services in a timely manner as a main focus during the year. Thanks to these efforts, clients were able to feel confident in making the best and most informed decisions amid increasing challenges and the current market uncertainty.

Despite challenges such as the sharp rise in SAIBOR, volatility in oil prices, and weak global markets, Al Rajhi Capital's Research division continued to operate.

Support Functions

Strategy and Transformation

Back in 2020, Al Rajhi Capital established a Transformation & Strategy Committee to continuously supervise the strategy's implementation plan and keep an eye on the carefully selected key performance indicators (KPIs) that align our business model with our strategy.

The company is making progress towards achieving its strategic objectives for 2023, which includes maintaining its leadership position in the brokerage field, expanding its asset management business, establishing a presence in the real estate and investment banking markets, diversifying its investments in private equity, facilitating its digital roadmap, and enhancing its values and strengths to build a solid foundation for success and increase its market share in all areas of business.

Finance

Al Rajhi Capital Finance division maintained its relentless focus on internal controls, revenue diversification, investment yield, cost monitoring, and maintaining a solid financial position in 2022.

The finance division team diligently maintained adequate capital ratios to support current and future company activities. Additionally, it successfully implemented changes to the system with the IT department to enable electronic value-added tax invoices last year.

Furthermore, the finance division has started implementing the requirements of value-added tax for the second phase and continuing working with the IT and other business sectors to deliver all projects successfully and on schedule.

Information Technology (IT)

Al Rajhi Capital has set up an Information Technology division, with the appointment of a Chief Digital Officer to oversee all digital activities and align them with the company's 2023 transformation plan. IT has been incorporated into every aspect of the company's operations, leading to significant enhancements and greater customer value. Developing the technologies and improving the provided systems to continue at the forefront of the technological distinctiveness in the financial services, has been and is still, representing one of the pivotal points in Al Rajhi Capital strategy.

The year 2022 saw significant progress on this front, with several mid-to-large scale IT and technology projects completed. Several major steps were taken along the Company's digitalization roadmap, such as:

- Implementation of Tadawul post-trade technology program (PTTP);
- Development of the unified digital channel "Super App" to avail all Al Rajhi Capital services.
- Strengthen the technical foundation of Al Rajhi Capital landscape by implementing mandatory regular upgrades and improvements.

2022 saw the successful implementation of the Al Rajhi Capital IT Channel for Demand and IT Service Management Processes and introduced the RPA to facilitate operational excellence.

Al Rajhi Capital's IT division also implemented several improvements in the back-office system to strengthen the capabilities of the Company's operations by introducing a data management and analytics tool.

All these complex changes and updates focus on anticipating customers' needs to provide engaging and personalized customer solutions.

Support Functions (continued)

HR and Administration

AL Rajhi Capital enhanced its human capital framework during 2022 and further strengthened the management team and several new key positions were filled and a new group of fresh graduates were onboarded through the Graduate Development Program.

In addition, the Company improved its employee value proposition through clinical benchmark studies that support attracting new joiners and retaining current employees.

The Company had significant increase in the headcount to respond to business needs and requirements with an increase in Saudization level which amounted to 91%. Also, it continued the investment in staff training and development as well as succession planning through developing successors which safeguard business sustainability and continuity.

AL Rajhi Capital strives to create a culture that fosters excellence, collaboration, innovation and engagement through strong retention programs and continuous employees' development and career progression.

Talent Development

The development of a talent pipeline is an important factor for both employees and business as well. We provide talent development journeys for our talent to keep scaling up their skill set which will support their career progression and improve business value creation through enhanced business processes and customer experience.

Our goals are to maximize individual capabilities, increase commercial effectiveness and innovation, reinforce our culture, expand professional opportunities, and help our people contribute positively to communities.

Al Rajhi Capital continues to emphasize upskilling and reskilling of its employees and give them new and exciting job opportunities. Instilling our culture in all employees is a continuous process in which training plays an important part. We offer our employees the chance to participate in ongoing learning interventions and periodic workshops through online and physical courses for soft and technical skills.

The HR department conducted a Graduate Development program by selecting 13 candidates from top Saudi universities and enrolling them after a sophisticated selection process. From Q3 and afterwards, we have delivered interactive class workshop programs to develop managerial skills and a customized programs for fresh graduates to reshape their soft skills towards being resourceful team members. To accelerate the integration with the Company's values and culture, new hires have the opportunity to receive training before they start working and orientation programs emphasising culture and networking. We held more than 20 panel discussions for new employees and trainees. For our senior employees, we provide guidance and training on managing people and projects effectively, exhibit strong leadership and exemplify our culture, including ongoing training focused on managing and working in a hybrid environment.

Our talent development programs provide employees with a road map to help achieve their career goals, build management skills and lead. We also focus on retaining our talent through the short and long term as part of our employee value proposition.

Compensation Structure & Benefits

In our journey towards improving the work environment and culture at Al Rajhi Capital, compensation and benefits constitute one of the key elements in our employee value proposition, which is continuously benchmarked with market trends to ensure our competitiveness in terms of pay structure and total rewards taking into account the capital position and economic performance of the Company over the long term.

The objectives of the compensation policy include creating sustainable value for stakeholders and motivating employees to achieve results with integrity and fairness.

Our compensation framework is designed to attract, motivate and retain the qualified talent the Company needs to succeed locally and to create a tangible link between performance and pay. We pursue responsible and effective compensation programs that reinforce our values and culture through three key objectives:

- **delivering pay for sustainable performance;**
- **attracting and retaining top talent;**
- **to be prudent and abide by rules and legislations.**

In addition to fixed pay enhancements like salaries, other programs were introduced that had a positive impact on new joiners' attraction and employee's retention.

Measuring Employee Engagement

Every year, Al Rajhi capital measures employee engagement and satisfaction which is a vital component in our commitment to continuously enhance their job satisfaction by capturing their feedback and perception and by identifying the challenges they face, and trying to find appropriate solutions and initiatives to develop the work environment.

Marketing, Customer Service & Digital Channel

Enhancing customer experience plays an important role in feeding Al Rajhi Capital's strategic initiatives and meeting customers' needs.

The marketing team also worked on the company's brand image externally by creating a new brand strategy and launching it externally to align the brand with Al Rajhi Bank, which reflected positively on all social media accounts and the company's mental image.

As part of this strategy, and through new and traditional channels, the marketing team launched various marketing campaigns during 2022, such as the launch of the Al-Rajhi Monthly Distribution Fund, in addition to the campaign of Al-Rajhi Bank Tier-1 Sukuk, which witnessed a great turnout from investors.

Al Rajhi Capital participated in public events to enhance its presence with its clients, as it contributed to the celebration of the National Day with a marketing campaign by launching a video on social media platforms that garnered millions of views.

Also, the marketing team plans to increase the customer base in Al Rajhi Capital through the development of the new communication strategy aimed at harmonizing the company's marketing messages internally and externally, in addition to the continued presence of Al Rajhi Capital in social media platforms and its follow-up in continuation of the loop feeding strategic initiatives for a renewed cycle of continuous improvement based on customer experience.

CFO Review

Ahmed Al Mohsen

We remain optimistic about our ability to expand our market share and will continue to closely monitor market developments and adjust our strategies accordingly, ensuring that we are well-positioned to capitalise on opportunities and maintain our market share.

Macroeconomic factors, including rising interest rates, higher inflation, and soaring global energy prices, largely influenced financial institutions during 2022, and Al Rajhi Capital is no different.However, with the robust and conservative management of the balance sheet, we were able to mitigate and control such risk. Furthermore, as a consequence of the rising interest rate, we witnessed a significant decrease in Traded volume of the Saudi Market. While we anticipate that 2023 may bring some market turbulence, especially with the anticipated weight of interest rate increases to combat rising inflation, we remain optimistic about our ability to further enhance our market share.

Our team will continue to closely monitor market developments and adjust our strategies accordingly, ensuring that we are well-positioned to capitalize on opportunities and maintain our market share. The 2022 track record of execution has given us a strong tailwind. We have created a virtuous cycle in which the positive effects reinforce each other. We will continue to build on what we have done successfully over the past years and become even more efficient.

The successes of recent years have significantly improved our reputation and customer trust in our Company. As a result, our financial results for the year were strong and showed improvements year on year, except for the Brokerage segment, in which the net income of financial brokerage decreased compared to last year due to the general decline in trading volumes in the Saudi financial market for the year 2022 as previously mentioned, and this also led to a decrease in Net Profit Before Zakat by 18%.

Operating income excluding Brokerage segment has increased by 44% compared to last year, while total operating expense has rose by 28%.

The Company maintained a strong balance sheet and high level of liquidity, with the capital adequacy ratio of 2.49 times. The key indicator of return on paid up capital, return on equity and return on assets stood at 132%, 14% and 11%, respectively.

Finalizing multiple investment banking transactions (Sukuk issuances, IPOs) has positively impacted the Al Rajhi Capital market share in investment banking in KSA in 2022.

This has also resulted in increase in investment banking revenue by four times compared with 2021. We intend to focus even more on the needs of our clients as we now embark on the next chapter. We have solid foundations for this aspiration, more robust than any other Financial Advisory in Saudi Arabia.

This is primarily due to strong presence and extensive experience in the diverse local market, our awareness of the strength and stability of our national economy as the largest economy in the Middle East with excellent growth opportunities, as well as the stimulating economic and legislative environment. All of this will contribute to achieving our aspirations for further growth and achieving our investment leadership strategy.

Business Risk Management

Managing risk is fundamental to the successful execution of Al Rajhi Capital strategy and to the resilience of its operations.

The Risk Management department is responsible for identifying, measuring, mitigating, and monitoring key risks across the Company.

Credit Risk

Credit risk occurs when one party fails to discharge an obligation and will cause the other party to incur a financial loss and/or when the value of assets, primarily loans, and bonds, declines or is eliminated due to the deterioration of the financial condition of the party to whom the credit has been extended.

Al Rajhi Capital seeks to manage its credit risk concerning customers by setting limits for individual customers and monitoring these limits.

The Credit Risk for direct investments in Real Estate can potentially arise from the inability to pay rent. This risk is mitigated by conducting an in-depth credit assessment and undertaking all possible duties of care to ensure that only tenants with the highest credit profiles supported by stable and established business models producing consistent cash flows are selected.

Market Risk

Market risk refers to the risk of losses incurred when the market value of invested assets and liabilities declines due to fluctuations in profit rates, exchange rates, stock prices, credit spreads, and/or commodity prices, resulting in a loss to earnings and capital.

Al Rajhi Capital's investments in REIT and Equity Funds are subjected to this risk. The Company manages this risk by carefully selecting the REITs and Funds for investment through a robust process that thoroughly assesses the investment quality.

Impairment Risk

Impairment risk is the risk of an asset's value declining to lower than its book value, which warrants a booking impairment charge to align the asset's value in the financial books with its actual value.

The Company manages this risk by implementing several controls, such as undertaking a comprehensive evaluation that considers the rental income, location, creditworthiness of the tenant, lease covenants, comparable market transactions, future capex requirements, and different valuation approaches, including income and replacement cost valuation, before the property is purchased.

Al Rajhi Capital sets standards for managing and maintaining all properties and establishing protection, security, and safety procedures.

Operational Risk

Al Rajhi Capital has a single defined framework for identifying, quantifying, and monitoring the main operational risks that may arise from a failure in its systems, processes, and resources or from external events.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or external events. This can include legal risks covering, but not limited to, exposure to fines, penalties, or disciplinary damages resulting from supervisory actions and private settlements.

Operational risks for the company are managed through accurate case management, root cause analysis, continuous risk monitoring and tracking of key risk indicators, business continuity planning, and disaster recovery planning with the aim of balancing financial loss reduction and minimizing resulting damages.

Interest Rate Risk

The Company effectively manages interest rate risks by managing exposure to interest rates in assets and liabilities and regularly reviewing the benchmark rate on which credit facilities are granted.

Reputational Risk

The company's reputation may be damaged due to unethical practices or regulatory actions, customer dissatisfaction and complaints, or harmful advertising. Damage to the company's reputation may affect its ability to attract and retain customers, employees, and business partners, decreasing managed assets (AUM), revenue, and profits.

Corporate Governance

Corporate Governance

Board of Directors

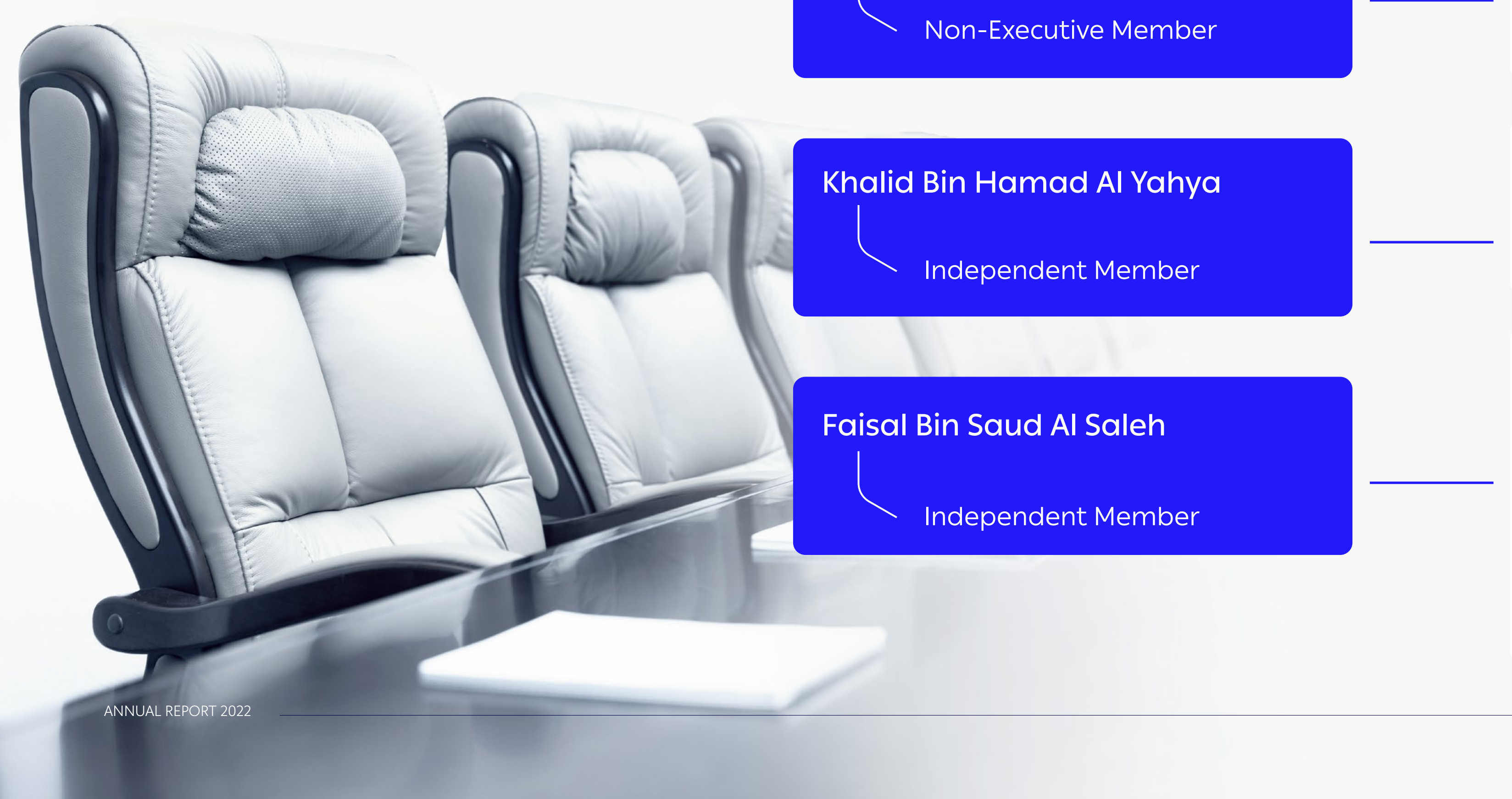
The Board of Directors is responsible for creating and delivering strong, sustainable financial performance and long-term shareholder value.

The Board works as a team to provide strategic leadership to management and staff; ensures the organization's fitness for purpose; sets the values and standards for the Company, and ensures that sufficient financial and human resources are available.

Board of Directors List

In line with CMA requirements, Board Members who hold membership positions on the boards of other Saudi Arabian and non-Saudi based companies are detailed below:

Board Member	Position	Membership at other Boards	Company	1st meeting 23/02/2022	2nd meeting 28/06/2022	3rd meeting 14/09/2022	4th meeting 13/12/2022
Abdullah Bin Sulaiman Al Rajhi	Chairman/Non-Executive	Chairman Non – Executive	Al Rajhi Banking & Investment Corporation (Al Rajhi Bank)	✓	✓	✓	✓
		Chairman Non – Executive	Al Rajhi Cooperative Insurance Co. (Al Rajhi Takaful)				
		Chairman Non – Executive	Al Rajhi Holding Group Co.				
		Chairman Non – Executive	Farabi Petrochemicals Company				
		Chairman Non – Executive	Al Ajial Holding Co.				
		Chairman Non – Executive	Internal and External Geotextile Solution Holding Company				
Sulaiman Bin Saleh Al Rajhi	Non-Executive Member	Non – Executive	Al Rajhi & Almesfer Agriculture Company LLC	✓	✓	✓	✓
		Non – Executive	Saleh Abdul Aziz Al Rajhi LLC Company				
Salah Bin Ali Aba Al Khail	Non-Executive Member		National Veterinary Company	✓	✓	X	✓
Abdulaziz Bin Khaled Al Ghufaily	Non-Executive Member	Non – Executive	Al Rajhi Banking & Investment Corporation	✓	✓	✓	✓
		Non – Executive	National Petrochemical Industrial Co. (NATPET)				
Khalid Bin Hamad Al Yahya	Independent Member	Independent Member	Riyadh Steel Company	✓	✓	✓	✓
		Independent Member	Dividend Gate Capital Bahrain				
Faisal Bin Saud Al Saleh	Independent Member	Independent	Saudi Plastic Products Co. LLC (SAPCO)	✓	✓	✓	✓
		Executive	Al-Saleh Development Company				
		Non – Executive	Green kingdom manufacturing company LLC				
		Member of the board and managing director	Arabian Plastic Manufacturing Co. LLC				
		Chairman Non – Executive	Faisal Saud Al-Saleh & Partners Company				



Corporate Governance
(continued)

Nomination and Remuneration Committee

The Committee's responsibilities include the following:

- Recommend nominations to the Board membership or Board Committees' membership.
- Fill vacant positions in accordance with the approved policies and standards.
- Review the membership requirements of suitable skilled personnel on an annual basis.
- Review the Board's structure, point out weaknesses and strengths, and report its recommendations.
- Set clear policies for the remuneration of Board Members and Senior Executives, and submit an annual proposal to the Board covering the annual budget, and remunerations and incentives (bonuses) for Senior Executives.

The Nomination and Remuneration Committee comprises three members and held one meeting during 2022.

Name	Position	Attendance at 1st meeting 28/06/2022
Faisal Al Saleh	Chairman of the Committee	✓
Khalid Al Yahya	Member of the Committee	✓
Abdulaziz Al Ghufaily	Member of the Committee	✓

Audit Committee

The Audit Committee performs an important function in the supervision and governance of the Company. Its role includes:

- Overseeing the integrity of the Company's financial statements and discussing the financial reports issued by External Auditors.
- Ensuring the efficiency and independence of external and internal auditors, in addition to meeting with them periodically and independently to verify that there are no adverse effects on their work.
- Maintaining the efficiency of internal control systems and considering the impact of potential risks.
- Ensuring continuous improvement and upgrade of the Company's control systems, including review of financial statements, accounting policies, and its internal control system, and expressing its opinion and recommendations.
- Supervising the Internal Audit department by reviewing audit plans, studying its reports, and verifying the extent of its efficiency and independence.

- Reviewing and approving the internal audit charter of the committee periodically and any changes to the Internal Audit Department Manual.
- Recommending the appointment of external auditors and reviewing audited financial statements before the General Assembly, terminating the contracts concluded with them, and fixing their fees, in addition to any other tasks and assignments commissioned to them.

The Audit Committee comprises three members and held four meetings during 2022.

Name	Position	Attendance at 1st meeting 17/02/2022	Attendance at 2nd meeting 23/06/2022	Attendance at 3rd meeting 20/10/2022	Attendance at 4th meeting 11/12/2022
Sulaiman Al Rajhi	Chairman of the Committee / Board Member Al Rajhi Capital	✓	✓	✓	✓
Abdulaziz Aba Al Khail	Member of the Committee / Independent Member Al Rajhi Capital	✓	✓	✓	✓
Dhary Alshammry	Chief Internal Auditor – Al Rajhi Bank Member	✓	✓	✓	✓

Compliance Committee

The Compliance Committee assists the Board with the following:

- Ensure that the Company is carrying out its business in compliance with CMA provisions and regulations.
- Review the Compliance and Anti-Money Laundering report.
- Monitor and assess the performance of the Compliance Department.
- Review all compliance risks that might have an adverse effect on the Company's financial position or reputation.
- Submit quarterly and annual reports on its functions.

The Compliance Committee comprises five members and held four meetings during 2022.

Name	Position	Attendance at 1st meeting 17/02/2022	Attendance at 2nd meeting 22/06/2022	Attendance at 3rd meeting 08/09/2022	Attendance at 4th meeting 07/12/2022
Salah Aba Al Khail	Chairman of the Committee / Al Rajhi Capital Board Member	✓	✓	✓	✓
Waleed AlRashed	Committee Member / CEO Al Rajhi Capital	✓	✓	✓	✓
Abdullah Al-Nami	Committee Member / GCCO Al Rajhi Bank	X*	X**	✓	✓
Mohammed Al-Monajam	Committee Member / CCO Al Rajhi Capital	✓	✓	✓	✓
Ayman Al-Aydi***	Committee Member / Senior Internal Auditor – Al Rajhi Capital	✓	✓	✓	N/A
Ahmed Albaqawi ***	Committee Member / Senior Internal Auditor – Al Rajhi Capital	N/A	N/A	✓***	✓***

* Abdullah Al-Faraj, Director Regulatory Compliance, Attended on behalf of Abdullah Al Nami.
** Naif Al Dahmashi, AGM Regulatory Compliance and Advisory, Attended on behalf of Abdullah Al Nami.
*** Ayman F. Al-Aydi resigned on 31/10/2022, and Ahmed Albaqawi Appointed on 17/07/2022 and attended the 3rd meeting of Compliance Committee as an invitee, and as a member at the 4th meeting.

Corporate Governance
(continued)

Disclosure of Senior Management Remuneration

The Company pays the salaries and remunerations of Senior Executives in accordance with their respective employment contracts. Details of the expenses, remuneration and salaries paid to five of the senior executives, including the CEO and CFO, during 2022 are as follows:

*Total remuneration and rewards paid to five Senior Executives who received the highest remuneration and rewards from the Company, including the CEO and the CFO, amounted to SAR 14,748,318.

Statement	Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them
Salaries and wages	4,930,080
Allowances	2,489,711
Periodic and annual remunerations	7,328,527
Incentive plans	-
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually	-
Total	14,748,318

Disclosure of Remuneration

The Company pays its Board of Directors a fixed remuneration and sitting fees for attending Board and Board Committee meetings.

Details of the remuneration paid to the Board members during 2022 are as follows:

Total remuneration paid to the Board Directors was SAR 946,000 excluding VAT.

Statement	Board Members Names					
	Abdullah Bin Sulaiman Bin Abdulaziz Al Rajhi Chairman/ Non-Executive	Sulaiman Bin Saleh Al Rajhi Non-Executive Member	Salah Bin Ali Abaalkhail Non-Executive Member	Abdulaziz Bin Khaled Al Ghufaily Non-Executive Member	Faisal Bin Saud Al Saleh Independent Member	Khalid Bin Hamad Al Yahya Independent Member
Allowance for attendance of the board of directors' sessions	8000	8000	6000	8000	8000	8000
Allowance for attendance of the committees' sessions	-	-	-	-	-	-
Periodic and annual remunerations	150,000	150,000	150,000	150,000	150,000	150,000
Incentive plans	-	-	-	-	-	-
Any compensation or other in-kind benefits paid monthly or annually	-	-	-	-	-	-
Total per member	158,000	158,000	156,000	158,000	158,000	158,000
		TOTAL				946,000

Governance

Al Rajhi Capital places a strong emphasis on corporate governance and strives to ensure all business activities are conducted in a responsible and transparent manner.

Governance focuses on the legal, regulatory, policy and service obligations and on the relationships between the Board of Directors, Senior Management, the Committees, all staff and stakeholders in determining the direction and performance of the Company.

Through the transformation journey of Al Rajhi Capital and the growing business needs, Corporate Governance must effectively comply with its statutory and policy obligations.

It ensures that a framework of structures, policies and processes is in place to deliver on these obligations while also developing to allow for management objectives and corporate performance.

Corporate Governance is committed to maintaining the highest standards and ensuring that all business activities are conducted transparently and responsibly, with full accountability and integrity, to safeguard the interests of all stakeholders. Al Rajhi Capital Governance department exercises its responsibilities through its duties which include oversight, strategic planning, and decision-making.

It has developed a Governance Framework in line with the Corporate Governance Standard, which outlines the key aspects of governance. The Governance Framework focuses on key governance areas and points to sources of more detailed guidance and key governance documents addressing assurance, compliance, planning and oversight arrangements.

Corporate Governance
(continued)

Compliance & Anti-Money Laundering

The Compliance & Anti-Money Laundering (AML) department is responsible for making sure that Al Rajhi Capital follows all necessary rules and regulations set by the Capital Market Authority (CMA). The department focused on several key compliance projects including:

- Automation of the Compliance Monitoring program.
- Enhancing regulatory reporting and communications.
- Conducting compliance monitoring and updating in line with the updated CMA and Tadawul regulations.
- Reviewing and updating all Company policies and procedures to meetregulatory requirements.
- Conducting the AML Annual Training for all Al Rajhi Capital employees.

AML developments include the updating of account opening agreements and Know Your Customer (KYC) forms and the timely submission of Foreign Account Tax Compliance Act (FATCA) and CRS Reports for the year 2022.

The anticipated developments for 2023 are:

- Automation of the staff trading pre-approval process.
- Automation of CRS and FATCA reports.
- Automation of the Nafith system.
- Upgrade of the AML transwatch system.

Risk Management

The Department of Risk Management is in charge of recognising, evaluating, reducing, and keeping track of the major risks faced by the Company.

Legal

Legal department plays an important role in the decision making of management leaders of the company or related departments, the department responsible for providing legal protection to the company internally by taking into account the integrity and validity of the company's legal procedures and ensuring compliance with them, Provide legal opinions and advice regarding the interpretation of regulations and everything forwarded to the legal department as well as against others by reviewing, preparing and drafting contracts to which the company is a party, or by handling customer complaints and representing the company before the judicial authorities.

Sharia

The Sharia department at Al Rajhi Capital is considered a significant aspect that sets the Company apart from its competitors in the financial industry. Through its employees and resources, the department strives to become a pioneer in financial transactions.

This makes Al Rajhi Capital, distinguished in the technical and Sharia aspects through participating in providing the financial sector with innovative products and sharia-based solutions, as well as drawing the plans and setting the criteria to be adopted by the Company in order to achieve its noble objective, i.e., the adherence to the Sharia principles in all its dealings.

The Sharia department is composed of two sections:

a. The Sharia Board

b. The Sharia Department

The Sharia Board comprises a group of highly competent and skilled scholars who possess a deep understanding of sharia sciences.

- His Eminence, Sheikh Dr. Saleh bin Mansour Al-Jarboa (Chairman).
- His Eminence, Sheikh Dr. Sulaiman bin Abdullah Al-luhaidan (member)
- His Eminence, Sheikh Dr. Sa'ad bin Turki Al-Khathlan (member)

The Sharia department is a permanent technical and administrative entity that assists Al Rajhi Capital in its responsibilities. It carries out parallel tasks to ensure Al Rajhi Capital's adherence, in its businesses and products, to the Sharia Board decisions, and work to develop the Sharia aspect of the business as a whole.

The Sharia Board seeks to achieve the following objectives:

- Statement of Sharia rulings in all company transactions.
- Ensuring the company applies the provisions of Sharia in all its dealings.

One of the most prominent works of 2022 was the development and approval of the "Sharia Governance Guide of Al Rajhi Capital". Also, during this year, Al Rajhi Capital has fulfilled its role as a Sharia compliant Company through the following:

- The Sharia Board held a series of meetings and examined more than 130 topics (including the topics of Sukuk).
- The Sharia supervisory team conducted more than 200 control visits, the purpose of which was to examine more than 140 products in accordance with more than 500 regulatory and Sharia standards.
- Sharia department established more than 20 development products and programs, the most prominent of which were:

a. Development of the Sharia rules, approval by the Management for the following products and publishing them on the company's official website:
   - The Investment Funds
   - Private Portfolios
   - Purchasing Commodities from the Supplier in the Global Markets
   - Unified Agreement for the Sale of Forward Commodities
   - Stock Brokerage
   - Deferred Sale of Stocks
   - Mechanism for Disposing of the Illicit Element
   - Subscription
   - Investment Accounts
   - Custody of the Investment Assets
   - Marketing, Management and Brokerage for Investment Portfolios
   - Researches and Studies
   - Mergers and Acquisitions (M&A)

b. Rectifying conducts that violate Sharia provisions in the stock market and publishing them on the company's official website.

c. Preparing and sending 30 awareness messages to employees in the Islamic finance sector, its products and provisions.

d. Participated in several jurisprudential forums and seminars on Islamic banking and financial issues, attending, speaking and commenting.

e. Holding more than 20 panel discussions on the jurisprudence of financial transactions for new employees, trainees, Sharia department employees, and some parties interested in Islamic finance.

Corporate Governance
(continued)

Internal Audit

Internal auditing is a separate and impartial evaluation and advisory process that aims to enhance the Company's operations and support the Board of Directors in overseeing internal controls, financial reporting, and compliance with laws, regulations, policies, procedures, and the Company's ethical standards.

To attain the goals set by the Internal Audit Department, a risk-based auditing approach is utilized by examining the Company's audit scope and modifying the audit plan to include any new products and services introduced by the Company. This approach also promotes the creation of transparent and open communication channels with management that are built on trust, efficient communication, and ongoing collaboration, which enhances the department's activities and adds value to them.

Expected progress within the Internal Audit department involves introducing methods that will guide the internal auditing process to provide more value to the organization.

Results of the Annual Review of the Efficiency of Internal Control Measures

Al Rajhi Capital maintains a highly effective and efficient internal control system that has the following measures in force:

- A dedicated Internal Audit department supported by an external Consulting / Audit firm that provides its findings and recommendations to the attention of the Audit Committee and the Board of Directors. This provides Management with reasonable assurance about the adequacy of internal controls, the effectiveness of risk management, and the company's compliance with policies and procedures as well as applicable rules and regulations.
- Top priority is accorded to the results of the internal control reviews, with corrective measures identified to prevent further recurrence. The Audit Committee monitors the implementation of corrective actions for the internal control gaps as identified in the Internal Audit Reports to ensure continuous improvement of the Internal Control System.
- The internal control system is judiciously reviewed by the Audit Committee to ensure that all control tools are effective, and applied consistently and effectively throughout the organization.
- The policies and procedures that are currently in place reflect consistency, industry best practices, and adherence to regulatory compliance. They are subject to continuous internal development and annual review.
- Annual evaluation of the Company's internal control procedures involves Audit Committee review of the External Auditor's and Internal Audit Reports, along with ensuring the planned Internal Audit is conducted as approved each year. This is in addition to the Audit Committee's continuous monitoring of the level of effectiveness of internal audit controls to reduce exposure to risks at the company level and to ensure that audit recommendations are implemented on time.

Fines and Penalties

Al Rajhi Capital is, from time to time, subject to regulatory and legal proceedings, in common with other simmilar multiservice financial institutions. Since inception, no such proceedings have been brought that could have a negative impact on its ability to provide its services or discharge its obligations to the clients. In 2022, the Al Rajhi Capital was subjected to one fine imposed by the Capital Market Authority amounting to SAR 600,000 during the year. This was due to four system incidents and two incidents related to PTTP implementation.

Corrective Action

Al Rajhi Capital implemented proper change management procedures for any system changes. Also, Al Rajhi Capital has applied proper controls to avoid any PTTP related incidents.

Company Subsidiaries

Company name	Paid up capital (SAR)	Al Rajhi Capital ownership	Purpose	Nationality	Headquarters
Saudi Real Estate Enrichment Company	500,000	50%	Carries out activities of a real estate fund in KSA	Saudi	Riyadh
Privileged Warehouses Company 3	100,000	95%	Carries out activities of a real estate fund in KSA	Saudi	Riyadh

Note: The Company also has other subsidiaries on behalf of third-party funds to provide custody services, where Al Rajhi Capital does not have any beneficial interest in these subsidiaries. One of Al Rajhi Capital's investments is held through an SPV owned by the Company.

Loans

Name of the lender	Date of transaction	Date of Payment	Duration	Amount of the loan	Paid	Remaining amount
Al Rajhi Bank	2/1/2022	2/1/2023	12 months	200000000	0	200000000
Al Rajhi Bank	2/1/2022	2/14/2023	12 months	250000000	0	250000000
Al Rajhi Bank	2/1/2022	2/23/2023	12 months	250000000	0	250000000
Al Rajhi Bank	2/1/2022	3/30/2023	12 months	150000000	0	150000000
Al Rajhi Bank	2/1/2022	4/13/2023	12 months	300000000	0	300000000
Al Rajhi Bank	2/1/2022	6/15/2023	12 months	100000000	0	100000000
Al Rajhi Bank	2/1/2022	9/20/2023	12 months	250000000	0	250000000
		Total		1,500,000,000,00	0	1,500,000,000,00

Conflict of Interest

Other than those stated in Note 22 of the Financial Statements regarding related party transactions, the Company did not, nor has entered into, any contract in which any member of the Board, the Chief Executive Officer, the Chief Financial Officer, or any of their associates, has or had any material interest that has not been approved.

Corporate Governance
(continued)

Related Party Transaction

Related Party (Transactions)	Nature of Transaction	For the year ended 31 December 2022	Contract Duration	Type of Relation	Preferential Terms
Al Rajhi Banking and Investment Corporation, the Parent	IT support expenses	1,170,084	1 year	Parent Company/ board membership	No
	Fee for transfers	414,000	1 year	Parent Company/ board membership	No
	Shariah board meeting	460,000	Undefined	Parent Company/ board membership	No
	Al Rajhi Bank sukuk	47,437,500	Undefined	Parent Company/ board membership	No
	Withholding tax	280,756	Undefined	Parent Company/ board membership	No
	Zakat paid	-	Undefined	Parent Company/ board membership	No
	IPO service fee from the Parent	4,653,501	Undefined	Parent Company/ board membership	No
	Shared asset management fee	16,440,212	Undefined	Parent Company/ board membership	No
	Commodity financing	1,500,000,000	1 year	Parent Company/ board membership	No
	Loan settlement	(220,000,000)	1 year	Parent Company/ board membership	No
	Term deposits	600,000,000	3 Months	Parent Company/ board membership	No
	Muqassa deposit	253,358,021	Undefined	Parent Company/ board membership	No
	Muqassa commission	21,193,226	Undefined	Parent Company/ board membership	No
	Purification	20,044,352	Undefined	Parent Company/ board membership	No

Related Party Transaction

Related Party (Transactions)	Nature of Transaction	For the year ended 31 December 2022	Contract Duration	Type of Relation	Preferential Terms
Board of Directors' Members	Remunerations	946,000	3 years	Board membership	No
	Board meeting expenses	1,208	Undefined	Board membership	No
Al Rajhi Company for Management Services, a fellow subsidiary	Outsourcing of staff	1,206,714	Undefined	A fellow subsidiary	No
Al Rajhi Takaful Company, a fellow subsidiary	Insurance	1,315,285	1 year	A fellow subsidiary	No
Key management personnel	Employee benefits	393,501	Undefined	Key management	No
	Salaries	4,930,080	Undefined	Key management	No
	Allowances	2,489,711	Undefined	Key management	No
	Annual and periodic bonuses	5,991,760	Undefined	Key management	No
Funds managed by the Company	Income from asset management services	132,527,753	Undefined	A fellow subsidiary	No
Al Rajhi REIT, a Fund managed by the Company	Expenses incurred on behalf of REIT	931,500	Undefined	Al Rajhi REIT, a Fund managed by the Company	No
Al Rajhi Development Company, a fellow subsidiary	Rental of office space	6,250,000	1 year	A fellow subsidiary	No

Social Responsibility

Creating Positive Impact for Stakeholders

Our Company has a broad range of stakeholders, including customers and clients, employees, members of the communities we serve, regulators and policymakers.We engage with these groups on an ongoing basis to gain insight into their needs and perspectives and share information about our strategy, practices and performance.

The company's business sectors and job functions share the responsibility of engaging with stakeholders by participating in knowledge formation and sharing expertise to make better investment decisions.

This is done through various channels, such as our publications, dialogue platforms, customer and partner suggestions, and collaboration with governments and non-governmental organizations.

Health and Safety

The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to our employees' health and safety. We strive to provide a caring work environment where employees have the support they need to succeed.

Al Rajhi Capital follows all relevant Saudi labor laws and regulations, carefully evaluates the annual employee participation survey results and their feedback, and organizes multiple employee meetings with the Chief Executive Officer to develop action plans that address areas of focus for further improvements.

Community Engagement

To provide sustainable financial products for non-profit organizations, Al Rajhi Capital launched the "Health Endowment Fund" in collaboration with the Saudi Health Endowment Association in June 2022 to promote participation within the volunteer community, in the context of non-profit investment and thus contribute effectively to social solidarity.

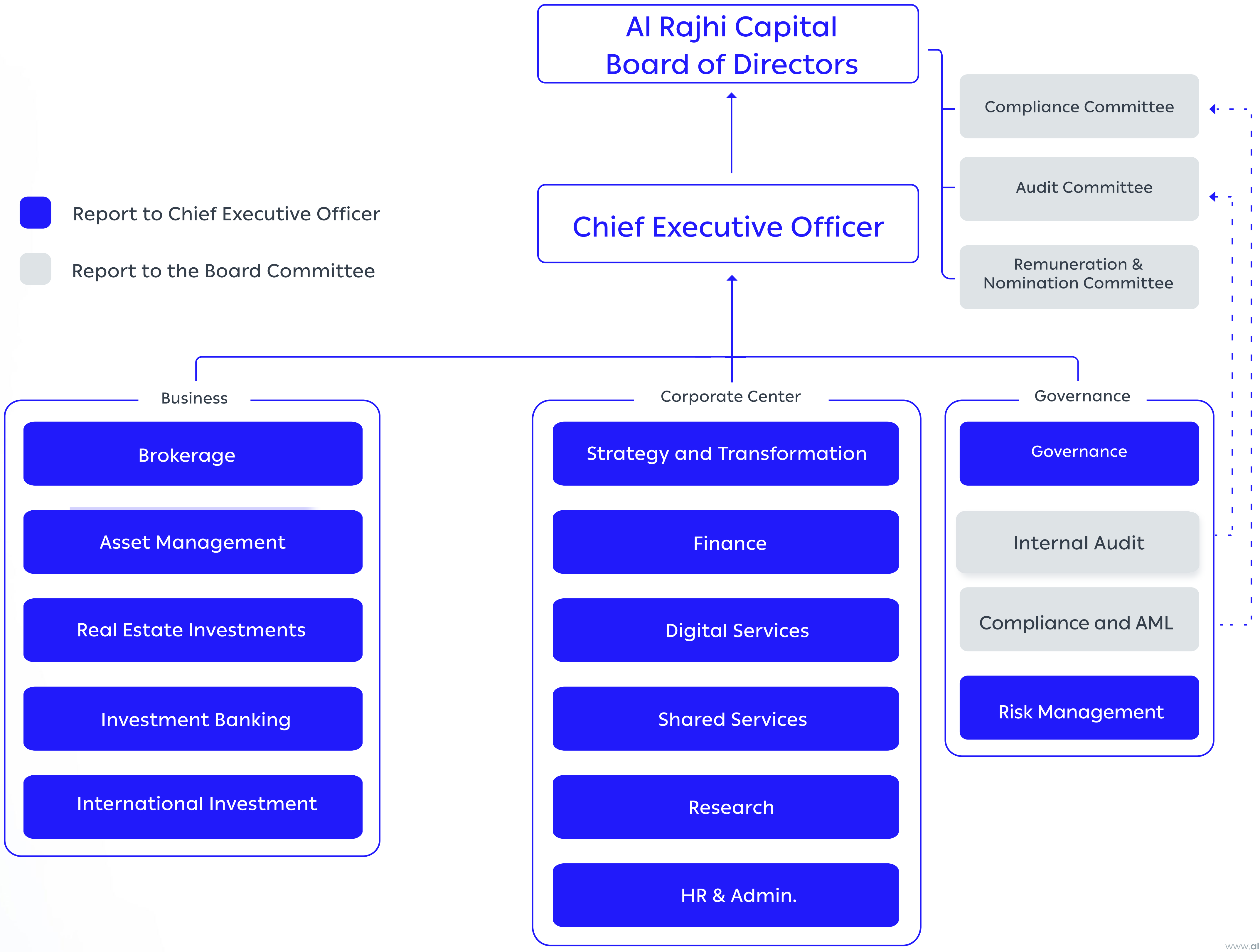
Al Rajhi Capital signed agreements for establishing and managing five Waqf (endowment) investment funds which cover more than 50 charitable associations in the Kingdom.

Operating Responsibly

This section provides a brief overview of the Company's corporate governance practices. A comprehensive description of Al Rajhi Capital's corporate governance arrangements, including further details on the structure of the Company, is set out in the "Governance and Compliance" section.

Al Rajhi Capital aims to ensure best practices in corporate governance and its reliable policies and procedures that reflect this commitment.

Al Rajhi Capital Organizational Structure



Sharia Board Report

الراجحي المالية
alrajhi capital

الهيئة الشرعية
Shariah Board

بسم الله الرحمن الرحيم

Alrajhi Capital Sharia Board Report for the Financial Year ending 07/06/1444 H- 31/12/2022.

Praise be to Allah, the Lord of the Universe, and peace and blessings be to our Master Muhammad, his family and companions, and those who were guided by his guidance until the Day of Judgement.

Alrajhi Capital Sharia Board, by virtue of the responsibility vested with it to express an independent sharia-based opinion on the Company's business, have studied the Periodical Reports that had been prepared by the Sharia Control Unit, which explain the Company's adherence to the Sharia Board's decisions and instructions, and have looked into the annual financial statements for the financial year 1443-1444 H- 2022, as well as the Auditors Report, knowing that, the responsibility for abiding by the Board's resolutions, rests on the Company's management.

Based on the aforementioned, and after thoroughly looking into the said documents, the Board would like to explain the followings:

First: Alrajhi Capital has presented its works to the Board who issued its necessary decisions and instructions.

Second: The Sharia periodical monitoring reports, have shown that, the Company is abiding by the Sharia provisions in accordance with the sharia standards and criteria that are approved in the Board's decisions and instructions, except some minor observations which are being dealt with in accordance with the sharia requirements.

We ask God Almighty, to grant success to all and make us cooperate in righteousness and piety, and may Allah's blessings and peace be upon our Prophet Muhammad, and his family and companions.

The Sharia Board:

Dr. Saleh Bin Mansour Al Jarbou	(Chairman).
Dr. Sulaiman Bin Abdullah Al- Luhaidan	(Member).
Dr. Sa'ad Bin Turki Al-Khathlan	(Member).

Financial Statements

AL RAJHI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2022
together with the
Independent Auditor's Report

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of *Al Rajhi Capital Company*

Opinion

We have audited the financial statements of Al Rajhi Capital Company ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

KPMG

Independent Auditor's Report

To the Shareholders of Al Rajhi Capital Company (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Professional Services

كي بي إم جي للإستشارات المهنية
Lic No. 46
C.R. 1010425494
R : 2
KPMG
ترخيص رقم ٤٦
س.ت ١٠١٠٤٢٥٤٩٤
KPMG Professional Services

Khalil Ibrahim Al Sedais
License No: 371

Al Riyadh on: 22 March 2023
Corresponding to: 30 Sha'ban 1444H

AL RAJHI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Saudi Arabian Riyals)

	Notes	**31 December 2022**	31 December 2021
ASSETS			
Property and equipment	*4*	**26,379,061**	13,472,547
Intangible assets	*5*	**31,568,137**	19,865,319
Investment properties	*6*	**1,283,441,208**	1,325,470,319
Investments	*7*	**841,300,160**	445,729,704
Non-current assets		**2,182,688,566**	1,804,537,889
Investments	*7*	**517,014,296**	410,979,063
Murabaha receivables	*8*	**3,116,896,899**	2,589,588,752
Accrued income	*9*	**64,644,018**	55,355,705
Advances, prepayments and other receivables	*10*	**324,978,604**	37,982,600
Term deposits	*11*	**606,348,889**	-
Cash and cash equivalents	*12*	**12,421,616**	12,712,679
Current assets		**4,642,304,322**	3,106,618,799
Total assets		**6,824,992,888**	4,911,156,688
EQUITY AND LIABILITIES			
Equity			
Share capital	*18*	**500,000,000**	500,000,000
Statutory reserve	*3.9*	**250,000,000**	250,000,000
Fair value reserve		**(49,818,863)**	33,534,351
Retained earnings		**4,267,639,858**	3,673,095,260
Total equity		**4,967,820,995**	4,456,629,611
Liabilities			
Employee benefits	*13*	**36,166,096**	40,148,093
Non-current liabilities		**36,166,096**	40,148,093
Loan from the Parent	*14*	**1,527,870,167**	220,783,667
Other payables and accruals	*15*	**132,137,970**	102,377,097
Due to a related party - Zakat payable	*16*	**150,667,514**	82,585,296
Provisions	*17*	**10,330,146**	8,632,924
Current liabilities		**1,821,005,797**	414,378,984
Total liabilities		**1,857,171,893**	454,527,077
Total equity and liabilities		**6,824,992,888**	4,911,156,688

The accompanying notes from 1 to 28 form an integral part of these financial statements.

AL RAJHI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Saudi Arabian Riyals)

	Notes	For the year ended 31 December 2022	2021
Operating income			
Brokerage income, net		**413,722,562**	632,690,773
Asset management income		**212,148,100**	144,264,180
Rental income on investment properties	*6*	**107,068,529**	101,603,742
Investment banking income		**74,709,107**	18,804,793
(Loss) / gain on investments, net		**(27,947,103)**	4,713,522
Special commission income on Murabaha receivables		**128,283,156**	75,143,265
Dividend income		**28,227,879**	20,311,207
Other operating income		**6,258,053**	2,031,603
Total operating income		**942,470,283**	999,563,085
Operating expenses			
Salaries and employee related benefits		**(152,240,968)**	(124,392,516)
Depreciation	*4,6*	**(22,398,282)**	(21,030,867)
Amortisation	*5*	**(7,644,554)**	(7,573,326)
Rental expense		**(6,601,013)**	(6,540,228)
Other general and administrative expenses	*19*	**(42,590,236)**	(29,972,258)
Promotion and marketing expenses		**(1,766,365)**	(496,434)
Impairment reversal / (charge) on Murabaha and rent receivables	*8.1,10.1*	**5,384,224**	(2,809,546)
Impairment losses on investment properties	*6*	**(25,000,000)**	(5,000,000)
Total operating expenses		**(252,857,194)**	(197,815,175)
Operating profit		**689,613,089**	801,747,910
Finance costs	*22*	**(29,308,833)**	(783,667)
Operating profit before zakat		**660,304,256**	800,964,243
Zakat charge	*16.1*	**(68,082,218)**	(82,585,296)
Profit for the year		**592,222,038**	718,378,947
Other comprehensive income for the year:			
Items that will not be reclassified to profit and loss in subsequent periods:			
Investments at FVOCI – net change in fair value		**(83,353,214)**	26,645,415
Remeasurement of defined benefit liability	*13*	**5,679,300**	1,260,246
Total other comprehensive income for the year		**(77,673,914)**	27,905,661
Total comprehensive income for the year		**514,548,124**	746,284,608

The accompanying notes from 1 to 28 form an integral part of these financial statements.

AL RAJHI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(Saudi Arabian Riyals)

	Share capital	**Statutory reserve**	**Fair value reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2022	**500,000,000**	**250,000,000**	**33,534,351**	**3,673,095,260**	**4,456,629,611**
Total comprehensive income					
Profit for the year	-	-	-	**592,222,038**	**592,222,038**
Other comprehensive income for the year	-	-	**(83,353,214)**	**2,322,560**	**(81,030,654)**
Total comprehensive income for the year	-	-	**(83,353,214)**	**594,544,598**	**511,191,384**
Balance as at 31 December 2022	**500,000,000**	**250,000,000**	**(49,818,863)**	**4,267,639,858**	**4,967,820,995**

	Share Capital	Statutory reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2021	500,000,000	250,000,000	6,888,936	2,953,456,067	3,710,345,003
Total comprehensive income					
Profit for the year	-	-	-	718,378,947	718,378,947
Other comprehensive income for the year	-	-	26,645,415	1,260,246	27,905,661
Total comprehensive income for the year	-	-	26,645,415	719,639,193	746,284,608
Balance as at 31 December 2021	500,000,000	250,000,000	33,534,351	3,673,095,260	4,456,629,611

The accompanying notes from 1 to 28 form an integral part of these financial statements.

AL RAJHI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Saudi Arabian Riyals)

	Notes	For the year ended 31 December 2022	2021
Cash flows from operating activities			
Operating profit before zakat		**660,304,256**	800,964,243
Adjustments for:			
Depreciation	*4,6*	**22,398,282**	21,030,867
Amortisation	*5*	**7,644,554**	7,573,326
Finance cost		**29,308,833**	783,667
Special commission income on Murabaha receivables		**(128,283,156)**	(75,143,265)
Provision for impairment on investment property	*6*	**25,000,000**	5,000,000
Gain on investments, net		**27,947,103**	(4,713,522)
(Reversal) / provision for credit impairment losses	*8.1,10.1*	**(5,384,224)**	2,809,546
Provision for employee benefit	*13*	**5,234,449**	5,601,976
Changes in:			
Murabaha receivables		**(400,333,560)**	(1,287,329,294)
Accrued income		**(9,288,313)**	(18,146,911)
Advances, prepayments and other receivables		**(286,652,100)**	(13,190,538)
Other payables and accruals		**29,760,873**	(367,997)
Provisions		**1,697,222**	8,465,489
Cash used in operating activities		**(20,645,781)**	(546,662,413)
Employee benefits paid		**(3,537,146)**	(5,575,737)
Finance cost paid		**(2,222,331)**	-
Zakat paid	*16.1*	**-**	(66,761,565)
Net cash used in operating activities		**(26,405,258)**	(618,999,715)
Cash flows from investing activities			
Acquisition of property and equipment	*4*	**(17,217,576)**	(16,566,661)
Acquisition of intangible assets	*5*	**(19,347,372)**	(9,974,255)
Acquisition of investment property	*6*	**(1,058,109)**	(1,451,559)
Acquisition of investments		**(2,660,189,116)**	(682,594,401)
Proceeds from sale of investments		**2,043,926,368**	1,107,961,423
Movement in term deposits - net		**(600,000,000)**	-
Net cash (used in) / generated from investing activities		**(1,253,885,805)**	397,374,547
Cash flows from financing activities			
Borrowing from the Parent	*14*	**1,500,000,000**	220,000,000
Repayment of loan to the Parent		**220,000,000**	-
Cash generated from financing activities		**1,280,000,000**	220,000,000
Decrease in cash and cash equivalents		**(291,063)**	(1,625,168)
Cash and cash equivalents at the beginning of the year		**12,712,679**	14,337,847
Cash and cash equivalents at the end of the year	*12*	**12,421,616**	12,712,679

The accompanying notes from 1 to 28 form an integral part of these financial statements.

1 GENERAL INFORMATION

Al Rajhi Capital Company (the "Company" or "ARC") is a Saudi closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010241681 dated 1 Dhul Hijjah 1428H (corresponding to 11 December 2007).

The objectives of the Company are to provide a range of diverse, innovative Sharia-compliant financial products and services.

The registered address of the Company is as follows:

Al Rajhi Capital, Head Office
8467 King Fahad Road – Al Muruj Dist.
Unit No 1
Riyadh 12263 - 2743
Kingdom of Saudi Arabia

2 BASIS OF PREPARATION

a) Statement of compliance

The accompanying financial statements presenting the operations conducted by the Company for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

b) Basis of measurement

These financial statements have been prepared on a going concern basis under historical cost convention except for investments which are carried at fair value, and employee benefits which are measured using actuarial techniques at present value. These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the presentation and functional currency of the Company. All amounts have been rounded to the nearest SR, unless otherwise stated.

c) Critical accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

- Measurement of the expected credit loss allowance ("ECL")

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counter-parties defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL on Murabaha receivables and rental receivables are further detailed in note 3.2.

2 BASIS OF PREPARATION (CONTINUED)

c) Critical accounting estimates and judgments (continued)

- Measurement of the expected credit loss allowance ("ECL") (continued)

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;
(ii) Choosing appropriate models and assumptions for the measurement of ECL;
(iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL; and
(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgments and estimates by the Company in respect of the above is set out in note 3.2.

The loss allowance recognised in the period is impacted by a variety of factors as described below:

(i) Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period and the consequent ("step up" or "step down") between 12-month and Lifetime ECL;
(ii) Additional allowances for new financial instruments recognised during the period as well as releases for financial instruments de-recognised in the period;
(iii) Impact on the measurement of ECL due to changes in Probability of Default ("PD"), Exposure At Default ("EAD") and Loss Given Default ("LGD") in the period arising from regular refreshing of inputs of models;
(iv) Impacts on the measurement of ECL due to changes made to models and assumptions;
(v) Unwinding of discount within ECL due to the passage of time as ECL is measured on a present value basis; and
(vi) Write-offs of allowances related to assets that were written-off during the period.

- Fair value measurement

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

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

The principal or the most advantageous market must be accessible by ARC.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

2 BASIS OF PREPARATION (CONTINUED)

c) Critical accounting estimates and judgments (continued)

- Fair value measurement (continued)

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

The Company applies the fair value of a financial instrument on initial recognition as normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

- Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

- Employee benefits

Defined benefit plans

ARC operates a defined benefit plan under the Saudi Arabian Law applicable based on employees' accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method as per IAS 19 *Employee benefits*.

2 BASIS OF PREPARATION (CONTINUED)

c) Critical accounting estimates and judgments (continued)

- Employee benefits (continued)

Defined benefit plans (continued)

The cost of providing benefits under ARC's defined benefit plan is determined using the projected unit credit method by a professionally qualified actuary and arrived at using actuarial assumptions based on market expectations at the date of the statement of financial position. These valuations attribute entitlement benefits to the current period (to determine current service cost), and to the current and prior periods (to determine the present value of defined benefit obligations). Re-measurements and comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through the statement of other comprehensive income in the period in which these occur. Re-measurements are not reclassified to the statement of profit or loss in subsequent periods.

Past service costs are recognized in the statement of profit or loss on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that ARC recognizes restructuring-related costs

Financing cost is calculated by applying the discount rate to the net defined benefit liability or asset.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation is re-measured using current actuarial assumptions and the resultant gain or loss is recognized in the statement of profit or loss during the period in which the settlement or curtailment occurs.

The defined benefit liability in the statement of financial position comprises the present value of the defined benefit obligation (using a discount rate).

- Write-off of financial assets

ARC writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the ARC's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering full. Management assesses various indicators of funds not being recoverable before these are written-off. Any conclusion reached on existence of those indicators and how these are financially impacting the Company is sensitive to the degree of judgments involved in interpreting those indicators.

- Useful lives and residual values of property and equipment, intangible assets and investment properties

Management determines the estimated useful lives and residual values of its property and equipment, intangible assets and investment properties. The estimate is determined after considering the expected usage of the asset or physical wear and tear. The Company periodically reviews estimated useful lives, residual values and depreciation / amortisation methods to ensure that the method and periods of depreciation / amortisation are consistent with the expected pattern of economic benefits from those assets.

2 BASIS OF PREPARATION (CONTINUED)

c) Critical accounting estimates and judgments (continued)

- Going concern

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

c) New standards or amendments issued but are not yet effective

Standards / Amendments	**Description**	**Effective from periods beginning on or after the following date**
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to lAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12 Income Taxes	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	1 January 2024

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks only, which are available to the Company without any restriction.

3.2 Financial instruments

Term deposits consist of deposits with a local bank with a maturity of more than three months from the date of the acquisition

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

a) Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

Financial Asset at amortised cost

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial Asset at FVOCI

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

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

Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

a) Classification of financial assets (continued)

Business model assessment (continued)

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

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

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

a) Classification of financial liabilities

The Company classifies its financial liabilities, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium to issue the funds, and other cost that are integral part of the effective profit rate.

b) Derecognition

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

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

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

c) Modifications of financial assets and financial liabilities

Financial assets

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

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

The Company does not have any financial assets modified during the period and thus this does not apply to the Company.

d) Expected credit losses (ECL)

The Company recognizes loss allowances for ECL on its Murabaha receivables and Rental receivables.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

e) Expected credit losses (ECL) (continued)

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

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

The Company does not have any financial assets restructured during the period, and thus this does not apply to the Company.

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a Murabaha receivable or Rental receivable by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A murabaha receivable or rental receivable that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position
Impairment allowances for ECL of Murabaha receivables and rental receivables presented in statement of financial position as a deduction of gross carrying amount of the assets.

Write-off
Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, ARC estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, ARC estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

3.4 Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

	<u>Years</u>
Furniture, fixtures and office equipment	3 - 5 years
Motor vehicles	3 years
Computers hardware	3 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Normal repair and maintenance are charged to the statement of profit or loss as and when incurred.

Work in progress is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalized on the related assets. This includes the cost of contractors, materials, services and capital advances. Work in progress is not depreciated.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortisation of intangible assets is calculated on a straight-line basis over the estimated useful life of 3 to 7 years.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the operating expenses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

3.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation, net of impairment losses (if any). Depreciation is charged to the statement of profit or loss, using straight-line method to allocate the costs of the related assets to their residual values over their estimated useful lives which ranges from 30-35 years. The Company follows cost model of IAS 40 for subsequent measurement of investment properties. For the purpose of computing impairment losses, at each reporting period an evaluation is conducted of investment properties at fair value, which reflects market conditions at the reporting date. Any impairment loss identified is recorded in the statement of profit or loss. Fair values are determined based on an annual evaluation performed by an accredited external, independent values, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

3.7 Other payables and accruals

Other payables and accruals represents amounts to be paid for goods and services received, whether or not billed to the Company.

3.8 Zakat and withholding tax

The Company does not file a separate Zakat to the Zakat and Custom Authority ("ZATCA") (previously known as General Authority of Zakat and Tax (GAZT)), and instead applies the group allocation approach, as Al Rajhi Banking and Investment Corporation (the "Parent") submits a consolidated / single zakat return for the entire group based on its consolidated zakat base and settles zakat liability accordingly. The Company records the Zakat charge based on the allocation by the Parent in a systematic manner.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law, if any.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Statutory reserve

As required by the Company's By-laws and the Saudi Arabian Regulations for Companies, 10% of net income for the year is transferred to statutory reserve. The Company may resolve to discontinue such transfer when the reserve totals 30% of its share capital. This reserve is not available for distribution. Since the statutory reserve of the Company has already reached to 50% of its share capital, therefore, no transfer has been made to the statutory reserve during the year (31 December 2021: SR Nil).

3.10 Revenue – contracts with customers

The Company recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Company recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Identify the contracts with customers

The Company carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognised only when performance obligations in contracts with customers are satisfied. A change in the scope or price (or both) of a contract is considered as a contract modification and the Company determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

Identify the performance obligations under the contract

Once the Company has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

The Company assess the services promised in a contract with a customer and identifies as a performance obligation either a:

a) service that is distinct; or
b) series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue – contracts with customers (continued)

Identify the performance obligations under the contract (continued)
A service (or bundle of services) is distinct if the customer can benefit from the service on its own or together with other readily available resources (i.e., the service is capable of being distinct) and the service is separately identifiable from other promises in the contract (i.e., the service is distinct within the context of the contract).

The Company provides management services to its customers which are generally provided continuously over the contract period. Accordingly, the services in these contracts generally represent a single performance obligation. Fees charged for managing mutual funds are recognised as revenue in accordance with the management fee rate of each fund as the services are provided.

Determine the transaction price
The Company determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any). Variable considerations are limited to the amount for which it is highly probable that a significant reversal will not occur when the uncertainties related to the variability are resolved.

The recognition of performance-based fees with the Company requires significant judgment as these are based on fund's performance, relative to a benchmark or the realised appreciation of fund's investments. Management determines transaction prices for its following revenue streams as mentioned below:

- Rendering of brokerage services, where the Company acts as a broker for its customers. Transaction price is the commission received by the Company on such transactions, net of rebates and discounts, if any.
- Performance fee is based on funds' performance in relation to set benchmarks, which are subject to market volatility. Accordingly, the consideration to which the Company is entitled becomes variable. Transaction price for performance fee is determined once benchmark is achieved and testing time for achievement of stated benchmark is end of relevant period.
- Transaction price in respect of subscription fee received by the Company is generally fixed as per the subscription form signed by the customers
- In respect of Management fee received by the Company, transaction price is determined to be based on fixed percentage of funds' daily NAV. Accordingly, there is no variability in the consideration to which the Company is entitled
- Other advisory fee, which are generally fixed in nature based on agreement with the Parent to which the Company provides advisory services
- Rental income is earned from investment properties and is recognised on a straight-line basis over the term of the lease.

Allocate the transaction price
Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Company is required to use observable information, if available. If stand-alone selling prices are not directly observable, the Company makes estimates based on information that is reasonably available.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue – contracts with customers (continued)

Satisfaction of performance obligations
Revenue is recognised only when the Company satisfies a performance obligation by transferring control of a promised service to the customer. Control may be transferred over time or at a point in time. Where a performance obligation is satisfied overtime, the Company identifies the progress under the contract based on either of an input or output method which best measures the performance completed to date. The method selected is applied consistently to similar performance obligations and in similar circumstances.

The Company fulfils its performance obligations in its contracts with customers at a point in time, and hence it recognises revenue as and when it fulfils its obligations under contracts with customers.

Based on the above five steps the revenue recognition policy for each revenue stream is as follow:

Brokerage income
Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Company is satisfied when the Company carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

Asset management fees
Asset management fees are recognised based on a fixed percentage of net assets under management (“asset-based”), or a percentage of returns from net assets (“returns-based”) subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company’s efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

Special commission income on Murabaha receivable
Special commission income for all special commission bearing financial instruments (Murabaha receivables) are recognized in the statement of profit or loss using the effective commission rate basis. The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, ARC estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The carrying amount of the financial asset is adjusted if ARC revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as impairment losses.

If a financial asset subsequently becomes credit-impaired and is, therefore, regarded as ‘Stage 3’, the Company calculates commission income by applying the effective commission rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating commission income on a gross basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue – contracts with customers (continued)

Special commission income on Murabaha receivable (continued)
The calculation of the effective yield takes into account all contractual terms of the financial instruments (Murabaha receivables) and includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective special commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset.

Dividend income
Dividend income is recognised when the right to receive the income is established.

Net gain from financial assets at fair value through profit or loss
This include all gains and losses from changes in fair values and disposal of investments.

Rental income
Rental income from operating lease of the property is recognized on a straight-line basis over the term of the lease.

3.11 Finance cost

Expenses from borrowings are recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the Parent.

3.12 Earnings prohibited by Shari'a

The Company is committed to avoid recognising any income generated from non-shariah compliant. Accordingly, all non-shariah compliant income is credited to a charity account where the ARC uses these funds for charitable purposes as defined by the Sharia Supervisory Board.

3.13 Expenses

Promotional and marketing expenses are those which specifically relate to promotion and marketing. All other expenses, other than employees costs, financial charges and expenses allocated by the Parent are classified as general and administrative expenses.

3.14 Operating lease expense

Operating lease payments are recognized as expenses in the statement of profit or loss on a straight-line basis over the lease term.

3.15 Foreign currencies

Transactions in foreign currencies are translated into the functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Contingent assets and liabilities
A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

3.17 Offsetting of financial instruments
Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.18 Assets under management
The Company offers assets management services to its customers, which include management of certain mutual funds. Such assets are not treated as assets of the Company and accordingly are not included in these financial statements.

3.19 Clients' cash accounts
The Company holds cash in clients' cash accounts with local banks to be used for investments on their behalf. Such balances are not included in the Company's financial statements.

4 PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment	Motor vehicles	Computer hardware	Total
Cost:				
Balance as at 1 January 2021	555,036	390,000	1,297,432	2,242,468
Additions during the year	245,333	-	16,321,328	16,566,661
Balance as at 31 December 2021	800,369	390,000	17,618,760	18,809,129
Balance as at 1 January 2022	**800,369**	**390,000**	**17,618,760**	**18,809,129**
Additions during the year	**261,886**	**-**	**16,955,690**	**17,217,576**
Balance as at 31 December 2022	**1,062,255**	**390,000**	**34,574,450**	**36,026,705**
Accumulated depreciation:				
Balance as at 1 January 2021	479,238	390,000	1,053,978	1,923,216
Charge for the year	61,446	-	3,351,920	3,413,366
Balance as at 31 December 2021	540,684	390,000	4,405,898	5,336,582
Balance as at 1 January 2022	**540,684**	**390,000**	**4,405,898**	**5,336,582**
Charge for the year	**109,876**	**-**	**4,201,186**	**4,311,062**
Balance as at 31 December 2022	**650,560**	**390,000**	**8,607,084**	**9,647,644**
Carrying amount:				
31 December 2021	259,685	-	13,212,862	13,472,547
31 December 2022	**411,695**	**-**	**25,967,366**	**26,379,061**

5 INTANGIBLE ASSETS

	For the year ended 31 December	
	2022	2021
Cost:		
At the beginning of the year	**70,335,651**	60,361,396
Additions during the year	**19,347,372**	9,974,255
At the end of the year	**89,683,023**	70,335,651
Accumulated amortization:		
At the beginning of the year	**50,470,332**	42,897,006
Charge for the year	**7,644,554**	7,573,326
At the end of the year	**58,114,886**	50,470,332
Carrying amount at the end of the year	**31,568,137**	19,865,319

Intangible assets represent core and related systems softwares; work in progress in respect of development / improvements to systems softwares. As at 31 December 2022, intangible assets include work in progress amounting to SR 15,720,455 (31 December 2021: SR 11,429,703).

6 INVESTMENT PROPERTIES

This represents commercial and retail properties in the Kingdom of Saudi Arabia ("KSA") and the United Arab Emirates ("UAE") which were leased to third-party tenants under operating lease arrangements.

	Land	Buildings	Total
Cost:			
Balance as at 1 January 2021	894,423,934	560,265,898	1,454,689,832
Additions during the year	-	1,451,564	1,451,564
Balance as at 31 December 2021	894,423,934	561,717,462	1,456,141,396
Balance as at 1 January 2022	**894,423,934**	**561,717,462**	**1,456,141,396**
Additions during the year	**-**	**1,058,109**	**1,058,109**
Balance as at 31 December 2022	**894,423,934**	**562,775,571**	**1,457,199,505**
Accumulated depreciation and Impairment:			
Balance as at 1 January 2021	-	108,053,576	108,053,576
Depreciation charge for the year	-	17,617,501	17,617,501
Impairment charge for the year	-	6,540,633	6,540,633
Impairment reversal during the period	-	(1,540,633)	(1,540,633)
Balance as at 31 December 2021	-	130,671,077	130,671,077
Balance as at 1 January 2022	**-**	**130,671,077**	**130,671,077**
Depreciation charge for the year	-	**18,087,220**	**18,087,220**
Impairment charge for the year	-	**25,000,000**	**25,000,000**
Balance as at 31 December 2022	**-**	**173,758,297**	**173,758,297**
Carrying amount:			
31 December 2021	894,423,934	431,046,385	1,325,470,319
31 December 2022	**894,423,934**	**389,017,274**	**1,283,441,208**

6 INVESTMENT PROPERTIES (CONTINUED)

Investment properties comprise of the following:

		31 December 2022				
Category	**Location**	**Cost**	**Accumulated depreciation**	**Accumulated impairment**	**Carrying amounts**	**Fair value**
Distribution Centre	Riyadh, KSA	**393,764,675**	**(42,225,873)**	**-**	**351,538,802**	**372,700,000**
Mall	Jeddah, KSA	**364,007,918**	**(17,255,800)**	**(19,902,632)**	**326,849,486**	**352,800,000**
Warehouse	Jebel Ali, UAE	**227,224,834**	**(45,985,978)**	**-**	**181,238,856**	**195,295,320**
Commercial Headquarter	Riyadh, KSA	**169,281,983**	**(4,422,071)**	**(4,877,750)**	**159,982,162**	**164,470,000**
Mall	Jeddah, KSA	**140,541,751**	**(6,112,794)**	**(15,106,832)**	**119,322,125**	**120,120,000**
Warehouse	Riyadh, KSA	**59,444,151**	**(5,173,892)**	**(10,498,965)**	**43,771,294**	**44,000,000**
Mall	Riyadh, KSA	**102,934,193**	**(2,195,710)**	**-**	**100,738,483**	**102,900,000**
As at 31 December 2022		**1,457,199,505**	**(123,372,118)**	**(50,386,179)**	**1,283,441,208**	**1,352,285,320**

		31 December 2021				
Category	Location	Cost	Accumulated depreciation	Accumulated impairment	Carrying amounts	Fair value
Distribution Centre	Riyadh, KSA	393,764,680	(36,321,672)	-	357,443,008	491,260,000
Mall	Jeddah, KSA	363,073,748	(14,651,177)	(18,175,173)	330,247,398	333,730,000
Warehouse	Jebel Ali, UAE	227,224,834	(39,493,840)	-	187,730,994	239,527,000
Commercial Headquarter	Riyadh, KSA	169,281,983	(3,792,210)	-	165,489,773	167,270,000
Mall	Jeddah, KSA	140,417,807	(5,073,999)	(6,303,808)	129,040,000	129,040,000
Warehouse	Riyadh, KSA	59,444,151	(4,386,953)	(907,198)	54,150,000	54,150,000
Mall	Riyadh, KSA	102,934,193	(1,565,047)	-	101,369,146	111,430,000
As at 31 December 2021		1,456,141,396	(105,284,898)	(25,386,179)	1,325,470,319	1,527,522,024

Investment properties in the KSA are legally owned by Al Rajhi Development Company, a wholly owned subsidiary of the Parent. Further, investment property in the UAE is legally owned by Privileged Warehouses Company 3, a wholly owned subsidiary of the Company, for the beneficial interest of the Company.

Fair value of investment properties is determined annually by independent qualified property valuers.

(i) Amounts recognised in the statement of profit or loss in respect of investment properties are as follows:

	For the year ended 31 December	
	2022	2021
Rental income	**107,068,529**	101,603,742
Costs of income	**(22,685,337)**	(22,024,777)
	84,383,192	79,578,965

6 INVESTMENT PROPERTIES (CONTINUED)

(ii) The future minimum lease receivables under non-cancellable leases are as follows:

	31 December 2022	31 December 2021
Within one year	**102,056,953**	104,117,107
Later than one year but not later than 5 years	**409,146,240**	298,962,770
Later than 5 years	**202,718,093**	392,563,734
	713,921,286	795,643,611

7 INVESTMENTS

Investment portfolio is summarised as follows:

	31 December 2022	31 December 2021
Non-current		
FVTPL		
Corporate debt securities	**70,446,565**	43,623,516
Investments in mutual funds	**31,013,585**	37,127,431
FVOCI		
Investments in mutual funds	**149,987,184**	167,299,290
Equity securities	**209,592,371**	87,750,467
Corporate debt securities	**380,260,455**	109,929,000
	841,300,160	445,729,704
Current		
FVTPL		
Investment in a mutual fund	**385,626,808**	410,979,063
Equity securities	**131,387,488**	-
	517,014,296	856,708,767

7.1 The table below summarises the investments in mutual funds:

	31 December 2022	31 December 2021
Quoted		
Al Rajhi Commodity SAR Fund*	**259,119,279**	47,591,301
Al Rajhi REIT Fund*	**149,987,184**	167,299,290
Al Rajhi Sukuk Fund*	**-**	5,773,381
Al Rajhi MENA Dividend Growth Fund*	**5,891,685**	6,103,900
Al Rajhi Freestyle Saudi Equity Fund*	**5,121,900**	5,250,150
	420,120,048	232,018,022
Unquoted		
Alinma Makkah Real Estate Fund	**-**	338,301,347
Al Rajhi Advanced Murabaha Fund*	**101,282,047**	25,086,415
Al Rajhi Rump Offering Fund*	**25,225,482**	-
NCB Tier One Sukuk Fund III	**20,000,000**	20,000,000
	146,507,529	383,387,762
	566,627,577	615,405,784

* A fund managed by the Fund Manager.

8 MURABAHA RECEIVABLES

Murabaha receivables are as follows:

	31 December 2022	31 December 2021
Gross Murabaha receivables	**3,192,569,562**	2,639,228,484
Less: Unearned profit	**(143,230,397)**	(89,168,161)
Principal outstanding	**3,049,339,165**	2,550,060,323
Accrued profit on principal outstanding	**69,214,946**	39,877,072
Less: Allowance for credit impairment losses on Murabaha receivables *(note 8.1)*	**(1,657,212)**	(348,643)
	3,116,896,899	2,589,588,752

As at 31 December 2022, Murabaha receivables have original maturity tenure ranging from 3 to 12 months (31 December 2021: 3 to 12 months). Further, these Murabaha receivables carry profit rates ranging from 2.40% to 9.75% per annum (31 December 2021: 2.00% to 8.00% per annum).

As at 31 December 2022 and 2021, Murabaha receivables were neither past due nor impaired.

8.1 The movement in allowance for credit impairment losses on Murabaha receivables is as follows:

	For the year ended 31 December 2022	2021
At the beginning of the year	**348,643**	173,271
Charge for the year	**1,308,569**	175,372
At the end of the year	**1,657,212**	348,643

9 ACCRUED INCOME

	31 December 2022	31 December 2021
Management fees	**37,798,729**	41,386,565
Others	**26,845,289**	13,969,140
	64,644,018	55,355,705

10 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
Gross rental receivables	**30,691,353**	39,487,587
Less: Allowance for credit impairment losses *(note 10.1)*	**(16,114,395)**	(22,807,188)
Net rental receivables	**14,576,958**	16,680,399
Due from the Parent *(note 22.2)*	**285,028,747**	2,011,004
Prepayments	**11,096,943**	9,307,621
Advances to employees	**436,362**	216,222
Other receivables	**13,839,594**	9,767,354
	324,978,604	37,982,600

10 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

10.1 The movement in allowance for credit impairment losses in relation to rental receivables is as follows:

	For the year ended 31 December **2022**	2021
At the beginning of the year	**22,807,188**	20,173,014
Charge for the year	**3,435,732**	3,536,547
Reversal for the year	**(10,128,525)**	(902,373)
At the end of the year	**16,114,395**	22,807,188

10.2 The ageing of rental receivables is as follows:

	31 December 2022	31 December 2021
Less than 30 days	**8,858,927**	9,373,966
30 – 180 days	**4,433,819**	5,859,574
More than 180 days	**17,398,607**	24,254,047
	30,691,353	39,487,587

11 TERM DEPOSITS

These comprise of term deposits held with Al Rajhi Banking and Investment Corporation (the “Bank” or the “Parent”), the parent entity of the Company, having original maturities of more than three months from the date of acquisition. During the year, annual profit rates for term deposits range from 4.10% to 5.66%. The amount includes the profit accrued amounting to SR 6.3 million (31 December 2021: Nil).

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise cash at bank in current accounts.

13 EMPLOYEE BENEFITS

13.1 The movement in employee benefits is as follows:

	For the year ended 31 December **2022**	2021
Balance as at 1 January	**40,148,093**	41,382,100
Included in profit or loss		
- current service cost	**4,208,778**	4,868,768
- financing cost	**1,025,671**	733,208
	5,234,449	5,601,976
Included in OCI		
Remeasurement: Actuarial loss arising from:		
- financial assumptions	**6,852,991**	(929,203)
- experience adjustments	**(1,173,691)**	(331,043)
	(5,679,300)	(1,260,246)
Benefits paid	**(3,537,146)**	(5,575,737)
Balance as at 31 December	**36,166,096**	40,148,093

13 EMPLOYEE BENEFITS (CONTINUED)

13.2 Principal actuarial assumptions

	31 December 2022	31 December 2021
Discount rate (%)	**4.70**	2.70
Future salary increases (%)	**2.40**	2.40

	31 December 2022	31 December 2021
Turnover (%):		
- Age 18-25 years	**31.25**	31.25
- Age 26-30 years	**25.00**	25.00
- Age 31-50 years	**12.50**	12.50
- Age 51-59 years	**6.25**	6.25

Discount rate

This rate was used to calculate the actuarial present value of the projected benefits. As per International Accounting Standard 19 “Employee Benefits”, the rate used to discount employee benefits is determined by reference to the market yields on high quality corporate bonds at the end of the reporting period. In case of the Company, the discount rate was derived with reference to US dollar denominated Kingdom of Saudi Arabia government traded bonds with maturities consistent with the estimated term of the employee benefits. The average duration of the employment benefit obligation was 9.5 years (31 December 2021: 10.3 years).

Salary increases

The salary escalation of 2.4% (31 December 2021: 2.4%) has been assumed as the long-term salary escalation rate and is broadly consistent with the benchmark salary increment rate of the region.

Turnover

The turnover assumption has been based on the prior year assumptions for attrition rates, which was considered to be in-line with the actual attrition rates.

13.3 Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee benefits as follows:

	31 December 2021	31 December 2020
Discount rate		
1 % increase	**(3,365,388)**	(3,392,520)
1% decrease	**4,734,746**	3,936,604
Future salary increases		
1% increase	**4,663,092**	3,907,890
1% decrease	**(3,409,257)**	(3,432,893)
Turnover		
20% increase	**(399,865)**	(397,046)
20% decrease	**401,908**	399,222

13 EMPLOYEE BENEFITS (CONTINUED)

13.4 Risks associated with the defined benefit plans

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

14 LOAN FROM THE PARENT

During the year, the Company availed loan facilities from the Parent of SR 1.5 billion (2021: SR 0.22 billion) in order to finance its margin lending facilities. The profit rate agreed for the loan ranges from 1.65% to 4.90% (2021: 1.15% to 1.50%) per annum and is having a maturity of maximum 1 year. The amount includes the accrued finance cost amounting to SR 27.9 million.

15 OTHER PAYABLES AND ACCRUALS

	31 December 2022	31 December 2021
Payable to charities *(note 15.1)*	**6,166,235**	13,951,453
Staff bonus	**51,864,263**	39,494,971
Subscriptions payable	**1,876,348**	3,944,911
Accrued rent	**2,292,521**	2,402,528
VAT payable	**8,165,613**	12,194,275
Unearned rental income	**13,964,339**	14,175,625
Due to the Parent *(note 22.2)*	**30,655,736**	4,627,620
Others	**17,152,915**	11,585,714
	132,137,970	102,377,097

15.1 In accordance with the Sharia Committee's resolution, issued by the Sharia Board of the Company and adopted by management, share brokerage service fees earned relating to certain identified shares / securities received by the Company is excluded from the determination of income for the year, and is recorded as a payable to authorized charities. The movement in payable to charities is as follows:

	For the year ended 31 December	
	2022	2021
At the beginning of the year	**13,951,453**	19,053,384
Additions during the year	**12,331,141**	19,754,384
Reversals during the year	**(14,376,966)**	-
Payments made during the year	**(5,739,393)**	(24,856,315)
At the end of the year	**6,166,235**	13,951,453

16 DUE TO A RELATED PARTY - ZAKAT PAYABLE

The Company does not file a separate Zakat return with the ZATCA as the Parent files a consolidated / single Zakat return based on its consolidated Zakat base and settles the Zakat liability with the ZATCA accordingly. The Company is not required to make any payment to the ZATCA.

16.1 The movement of Zakat payable is as follows:

	For the year ended 31 December	
	2022	2021
At the beginning of the year	**82,585,296**	**66,761,565**
Charge for the year *(note 16.2)*	**68,082,218**	**82,585,296**
Payments made during the year	**-**	**(66,761,565)**
At the end of the year	**150,667,514**	**82,585,296**

16.2 This represents the Company's portion of Zakat allocated by the Parent.

17 PROVISIONS

These relate to various open litigation cases against the Company that might result in an unfavourable outcome. The Company believes that the outcome of these cases will not exceed the amount of provisions.

The movement in provisions is as follows:

	For the year ended 31 December	
	2022	2021
At the beginning of year	**8,632,924**	167,435
Charge for the year	**1,697,222**	8,465,489
At the end of the year	**10,330,146**	8,632,924

18 SHARE CAPITAL

	31 December 2022	31 December 2021
Number of Ordinary shares	**50,000,000**	50,000,000
Ordinary shares (amount)	**500,000,000**	500,000,000

18.1 The Company's share capital is wholly owned by Al Rajhi Banking and Investment Corporation (the "Parent") as of 31 December 2022 and 31 December 2021.

19 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2022	2021
IT support	**1,170,084**	1,170,084
IT licenses	**4,224,875**	4,935,389
Professional fees	**5,499,423**	4,210,664
Subscriptions	**3,674,691**	2,588,585
Software research costs	**8,938,125**	-
Utilities	**626,926**	557,565
Telecommunication	**2,496,456**	1,758,032
Directors' remuneration *(note 21.1)*	**946,000**	946,000
Cleaning expenses	**345,500**	381,781
Professional indemnity insurance	**1,085,020**	1,085,378
Repair and maintenance	**27,619**	334,103
Client compensation on operation losses	**716,037**	5,318,213
Business travel & entertainment	**332,511**	135,303
Regulatory fees	**644,157**	851,208
Shariah Board fees	**360,000**	450,000
Other	**11,502,812**	5,249,953
	42,590,236	29,972,258

20 FINANCIAL INSTRUMENTS – FAIR VALUES

20.1 Fair value measurements of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

20 FINANCIAL INSTRUMENTS - FAIR VALUES (CONTINUED)

20.1 Fair value measurements of financial instruments (continued)

	Accounting classification and carrying amount				Fair values			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
31 December 2022								
Financial assets								
Investments	**618,474,446**	**739,840,010**	**-**	**1,358,314,456**	**490,967,043**	**720,839,884**	**146,507,529**	**1,358,314,456**
Cash and cash equivalents*	**-**	**-**	**12,421,616**	**12,421,616**	**-**	**-**	**-**	**-**
Term deposits*	**-**	**-**	**606,348,889**	**606,348,889**	**-**	**-**	**-**	**-**
Murabaha receivables*	**-**	**-**	**3,116,896,899**	**3,116,896,899**	**-**	**-**	**-**	**-**
Accrued income*	**-**	**-**	**64,644,018**	**64,644,018**	**-**	**-**	**-**	**-**
Advances and other receivables*	**-**	**-**	**313,881,661**	**313,881,661**	**-**	**-**	**-**	**-**
	618,474,446	**739,840,010**	**4,114,193,083**	**5,472,507,539**	**490,967,043**	**720,839,884**	**146,507,529**	**1,358,314,456**
Financial liabilities								
Loan from the Parent*	**-**	**-**	**1,527,870,167**	**1,527,870,167**	**-**	**-**	**-**	**-**
Other payable and accruals*	**-**	**-**	**118,173,631**	**118,173,631**	**-**	**-**	**-**	**-**
	-	**-**	**1,646,043,798**	**1,646,043,798**	**-**	**-**	**-**	**-**

* These are expected to be settled within one year from the reporting date. Therefore, carrying amount approximates the fair value as at the reporting date.

20 FINANCIAL INSTRUMENTS - FAIR VALUES (CONTINUED)

20.1 Fair value measurements of financial instruments (continued)

	Accounting classification and carrying amount				Fair values			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
31 December 2021								
Financial assets								
Investments	491,730,010	364,978,757	-	856,708,767	255,049,757	218,271,248	383,387,762	856,708,767
Cash and cash equivalents*	-	-	12,712,679	12,712,679	-	-	-	-
Murabaha receivables*	-	-	2,589,588,752	2,589,588,752	-	-	-	-
Accrued income*	-	-	55,355,705	55,355,705	-	-	-	-
Advances and other receivables*	-	-	28,674,979	28,674,979	-	-	-	-
	491,730,010	364,978,757	2,686,332,115	3,543,040,882	255,049,757	218,271,248	383,387,762	856,708,767
Financial liabilities								
Loan from the Parent*	-	-	220,783,667	220,783,667	-	-	-	-
Other payable and accruals*	-	-	76,328,949	76,328,949	-	-	-	-
	-	-	297,112,616	297,112,616	-	-	-	-

* These are expected to be settled within one year from the reporting date. Therefore, carrying amount approximates the fair value as at the reporting date.

20 FINANCIAL INSTRUMENTS - FAIR VALUES (CONTINUED)

20.2 Fair valuation techniques

Financial assets at fair value through profit or loss classified as Level 2 include investments in mutual funds and sukuks, the fair value of which is determined based on the latest reported net assets value (NAV) and valuation techniques in which all significant inputs are directly or indirectly observable from market data as at the reporting date.

Financial assets at fair value through profit or loss classified as Level 3 include investment in an unquoted mutual fund, the fair value of which is determined based on net assets value (NAV) obtained from the latest available financial statements of the unquoted mutual fund.

The table shows a breakdown of the total losses due to change in fair value recognised in respect of Level 3 fair value.

	2022	2021
Gain / (loss) included in investment loss / gain	**2,195,631**	(516,783)

20.3 There have been no transfers between Level 1, Level 2 and Level 3 during the reporting periods.

20.4 The following table shows a reconciliation from the opening balance to the closing balance for Level 3 fair values.

	2022	2021
Balance at the beginning of the year	**383,387,762**	358,818,130
Total gains / losses (realized and unrealized) - net	**12,988,749**	(789,519)
Purchases	**164,278,000**	150,008,392
Sales	**(414,146,982)**	(124,649,241)
Balance at the end of the year	**146,507,529**	383,387,762

21 FINANCIAL RISK MANAGEMENT

The Company’s objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company’s activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company’s continuing profitability.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks arising from financial instruments:
- Credit risk
- Market risk
- Liquidity risk

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit risk including evaluation of customers' credit worthiness, formal credit approvals and obtaining collateral.

The schedule below shows the maximum limit for exposure to credit risk of the statement of financial position elements:

	31 December 2022	31 December 2021
Cash and cash equivalents	**12,421,616**	12,712,679
Term deposits	**606,348,889**	-
Murabaha receivables – gross	**3,118,554,111**	2,589,937,395
Investments	**450,707,020**	153,452,319
Accrued income	**64,644,018**	55,355,705
Advances and other receivables – gross	**329,996,056**	51,482,167
Total	**4,582,671,710**	2,862,940,265

Cash and cash equivalents are held with banks with reputable standing within the Kingdom of Saudi Arabia. All of the bank balances are in current account and are held with the Parent which is rated A1 by Moody's as at 31 December 2022 (2021: A1).

The Company holds equity instruments of customers as collateral against Murabaha receivables. The value of collateral is regularly monitored by the Company to ensure that it is sufficient to cover the exposure of Murabaha receivables.

As part of the ongoing monitoring of Murabaha receivables, the Company requests additional collateral in the form of margin call by raising first margin call at 150%, and the final margin call at 135%, after which the collateralized equity securities are liquidated.

	31 December 2022	31 December 2021
Murabaha receivables – gross	**3,192,569,562**	2,639,228,484
Fair value of collateral held against the receivables	**6,158,784,726**	5,816,834,102

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a Murabaha receivables and rental receivables entails estimations about the likelihood of defaults, associated loss ratios and default correlations of customers. The Company measures credit risk using ECL which is derived by PD, EAD and LGD.

a) ECL - Significant increase in credit risk ("SICR")

The prevailing economic conditions require the Company to continue to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around adjusting macroeconomic factors used by the Company in the estimation of ECL.

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and customers responses could result in significant adjustments to the allowance in future financial years.

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1 Credit risk (continued)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

The assessment of SICR incorporates forward-looking information and is performed on yearly basis for all financial instruments including those which are considered to have low credit risk by the Company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Company.

b) Generating the term structure of PD

Monthly PDs are determined based on the incidents of Murabaha receivables liquidation and its weighted average exposures. In case of PD calculation, total value of liquidated cases are taken under total monthly portfolios. Annual PDs are calculated using the monthly PDs through binomial/ survival rate method.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

b) Generating the term structure of PD (continued)

Through the Cycle (TTC) PD are determined using inverse of Vasicek methodology to get stable TTC PD. TTC PD is then calibrated to the current macroeconomic environment to obtain appropriate PD for the current business cycle. This is performed using the percent rank of current GDP growth, as against historical GDP performance data. Then 3 scenarios are considered; Baseline (Current), Upturn (Good) and Downturn (Worse). Based on the rank of GDP, the Sigma distance from the mean in a normal distribution is obtained (Z curve) for the baseline scenario. This has been capped subjecting to tail values (this is further be referred to as mean and tail computed for adverse and upturn scenarios). For computation of baseline, downturn and upturn scenario PDs, the TTC PD value is adjusted on the normal distribution using Sigmas computed earlier and the Basel IRB prescribed correlation for Retail Customers. Correlation for the above is computed employing Basel correlation formula as per Basel IRB approach.

c) Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Company considers the minimum collateral coverage of Murabaha receivables. If the collateral value falls below 135%, it is considered as significant increase in credit risk and the customer is classified in Stage II.

In case of rental receivables, the Company considers that a significant increase in credit risk occurs no later than when a receivable is more than 30 days past due except in case of rebuttal. Days past due are determined by counting the days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the tenant.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due.

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1 Credit risk (continued)

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL and profit is calculated on the gross carrying amount of asset (i.e. without deduction of credit allowances). All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired (i.e. there is no objective evidence of impairment), the Company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired (i.e. there is objective evidence of impairment at reporting date) financial instruments, the Company recognises the lifetime ECL. Default identification process is used as stage 3.

d) Definition of 'Default'

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security; or
- the rental receivable is past due more than 180 days

e) Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on above, the Company formulate 3 scenarios: Baseline (Current), Upturn (Good) and Downturn (Worst) for the future direction of relevant economic variables. External information includes economic data of current GDP growth, as against historical GDP performance data.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes. The other scenarios represent more optimistic and more pessimistic outcomes.

f) Measurement of ECL

Scenario weighted ECL have been calculated taken into account three different scenarios Baseline, Downturn and Upturn. The key inputs into the measurement of ECL are the term structure of the following variables:

i. probability of default ("PD");
ii. loss given default ("LGD"); and
iii. exposure at default ("EAD").

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical models as defined above in (b).

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1 Credit risk (continued)

LGD is the magnitude of the likely loss if there is a default. Company's portfolio consists of four different kinds of portfolio coverage (as collaterals) and Cash position. Four different kinds of collateral coverage includes more than 200% coverage, between 170% to 200% coverage, between 170% to 150% coverage and below 150% coverage. Haircuts have been applied for above collateral coverage. LGDs are determined for each market condition (stable and volatile) under monthly portfolios. Average of LGDs across the periods has been taken to arrive at weighted average LGD of 0.46% considering the Stable Market Assumption whereas, average of LGDs across the periods has been taken to arrive at weighted average LGD of 2.71% considering the Volatile Market condition. However, for ECL calculations, Stable market assumption have been taken by the Company.

In the case of rental receivables, the Regulatory recommended LGD of 50% has been used for the ECL calculation.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty including the accrued profit.

g) Loss allowance

	31 December 2022			
(i) **Murabaha receivables**	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Gross carrying amount	**3,118,554,111**	**-**	**-**	**3,118,554,111**
Expected credit loss	**(1,657,212)**	**-**	**-**	**(1,657,212)**
Net carrying amount	**3,116,896,899**	**-**	**-**	**3,116,896,899**
(ii) **Rental receivables**				
Gross carrying amount	**8,858,926**	**4,433,819**	**17,398,608**	**30,691,353**
Expected credit loss	**(2,882)**	**(54,236)**	**(16,057,277)**	**(16,114,395)**
Net carrying amount	**8,856,044**	**4,379,583**	**1,341,331**	**14,576,958**

	31 December 2021			
(i) Murabaha receivables	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount	2,589,937,395	-	-	2,589,937,395
Expected credit loss	(348,643)	-	-	(348,643)
Net carrying amount	2,589,588,752	-	-	2,589,588,752
(ii) Rental receivables				
Gross carrying amount	9,373,965	5,859,574	24,254,048	39,487,587
Expected credit loss	(32,550)	(309,905)	(22,464,732)	(22,807,188)
Net carrying amount	9,341,415	5,549,669	1,789,316	16,680,399

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1 Credit risk (continued)

At 31 December 2022 and 31 December 2021, the credit risk exposure for Murabaha receivables and rental receivables by geographic region was limited to KSA and UAE only.

The credit risk exposure for Murabaha receivables and rental receivables by type of customer is as follows:

	31 December 2022	31 December 2021
Retail customers	**3,044,626,238**	2,581,529,302
Corporate customers	**104,619,225**	47,895,680
	3,149,245,463	2,629,424,982

At 31 December 2022, the carrying amount of the Company's most significant customer was SR 307.5 million (31 December 2021: SR 113.1 million).

In determining the recoverability of Murabaha receivables, the Company considers any change in the credit quality of the Murabaha from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated other than one customer.

There are no impaired receivables since none of the receivables are past due.

The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments:

	For the year ended 31 December 2022			
	12 month ECL	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Murabaha and rental receivables				
At the beginning of the year	**381,193**	**309,905**	**22,464,733**	**23,155,831**
Net re-measurement of loss allowance	**1,274,657**	**(251,424)**	**(6,407,457)**	**(5,384,224)**
At the end of the year	**1,655,850**	**58,481**	**16,057,276**	**17,771,607**

	For the year ended 31 December 2021			
	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Murabaha and rental receivables				
At the beginning of the year	196,986	266,048	19,883,251	20,346,285
Net re-measurement of loss allowance	184,207	43,857	2,581,482	2,809,546
At the end of the year	381,193	309,905	22,464,733	23,155,831

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1 Credit risk (continued)

The following table provides an explanation of how significant changes in the gross carrying amount of Murabaha receivables during the year contributed to changes in loss allowance:

	2022		
	Impact: increase / (decrease)		
	Stage 1	**Stage 2**	**Stage 3**
Murabaha receivable – gross			
Increase in lending as part of the Company's strategic growth initiative	**1,652,967**	**-**	**-**

	2021		
	Impact: increase / (decrease)		
	Stage 1	Stage 2	Stage 3
Murabaha receivable - gross			
Increase in lending as part of the Company's strategic growth initiative	175,372	-	-

21.2 Market risk

Profit rate risk

Profit rate risk is the risk that the profit rate changed is not commensurate with financing cost due to changes in the market commission rate. The Company has fixed rate Murabaha receivables and payables; hence, the Company is not exposed to any profit rate risk. Further, the loan taken from the Parent is also fixed rate loan and therefore the Company is not exposed to any profit rate risk.

Currency risk

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. The Company has significant transactions only in Arab Emirates Dirham and US Dollars apart from Saudi Arabian Riyals. As these currencies have no or low volatility with Saudi Arabian Riyals, therefore, there is minimal risk of losses due to exchange rate fluctuations.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is exposed to market risk with respect to its investments in mutual funds and equity instruments. The Company limits market risks by diversification of its investments.

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

21.2 Market risk (continued)

A change in the price of equity instruments with all other variables held constant, would impact the statement of other comprehensive income and statement of changes in equity as set out below:

	For the year ended 31 December	
Change in Price %	**2022**	2021
±5	**± 17,048,993**	± 4,387,523
±10	**± 34,097,986**	± 8,775,047

A change in the NAV of Level 3 investments, with all other variables held constant, would impact the statement of profit or loss as set out below:

	For the year ended 31 December	
Change in NAV %	**2022**	2021
±5	**± 7,325,376**	± 19,169,388
±10	**± 14,650,753**	± 38,338,776

21.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Murabaha deposits are generally placed for short periods to manage the Company's liquidity requirements. All financial liabilities on the Company's statement of financial position are contractually payable on a current basis. Liquidity risk at investment fund level is being managed through appropriate liquidity limits.

The Company's liquidity management process is as follows:

- Day-to-day funding, managed by the Finance department to ensure that requirements can be met and this includes replenishment of funds as they mature or are invested;
- Monitoring liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities; and
- Liquidity management and asset and liability mismatching.

The below schedule shows an analysis of financial liabilities based on the expected date of collection or settlement:

	Total	0 - 1 year	1 - 5 years	No fixed maturity
31 December 2022				
Non-derivative financial liabilities				
Loan from the Parent	**1,527,870,167**	**1,527,870,167**	**-**	**-**
Other payables and accruals	**118,173,631**	**118,173,631**	**-**	**-**
	1,646,043,798	**1,646,043,798**	**-**	**-**
31 December 2021				
Non-derivative financial liabilities				
Loan from the Parent	220,783,667	220,783,667	-	-
Other payables and accruals	76,007,197	76,007,197	-	-
	296,790,864	296,790,864	-	-

22 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the Parent and its affiliated entities and certain key management personnel. In the ordinary course of activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel includes the Chief Executive Officer ("CEO") and the personnel directly reporting to the CEO.

22.1 Related party transactions

The significant transactions with related parties in relation to the Company's core activities are as follows:

		For the year ended 31 December	
Related party	**Nature of transaction**	**2022**	2021
Al Rajhi Banking and Investment Corporation, the Parent	IT support expenses	**1,170,084**	1,170,084
	Fee for transfers	**414,000**	414,000
	Shariah board meeting	**460,000**	425,500
	Al Rajhi Bank sukuk	**47,437,500**	-
	Withholding tax	**280,756**	1,070,607
	Zakat paid	**-**	(66,761,565)
	IPO service fee from the Parent	**4,653,501**	2,511,520
	Shared asset management fee	**16,440,212**	8,883,166
	Commodity financing	**1,500,000,000**	220,000,000
	Loan settlement	**(220,000,000)**	-
	Term deposits	**600,000,000**	-
	Muqassa deposit	**253,358,021**	-
	Muqassa comission	**21,193,226**	-
	Purification	**20,044,352**	22,571,311
	Others	**-**	5,000
Board of Directors members'	Remunerations	**946,000**	946,000
	Board meeting expenses	**1,208**	1,931
Al Rajhi Company for Management Services, a fellow subsidiary	Outsourcing of staff	**1,206,714**	522,063
Al Rajhi Takaful Company, a fellow subsidiary	Insurance	**1,315,285**	1,319,379
Key management Personnel	Employee benefits	**393,501**	340,986
	Salaries	**4,930,080**	4,901,160
	Allowances	**2,489,711**	2,294,342
	Annual and periodic bonuses	**5,991,760**	5,694,000
Funds managed by the Company	Income from asset management services	**132,527,753**	84,308,195
Al Rajhi REIT, a fund managed by the Company	Expenses incurred on behalf of REIT	**931,500**	1,391,078
Al Rajhi Development Company, a fellow subsidiary	Rental of office space	**6,250,000**	6,250,000

22 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

22.2 Related party balances

Significant balances with related parties are as follows:

Related party	Nature of transaction	31 December 2022	31 December 2021
Al Rajhi Banking and Investment Corporation, the Parent	IPO service fee receivable from the Parent	**1,010,860**	1,468,448
	Fee for transfers	**103,500**	69,000
	Shariah board meeting	**23,000**	34,500
	Muqassa Deposit	**253,358,021**	-
	Al Rajhi Bank sukuk	**28,750,000**	-
	Others	**1,783,366**	439,056
	Due from the Parent *(note 10)*	**285,028,747**	2,011,004
	Due to a related party– term deposits *(note 11)*	**606,348,889**	-
	Withholding tax	**-**	64,448
	Loan from related party	**1,527,870,167**	220,783,667
	Shared asset management fee	**12,272,533**	4,109,641
	IT support expense	**1,291,697**	448,531
	Muqassa comission	**17,086,506**	
	Other	**5,000**	5,000
	Due to the Parent *(note 13)*	**1,558,525,903**	225,411,287
	Due to a related party– zakat payable *(note 14)*	**150,667,514**	82,585,496
Al Rajhi Takaful Company	**Prepaid insurance**	**813,765**	815,163
Al Rajhi Real Estate Investment Trust (REIT)	**Receivable from REIT**	**4,925,979**	4,662,377
Al Rajhi Development	**Prepaid rent**	**3,635,846**	3,643,836
All Funds managed by the Company	**Accrued management fee**	**37,798,729**	41,386,565
Board of Directors members	**Remunerations**	**-**	948,000
Key management personnel	**Employee benefits**	**2,332,090**	1,227,203
	Annual and periodic bonuses	**5,991,760**	5,694,000

23 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2022, the Company has capital commitments of SR 37,270,712 (2021: SR 36,632,975) with respect to ongoing work in progress related to intangibles.

The future minimum lease payments under non-cancellable operating leases, where the Company is the lessee, are as follows:

	31 December 2022	31 December 2021
Within one year	**3,793,664**	3,735,064

24 CLIENTS' CASH ACCOUNTS

At 31 December 2022, the Company was holding clients' cash accounts amounting to SR 7.1 billion (31 December 2021: SR 9.6 billion), to be used for investments on the clients' behalf. Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

25 ASSETS UNDER MANAGEMENT

The Company manages investment portfolios and mutual funds on behalf of its customers, which amounts to SR 50.46 billion as at 31 December 2022 (31 December 2021: SR 58.23 billion). Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

26 CAPITAL ADEQUACY

The CMA has issued Prudential Rules (the "Rules") dated 17 Safar 1434H (corresponding to 30 December 2012). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	31 December 2022 SAR'000	31 December 2021 SAR'000
Capital base:		
Tier 1 Capital	**4,936,253**	4,403,230
Tier 2 Capital	**-**	31,546
Total capital base	**4,936,253**	4,434,776
Minimum capital requirement:		
Market risk	**6,028**	5,747
Credit risk	**1,835,179**	1,574,522
Operational risk	**139,587**	115,909
Total minimum capital required	**1,980,794**	1,696,178
Capital adequacy ratio:		
Total capital ratio (time)	**2.49**	2.61
Surplus in capital	**2,955,459**	2,738,598

26 CAPITAL ADEQUACY (CONTINUED)

Capital Base of the Company comprises of:

- Tier-1 capital consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves as per Article 4 of the Rules.
- Tier-2 capital consists of revaluation reserves as per Article 4 of the Rules.

The Minimum Capital Requirements for Market, Credit & Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.

The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

Certain information as required by Pillar III of the Prudential Rules will be made available to the public on the Company's website, however, this information is not subject to review or audit by the external auditors of the Company.

The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

27 EVENTS OCCURING AFTER REPORTING DATE

No events have occurred since the reporting date that require adjustments to or disclosure in the Financial Statements.

28 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 7 February 2023 by the Board of Directors' of Al Rajhi Capital Company.