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**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE NOTES (THE “SECURITIES”) FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.**

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE BASE OFFERING CIRCULAR HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD OR PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES. IN THE CASE OF NOTES IN BEARER FORM, SUCH BEARER NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED AND THE TREASURY REGULATIONS PROMULGATED THEREUNDER).**

In the United Kingdom (the “UK”), this document is being distributed only to, and is directed only at persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) or high net worth entities, and other persons falling within Article 49(2)(A) to (D) of the Order (all such persons together being referred to as “**relevant persons**”). In the UK, this document must not be acted on or relied on by persons who are not relevant persons. In the UK, any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with such persons.

**Confirmation of your representation:** In order to be eligible to view the document or make an investment decision with respect to the Securities described therein, (1) each prospective investor in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S must be outside of the United States, (2) each prospective investor in respect of the Notes being offered in the UK must be a relevant person and (3) each prospective investor in respect of the Notes being effected in the EEA must be a “qualified investor”.

By accepting this e-mail and accessing, reading or making any other use of the document, you shall be deemed to have represented to the Arrangers and Dealers (as defined in the document) that (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; and (iii) you are purchasing the Notes outside the United States in an “offshore transaction” in reliance on Regulation S under the Securities Act, and, to the extent that you purchase the securities described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including the State and District of Columbia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) (and in the case of Notes in bearer form, you are not a “U.S. person” (as defined in the U.S. Internal Revenue Code of 1986, as amended and the Treasury regulations promulgated thereunder) and are not purchasing the Securities for the account or benefit of, a “U.S. person” (as defined in the U.S. Internal Revenue Code of 1986, as amended and the Treasury regulations promulgated

thereunder)); (iv) you are a person who is permitted under applicable law and regulation to receive the document; (v) you consent to delivery of the document and any supplements thereto by electronic transmission; (vi) you will not transmit the document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (vii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the securities.

The document may not be distributed in the Kingdom of Saudi Arabia (the “**Kingdom**” or “**Saudi Arabia**”) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations as issued by the Board of the Capital Market Authority (the “**CMA**”) pursuant to its Resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017), as amended by its resolution number 3-6-2024 dated 05/07/1445H (corresponding to 17 January 2024) (the “**Rules on the Offer of Securities and Continuing Obligations**”), made through a capital market institution licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 10 of the Rules on the Offer of Securities and Continuing Obligations.

The CMA does not make any representation as to the accuracy or completeness of the document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the document. Prospective purchasers of the Securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the Securities. If you do not understand the contents of the Base Offering Circular, you should consult an authorised financial adviser.

The document does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described in the document be made by a licensed broker or dealer and the Arrangers and the Dealers (as defined in the document) or any affiliate of the Arrangers or the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

Under no circumstances shall the document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as

defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Restriction:** Nothing in this electronic transmission constitutes any offer to sell or invitation to subscribe or make commitments for or in respect of any Securities in any jurisdiction where such an offer or invitation would be unlawful. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities described therein.

None of the Arrangers, Dealers or any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Issuer or the offer. The Arrangers, Dealers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Arrangers, Dealers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document and none of the Arrangers, Dealers or any of their respective affiliates accepts any responsibility for any acts or omissions of the Issuer or any other person in connection with the Base Offering Circular or the Notes to be issued under the Programme.

**You are responsible for protecting against viruses and other destructive items.** Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



## Banque Saudi Fransi

(a Saudi joint stock company incorporated with registration number 1010073368)

**U.S.\$3,000,000,000**

### **Additional Tier 1 Capital Note Programme**

Under the Additional Tier 1 Capital Note Programme described in this Base Offering Circular (the “**Programme**”), Banque Saudi Fransi (the “**Issuer**” the “**Bank**” or “**BSF**” and, together with its subsidiaries and associates, the “**Group**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue additional tier 1 capital notes (the “**Notes**”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$3,000,000,000 (or the equivalent in other currencies).

The Notes of each Series (as defined under “*Terms and Conditions of the Notes*” (the “**Conditions**”)) are perpetual securities and have no fixed or final redemption date. Unless the Notes have previously been redeemed or purchased and cancelled as provided herein, the Issuer may redeem all (but not some only) of the Notes on the applicable Call Date (as defined in the Conditions). In addition, upon the occurrence of a Tax Event or a Capital Event (each as defined in the Conditions), the Issuer may redeem all (but not some only) of the Notes at any time on or after the Issue Date (as defined in the Conditions) in accordance with the Conditions.

In respect of each Series, if a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date, all as defined in the Conditions and as more particularly described in Condition 7 (*Write-down at the Point of Non-Viability*). In such circumstances, the Notes of such Series shall be cancelled (in the case of a Write-down in whole) or Written-down (as defined in the Conditions) in part on a *pro rata* basis (in the case of a Write-down in part) by the Issuer. See “*Risk Factors – Noteholders’ right to receive payment of the nominal amount of the Notes and the Noteholders’ right to any interest will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event*”).

**An investment in Notes issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes, see “*Risk Factors*”.** In particular, there are risks inherent in the holding of the Notes, including the risks relating to subordination of claims in connection therewith and the circumstances in which a Noteholder may suffer losses as a result of its holding of the Notes. See “*Risk Factors – The circumstances triggering a Write-down are unpredictable and Noteholders may suffer losses in respect of their holding of the Notes ahead of, and without, any losses being required to be borne by BSF’s shareholders*”.

Subject to Conditions 3(b) (*Subordination*), 4(e) (*Accrual of Interest*), Condition 5(a) (*Non-Payment Event*), Condition 5(b) (*Non-Payment Election*), 7 (*Write-Down at the Point of Non-Viability*) and 8 (*Payments and Talons*), Notes will bear interest on their outstanding nominal amount (i) from and including the relevant Interest Commencement Date to but excluding the relevant First Reset Date, at the Initial Rate of Interest (each as defined in the Conditions) and (ii) during each Reset Period (if any), at the Rate of Interest calculated on the basis of the aggregate of the Margin and the Relevant Reset Rate on the relevant Reset Determination Date (each as defined in the Conditions) in accordance with Condition 4(b) (*Reset Interest Rate*). Payments of interest under the Notes are subject to mandatory cancellation if a Non-Payment Event (as defined in the Conditions) occurs, and are otherwise at the sole discretion of the Issuer, all as more particularly described in Condition 5(a) (*Non-Payment Event*) and 5(b) (*Non-Payment Election*).

In respect of each Series, the payment obligations of the Issuer under the Notes and Coupons (the “**Obligations**”) will, upon the occurrence and continuation of any Winding-Up Proceeding (as defined in the Conditions) (i) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iii) rank *pari passu* with all other *Pari Passu* Obligations and (iv) rank in priority only to all Junior Obligations (each as defined in the Conditions).

Application has been made to the London Stock Exchange plc (the “**London Stock Exchange**”) for Notes issued under the Programme during the period of 12 months from the date of this Base Offering Circular to be admitted to the London Stock Exchange’s International Securities Market (the “**ISM**”). This Base Offering Circular comprises admission particulars for the purposes of admission to trading of the Notes on the ISM. The ISM is not a regulated market situated or operating within the United Kingdom (the “**UK**”) for the purposes of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK MiFIR**”).

**The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the “**FCA**”). The London Stock Exchange has not approved or verified the contents of this Base Offering Circular.**

References in this Base Offering Circular to Notes being “admitted to trading” (and all related references) shall mean that the Notes have been admitted to trading on the ISM.

This Base Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the UK which has been designated as a regulated market for the purposes of UK MiFIR and has not been approved by the FCA pursuant to the Official Listing of Securities, Offering Circular and Transparency (Amendment etc.) (EU Exit) Regulations 2019.

This Base Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the European Economic Area (the “**EEA**”) which has been designated as a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, “**MiFID II**”), and has not been approved by the competent authority in any member state of the EEA pursuant to Regulation (EU) 2017/1129.

Notice of the aggregate nominal amount of Notes, interest payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under the Conditions) of Notes will be set out in a pricing supplement document (the “**Pricing Supplement**”) which will be delivered to the London Stock Exchange and, with respect to Notes to be admitted to trading on the ISM, will also be published on the website of the London Stock Exchange through a regulatory information service or may be published in such other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the “**ISM Rulebook**”).

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer and the relevant Dealer(s). The relevant Pricing Supplement will state whether or not the relevant Notes will be listed and/or admitted to trading and, if so, on which exchange(s) the Notes are to be listed.

The Issuer may agree with any Dealer that Notes may be issued in a form or with terms and conditions not contemplated by the Conditions, in which event a supplemental Base Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Each Series of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”), and together with each temporary Global Note, the “**Global Notes**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Global Notes and Certificates may be deposited on the issue date with a common depository on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) (the “**Common Depository**”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “*Summary of Provisions Relating to the Notes while in Global Form*”.

Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Issuer and/or the Notes already issued. Whether or not a rating has been given in relation to any Tranche of Notes will be disclosed in the relevant Pricing Supplement.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Saudi Central Bank (“SAMA”) does not make any representation as to the accuracy or completeness of this Base Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Offering Circular. In particular, prospective purchasers of the Notes agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Notes for any loss arising from, or incurred as a result of, the occurrence of a Non-Viability Event.

The Notes to which this Base Offering Circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this Base Offering Circular, you should consult an authorised financial adviser.

*Arrangers*

**Citigroup**                      **Emirates NBD Capital**                      **HSBC**                      **BSF Capital**

*Dealers*

**Citigroup**                      **Emirates NBD Capital**                      **HSBC**                      **BSF Capital**

The date of this Base Offering Circular is 25 September 2024

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## IMPORTANT NOTICES

This Base Offering Circular comprises programme admission particulars for the purposes of the ISM Rulebook. This Base Offering Circular does not comprise a prospectus for the purposes of either Regulation (EU) 2017/1129 or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”), and has not been approved as such by the competent authority in any member state of the EEA or by the FCA.

The Issuer accepts responsibility for the information contained in this Base Offering Circular. The Issuer, having taken all reasonable care to ensure that such is the case, confirms that the information contained in this Base Offering Circular is, to the best of the knowledge of the Issuer, in accordance with the facts and this Base Offering Circular as completed by the relevant Pricing Supplement contains no omission likely to affect its import.

This Base Offering Circular must be read and construed together with any supplements hereto and with any information incorporated by reference herein (see “*Documents Incorporated by Reference*”) and, in relation to any Tranche of Notes which is the subject of a Pricing Supplement, must be read and construed together with the relevant Pricing Supplement. Other than in relation to the documents which are incorporated by reference herein, the information on the websites to which this Base Offering Circular refers does not form part of this Base Offering Circular and has not been scrutinised or approved by the London Stock Exchange.

Certain information in this Base Offering Circular has been extracted from industry sources and information provided by third-party sources that the Issuer believes to be reliable (including the General Authority for Statistics (“**GASTAT**”), SAMA, the Ministry of Finance, the Ministry of Economy and Planning and the International Monetary Fund (the “**IMF**”), the Organisation for Petroleum Exporting Countries (“**OPEC**”) and the Saudi Stock Exchange (“**Tadawul**”)) and, in each case, the relevant source of such information is specified where it appears under those headings. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person has been authorised to give any information or to make any representation other than those contained in this Base Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arrangers (as defined in “*Overview of the Programme*”). Neither the delivery of this Base Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

**MiFID II product governance / target market** – The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance/target market** – The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each Tranche of Notes about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

No comment is made or advice given by the Issuer, the Arrangers, the Dealers, or any of their respective directors, affiliates, advisers or agents, in respect of taxation matters relating to the Notes or the legality of the purchase of the Notes by an investor under applicable or similar laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER, FINANCIAL ADVISER AND BUSINESS ADVISER AS TO TAX, ZAKAT, LEGAL, FINANCIAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY NOTES.**

The distribution of this Base Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Offering Circular comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”) and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered or sold within the United States or, in the case of bearer notes, offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Offering Circular, see “*Subscription and Sale*”.

This Base Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arrangers, nor the respective affiliates of the Dealers and Arrangers, accept any responsibility for the contents of this Base Offering Circular or for any other statement made or purported to be made by an Arranger or a Dealer (and their respective affiliates) or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger and Dealer (and each of their respective affiliates) accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Offering Circular or any such statement. No representation or warranty is made or implied by the Arrangers or the Dealers or any of their respective affiliates, and neither the Arrangers, the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Offering Circular or any responsibility for any acts or omissions of the Issuer or any other person in connection with this Base Offering Circular or the issue and offering of any Notes under the



Programme. Neither this Base Offering Circular nor any financial statements of the Issuer are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers (and their respective affiliates) that any recipient of this Base Offering Circular or any financial statements of the Issuer should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers (and their respective affiliates) undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers (and their respective affiliates).

In making an investment decision, investors must rely on their own independent examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. None of the Arrangers, the Dealers or any of their respective affiliates, the Issuer makes any representation to any investor regarding the legality of its investment under any applicable laws. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes may not be a suitable investment for all investors. Accordingly, each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Notes are legal investments for it; (2) the Notes can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of Notes. Financial institutions

should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### **PROHIBITION ON SALES TO EEA RETAIL INVESTORS**

**THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “IDD”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “EU PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE EU PRIIPS REGULATION.**

### **PROHIBITION ON SALES TO UK RETAIL INVESTORS**

**THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, ANY RETAIL INVESTOR IN THE UK. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO. 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (THE “FSMA”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT THE IDD, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO. 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.**

### **STABILISATION**

**In connection with the issue of any Tranche of Notes, a Dealer or Dealers (if any) appointed as the stabilisation manager(s) (the “Stabilisation Manager(s)”) (or person(s) acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilising action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment**

of the relevant Tranche of Notes. Any stabilising action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

### **NOTICE TO RESIDENTS OF QATAR**

Any Notes to be issued under the Programme will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Offering Circular has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar. The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain (“Bahrain”), Notes issued in connection with this Base Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the “CBB”) in Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Base Offering Circular does not constitute an offer of securities in Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Base Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Notes, whether directly or indirectly, to persons in Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this Base Offering Circular or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Offering Circular. No offer of Notes will be made to the public in Bahrain, and this Base Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This document may not be distributed in the Kingdom except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should

conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial advisor.

#### **NOTICE TO RESIDENTS OF JAPAN**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”). The Notes will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **NOTICE TO RESIDENTS OF SINGAPORE**

**Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Presentation of Financial Information

The Group's financial information set forth herein has, unless otherwise indicated, been extracted, without material adjustment, from the Group's:

- unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2024, which include comparative financial information as at and for the six months ended 30 June 2023 (the “**Interim Financial Statements**”);
- audited consolidated financial statements as at and for the year ended 31 December 2023, which include comparative financial information as at and for the year ended 31 December 2022 (the “**2023 Financial Statements**”); and
- audited consolidated financial statements as at and for the year ended 31 December 2022 (the “**2022 Financial Statements**” and, together with the 2023 Financial Statements and the Interim Financial Statements, the “**Financial Statements**”),

each incorporated by reference into this Base Offering Circular.

The Interim Financial Statements were prepared in accordance with International Accounting Standard-34 Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“**SOCPA**”). The Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the 2023 Financial Statements.

The 2023 Financial Statements and the 2022 Financial Statements were prepared in compliance with International Financial Reporting Standards (“**IFRS**”) that are endorsed in the Kingdom of Saudi Arabia, other standards and pronouncements endorsed by SOCPA, the Banking Control Law and the Regulations for Companies in the Kingdom.

The Saudi Riyal is the functional currency of BSF and the presentation currency for the Financial Statements. The Financial Statements and financial information included elsewhere in this document have, unless otherwise noted, been presented in Saudi Riyal.

### Independent Auditors

The Interim Financial Statements incorporated by reference into this Base Offering Circular have been jointly reviewed by Deloitte and Touche & Co. - Chartered Accountants (“**Deloitte**”) and Ernst & Young Professional Services (Professional LLC) (“**EY**”) in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” as endorsed in the Kingdom of Saudi Arabia.

The 2023 Financial Statements and the 2022 Financial Statements incorporated by reference into this Base Offering Circular have been jointly audited by KPMG Professional Services (“**KPMG**”) and EY in accordance with International Standards on Auditing (“**ISAs**”) that are endorsed in the Kingdom of Saudi Arabia.

The business address of KPMG is Roshn Front - Airport Road, P.O. Box 92876, Riyadh 11663, Kingdom of Saudi Arabia, the business address of EY is Al Faisaliah Office Tower, 14<sup>th</sup> Floor, King Fahad Road, P.O. Box 2732, Riyadh 11461, Kingdom of Saudi Arabia and the business address of Deloitte is Metro Boulevard, Al-Aqiq, King Abdullah Financial District, Riyadh, Kingdom of Saudi Arabia.

## Sources of Financial Information

Unless otherwise indicated, the financial information included in this Base Offering Circular relating to the Group has been derived:

- in the case of the financial information as at, and for the six months ended, 30 June 2024 and 30 June 2023, from the Interim Financial Statements; and
- in the case of the financial information as at, and for the years ended, 31 December 2023 and 31 December 2022, from the 2023 Financial Statements.

## Certain non-IFRS financial information

This Base Offering Circular includes selected consolidated ratios which have not been prepared in accordance with IFRS and which also constitute alternative performance measures for the purposes of the ESMA Guidelines on Alternative Performance Measures (“APMs”). These include provisions to non-performing loans ratio, non-performing loans to total loans ratio, SAMA loans to deposits ratio, loans to deposits ratio, CET1 capital adequacy ratio, tier I capital adequacy ratio, total capital adequacy ratio, net interest margin, cost to income ratio, return on average assets ratio, return on average equity ratio, cost of risk ratio, liquidity coverage ratio and net stable funding ratio. APMs are not measures of financial performance under IFRS and should not be considered in isolation or as a substitute for net income, cash flows from operating activities or other financial measures of the Group’s results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group’s industry, may calculate the APMs presented differently from the Group. As all companies do not calculate these APMs in the same manner, the Group’s presentation of the APMs may not be comparable to other similarly titled APMs presented by other companies. None of the APMs are subject to any audit or review by external auditors (including Deloitte, EY and KPMG). The APMs have been included in this Base Offering Circular because the Group considers them to be an important supplemental measure of the Group’s operating performance and financial position and the Group believes that they may be used by investors and other interested parties in the evaluation of the Group’s performance in comparison with other banking groups.

See “*Summary of the Group’s Financial Information – Key Performance Ratios*”, “*Financial Review – Key Indicators and Key Ratios*” and “*Financial Review – Recent Developments – Key Performance Ratios*”.

## Presentation of Other Information

### *Currencies*

Unless otherwise indicated, in this Base Offering Circular, all references to:

- “**riyal**”, “**SAR**” and “**SR**” are to the lawful currency of Saudi Arabia;
- “**euro**” and “**€**” are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended; and
- “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency of the United States.

Translations of amounts from riyal to U.S. dollars in this Base Offering Circular are solely for the convenience of the reader. The riyal has been pegged to the U.S. dollar since 1986 at a fixed rate of SR 3.75 = US\$1.00 and, unless otherwise stated, all conversions of riyal amounts to U.S. dollar amounts in this Base Offering Circular have been converted at this rate.

### **Third Party and Market Share data**

This Base Offering Circular contains information regarding the Group's business and the industry in which it operates and competes, which the Group has obtained from third party sources. The Group and other institutions operating in the banking and financial services industry in Saudi Arabia make available a wide range of financial and operational information to regulatory and market bodies, including SAMA and the CMA. These bodies use certain of the data supplied to publish statistical information, amongst other matters. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable. Where third party information has been used in this Base Offering Circular, it has been accurately reproduced and the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Base Offering Circular is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Group believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Group's knowledge of the market within which it operates, the Group cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Saudi Arabia included in this Base Offering Circular has been derived from official public sources, including GASTAT, SAMA, the Ministry of Finance, the Ministry of Economy and Planning, the IMF and OPEC. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased Notes issued under the Programme.

Where information has not been independently sourced, it is the Group's own information.

### **No Incorporation of Website Information**

BSF's website is <https://bsf.sa/english/home>. The information on this website or any other website mentioned in this Base Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Offering Circular, and investors should not rely on it.

### **Definitions**

In this Base Offering Circular, references to:

- a **“billion”** are to a thousand million;
- the **“GCC”** are to the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE);
- **“Government”** are to the government of the Kingdom of Saudi Arabia;
- the **“MENA region”** are to the Middle East and North Africa region; and
- **“Saudi Arabia”** or **“the Kingdom”** are to the Kingdom of Saudi Arabia.

In this Base Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

## **Rounding**

The Financial Statements present the Group's results in thousands of riyal. Certain financial statement data in this Base Offering Circular has been expressed in millions of riyal and rounded to zero decimal places, with 0.50 being rounded up and 0.49 being rounded down. In addition, certain financial statement data in this Base Offering Circular has been expressed in billions of riyal and rounded to one decimal place, with 0.050 being rounded up and 0.049 being rounded down. As a result of such rounding, the totals of financial statement data presented in tables in this Base Offering Circular may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

In addition, all percentage data in this Base Offering Circular has been rounded to two decimal places, with 0.0050 being rounded up and 0.0049 being rounded down.

## **Dates**

Certain dates in this Base Offering Circular have been referred to in accordance with the Hijri ("H") calendar and the Gregorian calendar.

## **Cautionary Statement Regarding Forward-Looking Statements**

Some statements in this Base Offering Circular may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify as forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*", and "*Business Description of the Group*" and other sections of this Base Offering Circular. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Offering Circular, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Group's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors*", "*Banking Industry in the Kingdom of Saudi Arabia*" and "*Saudi Arabian Banking Regulation and Supervision*", which include a more detailed description of the factors that might have an impact on the Group's business development and on the industry sector in which the Group operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions (and changes thereof);
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, the impact of provisions and impairments and concentration of the Group's portfolio of financing and investing assets;
- the effects of, and changes in laws, regulations or governmental policy affecting the Group's business activities;
- removal or adjustment of the peg between the U.S. dollar and the Saudi riyal;



- liquidity risks, including the inability of the Group to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in interest rates and other market conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*”.

These forward-looking statements speak only as at the date of this Base Offering Circular. Without prejudice to any requirements under applicable laws, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Offering Circular any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Offering Circular and, in relation to the terms and conditions of any particular Tranche, the applicable Pricing Supplement. The Issuer and any relevant Dealer(s) may agree that Notes shall be issued in a form other than that contemplated in the Conditions, in which event, in the case of listed Notes only, if appropriate, a supplemental offering circular will be published. For a complete understanding of the Notes, please refer to the Conditions. Capitalised terms not defined in this section shall have the meanings given to them in the Conditions.*

<b>Issuer</b> .....	Banque Saudi Fransi
<b>Legal Entity Identifier of the Issuer</b> .....	558600N07EDF4ATYR106
<b>Website of the Issuer</b> .....	<a href="https://bsf.sa/english/home">https://bsf.sa/english/home</a>
<b>Description</b> .....	Additional Tier 1 Capital Note Programme.
<b>Size</b> .....	Up to U.S.\$3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arrangers</b> .....	Citigroup Global Markets Limited, Emirates NBD Bank P.J.S.C., HSBC Bank plc and Saudi Fransi Capital.
<b>Dealers</b> .....	Citigroup Global Markets Limited, Emirates NBD Bank P.J.S.C., HSBC Bank plc and Saudi Fransi Capital.

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Offering Circular to “**Permanent Dealers**” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “**Dealers**” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

### **Fiscal Agent and Principal Paying**

<b>Agent</b> .....	Citibank, N.A., London Branch
<b>Registrar</b> .....	Citibank Europe plc
<b>Method of Issue</b> .....	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in Series. Each Series may be issued in Tranches issued on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
<b>Issue Price</b> .....	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The price and amount of

Notes to be issued will be determined by the Issuer and the relevant Dealer(s).

<b>Form of Notes</b> .....	The Notes may be issued in bearer form (“ <b>Bearer Notes</b> ”) or in registered form (“ <b>Registered Notes</b> ”) only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes are being issued in compliance with the D Rules (as defined in “ <i>Selling Restrictions</i> ” below); otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “ <b>Global Certificates</b> ”.
<b>Clearing Systems</b> .....	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and Principal Paying Agent and the relevant Dealer.
<b>Initial Delivery of Notes</b> .....	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and Principal Paying Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
<b>Currencies</b> .....	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
<b>Specified Denomination</b> .....	Notes will be issued in minimum denominations of at least €100,000 (or its equivalent in other currencies), subject to compliance with all applicable legal and/or regulatory requirements.
<b>Subordination</b> .....	The Notes and Coupons relating to them shall at all times rank <i>pari passu</i> and without any preference among themselves. The Obligations will constitute Additional Tier 1 Capital of the Issuer and, upon the occurrence and continuation of any Winding-Up Proceeding (as defined in Condition 11 ( <i>Enforcement Events</i> )) will (i) constitute direct, unsecured unconditional and subordinated obligations of the Issuer, (ii) rank subordinate and junior to all Senior Obligations but not

further or otherwise, (iii) rank *pari passu* with all other *Pari Passu* Obligations and (iv) rank in priority only to all Junior Obligations.

**Interest**..... Subject to Conditions 3(b) (*Subordination*), 4(e) (*Accrual of Interest*), Condition 5(a) (*Non-Payment Event*), 5(b) (*Non-Payment Election*), 7 (*Write-Down at the Point of Non-Viability*) and 8 (*Payments and Talons*), Notes will bear interest on their outstanding nominal amount (i) from and including the relevant Interest Commencement Date to but excluding the relevant First Reset Date, at the Initial Rate of Interest and (ii) during each Reset Period (if any), at the Rate of Interest calculated on the basis of the aggregate of the Margin and the Relevant Reset Rate on the relevant Reset Determination Date in accordance with Condition 4(b) (*Reset Interest Rate*).

In respect of a Series, if the Issuer makes a Non-Payment Election or a Non-Payment Event occurs, the Issuer shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 5(c) (*Effect of Non-Payment Event or Non-Payment Election*). Noteholders shall have no claim in respect of any Interest Payment Amount (or any part thereof) not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event has been given in accordance with Condition 5(c) (*Effect of Non-Payment Event or Non-Payment Election*)) and any non-payment of an Interest Payment Amount (or any part thereof) in such circumstances shall not constitute an Enforcement Event with respect to such Series.

**Redemption**..... The Notes of each Series are perpetual securities and have no fixed or final redemption date. Unless the Notes have previously been redeemed or purchased and cancelled as provided herein, the Issuer may redeem all (but not some only) of the Notes on the applicable Call Date. In addition, upon the occurrence of a Tax Event or a Capital Event, the Issuer may redeem all (but not some only) of the Notes at any time on or after the Issue Date in accordance with the Conditions. See Condition 6(b) (*Redemption at the Option of the Issuer*), Condition 6(c) (*Redemption due to Taxation*) and Condition 6(d) (*Redemption for Capital Event*).

**Non-Viability/Write-down of the Notes** If a Non-Viability Event occurs at any time on or after the Issue Date of the first Tranche of a Series, a Write-down (in whole or in part, as applicable) will take place in accordance with Condition 7(c) (*Non-Viability Notice*). In such circumstances, the Notes of such Series shall be cancelled (in the case of the relevant Write-down Amount corresponding to the full proportion of the

nominal amount of Notes then outstanding) or Written-down in part on a *pro rata* basis in a proportion corresponding to the Write-down Amount (in the case of the relevant Write-down Amount corresponding to less than the full proportion of the nominal amount of Notes then outstanding), all as more particularly described in Condition 7 (*Write-down at the Point of Non-Viability*).

**Enforcement Events** ..... If an Enforcement Event occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the same shall, subject to Condition 7 (*Write-down at the Point of Non-Viability*), Condition 6 (*Redemption, purchase and cancellation*) and Condition 11(b) (*Proceedings for Winding-up*) become immediately due and payable at its outstanding nominal amount together with accrued interest to the date of payment, subject to and as more particularly described in Condition 11 (*Enforcement Events and Winding-up*).

**Ratings**..... The rating of certain Series of the Notes to be issued under the Programme may be specified in the applicable Pricing Supplement. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not: issued by a credit rating agency established in the EEA and registered under the Regulation (EU) No. 1060/2009 on credit rating agencies, as amended (the “EU CRA Regulation”) unless: (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation.

Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the Regulation (EU) No. 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “**UK CRA Regulation**”) unless: or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

**Withholding Tax** ..... All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Kingdom

of Saudi Arabia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall (subject to the exceptions in Condition 9 (*Taxation*)) pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, all as described in Condition 9 (*Taxation*).

<b>Governing Law</b> .....	English law.
<b>Listing and Admission to Trading</b> .....	Application has been made to the London Stock Exchange for Notes to be issued under the Programme during the period of 12 months after the date hereof to be admitted to trading on the ISM. The Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between Issuer and the relevant Dealer(s) in relation to the Tranche. The relevant Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange and/or markets.
<b>Selling Restrictions</b> .....	<p>The United States, the EEA, the UK, Qatar, the Dubai International Financial Centre (“<b>DIFC</b>”), the United Arab Emirates (the “<b>UAE</b>”) (excluding the DIFC), the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Japan, Singapore, Hong Kong and the PRC. See “<i>Subscription and Sale</i>”.</p> <p>The Issuer is Category 1 for the purposes of Regulation S under the Securities Act.</p> <p>Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “<b>Code</b>”)) (the “<b>D Rules</b>”) unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “<b>C Rules</b>”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“<b>TEFRA</b>”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.</p>

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published shall be incorporated in, and form part of, this Base Offering Circular:

- (a) the Interim Financial Statements, together with the review report thereon (an electronic copy of which is available at [https://bsf.sa/Library/Assets/Gallery/Documents/Financial\\_Information/2024/BSF%20Financial%20Q2%202024%20-%20English.pdf](https://bsf.sa/Library/Assets/Gallery/Documents/Financial_Information/2024/BSF%20Financial%20Q2%202024%20-%20English.pdf));
- (b) the 2023 Financial Statements, together with the audit report thereon (an electronic copy of which is available at [https://bsf.sa/Library/Assets/Gallery/Documents/Financial\\_Information/2023/BSFFinancialStatementsYE-2023-En.pdf](https://bsf.sa/Library/Assets/Gallery/Documents/Financial_Information/2023/BSFFinancialStatementsYE-2023-En.pdf)); and
- (c) the 2022 Financial Statements, together with the audit report thereon (an electronic copy of which is available at [https://bsf.sa/Library/Assets/Gallery/Documents/Financial\\_Information/2022/BSF-Financial-Statements-YE-2022-English.pdf](https://bsf.sa/Library/Assets/Gallery/Documents/Financial_Information/2022/BSF-Financial-Statements-YE-2022-English.pdf)).

(together, the “**Documents Incorporated by Reference**”).

The Documents Incorporated by Reference shall be incorporated in, and form part of, this Base Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Offering Circular. Those parts of the Documents Incorporated by Reference which are not specifically incorporated by reference in this Base Offering Circular are either not relevant for prospective investors in the Notes to be issued under the Programme or the relevant information is included elsewhere in this Base Offering Circular. Any documents themselves incorporated by reference in the Documents Incorporated by Reference shall not form part of this Base Offering Circular.

Copies of the Documents Incorporated by Reference may be obtained (without charge) from the registered office of the Issuer during usual business hours and will be available for viewing on the Issuer’s website at <https://bsf.sa/english/home>.

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. In addition, factors that the Issuer believes are material for the purpose of assessing the market risks associated with the Notes are described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, however, the inability of the Issuer to pay interest, principal or other amounts on or in respect of the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Offering Circular and reach their own views prior to making any investment decision. Prospective investors should also consult their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances, without relying on the Issuer, the Arrangers or the Dealers. Prospective investors are advised to make, and will be deemed by the Arrangers, the Dealers and the Issuer to have made, their own investigations in relation to such factors before making any investment decision.*

### **Risks relating to the Group’s business – factors that may affect BSF’s ability to fulfil its obligations under the Notes, the Deed of Covenant and the Agency Agreement (each as defined below) (the “Transaction Documents”)**

#### ***The Group operates in a competitive industry***

All sectors of the Saudi Arabian market for financial and banking services are highly competitive. Based on SAMA’s website, there are 37 commercial banks licensed to operate in the Kingdom, of which 14 are incorporated in the Kingdom with three banks being digital banks (namely STC Bank, D360 Bank and Vision Bank) that have been licensed by SAMA but not yet commenced their operations, although two are in a pilot phase of operations. Of the remaining 23 licensed foreign banks, seven are branches or subsidiaries of banks based in other GCC countries (namely Abu Dhabi Commercial Bank, Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Bank Muscat, Qatar National Bank and First Abu Dhabi Bank), ten are international banks (namely Deutsche Bank, BNP Paribas, J.P. Morgan Chase, N.A., National Bank of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and Commercial Bank of China, MUFG Bank, Ltd., Credit Suisse Bank, Standard Chartered Bank and National Bank of Iraq) and six have been licensed but are yet to commence operations under their licences (namely Trade Bank of Iraq, Bank of China Limited, Banque Misr, National Bank of Egypt, Sohar International Bank, and Bank of Jordan). Given the growing trend towards liberalisation of the banking industry in the Kingdom, allowing the presence of both foreign banks and digital banks, and the rise of digital banking globally, the Group faces the prospect of a further increased competitive environment in the future.

As the Saudi Arabian market becomes more competitive, the Group will face increasing pressure to improve the range and sophistication of the products and services it currently offers. Competition in its key areas of operation may limit the Group’s ability to implement its growth strategy, increase its client base and expand its operations, and reduce or reverse its asset growth rate and profit margins on the services it provides. As a result, the Group may experience increasing margin pressure (including for example from the recently licensed digital banks who may have lower operating cost models and be capable of generating higher returns from asset growth when they commence operations) and rising operating expenses as the banking sector in the Kingdom develops, may not be able to compete effectively against its competitors or may have to incur significant additional costs as it seeks to do so. Any of the above factors could have a material adverse effect on the Group’s business, results of operations, financial condition or prospects.



***The Group is exposed to the credit risk of borrowers / customers and other counterparties due to its financing and investment activities, which could give rise to material losses in future periods***

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in a wide range of the Group's businesses, principally in its lending and investment activities. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers, customers and other counterparties of the Group, or from a general deterioration in local economic conditions, or from systemic risks within the financial system, any or all of which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of loans, securities and other credit exposures.

In particular, the Group is exposed to the risk that its borrowers / customers may not meet their obligations in respect of financing advanced by the Group and that the collateral (if any) securing the financing advanced may be insufficient, each of which could:

- affect the recoverability and value of the Group's assets;
- result in an increase in non-performing loans and advances ("NPLs"); and
- require an increase in the Group's provisions for the impairment of loans, securities and other credit exposures.

Some of the Group's borrowers / customers have historically experienced, or may in the future experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs. Some of these companies have been, and others may become, unable to meet their debt service obligations or other expenses as they become due, including amounts payable to the Group.

As at 30 June 2024, the Group's loans and advances, net, its NPLs, net and its allowance for impairment amounted to SR 197,160 million, SR 1,879 million and SR 3,042 million, as compared with SR 179,391 million, SR 1,921 million and SR 2,644 million, respectively, as at 31 December 2023 and SR 159,012 million, SR 4,170 million and SR 5,001 million, respectively, as at 31 December 2022. The Group's impairment charge for expected credit losses on loans and advances, net amounted to SR 569 million for the six months ended 30 June 2024 and SR 912 million for the six months ended 30 June 2023. The Group's impairment charge for expected credit losses on loans and advances, net amounted to SR 1,669 million for the year ended 31 December 2023 and SR 1,364 million for the year ended 31 December 2022.

In addition, financial service institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis. The Group routinely executes a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers and commercial banks, resulting in significant credit concentration. As a result, the Group is exposed to counterparty risk and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. Moreover, problems at certain financial institutions in the Kingdom or in other countries could cause general market concerns over the health of financial institutions. Furthermore, these problems could lead to reduced access to liquidity and funding for financial institutions and/or decline in the value of their debt or equity instruments, possibly including the Notes issued under the Programme, such risk being sometimes referred to as "contagion effect". In addition, many of the hedging and other risk management strategies utilised by the Group also involve transaction counterparties that are financial institutions. The weakness of these counterparties may impair the effectiveness of the Group's hedging and other risk management strategies. This "systemic risk" was evident in early 2023 when Credit Suisse in Europe and Silicon Valley Bank and Signature Bank in the United States collapsed. In addition, the Group has in the

past witnessed an increase in payment delays and requests for restructuring and waivers of covenants, especially in the period following the imposition of measures around the world to try to contain the coronavirus (“COVID-19”) pandemic. All of these factors could have a material adverse effect on the Group’s ability to raise new funds and have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

***Security interests provided in favour of the Group may not be sufficient to cover all losses and the Group may experience difficulty in enforcing certain types of collateral***

The practice of pledging assets (such as share portfolios and real estate assets) to obtain bank financing is subject to certain limitations and administrative restrictions under Saudi Arabian law. In particular, such security may, in some cases, not be enforced without a court order. Accordingly, the value of any such collateral may decrease over time while the Group seeks to enforce it, and the time and costs associated with enforcing the collateral may also adversely affect the Group’s ability to recover its loan losses in full.

***The Group’s loans and advances, investment portfolio and customers’ deposits are concentrated in the Kingdom***

As at 31 December 2023, 99.26 per cent. of the Group’s loans and advances, net and 85.80 per cent. of the Group’s investments, net were concentrated in the Kingdom. As at 31 December 2023, the Group’s customers’ deposits represented 81.13 per cent. of the Group’s total liabilities, with 99.58 per cent. of customers’ deposits as at 31 December 2023 being concentrated in the Kingdom.

Accordingly, any deterioration in general economic conditions in the Kingdom or any failure by the Group to manage its geographical risk concentrations could have a more significant adverse effect on the Group’s business than on that of a more geographically diversified bank. See – “Risks relating to the Economic, Political and Regulatory Environment in the Kingdom – The Group is subject to economic and political risks in the Kingdom and emerging market countries in which it operates” and “Risks relating to the Economic, Political and Regulatory Environment in the Kingdom – The Kingdom’s economy is highly dependent on its oil revenue”.

***The Group has significant customer and sector concentrations***

The Group’s financial condition is sensitive to volatility and downturns in the industry sectors in which its loans are concentrated.

The Group’s loan portfolio is concentrated in a small number of industry sectors, including manufacturing, commerce and services, which together accounted for 47.00 per cent. of the Group’s total loans and advances, net as at 31 December 2023. Accordingly, the Group’s significant exposure to these sectors could, in the event of any downturn or adverse trends in these sectors, have a material adverse effect on the Group’s business, results of operations, financial condition and prospects. In addition, as at 31 December 2023, the Group’s top 20 borrowers accounted for 28.80 per cent. of the Group’s total loans and advances, net, so the Group is also particularly exposed to a default by any of these borrowers.

The Group’s loans and advances, net to the retail segment accounted for 23.78 per cent. and 23.59 per cent. of its total loans and advances, net as at 30 June 2024 and 31 December 2023, respectively. Any deterioration in the performance of the Kingdom’s economy, including an increase in inflation and/or interest rates, or a reduction in levels of personal income, individual purchasing power and consumer confidence, either generally or specifically in respect of the banking sector, as well as any overleveraging or instability in the consumer finance market and any resulting regulatory restrictions, could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects, and, in particular, may increase its NPLs and allowance for impairment thus adversely impacting the Group’s profitability and reducing its capital.

As at 31 December 2023, the Group’s top 20 depositors (which comprise large Saudi Arabian corporates, Government related entities and financial institutions) accounted for 41.88 per cent. of the Group’s customers’

deposits. Any withdrawal or non-renewal of the Group's customers' deposits by any one or more of its material depositors could require the Group to obtain replacement funding from other sources. No assurance can be given that such funding will be available on commercially acceptable terms or at all, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. See “– *The Group faces liquidity and funding risks*”.

***The Group has significant credit-related contingent liabilities and commitments that may lead to potential losses***

As part of its normal banking business, the Group issues guarantees, letters of credit and acceptances which are not accounted for on the Group's balance sheet until such time as they are actually funded or cancelled. In addition, the Group makes irrevocable commitments to advance credit to its customers. Although these commitments are contingent, they nonetheless subject the Group to both credit and liquidity risks. As at 30 June 2024, 31 December 2023 and 31 December 2022, the Group had SR 75,915 million, SR 70,731 million and SR 63,847 million, respectively, in commitments and contingencies outstanding.

Although the Group anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Group may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This could result in the Group being required to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which could reduce the Group's margins and adversely impact its operating income and profitability.

***The Group could be adversely affected by market risks***

The Group could be adversely affected by market risks that are outside its control, including, without limitation, volatility in benchmark interest rates, prices of securities or commodities and currency exchange rates. In particular, an increase in benchmark interest rates generally may decrease the value of the Group's fixed-rate loans and investment securities and may increase the Group's funding costs. In addition, fluctuations in benchmark interest rates may result in a pricing gap between the Group's rate-sensitive assets and liabilities. Benchmark interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as SAMA and the U.S. Federal Reserve, political factors and domestic and international economic conditions, see “– *Risks relating to the Economic, Political and Regulatory Environment in the Kingdom*”.

Changes in benchmark interest rates and spreads may also affect the Group's future cash flows by adversely impacting the margin realised between the income generated by the Group's lending and investment activities and its funding costs. Changes in debt, equity and commodity prices may also affect the values of the Group's investment and trading portfolios.

Although the Group monitors profit and cost rates with respect to its assets and liabilities and seeks to match its profit and cost rate positions, rate movements may lead to mismatches between the rates on its profit-earning assets and cost-bearing liabilities which, in turn, may adversely affect the Group's net income. The Group's funding, particularly its short-term funding (see “– *The Group faces liquidity and funding risks*”) is more exposed to changes in market conditions. If the Group's cost of funding increases and it is not able to pass the increased costs on to all or a significant portion of its existing financing customers in a timely manner or at all due to market, competitive or other conditions, this could have a material adverse effect on its business, results of operations, financial condition or prospects.

All of the above risks may be further exacerbated by the persisting global macroeconomic challenges, including increased benchmark interest rates and elevated inflation. The U.S. Federal Reserve raised U.S. overnight interest rates by 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in each of June

2022, July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023, May 2023 and July 2023. Tracking these hikes, SAMA increased both its repo rate and its reverse repo rate by 25 basis points in March 2022, 50 basis points in each of May 2022 and June 2022, 75 basis points in each of July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023, May 2023 and July 2023. Further announcements from central banks across the world could be forthcoming and it is unclear what impact these measures will ultimately have on their respective economies. Accordingly, aggressive or unexpected monetary policy tightening by the U.S. Federal Reserve could shock the markets, adversely affecting asset prices and ultimately economic growth. Furthermore, many of the world's economies are experiencing elevated inflation, which is expected to remain as such for longer than previously forecast. According to the IMF, global headline inflation for 2024 is projected at 5.8 per cent. However, as with the growth outlook, considerable uncertainty surrounds these inflation projections. Various factors have contributed to shaping the inflation outlook, including the Russia-Ukraine conflict, which caused increases to energy prices (as discussed above) and food prices (due to disruptions in the supply of commodities such as wheat, corn and fertilisers). This conflict and the associated widespread sanctions on Russian persons, entities and institutions are likely to prolong disruptions for the remainder of 2024. In addition, increased tensions in the Middle East evidenced by the war between Israel and Hamas, conflict between Israel and Iran, attacks on shipping in the Red Sea region, the seizure of a container ship by Iran and attacks by United States and British military aircraft on Al Houthi bases in Yemen have also impacted oil prices. Prolonged inflation could affect the wider global economy (by, for example, causing prompt broad-based selling in long-duration, fixed-rate debt, which could have negative implications for equity and real estate markets) and the Group's customers and counterparties (leading to lower recoverability), which, in turn, could have an adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is also exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that the Group may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Group attempts to match the currencies of its assets and liabilities and any open currency position is maintained within the limits set by SAMA. However, where the Group is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect the Group against such risks.

Adverse movements in interest and foreign exchange rates may also adversely impact the revenues and financial condition of the Group's depositors, borrowers / customers and other counterparties which, in turn, may impact the Group's deposit base and the quality of its credit exposures to certain borrowers / customers and other counterparties. While the Group's market risk positions are monitored using various indicators such as value at risk, stress testing and sensitivity analyses which are subject to internal and regulatory limits, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future volatility in interest rate or currency exchange rates or from a significant change in the prices of its securities. See also "*– Risks Relating to the Economic, Political and Regulatory Environment in the Kingdom – Any alteration to, or abolition of, the foreign exchange "peg" of the riyal or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the riyal or other such currencies*" below.

### ***The Group faces liquidity and funding risks***

The Group, like other commercial banks in the Kingdom and elsewhere, is exposed to liquidity risk due to the maturity mismatches between its assets and liabilities. If the Group's cash flow from its operations is not sufficient to meet its short and medium-term contractual and contingent payment obligations when they fall due, it could experience liquidity issues, even if it continues to receive new customers' deposits and proceeds

from new financings or future revenue streams. Such liquidity mismatches could also arise if there is an unexpected outflow of customers' deposits, if there is a material decline in the value of the Group's liquid securities portfolio or if the Group is unable to secure short-term funding or sell assets to bridge any such funding gap. This risk is inherent in banking operations and can be heightened by enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, customers' deposits from Government institutions or short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide experienced a severe reduction in liquidity in the final quarter of 2008 and the first half of 2009. Since then, financial institutions have continued to experience periods of reduced liquidity.

The Group meets a significant portion of its funding requirements through short-term funding sources, primarily in the form of customers' deposits. As at 30 June 2024, 31 December 2023 and 31 December 2022, customers' deposits accounted for 79.45 per cent., 81.13 per cent. and 81.51 per cent., respectively, of the Group's total liabilities. As at 30 June 2024, 31 December 2023 and 31 December 2022, demand deposits represented 40.22 per cent., 44.37 per cent. and 57.86 per cent., respectively, of the Group's customers' deposits. In the event of any downturn in confidence in the Group or the banking sector in the Kingdom more generally, the Group's customers could seek to withdraw their deposits or decide not to roll over their deposits on maturity and consequently the Group may not have the necessary funds to meet its liabilities as they fall due, which will have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group's deposits are geographically concentrated and the Group is reliant on deposits from a limited group of customers. See "*–The Group has significant customer and sector concentrations*" and "*– The Group's loans and advances, investment portfolio and customers' deposits are concentrated in the Kingdom*".

***The Group's risk management policies, systems and procedures may leave it exposed to unidentified or unanticipated risks***

There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up to date or properly evaluated in all cases. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant losses as a result of unidentified credit, liquidity, market or operational risks, should they occur.

Although the Group invests substantial time and effort in its risk management systems and believes it has implemented the appropriate policies, systems and procedures to control and mitigate these risks, its risk management techniques may not be consistently implemented or fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Investors should note that any failure by the Group to identify and/or adequately control these risks, including as a result of any failure to successfully implement new risk management policies, systems and procedures in the future, may have a material adverse effect on the Group's reputation, business, results of operations, financial condition or prospects.

***The Group is subject to operational risk inherent in banking activities***

The Group is subject to the risk of incurring losses or undue costs due to the inadequacy or failure of internal processes or systems or human error, or from errors made during the execution or performance of operations, clerical or record-keeping errors, business disruptions (caused by various factors such as software or hardware failures and communication breakdowns), failure to execute outsourced activities, criminal activities (including credit fraud and electronic crimes), unauthorised transactions, robbery and damage to assets. The financial services industry is exposed to the risk of misconduct by employees, which could involve, among other things, the improper use or disclosure of confidential information, violation of laws and regulations concerning financial abuse and money laundering, or embezzlement and fraud, any of which could result in regulatory sanctions or fines, as well as serious reputational or financial harm for the Group. For instance, in November 2017, SAMA imposed a fine of SR 85,839,500 on BSF for violations of governance and supervisory regulations in connection with its employee incentive programme (the “**Incentive Programme**”) and requested, among other things, that BSF improve its internal controls systems and governance structures. Under the Incentive Programme, incentive payments were made without proper authorisation to now-former BSF employees in the period from 2012 to 2017. These payments were adequately provisioned against in the relevant financial statements of BSF. In response to SAMA’s enforcement action, BSF has significantly improved its internal controls systems and governance structures, terminated the employment of the relevant employees and taken legal action against them to recover the amounts paid to them without the prior authorisation under the Incentive Programme.

Although the management team believes the Group’s risk management policies and procedures are adequate and that the Group is currently in compliance in all material respects with all laws, standards and recommendations applicable to it, any failure of the Group’s risk management system to detect unidentified or unanticipated risks, or to correct operational risks, or any failure of third parties to adequately perform key outsourced activities, such as card processing and the transportation of cash, could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects. See “– *The Group’s risk management policies, systems and procedures may leave it exposed to unidentified or unanticipated risks*”.

***The Group is dependent on its information communication technology (“ICT”) systems and any disruption to these systems could materially disrupt the Group’s business***

The Group depends on its ICT infrastructure to process transactions on an accurate and timely basis, and to store and process substantially all of the Group’s business and operating data. The proper functioning of the Group’s financial control, risk management, credit analysis and reporting, accounting, customer service and other ICT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group’s business and its ability to compete effectively. Further, the Group is implementing a “Core Banking System” in a phased manner to streamline its technology architecture and create contemporary technology capability for future needs. The Group’s business activities would be materially disrupted if there were to be a partial or complete failure of any of its ICT systems or communications networks or a failure to successfully implement the Core Banking System. Such failures can be caused by a variety of factors, including natural disasters, extended power outages, computer viruses and malicious acts, as well as inadequate change management processes for existing and new systems. The proper functioning of the Group’s ICT systems also depends on accurate and reliable data and other system input, which are subject to human error. Any failure or delay in recording or processing the Group’s transaction data could subject it to claims for losses and regulatory fines and penalties.

The Group has set up a disaster recovery data centre (housing back-up ICT operations and data storage systems) for use in the event of a catastrophe or failure of its primary data centre and ICT infrastructure. However, there can be no assurance that these safeguards will be fully effective in all circumstances and any failure could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

***The Group's business is dependent on its ICT systems which are subject to potential cyber-attack***

Technology, information and cyber security risks continue to impact financial institutions and other businesses across the globe, with the threats increasing in both volume and sophistication. The attack surface continues to expand significantly with the increasing trend of digitalisation. The Group is working with various third parties as part of its digital transformation initiatives and, as a result, the Group could be adversely affected by a security breach or information breach suffered by such third parties. Additionally, remote working arrangements prompted by the pandemic, the movement of information to cloud environments and the emergence of Internet of things technologies has increased the need to invest to deal with the ever-changing cyber threat landscape whilst protecting the Group's data, information, technology and networks and ensuring the comprehensive and continuous management of cyber threats. Potential cyber risk encompasses loss of availability of banking services, disruption to business and technology services and critical data breaches including unauthorised access to personal and financial data. While the Group continuously invests in cybersecurity initiatives to stay ahead of the changing threat landscape, any failures could expose the Group to unplanned downtime and lost business, reputational risk, and financial losses including from regulatory penalties.

***The Group is subject to litigation risk***

In the ordinary course of its business, as a participant in the financial services industry, the Group may pursue litigation claims against third parties and may face litigation claims and/or regulatory proceedings filed against it. Any such litigation could result in substantial costs and diversion of management attention and resources. As at 31 December 2023, there were 79 legal proceedings outstanding against BSF, as referred to in note 21(a) to the 2023 Financial Statements. The outcome of these outstanding claims is inherently uncertain and an unfavourable resolution of one or more material claims could result in the Group's costs not being recovered or in damages being assessed against the Group, which may not be covered by insurance. Any failure by the Group to identify and adequately control any legal and/or regulatory risk may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***BSF and certain of its subsidiaries are highly regulated entities and changes to, or to the interpretation or enforcement of, applicable laws or regulations, or the failure to comply with such laws or regulations could have an adverse impact on the Group's business***

BSF and certain of its subsidiaries are subject to prudential and regulatory controls designed to maintain the safety and soundness of financial institutions, ensure their compliance with economic, social and other objectives and limit their exposure to risk. For example, the Law on the Treatment of Systemically Important Financial Institutions, issued pursuant to Royal Decree No. M/38 dated 25/04/1442H (corresponding to 10 December 2020) which came into effect in June 2021 (the "**SIFI Law**") provides for SAMA to determine whether a financial institution such as BSF should be deemed to be a systemically important financial institution (a "**SIFI**"). As of the date of this Base Offering Circular, BSF has not been designated as a SIFI under the SIFI Law. However, there can be no assurance that BSF will not be so designated in the future. The objectives of the SIFI Law include the protection of the financial system and sector in the Kingdom and minimising dependence on government support by instead utilising the resources of the relevant financial institution in case of financial distress of such financial institution. The SIFI Law gives the relevant regulator (SAMA and the CMA) the right to undertake certain protective measures to safeguard the financial system, such as the ability to amend, reduce, cancel or convert into equity the rights of bondholders or sukukholders of the relevant financial institution, which may include the Noteholders. See "*Basel III reforms and risk of a change in the regulations relating to loss absorption affecting the Notes*".

The SIFI Law provides for implementing regulations to be prepared by SAMA and the CMA. On 29 August 2023, SAMA published a draft of the implementing regulations of the SIFI Law for institutions subject to the supervision of SAMA (the "**Implementing Regulations**") for public consultation. As of the date of this Base Offering Circular, the Implementing Regulations have not yet been issued and there can be no assurance that

the Implementing Regulations, once they are finalised, will be consistent with the draft version that was published on 29 August 2023. The draft Implementing Regulations include certain provisions relating to the procedure for the amendment of rights of holders of capital instruments, including in relation to the required valuation by SAMA of the relevant SIFI's assets prior to the application of any such procedure to determine, among other things, the extent of the write down of relevant capital instruments.

New laws, regulations and other rules may limit the activities of the Group and increase its cost of doing business. Changes in laws and regulations (such as those pursuant to Basel III and SAMA's Basel III Final Post Crisis Reforms Regulation (circular number 44047144) effective from 1 January 2023 (the "**Basel IV Regulation**")) and the manner in which they are interpreted or enforced may affect the Group's regulatory capital position, reserves, revenue and performance and may have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, a breach of regulatory guidelines could expose the Group to potential liabilities, sanctions and reputational damage, Although the Group works closely with its regulators and, in particular, continually monitors compliance with SAMA and CMA regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

In addition, in order to carry out and expand its businesses, it is necessary for the Group to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired. There is also increased international scrutiny of banks operating in all markets, including the Kingdom, in connection with sanctions, anti-money laundering ("**AML**"), anti-terrorist financing and other regulations, some of which are international in their operation. These laws and regulations require the Group, amongst other things, to adopt and enforce "know your customer" ("**KYC**") policies and procedures and to report suspicious and large transactions as part of their AML requirements to the applicable regulatory authorities. The Group has adopted KYC and AML policies and procedures and reviews them regularly in light of regulatory and market developments. The Group's ability to comply with all such applicable laws and rules is driven by the robustness of its ICT, compliance, audit and reporting systems and procedures, as well as its ability to attract and retain qualified compliance and risk management personnel. In the event of actual or alleged compliance breaches, the Group may become subject to investigation and judicial or administrative proceedings, which could result in penalties or lawsuits (including by customers) for damages, the loss of its ability to do business in the international banking market or in specific jurisdictions, the loss of its banking licence or material damage to its reputation, each of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### ***The Group may face difficulties raising capital***

In order for the Group to fund its growth strategy and enter into new lines of business, it will be required to expand its base of operations while continuing to meet regulatory capital adequacy requirements.

As at 30 June 2024 and 31 December 2023, the Group's tier I capital adequacy ratio (calculated according to the Basel IV Regulation) was 17.37 per cent. and 18.92 per cent., respectively, and its total (tier 1 + tier 2) capital adequacy ratio was 18.08 per cent. and 19.54 per cent. respectively. The Group has been designated as a domestically systemically important bank ("**D-SIB**") with an additional common equity tier I D-SIB surcharge of 0.5 per cent. Accordingly, the Group's total minimum Pillar 1-based capital requirement as at 30 June 2024 was 11.02 per cent., which also included a capital conservation buffer of 2.5 per cent. and a countercyclical capital buffer of 0.02 per cent. and a D-SIB buffer of 0.50 per cent.

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under the Basel IV Regulation,



capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions which, in turn, may have a material adverse effect on the Group. In addition, a shortage of available capital might restrict the Group's opportunities for expansion.

A variety of factors affect the Group's capital adequacy levels. For example, a significant increase in lending in the remainder of 2024 and beyond would likely reduce the Group's capital adequacy ratios and any losses experienced by it in future periods would have a similar effect. In addition, regulatory requirements in relation to the calculation and required levels of capital adequacy may change from time to time, including as a result of new guidelines issued by the Basel Committee. The Group may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

If the Group requires additional capital in the future, there can be no assurance that it will be able to obtain such capital on favourable terms, in a timely manner or at all. Moreover, should the Group's capital ratios fall close to regulatory minimum levels or its own internal minimum levels, the Group may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Group is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The Group could be adversely affected if it fails to manage its growth properly***

The Group has experienced significant growth in many of its business segments in recent years. The Group intends to continue its growth in order to meet its strategic objectives, although whether this can be achieved is largely dependent on the performance of the Saudi Arabian economy and, in particular, the price of oil. See “–*The Kingdom's economy is highly dependent on its oil revenue*”. The management of the Group's growth will require, among other things, continued development of its financial and information management control systems, the ability to integrate new products and services, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistency in customer services. If the Group fails to manage its growth properly, such failure may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The Group's continued success depends on its ability to attract key management and qualified personnel***

The Group's success will depend, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel, including foreign and Saudi Arabian nationals. Although the Group attempts to structure its compensation packages appropriately to attract and retain experienced personnel, there is significant competition in the Saudi banking industry for personnel with relevant expertise due to the disproportionately limited number of available and/or qualified individuals relative to the high level of demand. In addition, the Group is not insured against loss that may be incurred as a result of the departure of any of its key personnel. The loss of certain members of the Group's senior management team or any significant number of its mid-level managers and skilled professionals, or their counterparts within the Group's subsidiaries and associates, may result in a loss of organisational focus, poor execution of operations and corporate strategy or an inability to identify and execute potential strategic initiatives.

In addition, the Government has introduced initiatives which require private sector entities to employ a certain proportion of nationals of the Kingdom among their employees (a measure known as “**Saudisation**”). As at 30 June 2024, BSF's Saudisation level was 91.55 per cent., and BSF strives to encourage and increase the employment of young nationals of the Kingdom. However, if further changes are implemented to the Government's Saudisation policies, such changes may adversely affect the Group's ability to recruit foreign

employees in the future. The Group's failure to manage its personnel needs successfully could have a material adverse effect on its business, financial condition, results of operations or prospects.

***The Group is exposed to reputational risks related to its operations and its reputation may be adversely affected if any of its Islamic finance products are deemed not to be Shari'a-compliant***

The Group depends on the trust and confidence of its customers to succeed in its business. The Group is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Group's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has advanced financing or in which it has invested. For example, if one of the Group's financing counterparties becomes associated with financial scandals or widely publicised improper behaviour, the Group's own reputation may be affected. The Group is also exposed to adverse publicity relating to the financial services industry. Financial scandals unrelated to the Group or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Group's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Group.

The Group currently offers a range of Islamic finance products. All of these products are reviewed and approved by BSF's Shariah Committee. In doing so, each member of BSF's Shariah Committee must employ his interpretative efforts in accordance with methodological rules and/or principles of Islamic jurisprudence. While various Islamic schools of thought agree on the general methodology and the basic principles of interpretation, they may disagree on particular rules. If any issues are called into question relating to the extent of the *Shari'a*-compliance of Board-approved products offered by the Group, the Group's reputation could be negatively affected which may in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***A downgrade of BSF's credit ratings could adversely affect BSF's ability to access the debt capital markets and may increase its borrowing costs***

BSF's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining BSF's cost of borrowings. The interest and profit rates charged on BSF's borrowings are partly dependent on its credit ratings. As of the date of this Base Offering Circular, BSF's long-term corporate ratings are "A-" with a "stable outlook" by S&P, "A-" with a "stable outlook" by Fitch and "A2" with a "positive outlook" by Moody's.

There can be no assurance that any of BSF's ratings will remain the same in the future. Any actual or anticipated changes in the BSF's credit ratings may affect the market value of the Notes issued under the Programme. A downgrade of BSF's credit ratings (or a negative change of outlook) may increase its cost of borrowing and may also limit its or its subsidiaries' or associates' ability to raise capital and funding, each of which could adversely affect its business, results of operations, financial condition and prospects.

**Risks relating to the Economic, Political and Regulatory Environment in the Kingdom**

***The Group is subject to economic and political risks in the Kingdom and emerging market countries in which it operates***

The Group has all of its operations, and the majority of its assets, in the Kingdom, and accordingly, its business may be affected by the financial, political and general economic conditions prevailing from time to time in the Kingdom and/or the Middle East generally.

Like other countries in the Middle East, the Kingdom could be affected by political and social unrest in the region. Since early 2011, there has been on-going political unrest in a range of countries in the MENA region, including Egypt, Algeria, Libya, Bahrain, Yemen, Syria, Tunisia, Kuwait, Lebanon, Jordan, Iraq and Oman.

In addition, the Kingdom has experienced occasional terrorist attacks and other disturbances in recent years. For example, in December 2021, two people were killed in Jizan in a projectile attack blamed on Yemen's Al-Houthi rebels based in Yemen and, in March 2022, Saudi Aramco Group's refineries in Riyadh and Yasref and petroleum products distribution terminals in Jeddah and Jizan regions were attacked. See also "*The Kingdom's economy is highly dependent on its oil revenue*". While the political situation in the Kingdom has remained stable, the Government faces challenges arising mainly from the relatively high levels of population growth and unemployment amongst Saudi Arabian youth and the security threat posed by certain groups of extremists. If any of these risks materialise, it will have a material adverse effect on the Saudi economy which could in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In late 2023, following a Hamas-led attack on Israel, Israel declared war on Hamas and subsequently invaded the Gaza Strip. There has also been an escalation of attacks on shipping in the Red Sea and the GCC region by the Al-Houthi rebels resulting in U.S. and other military aircraft conducting retaliatory strikes on Al-Houthi bases. In April 2024, there was an airstrike on an Iranian diplomatic building in Damascus, Syria followed by a drone and missile strike by Iran on Israel. There has also been a significant escalation in tensions between Israel and Hezbollah.

The events described above have caused significant disruption to the economies of the affected countries, have given rise to increased political uncertainty across the MENA region and have had (or could have) a destabilising effect on the GCC region (including the Kingdom) and on oil and gas prices. See "*The Kingdom's economy is highly dependent on its oil revenue*". There is no certainty that extremists or terrorist groups will not escalate violent activities in the MENA region, or that any currently stable governments in the MENA region will be successful in maintaining the prevailing levels of domestic order and stability. As it is not generally possible to predict the occurrence or impact of events or circumstances, such as war, hostilities or diplomatic rifts, no assurance can be given that the Group will be able to sustain the profitable operation of its business if adverse political events or circumstances impacting the MENA region were to occur.

### ***The Kingdom's economy is highly dependent on its oil revenue***

The Kingdom's economy is highly dependent upon its oil revenue. As at 31 December 2023, the Kingdom had approximately 17.03 per cent. of proven global crude oil reserves (according to OPEC's Annual Statistical Bulletin 2023). According to GASTAT, the oil sector accounted for 39.6 per cent., 37.3 per cent. and 38.7 per cent. of the Kingdom's real GDP and 38.9 per cent., 28.5 per cent. and 22.4 per cent. of its nominal GDP in each of 2022, 2021 and 2020, respectively. In addition, oil exports accounted for 79.5 per cent., 73.2 per cent. and 68.7 per cent. of the Kingdom's total exports by value in 2022, 2021 and 2020, respectively. As such, the Kingdom's economy is dependent on its oil revenue.

As oil is the Kingdom's most important export, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, nominal GDP, Government revenues, balance of payments and foreign trade. International oil prices have fluctuated significantly in the past, and may remain volatile in the future. For example, in 2020 the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) was U.S.\$41.47. This figure was significantly below the average for 2019 and principally reflected the impact of COVID-19 containment measures on demand and the expiry, at the end of March 2020, of the three-year partnership between OPEC and major non-OPEC providers and the delay in reaching a new agreement, which only came into force in May 2020. In 2021, the yearly average OPEC Reference Basket price was U.S.\$69.89 and principally reflected the positive impact on demand of reduced COVID-19 containment measures as well as the positive impact of the new OPEC

agreement. In 2022, the yearly average OPEC Reference Basket price was U.S.\$100.08 which was principally driven by supply uncertainties caused by the Russian invasion of Ukraine in February 2022 and sanctions imposed by major countries around the world on Russia as a result. In 2023, the yearly average OPEC Reference Basket price was U.S.\$82.95, principally driven by changes towards the end of 2022 in the sanctions regime imposed on Russia and announcements by OPEC and non-OPEC members towards the end of 2022 and in early 2023 with the aim of stabilising oil prices. In July 2024, the average monthly OPEC Reference Basket price was U.S.\$84.43 per barrel. The monthly price per barrel of Arabian Light Crude Oil (which is one of the five grades of crude oil produced by the Kingdom and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

In March 2022, Saudi Aramco Group's refineries in Riyadh and Yasref and petroleum products distribution terminals in Jeddah and Jizan region were attacked. The attacks were reported to have increased the price of Brent crude oil to U.S.\$120 per barrel. Similar acts of sabotage (or any prolonged period of reduced production following any other incident relating to critical oil and gas infrastructure) may in the future have a significant impact on global oil and gas prices or demand and any corresponding impact on the Kingdom's hydrocarbon exports, Government revenues and the Kingdom's economy. See "*– The Group is subject to economic and political risks in the Kingdom and emerging market countries in which it operates*".

On 9 April and 12 April 2020, a series of meetings took place between OPEC and non-OPEC oil producing countries participating in the Declaration of Cooperation, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022 (the "**OPEC Agreement**"). According to the OPEC Agreement, during an initial two-month period beginning on 1 May 2020, production should have been reduced by a total of 9.70 million barrels per day, followed by a six-month period starting on 1 July 2020 when production had to be reduced by a total of 7.68 million barrels per day and followed by a subsequent 16-month period between 1 January 2021 and 30 April 2022 when production should be reduced by a total of 5.76 million barrels per day. On 18 July 2021, the 19<sup>th</sup> OPEC and non-OPEC Ministerial Meeting (the "**OPEC and non-OPEC Meeting**") decided to extend the OPEC Agreement until 31 December 2022 and adjust upward their overall production by 0.4 mb/d on a monthly basis starting August 2021 until phasing out the 5.8 mb/d production adjustment. On 1 March 2022, the Kingdom reaffirmed its commitment to the OPEC Agreement despite widening sanctions on Russia. On 5 October 2022, the 33<sup>rd</sup> OPEC and non-OPEC Meeting decided to extend the OPEC Agreement until 31 December 2023 and adjust downward the overall production by 2 mb/d from the August 2022 required production levels, starting in November 2022. The 34<sup>th</sup> OPEC and non-OPEC Meeting in December 2022 and the 48<sup>th</sup> the Joint Ministerial Monitoring Committee of OPEC in April 2023 reaffirmed the decision of the previous OPEC and non-OPEC Meetings. In addition, a number of OPEC and non-OPEC countries announced a voluntary downward production adjustment in April 2023. The 35<sup>th</sup> OPEC and non-OPEC Meeting in June 2023 decided to adjust downward the overall production to 40.46 mb/d, starting from 1 January 2024 until 31 December 2024. The 36<sup>th</sup> OPEC and non-OPEC Meeting in December 2023 and the 37<sup>th</sup> OPEC and non-OPEC Meeting in June 2024 reaffirmed the decisions of the previous OPEC and non-OPEC Meetings. The next market assessment is scheduled to take place in December 2024. There can however be no assurance that the OPEC Agreement will continue to be implemented by all relevant parties or that it will achieve its stated goals or what effect it will have on global oil prices in the short to medium term.

Factors that may affect the price of oil include, but are not limited to:

- regional and global economic and political developments, including the Russia-Ukraine conflict and, potentially, any continued and escalated hostilities between Israel and Iran, and international response measures;
- maintenance of the sanctions regimes relating to Venezuela and Iran;
- general economic and political developments in oil-producing regions, particularly in the Middle East;

- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil-producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil-producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels;
- the impact of pandemics (such as COVID-19); and
- global weather and environmental conditions.

Prolonged periods of low oil prices and low demand for oil in the future may have a material adverse effect on the Kingdom's economy and revenues, and may ultimately cause an increase in the budget deficit and a decrease in liquidity and funding in the financial sector. The Kingdom has financed past budget deficits by borrowing and utilising its reserves and it may need to do so again. Any reduction in foreign exchange reserves and/or additional borrowing could result in foreign exchange outflows and have a tightening effect on liquidity and credit expansion which may not be mitigated by any adjustments in Government spending aimed at offsetting the adverse effects of any of the foregoing. Any such significant adverse effect on the Kingdom's economy could, in turn, have an adverse effect on the Group's business, financial condition, results of operations or prospects.

***There can be no assurance that the Government's efforts to diversify the Kingdom's economy will be successful and such efforts may have undesirable effects***

While the oil sector accounts for a significant portion of the Kingdom's economy (see “– *The Kingdom's economy is highly dependent on its oil revenue*” above), in recent years the Government has invested heavily in diversifying the Kingdom's economy to reduce its reliance on oil revenues. The Government has in recent years announced various measures aimed at, among other things, achieving increased diversification of the Kingdom's economy. Such measures include the National Transformation Program 2020, which envisages, among other things, the transformation of the Kingdom's healthcare sector, further development of the Kingdom's infrastructure, including through the construction of sea water desalination plants, expansion of digital transformation, development of the tourism sector and other initiatives aimed at achieving Saudi Vision 2030.

Through Saudi Vision 2030, the Government is seeking to implement far-reaching reforms of the Kingdom's economy and society. Some of the measures envisaged include greater participation of Saudi citizens in the private sector, a decrease in certain subsidies historically available to the fuel and energy sectors, as well as the imposition of new taxes and administrative fees. The implementation of these and other similar measures may be a lengthy and complex process, and there can be no assurance that these measures will not have unexpected or undesirable consequences in the Kingdom.

There can be no assurance that the increased contribution of the non-oil sector to the Kingdom's economy will continue in the future or that the non-oil sector will continue to grow at a sufficient extent to achieve effective and adequate diversification of the economy. Furthermore, there can be no assurance that the Government will be able to successfully implement Saudi Vision 2030, and/or the subset of Vision Realization Programs (a series of programmes which aim to achieve the strategic objectives of Saudi Vision 2030) in their current form, or that their implementation will be in line with the timelines originally set out. Any amendment to the scope or timing

of the implementation of the objectives of Saudi Vision 2030 and/or the subset of Vision Realization Programs, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent. Additionally, to the extent that a prolonged or further decline in oil prices has an adverse impact on the Government's revenues, this may in turn adversely impact the Government's ability to invest in the diversification of the Kingdom's economy. A failure to diversify the Kingdom's economy may result in the economy remaining susceptible to the risks associated with the oil sector. Any material deterioration in the Kingdom's economic and financial condition would be likely to also negatively affect its banking sector and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***Investing in emerging markets generally involves a higher degree of risk***

Investors should be aware that investments in emerging markets such as the Kingdom involve a higher degree of risk than investments in more developed markets, including risks such as higher volatility, limited liquidity and changes in the legal, economic and political environment. The Kingdom's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. In addition, as a result of "contagion", the Kingdom could be adversely affected by negative economic or financial developments in other emerging market countries, which could in turn adversely affect the trading price of Notes issued under the Programme.

Specific emerging markets country risks that may have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects include, among other things:

- political, social and economic instability, riots, insurrection or other forms of civil disturbance or violence;
- war, terrorism, invasion, rebellion, malicious acts or revolution;
- government actions or interventions, including expropriation or nationalisation of assets, increased protectionism, the introduction of tariffs or subsidies;
- changing fiscal and tax regimes;
- arbitrary or inconsistent government action, including capricious application of tax laws and selective tax audits;
- changes to laws and regulations or their interpretation or enforcement;
- difficulties and delays in obtaining requisite governmental licences, permits or approvals or renewing existing ones;
- cancellation, nullification or unenforceability of contractual rights; and
- under-developed industrial and economic infrastructure.

In addition, changes in investment policies or shifts in the prevailing political or economic climate in the Kingdom could result in the introduction of increased government regulations with respect to, among other things:

- price controls;
- export and import controls;
- zakat, income and other taxes;
- customs and immigration;

- foreign ownership restrictions;
- foreign exchange, currency and capital controls; and
- labour and welfare benefit policies.

In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Notes issued under the Programme, will not be affected negatively by events elsewhere, especially in the emerging markets. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must determine for themselves whether, in light of those risks, an investment in the Notes is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

***A slowdown in the economies of the Kingdom's key trading partners could adversely affect the Kingdom's economy***

The Kingdom has strong trading relationships with many countries, particularly major oil-importing economies such as China, the United States, Japan, South Korea, India and a number of states of the European Union. To the extent that there is a slowdown in the economies of any of these countries, this may have a negative impact on the Kingdom's foreign trade and balance of payments, which could have a material adverse effect on the Kingdom's economic and financial condition.

Any sustained market and economic downturn or geopolitical uncertainties in the United States, China or any of the Kingdom's other key trading partners may exacerbate the risks relating to the Kingdom's trade with those countries which, in turn, may have a negative impact on the Kingdom's foreign trade and balance of payments. In particular, demand for crude oil and, consequently, the price of crude oil may be adversely affected and this may have a material adverse effect on the Kingdom's economic and financial condition.

Any material deterioration in the Kingdom's economic and financial condition would be likely to also negatively affect its banking sector and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The Kingdom and other GCC legal systems continue to develop and this may create an uncertain environment for investment and business activity***

The Kingdom and many of the other GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. The courts, judicial committees and adjudicatory bodies in the Kingdom (the "**KSA Courts**") have a wide discretion as to how laws and regulations are applied to a particular set of circumstances. There is no doctrine of binding precedent in the KSA Courts, decisions of the KSA Courts are not routinely published and there is no comprehensive up-to-date reporting of judicial decisions. Bankruptcy procedures also remain largely untested. In some circumstances, it may not be possible to obtain the legal remedies provided under Saudi Arabian law in a timely manner. As a result of these and other factors, the outcome of any legal disputes in the Kingdom may be uncertain.

As the legal environment remains subject to continuous development, investors in the Kingdom and the GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in the Kingdom and the GCC may have a material adverse effect on the rights of Noteholders or the investments that the Group has made or may make in the future which may in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***Any alteration to, or abolition of, the foreign exchange “peg” of the Saudi Riyal or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the Saudi Riyal or other such currencies***

The Group maintains its accounts and reports its results in Saudi Riyals. The Saudi Riyal has been pegged to the U.S. dollar since 1986 and remains pegged as at the date of this Base Offering Circular. In addition, the following oil-producing GCC countries have their currencies pegged to the U.S. dollar as at the date of this Base Offering Circular: the State of Qatar; the United Arab Emirates; the Sultanate of Oman; and the Kingdom of Bahrain. From time to time, oil-producing countries with currencies that have been traditionally pegged to the U.S. dollar have faced pressure to de-peg and, in certain cases, have de-pegged their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the Azerbaijani manat peg against the U.S. dollar.

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a devaluation against the U.S. dollar immediately post-removal of the peg. While it continues to be the policy of the Government and SAMA to maintain the currency peg at its existing level, there can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government’s reserve assets, will not lead the Government to reconsider its exchange rate policy.

Any such de-pegging or re-evaluation to the current exchange rate either in the Kingdom or across the wider region, particularly if such de-pegging or re-evaluation is accompanied by a significant depreciation of the relevant currency against the U.S. dollar or other major currencies, could contribute to higher inflation, increase the burden of servicing external debt and damage investor confidence, resulting in capital outflows and market volatility, each of which could have a material adverse effect on the Kingdom’s economic and financial condition and, in turn, on the Group’s business, financial condition, results of operations or prospects.

***The statistical data contained in this Base Offering Circular should be treated with caution by prospective investors***

Statistics contained in this document, including in relation to GDP, have been obtained from, amongst other sources, GASTAT, SAMA, the Ministry of Finance, the Ministry of Economy and Planning and OPEC. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by other sources and may be different from statistics published by third parties, reflecting the fact that the underlying assumptions and methodology may vary from source to source. There may also be material variances between preliminary, estimated or projected statistics included in this Base Offering Circular and actual results, and between statistics included in this Base Offering Circular and corresponding data previously published by or on behalf of the bodies listed above. Consequently, the statistical data contained in this Base Offering Circular should be treated with caution by prospective investors.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

*Capitalised terms not defined in this section "Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme" have the meanings given to them in "Terms and Conditions of the Notes".*



***Noteholders' right to receive payment of the nominal amount of the Notes and the Noteholders' right to any interest will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event***

If, in respect of any Series of Notes, a Non-Viability Event (as defined below) occurs at any time on or after the Issue Date of the first Tranche of a Series, the Notes of that Series will be permanently cancelled (in the case of a Write-down in whole) or permanently Written-down in part on a *pro rata* basis (in the case of a Write-down in part) by BSF in accordance with the Conditions and (except as described in paragraph (iii) of the definition of Write-down in the Conditions) all rights of any Noteholder to payment of any amounts under or in respect of such Series of Notes (including, without limitation, principal and any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Interest Payment Amounts) shall, as the case may be, be cancelled or Written-down *pro rata* among the Noteholders and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto, all as more particularly described in Condition 7 (*Write-down at the Point of Non-Viability*). Further, a Write-down in full or in part of the Notes of a Series could occur prior to the Ordinary Shares absorbing losses in full. A Write-down shall not constitute an Enforcement Event.

The Conditions do not in any way impose restrictions on BSF following a Write-down, including restrictions on making any distribution or equivalent payment in connection with any Junior Obligations (including, without limitation, the Ordinary Shares), any *Pari Passu* Obligations or any Senior Obligations.

Noteholders will lose the entire amount or, as the case may be, a material amount, of their investment in the Notes as a result of a Write-down and moreover, in such event, it is likely that Noteholders will suffer losses in respect of their investment in the Notes ahead of, or without, any losses being required to be borne by BSF's shareholders.

A “**Non-Viability Event**” means, in relation to a Series, that the Financial Regulator has notified BSF in writing that it has determined that BSF is, or will become, Non-Viable without:

- a Write-down of the Notes of that Series (and write-down of any of BSF's other capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital of BSF that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or
- a public sector injection of capital (or equivalent support).

BSF's current and future Junior Obligations or *Pari Passu* Obligations might not include write-down or similar features comparable to those of the Notes. As a result, it is possible that the Notes will be subject to a Write-down, while certain Junior Obligations and/or *Pari Passu* Obligations remain outstanding and continue to receive payments and, as such, Noteholders may be subject to losses ahead of holders of certain Junior Obligations and/or *Pari Passu* Obligations.

Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 7 (*Write-down at the Point of Non-Viability*) has not been tested in the Kingdom and therefore uncertainty exists in its application. See “- *Basel III reforms and risk of a change in the regulations relating to loss absorption affecting the Notes*”.

***Basel III reforms and risk of a change in the regulations relating to loss absorption affecting the Notes***

On 13 January 2011, the Basel Committee expanded on the Basel III capital rules with additional non-viability requirements (the “**January 13 Annex**”). The January 13 Annex requires non-common equity Tier 1 or Tier 2 instruments issued by an internationally active bank to have a provision in their terms and conditions or be included in a statutory legal framework that requires such instruments, at the option of the relevant authority,

to either be written off or converted to common equity upon a "trigger event". A "trigger event" is the earlier of: (1) a decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the relevant authority. SAMA mandated all Saudi banks, including BSF, to implement the additional requirements imposed by the January 13 Annex from 1 January 2013. See " – *Noteholders' right to receive payment of the face amount of the Notes and the Noteholders' right to any interest will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event*".

There can be no assurance that in the future SAMA will not amend its interpretation and implementation of the January 13 Annex described above. In addition, revisions to the January 13 Annex may be implemented in the Kingdom in a manner that is different from that which is currently envisaged, or regulations may be introduced through the introduction of an Applicable Statutory Loss Absorption Regime in the Kingdom.

In particular, the SIFI Law provides that in respect of any SIFI, subject to certain conditions being met which include, among others, the financial institution being in distress or likely to become distressed, SAMA may, among other things, amend the rights of the holders of capital instruments. As of the date of this Base Offering Circular, BSF has not been designated as a SIFI under the SIFI Law.

As of the date of this Base Offering Circular, the Implementing Regulations have not yet been issued and there can be no assurance that the Implementing Regulations, once they are finalised, will be consistent with the draft version that was published on 29 August 2023. The draft Implementing Regulations include certain provisions relating to the procedure for the amendment of rights of holders of capital instruments, including in relation to the required valuation by SAMA of the relevant SIFI's assets prior to the application of any such procedure to determine, among other things, the extent of the write down of relevant capital instruments.

The SIFI Law, together with its implementing regulations (once published), would likely constitute an Applicable Statutory Loss Absorption Regime for the purposes of the Notes.

The Conditions provide that, on or after the date on which the Applicable Statutory Loss Absorption Regime becomes effective, the provisions of Condition 7 (*Write-down at the Point of Non-Viability*) will lapse and cease to apply, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime or the Financial Regulator in the exercise of its powers thereunder.

If, on or after such date, an event occurs which under the Applicable Statutory Loss Absorption Regime would lead to a determination of non-viability by SAMA in respect of BSF, SAMA (or BSF following instructions from SAMA) may take such action in respect of the Notes as is required or permitted by such Applicable Statutory Loss Absorption Regime.

Whilst the SIFI Law provides that creditors whose rights are amended shall not incur greater losses than what is estimated would have been lost had the relevant financial institution been wound up, there can be no assurance that any such amendment of rights of holders or other action taken by SAMA will adhere to such objective, be similar to the loss absorption provisions set out in Condition 7 (*Write-down at the Point of Non-Viability*) or otherwise be in the interests of Noteholders.

Accordingly, the operation of any such future legislation or implementation of an Applicable Statutory Loss Absorption Regime may result in the Notes absorbing losses in a manner other than as described herein, which may in turn have an adverse effect on the position of the Noteholders.

***The circumstances triggering a Write-down are unpredictable and Noteholders may suffer losses in respect of their holding of the Notes ahead of, and without, any losses being required to be borne by BSF's shareholders***

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Group's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Financial Regulator. As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of the Group and with which the Group may not agree. See " – *Noteholders' right to receive payment of the nominal amount of the Notes and the Noteholders' right to any interest will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event*". The exercise (or perceived likelihood of exercise) of any such power by the Financial Regulator or any suggestion of such exercise could materially adversely affect the value of the Notes of a Series and could lead to the Noteholders losing some or all of their investment in the Notes of the relevant Series.

The Financial Regulator shall, in its sole discretion, determine the occurrence and scope of a Non-Viability Event and therefore the requirement for a Write-down. Accordingly, prospective investors should note that the Financial Regulator may require a Write-down, without also requiring the Ordinary Shares and/or Other Common Equity Tier 1 Instruments to absorb any losses. In such circumstances, Noteholders of a Series may suffer losses in respect of their holding of Notes of the relevant Series ahead of, or without, any losses being required to be borne by BSF's shareholders.

The financial viability of the Group will also depend in part on decisions made by the Group in relation to its business and operations, including the management of its capital position. In making such decisions, the Group will not necessarily have regard to the interests of Noteholders and, in particular, the consequences for Noteholders of any such decisions and there can be no assurance in any such circumstances that the interests of the Group, its shareholders and the Financial Regulator will be aligned with those of the Noteholders.

***The Obligations are conditional, subordinated and unsecured obligations***

Prospective investors should note that, subject to Condition 7 (*Write-down at the Point of Non-Viability*) (see " – *Noteholders' right to receive payment of the nominal amount of the Notes and the Noteholders' right to any interest will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event*"), except upon the occurrence and continuation of any Winding-Up Proceeding and without prejudice to Condition 5 (*Interest Payment Restrictions*), the Obligations with respect to each Series of Notes are conditional (in the case of payments of interest) upon a Non-Payment Election or Non-Payment Event not having occurred, are unsecured and no collateral is or will be given by BSF in relation thereto.

Prospective investors should note that upon the occurrence and continuation of any Winding-Up Proceeding, the Obligations will rank (a) subordinate and junior to all Senior Obligations but not further or otherwise, (b) *pari passu* with all other *Pari Passu* Obligations and (c) in priority only to all Junior Obligations, as more particularly described in Condition 3(b) (*Subordination*). In such case, there may not be sufficient assets to satisfy the claims of the holders of the Notes in full.

***No limitation on issuing senior securities; subordination***

Other than the limitations in relation to the issue of further Additional Tier 1 Capital by BSF as set out in Condition 3(c) (*Other Issues*) which limits the circumstances in which Additional Tier 1 Capital of BSF can be issued that ranks senior to each Series of the Notes, there is no restriction in the Conditions or in the terms of the Transaction Documents on BSF incurring additional financing or issuing securities or creating any guarantee or providing any contractual support arrangement which would rank senior to each Series of Notes. The issue of or the creation of any such obligations may reduce the amount recoverable by the relevant Noteholder of a Series on a winding-up of BSF. Accordingly, in the winding-up of BSF and after payment of the claims of

holders of Senior Obligations, there may not be a sufficient amount to satisfy the amounts owing to the relevant Noteholders of a Series. See also " – *The Obligations are conditional, subordinated and unsecured obligations*".

***Payments of Interest Payment Amounts may be cancelled and are non-cumulative***

BSF may, in its sole discretion, elect (any such election being a “**Non-Payment Election**”) to not make payment of an Interest Payment Amount (in whole or in part) to Noteholders on the corresponding Interest Payment Date as more particularly provided in Condition 5(b) (*Non-Payment Election*), except that no such election may be made in respect of the Interest Payment Amount payable on the date on which Notes of such Series are to be redeemed in whole at BSF's discretion in accordance with Condition 6 (*Redemption, purchase and cancellation*).

In addition, if, in respect of any Series, a Non-Payment Event occurs (which includes the case where sufficient Distributable Profits are not available in order to permit BSF to make the relevant payment or as a result of a breach of Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any applicable capital buffers imposed on BSF by the Financial Regulator)), BSF shall be prohibited from paying Interest Payment Amounts to the Noteholders on the relevant Interest Payment Date, as more particularly provided in Condition 5(a) (*Non-Payment Event*).

In relation to the paragraph above, “**Distributable Profits**” is defined in the Conditions as the amount of BSF's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law), after the transfer of any amounts to non-distributable reserves, all as calculated by BSF based on its most recent consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations. As at 30 June 2024, the Distributable Profits amounted to SR 2,279 million. In addition, as at the date of this Base Offering Circular, BSF is subject to a capital conservation buffer requirement of 2.5 per cent., comprised of Common Equity Tier 1 Capital, above the regulatory minimum capital requirements. The Capital Regulations provide that capital distribution constraints (including in relation to dividends, share buybacks and discretionary payments on Tier 1 Capital instruments such as the Notes) will be imposed on BSF if its Common Equity Tier 1 Capital falls within the aforesaid conservation buffer, with such distribution constraints increasing on a scaled basis as the Common Equity Tier 1 Capital ratio decreases. Any such capital distribution constraint may constitute a Non-Payment Event as set out under Condition 5(a) (*Non-Payment Event*).

If, in respect of any Series, any Interest Payment Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event then, from the date of such Non-Payment Election or Non-Payment Event (the “**Dividend Stopper Date**”), BSF will be prohibited from declaring or paying certain distributions, dividends or other payments (other than to the extent that any such distributions, dividends or other payments are declared before such Dividend Stopper Date, and excluding securities the terms of which do not at the relevant time enable BSF to defer or otherwise not to make such payments) and from redeeming, purchasing, cancelling, reducing or otherwise acquiring Other Common Equity Tier 1 Instruments or securities ranking as to the right of payment of capital, junior to or *pari passu* with the Obligations (excluding securities the terms of which stipulate (i) any mandatory redemption in accordance with its terms or (ii) any conversion into, or exchange for, the Ordinary Shares), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time, in each case unless or until one payment of an Interest Payment Amount following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Noteholders), as more particularly described in Condition 5(d) (*Dividend and Redemption Restrictions*).

In the absence of notice of a Non-Payment Election or a Non-Payment Event, as the case may be, having been given in accordance with Condition 5(c) (*Effect of Non-Payment Event or Non-Payment Election*), the fact of

non-payment of the relevant Interest Payment Amount (or any part thereof) on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Accordingly, the Noteholders shall have no claim in respect of any Interest Payment Amount (or any part thereof) not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given in accordance with Condition 5(c) (*Effect of Non-Payment Event or Non-Payment Election*)) and any non-payment of any Interest Payment Amount (or any part thereof) in such circumstances shall not constitute an Enforcement Event. Any Interest Payment Amount (or any part thereof) not paid following either a Non-Payment Election or a Non-Payment Event will not accumulate or compound. BSF shall not have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount (or any part thereof).

Any non-payment of Interest Payment Amounts or perceived risk of such non-payment may have a material adverse effect on the value of the Notes.

***The Notes are perpetual securities, which may be subject to redemption (subject to certain conditions)***

The Notes are perpetual securities which have no fixed redemption date. BSF is under no obligation to redeem the Notes of any Series at any time and the Noteholders have no right to call for their redemption.

The Enforcement Events and Noteholders' rights following an Enforcement Events, in respect of any Series, are set out in Condition 11 (*Enforcement Events and Winding-up*).

In certain circumstances BSF may (acting in its sole discretion) redeem the Notes of a Series on the relevant Call Date of that Series and, on any date on or after the Issue Date, if a Tax Event or a Capital Event occurs (the determination of a Capital Event being at the discretion of the Financial Regulator), as more particularly described in Condition 6 (*Redemption, purchase and cancellation*). Any such redemption will also be subject to a number of conditions, as set out in Condition 6(a) (*No Fixed Redemption Date and Conditions for Redemption*), including obtaining the prior consent of the Financial Regulator (unless such consent is no longer required by the Financial Regulator and/or by the Capital Regulations). There can be no guarantee that the approval of the Financial Regulator will be received on time or at all.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Notes indefinitely, unless:

- BSF exercises its rights to redeem the Notes in accordance with Condition 6 (*Redemption, purchase and cancellation*);
- an Enforcement Event occurs (however, please see Condition 11 (*Enforcement Events and Winding-up*) which sets out the limited Noteholders' rights following an Enforcement Event in respect of any Series);  
or
- they sell their Notes.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Notes may limit their market value, which is unlikely to rise substantially above the price at which the Notes can be redeemed.

If the Notes are redeemed, there can be no assurance that Noteholders will be able to reinvest the amount received upon redemption in a comparable security at a rate that will provide the same rate of return as their investment in the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time. See also " – Risks Related to the Market Generally – The secondary market generally" for a description of the risks relating to the ability of Noteholders to sell their Notes in the secondary market.

***Due to the deeply subordinated nature of the obligations arising under the Notes, the Conditions contain limited Enforcement Events and remedies***

The Notes are perpetual instruments with no fixed redemption date and there is no obligation on the Issuer to pay the nominal amount of Notes other than in accordance with the exercise of a call option in accordance with Condition 6(b) (*Redemption at the Option of the Issuer*), a redemption in accordance with Condition 6(c) (*Redemption due to Taxation*), a redemption in accordance with Condition 6(d) (*Redemption for Capital Event*) or following the occurrence of an Enforcement Event in accordance with Condition 11 (*Enforcement Events and Winding-up*) (however, please see Condition 11 (*Enforcement Events and Winding-up*) which sets out the limited Noteholders' rights following an Enforcement Event in respect of any Series). In addition, the Issuer may be prohibited from making, or elect not to make, payments of Interest Payment Amounts on the Notes of a relevant Series in accordance with Condition 5 (*Interest Payment Restrictions*) and Interest Payment Amounts will not therefore be due other than in the limited circumstances described in the Conditions. See also " – *Payments of Interest Payment Amounts may be cancelled and are non-cumulative*".

Moreover, pursuant to Condition 11 (*Enforcement Events and Winding-up*), upon the occurrence of any Enforcement Event in respect of a Series, the remedies available to the Noteholders are limited to giving notice to the Fiscal Agent that the relevant Notes are immediately repayable at their outstanding nominal amount together with accrued interest to the date of payment and thereafter: (i) instituting any steps, actions or proceedings for the winding-up of BSF and/or (ii) proving in the winding-up of BSF and/or (iii) instituting any steps, actions or proceedings for the bankruptcy of BSF and/or (iv) claiming in the liquidation of BSF and/or (v) taking such other steps, actions or proceedings which, under the laws of the Kingdom, have an analogous effect to the actions referred to in paragraphs (i) to (iv) above, in each case, for the payment of amounts due under the Notes. Therefore, it will only be possible to enforce claims for payment of the applicable interest or principal in respect of the Notes when the same have become due pursuant to the Conditions.

Furthermore, the claims of holders of Senior Obligations of BSF will first have to be satisfied in any winding-up, bankruptcy, dissolution, liquidation or analogous proceedings before the Noteholders may expect to obtain any amounts in respect of their Notes and prior thereto the Noteholders will have only limited (if any) ability to influence the conduct of such winding-up, liquidation or analogous proceedings.

Prospective investors should also note that any claims on a winding-up would be subject to bankruptcy and other laws of the Kingdom. Therefore there can be no assurance that Noteholders will receive payment of their claims in full or at all in these circumstances. See also " – *Compliance with bankruptcy laws in the Kingdom may affect BSF's ability to perform its obligations under the Transaction Documents*".

***Resettable fixed rate instruments have a market risk***

A holder of an instrument with a fixed interest (or equivalent) rate that will be reset during the term of the instrument (as will be the case for the Notes with effect from each Reset Date (as defined in the Conditions) if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating interest rate levels and uncertain interest rate income. While the expected interest rate on such Series of Notes is fixed until the First Reset Date (with a reset of the initial interest rate on the First Reset Date as set out in the Conditions and every Reset Date thereafter), the current investment return rate in the capital markets (the "**market return rate**") typically changes on a daily basis. As the market return rate changes, the market value of a Series of Notes may also change, but in the opposite direction. If the market return rate increases, the market value of a Series of Notes would typically decrease. If the market return rate falls, the market value of the Notes would typically increase. Noteholders should be aware that movements in these market return rates can adversely affect the market value of the Notes of a Series and can lead to losses for the Noteholders if they sell their Notes.

***Because the Global Notes and Global Certificates are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes or Certificates. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes and Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the, where applicable, common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or the Global Certificates.

Holders of beneficial interests in the Global Notes or the Global Certificates will not have a direct right to vote in respect of the relevant Notes or Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the Global Notes or Global Certificates to take enforcement action against the Issuer upon the occurrence of an Enforcement Event under the relevant Notes, but will have to rely upon their rights under the Deed of Covenant.

**Risks Related to Notes Generally**

Set out below is a brief description of certain risks relating to the Notes generally:

***Modification and waivers***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions (as defined in the Agency Agreement) on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer will be entitled to rely upon:

- (i) where the terms of the resolution proposed by the Issuer have been notified to the Noteholders through the relevant clearing system(s), approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed: (a) consent or instructions given in writing directly to the Issuer by accountholders in the clearing systems with entitlements to such global note or certificate; and/or (b) where the accountholders hold such entitlement on behalf of another person, written consent from or written instruction by the person identified by that accountholder as the person for whom such

entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above;

Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. A Written Resolution or an Electronic Consent (as described below) may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### ***Change of law***

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes nor whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

### ***Change of tax law***

Statements in this Base Offering Circular concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in legislation or in practice in a relevant jurisdiction could adversely impact (i) the ability of the Issuer to service the Notes and (ii) the market value of the Notes.

### ***Appointment of Dealers as Calculation Agents***

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes. In such a case, the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on redemption (if any) of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

### **Risks relating to enforcement**

#### ***There are uncertainties around the choice of English law as the governing law of the Notes and agreements and around enforcing arbitral awards in the Kingdom***

The Notes are expressed to be governed by English law, and provide for the resolution of disputes through arbitration in London under the LCIA Arbitration Rules. BSF is a Saudi Arabian company and is incorporated in and has its operations and the majority of its assets located in Saudi Arabia.

The Kingdom is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”). Any foreign arbitral award, including an LCIA award, should therefore be enforceable in the Kingdom in accordance with the terms of the New York Convention, subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Enforcement



Departments of the General Courts. Under the New York Convention, the Kingdom has an obligation to recognise and enforce foreign arbitral awards unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Saudi Arabian court finds that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public order of the Kingdom. In addition, the Enforcement Departments of the General Courts (the “**Enforcement Courts**”) may decline to enforce foreign arbitral awards if the requirements of enforcing foreign arbitral awards are not met. These requirements include that: (a) the arbitral award does not conflict with public order in the Kingdom; (b) there is reciprocity in the enforcement of arbitral awards between the courts of the Kingdom and the country in which the award was made; (c) the courts of the Kingdom do not have exclusive jurisdiction over the dispute and the foreign arbitral award has been issued in accordance with the jurisdictional rules of the country in which such award was made; (d) the respective parties to the dispute were present, duly represented and able to defend themselves; (e) the award was final in accordance with the rules of the court; and (f) the award does not conflict with any ruling or order issued by a court of competent jurisdiction on the same matter in the Kingdom. In addition, even if such requirements were met, Noteholders should also be aware that if any terms of the Notes or the agreements (including any provisions relating to the payment of interest) were found to be inconsistent with *Shari’a*, such portions of an award may not be enforced by the Enforcement Courts.

The courts and judicial committees of the Kingdom may not recognise the choice of English law and may elect to apply the laws of the Kingdom instead. Accordingly, in any proceedings relating to the Notes in Saudi Arabia, *Shari’a*, as interpreted in Saudi Arabia, may be applied by the relevant court or judicial committee. The courts and judicial committees of the Kingdom have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of *Shari’a*.

In addition to the above, courts in the Kingdom, with certain exceptions, may not enforce a foreign judgment without re-examining the merits of the claim. Moreover, provisions of foreign law which are deemed contrary to public policy, order or morals in the Kingdom (including *Shari’a* law and principles), or to any mandatory law of, or applicable in, Saudi Arabia, are unlikely to be enforceable in the Kingdom.

***The arbitration clause may not be upheld by a Saudi Arabian judicial body***

The arbitration clause in relation to the Notes may not be upheld by a Saudi Arabian court. Under Saudi Arabian law, a court may only finally determine the appropriate adjudicating forum for the dispute, notwithstanding the contractual election of the parties to the agreement. There is therefore a risk that other courts or judicial committees will have jurisdiction to hear relevant disputes. Any provision in an agreement that purports to preclude any party from invoking the jurisdiction of a particular Saudi Arabian court or judicial committee where the parties have referred a dispute to any other Saudi Arabian court or judicial committee may not be enforceable. However, the Arbitration Law issued by Royal Decree No M/34, dated 24/5/1433 AH (corresponding to 16 April 2012) provides that a Saudi Arabian court must dismiss a claim if the defendant raises an arbitration agreement as its first defence in the case.

***The payment of interest may not be permitted under the laws of Saudi Arabia***

Contractual obligations governing the payment of interest may not be enforceable under Saudi Arabian law. The legal regime in the Kingdom governing transactions such as the issuance of the Notes includes *Shari’a* principles which are often expressed in general terms, providing Saudi Arabian courts and adjudicatory bodies with considerable discretion as to how to apply such principles. Under *Shari’a* principles as applied in the Kingdom, the charging and payment of interest, which is deemed to constitute unlawful gain (*riba*), is prohibited. Consequently, a court or adjudicatory body in the Kingdom applying a strict interpretation of *Shari’a* may not enforce any provision in an agreement for the payment of, whether directly or indirectly, or the bearing of the cost of any amount based upon interest (including amounts deemed by the adjudicatory bodies in Saudi

Arabia to be in the nature of interest, such as charging a “commission” or a “late payment”). Although the Notes and the Transaction Documents are governed by the laws of England, there can be no assurance that the provisions in the Notes and the Transaction Documents relating to the payment of interest will be held enforceable by the adjudicatory bodies of Saudi Arabia in the event that such adjudicatory bodies were to apply the laws of Saudi Arabia to any proceedings before them relating to a dispute or enforcement of a judgment or arbitral award delivered by a foreign court or arbitral tribunal.

***Courts and judicial committees in Saudi Arabia may not give effect to certain types of indemnities***

Prospective Noteholders should note that should any provision of the Notes be construed by a court or judicial committee in the Kingdom to be an agreement or undertaking by a party to pay indemnities or damages that are greater than a genuine estimate of actual direct loss incurred, a Saudi Arabian adjudicatory body may decline to enforce such provision. Further, any indemnity provided by BSF pursuant to the Notes of any Series may not be enforceable under the laws and regulations of Saudi Arabia in certain circumstances. Generally, only actual, direct and proven damages are awarded. As such, Noteholders may ultimately not be able to recover damages from BSF under the Notes that are greater than a genuine estimate of actual and direct loss incurred.

***A court may not grant an order for specific performance***

In the event that BSF fails to perform its obligations under the Notes, the potential remedies available to the Noteholders include (i) obtaining an order for specific performance of BSF’s obligations, or (ii) a claim for damages. There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in Saudi Arabia. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Noteholders to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award in the event of a failure by BSF to perform its obligations set out in the Notes. Damages for loss of profits, consequential damages or other speculative damages are not awarded in the Kingdom by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded. Therefore, prospective investors should note that, if damages are awarded, they may receive less than they would have if an order for specific performance had been granted.

***Compliance with bankruptcy laws in the Kingdom may affect BSF's ability to perform its obligations under the Transaction Documents***

In the event of BSF's insolvency, bankruptcy laws in the Kingdom may adversely affect BSF's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Issuer's ability to perform its obligations in respect of the Notes. There is little precedent to predict how claims by or on behalf of the Noteholders would be resolved in the event of BSF's bankruptcy and accordingly it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective and therefore there can be no assurance that Noteholders will receive repayment of their claims in full or at all in these circumstances.

The bankruptcy law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14 February 2018), as amended by Royal Decree No. M/89 dated 09/07/1441H (corresponding to 4 March 2020) (the “**Bankruptcy Law**”) provides various procedures with respect to protective settlement, financial restructuring, liquidation, and administrative liquidation and provides, among other things, that insolvency-related contract termination triggers are generally void with exceptions stipulated in relation to government contracts. Further exceptions in relation to finance transactions are to be determined by the SAMA and the CMA. The Bankruptcy Law also provides that a party may terminate a contract if such termination: (a) is in the

interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) is necessary to implement the relevant proposal.

The implementing regulations to the Bankruptcy Law issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4 September 2018) (the “**Bankruptcy Law Implementing Regulations**”) further provide for the bankruptcy rules and procedures in the Kingdom. The Bankruptcy Law Implementing Regulations provide that a debtor (in respect of a protective settlement) may request that the court terminates any contract that such debtor is a party to by submitting a report issued by a registered custodian that proves that such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) will protect the business of the debtor.

A court may, after accepting a request to open any of the liquidation procedures set out in the Bankruptcy Law, take certain precautionary measures, at its own discretion or upon a request by an interested party, such as seizing the assets of the debtor whether such assets are held by the debtor or by third parties.

In addition, in case of financial distress of a financial institution, the SIFI Law is generally applicable and it remains uncertain to what extent the Bankruptcy Law will be applied once the treatment procedures set out in the SIFI Law were unsuccessful.

The Bankruptcy Law and its implementing regulations are relatively recent and hence their application, and how the Saudi Arabian courts and judicial committees will apply them, is yet to be seen in full effect in practice.

### **Risks Related to the Market Generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The market value of each Series of Notes may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Notes. The Notes of any Series generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see “ – *The Notes are perpetual securities, which may be subject to redemption (subject to certain conditions)*”), are subordinated (see “ – *The Obligations are conditional, subordinated and unsecured obligations*”), will be fully and permanently written down upon the occurrence of a Non-Viability Event (see “ – *Noteholders' right to receive payment of the nominal amount of the Notes and the Noteholders' right to any interest will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event*”) and payments of interest may be restricted in certain circumstances (see “ – *Payments of Interest Payment Amounts may be cancelled and are non-cumulative*”). If a Series of Notes is issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in such Series of Notes. Furthermore, certain shareholders and related parties of BSF may participate in the offering of any Series of Notes. The secondary market liquidity of the Notes for such Series may be adversely affected if, and to the extent that, such person(s) intend(s) to adopt a buy and hold strategy in respect of such Series of Certificates.

Although application has been made for certain Notes issued under the Programme to be admitted to trading on the ISM, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop.

Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes. Illiquidity may have a severely adverse effect on the market value of Notes.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available at any redemption of a Series of Notes. In that event, the Issuer would make required payments in U.S. dollars on the basis of the market exchange rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the market exchange rate as at the most recent practicable date.

#### ***Price volatility***

The market price of the Notes may be volatile, which could cause the value of a purchaser's investment to decline. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, and corresponding fluctuations in the prices of the Notes, may not be correlated in a predictable way to the performance or operating results of the Issuer. Events and factors that may cause the prices of the Notes to fluctuate or decrease significantly from the issue price include variations in interest rates; general business, political, social and economic developments, particularly in the Middle East; and variations in actual or anticipated operating results of the Issuer.

#### ***Interest rate risks***

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes. A drop in the level of interest rates will have a positive impact on the price of the Notes, as such Notes pay a fixed annual rate of interest (subject to reset(s) in accordance with the Conditions). Conversely, an increase in the interest rate level will have an adverse impact on the price of the Notes.

#### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (3) provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) provided by a credit

rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (3) provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

***Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if Definitive Notes are subsequently issued***

The Conditions of the Notes do not permit the sale or transfer of Notes in such circumstances as would result in amounts being held by a holder which are lower than the minimum Specified Denomination (as defined in the Conditions). However, in the event that a holder holds a nominal amount of less than the minimum Specified Denomination, such holder would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Note (as defined below) in respect of such holding (should Definitive Notes be issued) and would need to purchase a nominal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Note.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

*The Saudi Central Bank (“SAMA”) does not make any representation as to the accuracy or completeness of this Base Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Offering Circular. In particular, prospective purchasers of the Notes agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Notes for any loss arising from, or incurred as a result of, the occurrence of a Non-Viability Event (as defined in these Conditions).*

The Notes are issued pursuant to an agency agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 25 September 2024 between Banque Saudi Fransi (the “**Issuer**”), Citibank, N.A., London Branch as fiscal agent, principal paying agent and calculation agent, Citibank Europe plc as registrar the other agents named in it and with the benefit of a deed of covenant (as amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) dated 25 September 2024 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agent and the calculation agent for the time being (if any) are referred to below, respectively, as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrar**”, the “**Transfer Agent**” and the “**Calculation Agent**”. The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the “**Conditions**”), “**Tranche**” means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

### 1 **Form, Denomination and Title**

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown in the applicable Pricing Supplement, provided that the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate), and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## 2 No Exchange of Notes and Transfers of Registered Notes

### (a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

### (b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

### (c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(b) (*Transfer of Registered Notes*) shall be available for delivery within three business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c) (*Delivery of New Certificates*), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfer Free of Charge**

Transfers of Notes and Certificates on registration, transfer or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(b) (*Redemption at the Option of the Issuer*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

### 3 Status and Subordination

(a) **Status**

The Notes and Coupons relating to them shall at all times rank *pari passu* and without any preference among themselves.

(b) **Subordination**

(i) The payment obligations of the Issuer under the Notes and Coupons (the “**Obligations**”) will constitute Additional Tier 1 Capital of the Issuer and, upon the occurrence and continuation of any Winding-Up Proceeding will (i) constitute direct, unsecured, unconditional and subordinated obligations of the Issuer, (ii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iii) rank *pari passu* with all other Pari Passu Obligations and (iv) rank in priority only to all Junior Obligations.

(ii) The Noteholders irrevocably waive their rights to the extent necessary to give effect to the subordination provisions of this Condition 3(b) (*Subordination*). In order to give effect to such subordination provisions, the Noteholders agree that if a Winding-Up Proceeding shall have occurred and be continuing, any amounts that would be due and payable to them will be applied:

(A) first, to the payment in full of each claim in respect of a Senior Obligation (including any amount in respect of such claim accruing after the date of commencement of such Winding-Up Proceeding); and

(B) thereafter, to the payment, equally and rateably, of each amount owing in respect of the Obligations and all Pari Passu Obligations.

(iii) No Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Obligations and each Noteholder, by its holding any Notes, shall be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

(c) **Other Issues**

The Issuer agrees that, so long as any of the Notes of any Series remain outstanding (as defined in the Agency Agreement), the Issuer will not, and will procure that none of its Subsidiaries will, issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes



(whether on a solo, or a solo consolidated or on a consolidated basis) issued Additional Tier 1 Capital of the Issuer if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of interest and/or any other amounts thereunder) senior to the Obligations. This prohibition will not apply if at the same time or prior thereto, (i) these Conditions and (to the extent applicable) the Agency Agreement and the Deed of Covenant are amended to ensure that the Notes obtain and/or (ii) the Obligations have, in each case, the benefit of such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

#### 4 Interest and other Calculations

##### (a) Interest Rate and Interest Payment Dates

Subject to Conditions 3(b) (*Subordination*), 4(e) (*Accrual of Interest*), 5(a) (*Non-Payment Event*), 5(b) (*Non-Payment Election*), 7 (*Write-Down at the Point of Non-Viability*) and 8 (*Payments and Talons*), each Note bears interest on its outstanding nominal amount:

- (i) from and including the relevant Interest Commencement Date to but excluding the relevant First Reset Date (the “**Initial Period**”), at the Initial Rate of Interest; and
- (ii) during each Reset Period (if any), at the relevant Reset Interest Rate,

such interest being payable in arrear on each Interest Payment Date in respect of the Interest Period ending on (but excluding) such date. The amount of interest payable shall be determined in accordance with Condition 4(d) (*Calculations*).

##### (b) Reset Interest Rate

- (i) The Rate of Interest for a Series will be reset on each Reset Date in respect of that Series on the basis of the aggregate of the Margin and the Relevant Reset Rate on the relevant Reset Determination Date, as determined by the Calculation Agent.
- (ii) The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Reset Period, cause the applicable Rate of Interest to be notified to the Noteholders in accordance with Condition 15 (*Notices*), the Agents, the Issuer and any stock exchange on which the relevant Notes are for the time being listed. The Rate of Interest so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of manifest error. Any such amendment will be promptly notified to any stock exchange on which the relevant Notes are for the time being listed and to the Noteholders in accordance with Condition 15 (*Notices*).
- (iii) For the avoidance of doubt, the Calculation Agent shall not be responsible to the Issuer, the Noteholders or to any third party (except, in the case of the Issuer only, in the event of wilful default, gross negligence or fraud of the Calculation Agent) as a result of the Calculation Agent having relied upon any quotation, ratio or other information provided to it by any person for the purposes of making any determination hereunder, which subsequently may be found to be incorrect or inaccurate in any way or for any loss or damage in relation thereto, or for failure to comply or delay in complying with any duty or obligation, under or pursuant to these Conditions, arising as a direct or indirect result of any force majeure or any act beyond its control.

(c) **Determinations of Calculation Agent and the Issuer binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 (*Interest and Other Calculations*), whether by the Calculation Agent or the Issuer (or their respective agents), shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all Noteholders and (in the absence of its own wilful default or gross negligence) no liability to the Issuer, any Agent and the Noteholders shall attach to the Calculation Agent or the Issuer in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

(d) **Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Period shall be equal to the Interest Payment Amount. In respect of any other period for which interest is required to be calculated, the amount of interest payable per Calculation Amount shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Pricing Supplement and the Day Count Fraction for the period for which interest is required to be calculated.

(e) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 (*Interest and other Calculations*) to the Relevant Date (as defined in Condition 9 (*Taxation*)).

## 5 Interest Payment Restrictions

(a) **Non-Payment Event**

Notwithstanding Condition 4 (*Interest and Other Calculations*), if any of the following events (each, a “**Non-Payment Event**”) occurs in respect of a Series, Interest Payment Amounts shall not be paid on any Interest Payment Date:

- (i) the Interest Payment Amount in respect of the relevant Series payable by the Issuer, when aggregated with any distributions or amounts payable by the Issuer on the date for payment of such Interest Payment Amounts (or otherwise due and payable on such date) on any other obligations in respect of Pari Passu Obligations and Junior Obligations, exceeds, on the relevant date for payment of such Interest Payment Amounts, the Distributable Profits; or
- (ii) the Issuer is, on that Interest Payment Date, in breach of (or such payment would cause a breach of) the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any applicable capital buffers imposed on the Issuer by the Financial Regulator); or
- (iii) the Financial Regulator requires that the Interest Payment Amounts due on that Interest Payment Date shall not be paid on account of the Issuer making a net loss during the relevant financial period or for any other reason as it may deem necessary.

(b) **Non-Payment Election**

In respect of a Series, notwithstanding Condition 4 (*Interest and Other Calculations*), the Issuer may, in its sole discretion, elect that any Interest Payment Amount (or any part thereof) will not be paid on any Interest Payment Date (a “**Non-Payment Election**”), provided that the foregoing in this Condition 5(b) (*Non-Payment Election*) shall not apply once the Issuer has given notice to Noteholders that the Notes will be redeemed in whole in accordance with Condition 6 (*Redemption, purchase and cancellation*).

(c) **Effect of Non-Payment Event or Non-Payment Election**

In respect of each Series, if the Issuer makes a Non-Payment Election or a Non-Payment Event occurs, then the Issuer shall: (i) in the case of a Non-Payment Election, no later than 14 calendar days prior to the relevant Interest Payment Date; and (b) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case (except where the relevant Non-Payment Event occurs during such period), no later than five Business Days prior to the relevant Interest Payment Date, give notice to the Fiscal Agent and the Noteholders in accordance with Condition 15 (*Notices*) in each case providing details of the Non-Payment Election (including, if relevant, details of any partial payment to be made) or Non-Payment Event, as the case may be.

In the absence of notice of such Non-Payment Election or Non-Payment Event, as the case may be, having been given in accordance with this Condition 5(c) (*Effect of Non-Payment Event or Non-Payment Election*), the fact of non-payment of the relevant Interest Payment Amount (or any part thereof) on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Noteholders shall have no claim in respect of any Interest Payment Amount (or any part thereof) not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event has been given in accordance with this Condition 5(c) (*Effect of Non-Payment Event or Non-Payment Election*)) and any non-payment of an Interest Payment Amount (or any part thereof) in such circumstances shall not constitute an Enforcement Event with respect to such Series. The Issuer shall have no obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount (or any part thereof).

(d) **Dividend and Redemption Restrictions**

In respect of each Series, if any Interest Payment Amount (or any part thereof) is not paid as a consequence of a Non-Payment Event or a Non-Payment Election pursuant to Conditions 5(a) (*Non-Payment Event*) or 5(b) (*Non-Payment Election*) (as the case may be), then, from the date of such Non-Payment Event or Non-Payment Election (the “**Dividend Stopper Date**”), the Issuer will not, so long as any Notes of such Series are outstanding:

- (i) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (ii) declare or pay interest, profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, junior to, or *pari passu* with the Obligations (excluding securities the terms of which do not at the relevant time enable the Issuer to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time; or
- (iii) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any Ordinary Shares; or
- (iv) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Issuer ranking, as to the right of repayment of capital, junior to, or *pari passu* with, the Obligations (excluding securities the terms of which stipulate (i) any mandatory redemption in accordance with its terms or (ii) any conversion into, or exchange for, Ordinary Shares), only to the extent such restriction on

redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time,

in each case, unless or until one payment of an Interest Payment Amount following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Noteholders) with respect to such Series.

## **6 Redemption, purchase and cancellation**

### **(a) No Fixed Redemption Date and Conditions for Redemption**

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3(b) (*Subordination*), Condition 7 (*Write-Down at the Point of Non-Viability*) and Condition 11 (*Enforcement Events and Winding-up*) only have the right to redeem the Notes in accordance with the following provisions of this Condition 6 (*Redemption, purchase and cancellation*).

The redemption of any Series of Notes pursuant to this Condition 6 (*Redemption, purchase and cancellation*) is subject to the following conditions (in addition to those set out elsewhere in this Condition 6 (*Redemption, purchase and cancellation*)):

- (i) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so require(s)) the Issuer having obtained the prior consent of the Financial Regulator;
- (ii) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so require(s)) at the time when the relevant notice of redemption is given, the Issuer being in compliance with the Applicable Regulatory Capital Requirements;
- (iii) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so require(s)) immediately following such redemption, the Issuer being in compliance with the Applicable Regulatory Capital Requirements; and
- (iv) (in the case of a redemption pursuant to Condition 6(c) (*Redemption due to Taxation*) or Condition 6(d) (*Redemption for Capital Event*) only) the Tax Event or Capital Event, as the case may be, having become, or becoming, effective on or after the Issue Date of the first Tranche of the relevant Series.

### **(b) Redemption at the Option of the Issuer**

- (i) Subject to Condition 6(a) (*No Fixed Redemption Date and Conditions for Redemption*), this Condition 6(b) (*Redemption at the Option of the Issuer*) and Condition 6(e) (*No Redemption following Delivery of a Non-Viability Notice*), the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (Notices) and the Fiscal Agent (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes of the relevant Series on any Call Date at their Final Redemption Amount together with any accrued but unpaid interest thereon to, but excluding, such Call Date.
- (ii) At the same time as the delivery of any notice of redemption pursuant to this Condition 6(b) (*Redemption at the Option of the Issuer*), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Authorised Signatories stating that all conditions precedent to the redemption of the relevant Series of Notes pursuant to this Condition 6(b) (*Redemption at the Option of the Issuer*) and Condition 6(a) (*No Fixed Redemption Date and Conditions for Redemption*) have

been satisfied. Such certificate shall be conclusive and binding evidence of the satisfaction of such conditions precedent, and the Fiscal Agent shall be entitled to accept it without liability to any person. Upon expiry of such notice, the Issuer shall redeem the relevant Series of Notes.

(c) **Redemption due to Taxation**

- (i) Subject to Condition 6(a) (*No Fixed Redemption Date and Conditions for Redemption*), this Condition 6(c) (*Redemption due to Taxation*) and Condition 6(e) (*No Redemption following Delivery of a Non-Viability Notice*), the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (Notices) and the Fiscal Agent (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes of the relevant Series at their Final Redemption Amount together with any accrued but unpaid interest thereon to, but excluding, the date fixed for redemption, if, on the occasion of the next payment due under the Notes (a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws, published practice or regulations of the Kingdom of Saudi Arabia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, published practice or regulations (including a holding by a court of the Kingdom of Saudi Arabia) and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (the "**Tax Event**"); provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.
- (ii) At the same time as the delivery of any notice of redemption pursuant to this Condition 6(c) (*Redemption due to Taxation*), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two Authorised Signatories stating that (I) all conditions precedent to the redemption of the relevant Series of Notes pursuant to this Condition 6(c) (*Redemption due to Taxation*) and Condition 6(a) (*No Fixed Redemption Date and Conditions for Redemption*) have been satisfied and (II) a Tax Event has occurred; and (B) a copy of the opinion of an independent tax or legal adviser of recognised standing to the effect that a Tax Event has occurred. A certificate delivered pursuant to paragraph (A) of this Condition 6(c)(ii) (*Redemption due to Taxation*) shall be conclusive and binding evidence of the satisfaction of such conditions precedent, and the Fiscal Agent shall be entitled to accept it without liability to any person. Upon expiry of such notice, the Issuer shall redeem the relevant Series of Notes.
- (iii) Redemption of any Series of Notes pursuant to this Condition 6(c) (*Redemption due to Taxation*) may occur on any date on or after the relevant Issue Date (whether or not an Interest Payment Date).

(d) **Redemption for Capital Event**

- (i) Subject to Condition 6(a) (*No Fixed Redemption Date and Conditions for Redemption*), this Condition 6(d) (*Redemption for Capital Event*) and Condition 6(e) (*No Redemption following Delivery of a Non-Viability Notice*), the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (Notices) and the Fiscal Agent (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes of the relevant Series at their Final Redemption Amount together with any accrued but unpaid interest thereon to, but excluding, the date fixed for redemption, if a Capital Event has occurred and is continuing in respect of such Series of Notes.

- (ii) At the same time as the delivery of any notice of redemption pursuant to this Condition 6(d) (*Redemption for Capital Event*), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Authorised Signatories stating that (A) all conditions precedent to the redemption of the relevant Series of Notes pursuant to this Condition 6(d) (*Redemption for Capital Event*) and Condition 6(a) (*No Fixed Redemption Date and Conditions for Redemption*) have been satisfied and (B) a Capital Event has occurred and is continuing as at the date of the certificate. Such certificate shall be conclusive and binding evidence of the satisfaction of such conditions precedent, and the Fiscal Agent shall be entitled to accept it without liability to any person. Upon expiry of such notice, the Issuer shall redeem the relevant Series of Notes.
- (iii) Redemption of any Series of Notes pursuant to this Condition 6(d) (*Redemption for Capital Event*) may occur on any date on or after the relevant Issue Date (whether or not an Interest Payment Date).

(e) **No redemption following delivery of a Non-Viability Notice**

If the Issuer has elected to redeem the Notes of any Series and prior to the redemption of such Notes a Non-Viability Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Noteholders (in accordance with Condition 15 (*Notices*)), the Fiscal Agent and the Registrar as soon as practicable. Further, no notice of redemption pursuant to this Condition 6 (*Redemption, purchase and cancellation*) shall be given in the period following the giving of a Non-Viability Notice and prior to the relevant Non-Viability Event Write-down Date.

(f) **Purchases**

Subject to the Issuer: (i) obtaining the prior approval of the Financial Regulator (except to the extent that the Capital Regulations and/or the Financial Regulator no longer so require(s)) and (ii) being in compliance with the Applicable Regulatory Capital Requirements at the time of purchase, the Issuer or any of its Subsidiaries may purchase the Notes of any Series in any manner and at any price. Upon any such purchase, the Issuer shall deliver such Notes to the Registrar for cancellation.

(g) **Cancellations**

All Notes which are: (a) redeemed pursuant to Condition 6(b) (*Redemption at the Option of the Issuer*), Condition 6(c) (*Redemption due to Taxation*) or Condition 6(d) (*Redemption for Capital Event*); or (b) purchased pursuant to Condition 6(f) (*Purchases*) and which the Issuer delivers for cancellation in accordance with Condition 6(f) (*Purchases*), will forthwith be cancelled and accordingly may not be held, reissued or resold.

## 7 **Write-down at the Point of Non-Viability**

(a) **Effectiveness of this Condition**

The provisions of this Condition 7 (*Write-down at the Point of Non-Viability*) will lapse and cease to apply with effect from (and including) the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of any Series of Notes (the “**Effective Date**”), except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime or the Financial Regulator in the exercise of its powers thereunder. Forthwith following the occurrence of the Effective Date, the Issuer shall give notice of such occurrence to the Fiscal Agent and the Noteholders in accordance with Condition 15 (*Notices*). If the Issuer becomes Non-Viable on or after the Effective Date,

the Financial Regulator (or the Issuer on instructions from the Financial Regulator) may take such action in respect of the Notes as is required or permitted by such Applicable Statutory Loss Absorption Regime.

(b) **Non-Viability Event**

If a Non-Viability Event occurs at any time on or after the Issue Date of the first Tranche of a Series, a Write-down (in whole or in part, as applicable) will take place in accordance with Condition 7(c) (*Non-Viability Notice*).

(c) **Non-Viability Notice**

- (i) In respect of each Series, on the third Business Day following the date on which a Non-Viability Event occurs (or on such earlier date as determined by the Financial Regulator), the Issuer will notify the Fiscal Agent, the Registrar and the Noteholders (in accordance with Condition 15 (*Notices*)) thereof (such notice, a “**Non-Viability Notice**”).
- (ii) Such Non-Viability Notice shall:
  - (A) state that a Non-Viability Event has occurred;
  - (B) state that a Write-down will take place and, following guidance from the Financial Regulator, whether such Write-down will be a full or partial Write-down;
  - (C) specify, in the case of a Write-down in part only, the Write-down Amount as determined by the Financial Regulator and notified to the Issuer;
  - (D) specify, in the case of a Write-down in full, that the Issuer has received written confirmation from the Financial Regulator that the Financial Regulator has determined the aggregate nominal amount of the Certificates of the relevant Series then outstanding to be zero; and
  - (E) specify the Non-Viability Event Write-down Date.
- (iii) A Write-down will occur on the Non-Viability Event Write-down Date and, with effect from such date, references in these Conditions to the “**nominal amount**” and “**outstanding nominal amount**” of the Notes shall be construed accordingly.

## 8 **Payments and Talons**

(a) **Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 8(f)(v) (*Unmatured Coupons and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 8(f)(v) (*Unmatured Coupons and unexchanged Talons*)), as the case may be, by transfer to an account denominated in such currency with a Bank.

In this Condition 8 (*Payments and Talons*), “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

(b) **Registered Notes**

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, in the place of payment but without prejudice to the provisions of Condition 9 (*Taxation*).

(e) **Appointment of Agents**

The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed.

If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or (without prejudice to Condition 4(c) (*Determinations of Calculation Agent and the Issuer binding*)) fails duly to determine the Rate of Interest in respect of any Reset Period as provided in Condition 4(b) (*Reset Interest Rate*), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and unexchanged Talons**

(i) Upon the due date for redemption of Bearer Notes, those Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of



principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9 (*Taxation*)).

- (ii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iii) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iv) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be.

(g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9 (*Taxation*)).

(h) **Non-Business Days**

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” in the applicable Pricing Supplement and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 9 **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Kingdom of Saudi Arabia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such

withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) *Other connection:* to, or to a third-party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Kingdom of Saudi Arabia other than the mere holding of the Note or Coupon; or
- (b) *Presentation more than 30 days after the Relevant Date:* presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include Final Redemption Amounts, (ii) “**interest**” shall be deemed to include all Interest Payment Amounts and all other amounts payable pursuant to Condition 4 (*Interest and other Calculations*) or any amendment or supplement to it and (ii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 9 (*Taxation*).

## 10 Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 11 Enforcement Events and Winding-up

### (a) Enforcement Events

If any of the following events (“**Enforcement Events**”) occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the same shall, subject to Condition 7 (*Write-down at the Point of Non-Viability*), Condition 6 (*Redemption, purchase and cancellation*) and Condition 11(b) (*Proceedings for Winding-up*), become immediately due and payable at its Final Redemption Amount together with accrued interest to the date of payment:

- (i) if default is made in the payment of any principal or interest due under the Notes or any of them and the default continues for a period of seven days or more in the case of principal or 14 days

or more in the case of interest (save in each case where such default occurs solely as a result of the occurrence of a Non-Payment Event or the Issuer making a Non-Payment Election); or

- (ii) if an administrator is appointed, an order is made by any competent court or the government of the Kingdom of Saudi Arabia or an effective resolution is passed for the administration, winding-up, liquidation, dissolution or similar event of the Issuer in accordance with applicable law or the Issuer applies or petitions for a winding-up or an administration order in respect of itself (except, in any such case, a solvent winding-up solely than for the purposes of a reorganisation, reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority) (a “**Winding-Up Proceeding**”); or
- (iii) any event occurs which under the laws of the Kingdom of Saudi Arabia has an analogous effect to any of the events referred to in paragraph (ii) above.

(b) **Proceedings for Winding-up**

- (i) If, in relation to a Series, an Enforcement Event occurs, any Noteholder may, at its discretion and without further notice: (A) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (B) prove in the winding-up of the Issuer and/or (C) institute any steps, actions or proceedings for the bankruptcy of the Issuer and/or (D) claim in the liquidation of the Issuer and/or (E) take such other steps, actions or proceedings which, under the laws of the Kingdom of Saudi Arabia, have an analogous effect to the actions referred to in (A) to (D) above, in each case, for such payment referred to in Condition 11(a) (*Enforcement Events*). No payment in respect of the Notes may be made by the Issuer as a result of any steps, actions or proceedings taken pursuant to Condition 11(a) (*Enforcement Events*), nor will the Noteholders accept the same, otherwise than during or after a winding-up (or analogous event) of the Issuer, unless the Issuer has given prior written notice (with a copy to the Fiscal Agent) to, and received no objection from, the Financial Regulator (which the Issuer shall confirm in writing to the Fiscal Agent).
- (ii) Without prejudice to Condition 11(a) (*Enforcement Events*) and the remaining provisions of this Condition 11(b) (*Proceedings for Winding-up*), any Noteholder may at its discretion and without further notice institute such steps, actions or proceedings against the Issuer, as it may think fit to enforce any term or condition binding on Issuer under the Notes, in each case, other than any payment obligation of the Issuer under or arising from the Notes (including, without limitation, payment of any principal or interest in respect of the Notes, including any damages awarded for breach of any obligations). However, in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions.
- (iii) All claims by any Noteholder against the Issuer (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer under the Notes) shall be subject to, and shall be superseded by, the provisions of Condition 7 (*Write-down at the Point of Non-Viability*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim.
- (iv) No remedy against the Issuer, other than as referred to in this Condition 11 (*Enforcement Events and Winding-up*), shall be available to the Noteholders, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Notes.

## **12 Meeting of Noteholders and Modifications**

### **(a) Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10.0 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of redemption of the Notes (including any Call Date) or any date for payment of interest or Interest Payment Amounts on the Notes, (ii) to amend Condition 3 (*Status and Subordination*), (iii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Payment Amount in respect of the Notes, (iv) to vary any method of, or basis for, calculating the Final Redemption Amount of any Note, (v) to vary the currency or currencies of payment or denomination of the Notes, or (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than two thirds or at any adjourned meeting not less than one-third in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75.0 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The agreement, consent or approval of the Noteholders shall not be required in the case of cancellation of interest in accordance with Conditions 5(a) (*Non-Payment Event*) or 5(b) (*Non-Payment Election*), or reduction of the outstanding nominal amount of any Series in accordance with Conditions 6 (*Redemption, purchase and cancellation*) or 7 (*Write-down at the Point of Non-Viability*).

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

### **(b) Modification of Agency Agreement**

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

## **13 Replacement of Notes, Certificates, Coupons and Talons**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of any Fiscal Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to

time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

#### **14 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders, but subject to the Issuer obtaining the prior approval of the Financial Regulator if so required, create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to “**Issue Date**” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “**Notes**” shall be construed accordingly.

#### **15 Notices**

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to these Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed and/or admitted to trading. If any such publication is not practicable, notice required to be given pursuant to these Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

#### **16 Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, to the extent of the amount in the currency of payment under the relevant Note or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 16 (*Currency Indemnity*), it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These

indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgment or order.

## 17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 18 Governing Law and Arbitration

### (a) Governing Law

The Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### (b) Arbitration

Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Coupons or the Deed of Covenant (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity or any dispute relating to any non-contractual obligations arising out of or in connection with them or this Condition 18(b) (*Arbitration*)) (a "**Dispute**") shall be referred to and finally resolved by arbitration, with a seat (or legal place) of arbitration in London, England conducted in the English language by three arbitrators pursuant to the arbitration rules of the LCIA (the "**Rules**") (such arbitration to also be administered by the LCIA in accordance with those Rules). The claimant (or claimants jointly) shall nominate one arbitrator for appointment by the LCIA Court. The respondent (or respondents jointly) shall nominate one arbitrator for appointment by the LCIA Court. The third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by the parties. If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

### (c) Consolidation

The Issuer has in the Deed of Covenant:

- (i) agreed that the arbitration agreement set out in this Condition 18 (*Governing Law and Arbitration*) and the arbitration agreement contained in the Agency Agreement shall together be deemed to be a single arbitration agreement;
- (ii) agreed to the consolidation of any two or more arbitrations commenced pursuant to this Condition 18 (*Governing Law and Arbitration*) and/or the arbitration agreement contained in the Agency Agreement, subject to and in accordance with the Rules. Notwithstanding anything to the contrary in the Rules, Issuer has agreed that no arbitrations other than those referred to in this Condition 18(c)(ii) (*Consolidation*) may be consolidated. For the avoidance of doubt, this Condition 18(c)(ii) (*Consolidation*) is an agreement in writing by all parties for the purposes of Article 22.7(i) and Article 22.8(i) of the Rules. The Issuer has further agreed that:
  - (A) if a tribunal has been constituted in more than one of the arbitrations in respect of which consolidation is sought pursuant to this Condition 18(c)(ii) (*Consolidation*), the tribunal

which shall have the power to order consolidation shall be the tribunal appointed first in time; and

(B) the requirement in the Rules that a tribunal considering whether to consolidate disputes should give the parties a reasonable opportunity to state their views shall extend to all parties to each of the arbitrations in respect of which consolidation is sought; and

(iii) to the extent permitted by law, waived any objection, relating to the fact that a Dispute has been resolved in a manner contemplated by this Condition 18(c) (*Consolidation*), to the validity and/or enforcement of any arbitral award.

(d) **Service of Process**

The Issuer hereby irrevocably and unconditionally appoints Walkers at its registered office at The Scalpel, 11th Floor, 52 Lime Street, London EC2M 7AF, United Kingdom, as its agent for service of process in England in respect of any proceedings relating to any Dispute (the “**Proceedings**”) and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 15 (*Notices*). Nothing shall affect the right to serve process in any manner permitted by law.

## 19 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Additional Tier 1 Capital**” means capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, additional tier 1 capital in accordance with the Capital Regulations;

“**Applicable Regulatory Capital Requirements**” means the requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Issuer, on a consolidated or non-consolidated basis, including transitional rules and waivers granted in respect of the foregoing;

“**Applicable Statutory Loss Absorption Regime**” means a Statutory Loss Absorption Regime that is applicable to the Notes and which, alone or together with any other law(s) or regulation(s), has the effect that Conditions 7(b) (*Non-Viability Event*) and 7(c) (*Non-Viability Notice*) could cease to apply to the Notes without giving rise to a Capital Event;

“**Authorised Signatory**” means the person or persons duly authorised by the Issuer to sign documents and to do other acts and things on behalf the Issuer or any other person or persons duly notified by the Issuer to the Fiscal Agent as being an authorised signatory pursuant to the Agency Agreement;

“**Basel III**” means the set of reforms to the international regulatory capital framework for banks issued by the Basel Committee (including, but not limited to, the Basel III Documents) as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for tier 1 capital instruments and tier 2 capital instruments);

“**Basel III Documents**” means the Basel Committee document “*A global regulatory framework for more resilient banks and banking systems*” released by the Basel Committee on 16 December 2010 and revised in

June 2011 and the Annex contained in its document “*Basel Committee issues final elements of the reforms to raise the quality of regulatory capital*” released on 13 January 2011;

“**Basel Committee**” means the Basel Committee on Banking Supervision;

“**Broken Amount**” means the amount specified as such in the applicable Pricing Supplement;

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, any day on which T2 is open for the settlement of payments in euro (a “**TARGET Business Day**”);

“**Call Date**” means:

- (i) if “Par Call Period” is specified as applicable in the applicable Pricing Supplement, the First Call Date and any date thereafter up to and including the First Reset Date and any Interest Payment Date following the First Reset Date; or
- (ii) if “Par Call Period” is specified as being not applicable in the applicable Pricing Supplement, the First Call Date or any Interest Payment Date thereafter;

“**Capital Event**” is deemed to have occurred if the Issuer is notified in writing by the Financial Regulator to the effect that the outstanding nominal amount (or, if some nominal amount of the Notes outstanding are held by the Issuer or whose purchase is funded by the Issuer, the amount that qualifies as regulatory capital) of the Notes is excluded (in full or, to the extent not prohibited by relevant regulatory criteria for Tier 1 Capital, in part) from the consolidated, or as the case may be, non-consolidated Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of either (a) any applicable limitation on the amount of such capital; or (b) such capital ceasing to count towards the Issuer’s capital base through any amortisation or similar process or any changes thereto (including any amortisation or similar process imposed through any grandfathering arrangement));

“**Capital Regulations**” means, at any time, the regulations, standards, requirements, guidelines, guidance and policies relating to the maintenance of capital and/or capital adequacy then in effect in the Kingdom of Saudi Arabia, including those of the Financial Regulator;

“**Common Equity Tier 1 Capital**” means capital of the Issuer qualifying as, and approved by the Financial Regulator as, or capital which would, but for any applicable limitation on the amount of such capital, qualify as, common equity tier 1 capital in accordance with the Applicable Regulatory Capital Requirements at such time;

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual – ISDA**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);



- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**Actual 365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the date on which the Final Redemption Amount is payable or (ii) such number would be 31, in which case D<sub>2</sub> will be 30; and

- (viii) if “**Actual/Actual-ICMA**” is specified in the applicable Pricing Supplement,

(I) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(II) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“**Determination Date**” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Interest Payment Date(s).

“**Distributable Profits**” means the amount of the Issuer’s consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law), after the transfer of any amounts to non-distributable reserves, all as calculated by the Issuer based on its most recent consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations;

“**Effective Date**” has the meaning given to it in Condition 7(a) (*Effectiveness of this Condition*);

“**Enforcement Events**” has the meaning given to it in Condition 11(a) (*Enforcement Events*);

“**Final Redemption Amount**” means, in relation to each Note, its outstanding nominal amount;

“**Financial Regulator**” means SAMA or such other governmental authority which assumes or performs the functions of SAMA, as at the Issue Date, or such other successor authority exercising primary banking supervision, in each case with respect to prudential matters in relation to the Issuer;

“**First Call Date**” means the date specified as such in the applicable Pricing Supplement;

“**First Fallback Reset Rate**” means the rate specified as such in the applicable Pricing Supplement;

“**First Reset Date**” means the date specified as such in the applicable Pricing Supplement;

“**H.15**” means the daily statistical release designated as such, or any successor or replacement publication, published by the Board of Governors of the United States Federal Reserve System and “most recent H.15” means the H.15 published closest in time but prior to the applicable U.S. Securities Determination Date. H.15 may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

“**IFRS**” means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

“**Initial Fixed Coupon Amount**” means the amount specified as such in the applicable Pricing Supplement;

“**Initial Period**” has the meaning given to it in Condition 4(a) (*Interest Rate and Interest Payment Dates*);

“**Initial Rate of Interest**” means the rate specified as such in the applicable Pricing Supplement;

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified in the applicable Pricing Supplement.

“**Interest Payment Amount**” means, in respect of an Interest Period, the amount of interest payable per Calculation Amount for that Interest Period and which, unless otherwise specified in the applicable Pricing Supplement, shall:

- (i) for any Interest Period forming part of the Initial Period, be the Initial Fixed Coupon Amount or Broken Amount specified in the applicable Pricing Supplement; and
- (ii) for any Interest Period forming part of each Reset Period (if any), be the relevant amount calculated in accordance with Condition 4(b) (*Reset Interest Rate*);

“**Interest Payment Date**” means the date(s) specified as such in the applicable Pricing Supplement;

“**Interest Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified in the applicable Pricing Supplement;

“**Junior Obligations**” means all claims of the holders of Ordinary Shares and all payment obligations of the Issuer in respect of its Other Common Equity Tier 1 Instruments and any other subordinated payment obligations of the Issuer which rank, or are expressed to rank, junior to the Obligations;

“**Margin**” means the percentage specified as such in the applicable Pricing Supplement;

“**Mid-Swap Maturity**” means the maturity specified as such in the applicable Pricing Supplement;

“**Non-Payment Election**” has the meaning given to it in Condition 5(b) (*Non-Payment Election*);

“**Non-Payment Event**” has the meaning given to it in Condition 5(a) (*Non-Payment Event*);

“**Non-Viability Event**” means, in relation to a Series, that the Financial Regulator has notified the Issuer in writing that it has determined that the Issuer is, or will become, Non-Viable without:

- (i) a Write-down of the Notes of that Series (and write-down of any of the Issuer’s other capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital of the Issuer that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or
- (ii) a public sector injection of capital (or equivalent support);

“**Non-Viability Event Write-down Date**” means the date on which the Write-down will take place as specified in the relevant Non-Viability Notice, which date shall be no later than ten Business Days after the date of the Non-Viability Notice (or such earlier date as determined by the Financial Regulator);

“**Non-Viability Notice**” has the meaning given to it in Condition 7(c) (*Non-Viability Notice*);

“**Non-Viable**” means: (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business; or (b) any other event or circumstance which is specified as constituting non-viability by the Financial Regulator or in applicable Capital Regulations or any Applicable Statutory Loss Absorption Regime;

“**Obligations**” has the meaning given to it in Condition 3 (*Status and Subordination*);

“**Ordinary Shares**” means the ordinary shares of the Issuer;

“**Other Common Equity Tier 1 Instruments**” means securities issued by the Issuer that qualify as Common Equity Tier 1 Capital other than Ordinary Shares;

“**Pari Passu Obligations**” means all subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Obligations;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Rate of Interest**” means, in respect of the Initial Period, the Initial Rate of Interest and, in respect of each Reset Period thereafter, the Reset Interest Rate;

**“Relevant Reset Rate”** means, in respect of each Reset Period:

- (i) if the Specified Currency is U.S. dollars (x) a rate per annum (expressed as a decimal) determined on the relevant U.S. Securities Determination Date equal to the yield that represents the average of the daily yields for the week immediately preceding the relevant U.S. Securities Determination Date to maturity for U.S. Treasury securities with the Mid-Swap Maturity and trading in the public securities markets; or (y) if there is no such published U.S. Treasury security with the Mid-Swap Maturity and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent yield that represents the average of the daily yields for the week immediately preceding the relevant U.S. Securities Determination Date to maturity for two series of U.S. Treasury securities trading in the public securities market: (A) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (B) the other maturing as close as possible to, but later than, the immediately following Reset Date, in each case as derived from the most recent H.15. If the Issuer cannot procure the determination of the Relevant Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in paragraphs (x) and (y) above, then the Relevant Reset Rate will be: (i) equal to the rate applicable to the immediately preceding Reset Period; or (ii) in the case of the Reset Period commencing on the First Reset Date, the First Fallback Reset Rate; and
- (ii) if the Specified Currency is any currency other than U.S. dollars, the rate calculated in accordance with the method prescribed by the applicable Pricing Supplement;

**“Reset Date”** has the meaning given to it in the applicable Pricing Supplement;

**“Reset Determination Date”** means, in respect of each Reset Period:

- (i) if the Specified Currency is U.S. dollars, the U.S. Securities Determination Date; and
- (ii) if the Specified Currency is any currency other than U.S. dollars, the date specified as such in the applicable Pricing Supplement;

**“Reset Interest Rate”** means the rate of interest determined in accordance with Condition 4(b) (*Reset Interest Rate*);

**“Reset Period”** means, in relation to a Series, the period from (and including) the First Reset Date to (but excluding) the following Reset Date, and (if applicable) each successive period thereafter from (and including) such Reset Date to (but excluding) the next succeeding Reset Date, in each case of that Series;

**“SAMA”** means the Saudi Central Bank and/or any of its successors or assigns;

**“Senior Obligations”** means all unsubordinated payment obligations of the Issuer (including payment obligations of the Issuer to its depositors (in respect of their due claims)) and all subordinated payment obligations (if any) of the Issuer except Pari Passu Obligations and Junior Obligations;

**“Series”** means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms and are expressed to have the same series number;

**“Specified Currency”** means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Notes are denominated;

**“Statutory Loss Absorption Regime”** means any statutory regime implemented in the Kingdom of Saudi Arabia which provides the Financial Regulator with the powers to implement loss absorption

measures in respect of capital instruments (such as the Notes), including, but not limited to, any such regime which is implemented pursuant to Basel III and/or the Law on the Treatment of Systemically Important Financial Institutions issued by Royal Decree number M/38 dated 25/04/1442H (corresponding to 11 December 2020);

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person whose financial statements are, in accordance with applicable law and IFRS, consolidated with those of the first Person;

“**T2**” means the real time gross settlement system operated by the Eurosystem, or any successor system;

“**Tax Event**” has the meaning given to it in Condition 6(c) (*Redemption due to Taxation*);

“**Tier 1 Capital**” means capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

“**Tier 2 Capital**” means capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 2 capital in accordance with the Capital Regulations;

“**U.S. dollars**” and “**U.S.\$**” means the lawful currency of the United States of America;

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed-income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

“**U.S. Securities Determination Date**” means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply;

“**Winding-Up Proceeding**” has the meaning given to it in Condition 11(a) (*Enforcement Events*);

“**Write-down**” means, in relation to a Series:

- (i) in the case of the relevant Write-down Amount corresponding to the full proportion of the nominal amount of Notes then outstanding, the Notes of such Series shall be cancelled;
- (ii) in the case of the relevant Write-down Amount corresponding to less than the full proportion of the nominal amount of Notes then outstanding, the Notes of such Series shall be Written-down in part on a pro rata basis in a proportion corresponding to the Write-down Amount;
- (iii) subject to payment of accrued and unpaid Interest Payment Amounts if and only to the extent that such Interest Payment Amounts became due and payable to the Noteholders prior to the date of the Non-Viability Notice (and provided that payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Noteholder for payment of any amounts under or in respect of such Series of Notes (including, without limitation, principal and any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Interest Payment Amounts) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date,

and all references to “**Written-down**” will be construed accordingly; and

**“Write-down Amount”** means, in relation to a Series, the outstanding nominal amount of Notes of such Series that the Financial Regulator has determined to be Written-down.

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche of the Notes issued under the Programme will be substantially in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue.*

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH THE UK PROSPECTUS REGULATION FOR THE ISSUE OF THE INSTRUMENTS DESCRIBED BELOW. THE UNITED KINGDOM FINANCIAL CONDUCT AUTHORITY HAS NEITHER APPROVED NOR REVIEWED ANY INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT AND ANY INSTRUMENTS ISSUED PURSUANT TO THIS PRICING SUPPLEMENT ARE NOT COMPLIANT WITH THE UK PROSPECTUS REGULATION.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**[UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in [Regulation



(EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK MiFIR**”)/[UK MiFIR]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Notes (a “**distributor**”)] [distributor] should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**[Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [‘prescribed capital markets products’]/[capital markets products other than ‘prescribed capital markets products’] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04 N12: Notice on the Sale of Investment Products and MAS Notice FAA N16: Notice on Recommendations on Investment Products).]<sup>1</sup>

### **Pricing Supplement dated [●]**

**Banque Saudi Fransi**  
**(LEI: 558600N07EDF4ATYR106)**

**[Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$3,000,000,000  
Additional Tier 1 Capital Note Programme]**

/

**[Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
to be consolidated and form a single series with  
[Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$3,000,000,000  
Additional Tier 1 Capital Note Programme]**

## **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the offering circular dated [●] 2024 [and the supplementary offering circular dated [●]], which [together] constitute[s] a base offering circular (the “**Base Offering Circular**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular. This document does not constitute listing particulars that the FCA has reviewed or approved pursuant to Listing Rule 4 of the FCA Handbook. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Offering Circular. Copies

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<sup>1</sup> For any Notes to be offered to Singapore investors, the Issuer is to consider whether it needs to reclassify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

of the Base Offering Circular may be obtained from the registered offices of the Fiscal Agent [at Citigroup Centre, 6<sup>th</sup> Floor, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base offering circular with an earlier date.*

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the offering circular dated [date of original offering circular] [and the supplement(s) thereto dated [●]] which are incorporated by reference into the offering circular dated [●] 2024 [and the supplementary offering circular dated [●]], which [together] constitute[s] a base offering circular (the “**Base Offering Circular**”), and which are attached hereto. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular, save in respect of the Conditions, which are extracted from the offering circular dated [date of original offering circular] [and the supplement(s) thereto dated [●]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Offering Circular. Copies of the Base Offering Circular may be obtained from the registered offices of the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

1	Issuer:	Banque Saudi Fransi
2	[(a)] Series Number:	[●]
	[(b)] Tranche Number:	[●]
3	<b>Specified Currency or Currencies:</b>	[●]
4	<b>Aggregate Nominal Amount of Notes:</b>	[●]
	[(a)] Series:	[●]
	[(b)] Tranche:	[●]
5	<b>Issue Price:</b>	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	[(a)] Specified Denominations:	[●]
	(b) Calculation Amount:	[●]
7	(a) Issue Date:	[●]
	(b) Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8	Date of Board approval for issuance of Notes:	[●] 2024

**PROVISIONS RELATING TO INTEREST PAYABLE**

9	Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Interest Payment Date]
10	Interest Payment Date(s):	[●] in each year
11	Interest Payment Amount:	[As per Condition 19] / [specify other]
12	Interest Period:	[As per Condition 19] / [specify other]
13	Initial Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
14	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
15	Margin:	[+/-][●] per cent. per annum

- 16 Day Count Fraction: [Actual / Actual] / [Actual / Actual – ISDA] / [Actual/365 (Fixed)] / [Actual / 360] / [Actual 365 (Sterling)] / [30/360] / [360/360] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]
- 17 Determination Date(s): [[●] in each year] / [Not Applicable]
- 18 First Reset Date: [●]
- 19 Reset Date(s): [First Reset Date and every [●] anniversary thereafter]
- 20 Relevant Reset Rate: [As per Condition 19] / [specify other]
- 21 Reset Determination Date: [As per Condition 19] / [specify other]
- 22 Mid-Swap Maturity: [●] years
- 23 First Fallback Reset Rate: [●]
- 24 Calculation Agent: [Fiscal Agent] / [specify other]

**PROVISIONS RELATING TO REDEMPTION**

- 25 Par Call Period [Applicable / Not Applicable]
- 26 First Call Date: [●]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 27 **Form of Notes:** Bearer Notes:  
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
 [Temporary Global Note exchangeable for Definitive Notes on [●] days’ notice]  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]  
 Registered Notes:  
 [Regulation S Global Certificate registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg]]
- 28 **Financial Centre(s) or other special provisions relating to payment dates:** [Not Applicable/[●]]
- 29 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes [●]/No]
- 30 **Other terms or special conditions:** [Not Applicable/give details]

Signed on behalf of Banque Saudi Fransi:

By: .....

Duly authorised

## PART B — OTHER INFORMATION

### 1 Listing and admission to trading

- (a) Admission to trading: [[Application [has been made] [is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange’s International Securities Market] / [●] with effect from [●].]/Not Applicable]
- (b) Estimate of total expenses related to admission to trading: [●]

### 2 Ratings:

[The Notes to be issued have been rated:  
[S&P: [●]]  
[Moody’s: [●]]  
[Fitch: [●]]  
*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]* /  
[The Notes to be issued will not be rated]

### 3 [Interests of Natural and Legal Persons Involved in the Issue/Offer]

[Save as discussed in [“*Subscription and Sale/General Information*”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

### 4 Use of Proceeds and Estimated Net Proceeds

- (a) Use of Proceeds: [See “*Use of Proceeds*” section of the Base Offering Circular] / [Specify if different to what is contemplated in the “*Use of Proceeds*” section in the Base Offering Circular]
- [(b)] Estimated net proceeds: [●]

### 5 Operational Information

- ISIN: [●]
- Common Code: [●]
- FISN: [●]
- CFI: [●]
- Trade Date: [●]
- Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/[●]]
- Names and addresses of initial Paying Agent(s): [●]
- Names and addresses of additional Paying Agent(s) (if any): [●]

**6 Distribution**

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/*give names*]
- (c) Stabilisation Manager(s) (if any): [Not Applicable/*give names*]
- (d) If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- (e) US Selling Restrictions: [Reg. S Compliance Category 1;  
TEFRA C/TEFRA D/TEFRA not applicable]
- (f) Additional selling restrictions: [Not Applicable/*give details*]

## SUMMARY OF THE GROUP'S FINANCIAL INFORMATION

*The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to the 2023 Financial Statements and the notes thereto as incorporated by reference herein, and the “Presentation of Financial and Other Information” and “Financial Review” sections of this Base Offering Circular.*

### Consolidated statement of financial position data

The table below shows the Group's consolidated statement of financial position data as at 31 December 2023 and 31 December 2022:

	As at 31 December	
	2023	2022
	(SR'000)	
<b>ASSETS</b>		
Cash and balances with SAMA.....	10,558,759	11,325,586
Due from banks and other financial institutions, net.....	4,113,165	4,795,111
Investments, net .....	48,467,289	44,517,549
Positive fair value of derivatives .....	5,658,824	6,582,980
Loans and advances, net.....	179,391,223	159,011,525
Investment in associate, net.....	9,695	9,695
Property, equipment and right of use assets, net .....	2,038,231	1,739,307
Other real estate, net.....	343,359	342,050
Other assets, net .....	2,802,304	3,754,316
Total assets .....	253,382,849	232,078,119
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Due to SAMA .....	5,065,895	8,004,403
Due to banks and other financial institutions .....	13,879,375	8,766,039
Customers' deposits .....	172,208,983	157,592,320
Negative fair value of derivatives .....	5,985,332	7,383,707
Debt securities and term loans .....	8,634,026	4,515,254
Other liabilities.....	6,488,017	7,071,071
<b>Total liabilities</b> .....	212,261,628	193,332,794
<b>Equity</b>		
Share capital.....	12,053,572	12,053,572
Statutory reserve .....	12,053,572	12,053,572

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
General reserve .....	982,857	982,857
Other reserves .....	(1,423,083)	(2,090,067)
Retained earnings.....	11,428,181	9,768,005
Proposed dividend.....	1,197,738	1,079,633
Treasury shares.....	(171,616)	(102,247)
<b>Equity attributable to the shareholders of the Bank.....</b>	<b>36,121,221</b>	<b>33,745,325</b>
Tier 1 Sukuk.....	5,000,000	5,000,000
<b>Total equity .....</b>	<b>41,121,221</b>	<b>38,745,325</b>
<b>TOTAL LIABILITIES AND EQUITY.....</b>	<b>253,382,849</b>	<b>232,078,119</b>

### Consolidated statement of income data

The table below shows the Group's consolidated statement of income data for the years ended 31 December 2023 and 31 December 2022:

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Special commission income.....	13,218,031	8,307,199
Special commission expense.....	5,382,834	1,880,646
<b>Net special commission income .....</b>	<b>7,835,197</b>	<b>6,426,553</b>
Fee and commission income .....	1,491,777	1,423,040
Fee and commission expense .....	577,102	526,179
<b>Net fee and commission income .....</b>	<b>914,675</b>	<b>896,861</b>
Exchange income, net .....	455,222	474,684
Trading income, net .....	114,016	201,748
Dividend income .....	15,213	13,397
(Losses) / gains on FVOCI / non-trading investments, net .....	(16,260)	3,524
Other operating income.....	5,931	508
<b>Total operating income .....</b>	<b>9,323,994</b>	<b>8,017,275</b>
Salaries and employee related expenses.....	1,741,583	1,494,960
Rent and premises related expenses .....	67,464	73,122
Depreciation and amortisation .....	250,658	221,428

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Other operating and general and administrative expenses .....	962,001	864,065
<b>Total operating expenses before impairment charge</b> .....	<b>3,021,706</b>	<b>2,653,575</b>
Impairment charge for expected credit losses on loans and advances, net...	1,668,817	1,363,944
Impairment reversal for investments, financial assets and others, net .....	(74,362)	(4,147)
<b>Total operating expenses, net</b> .....	<b>4,616,161</b>	<b>4,013,372</b>
<b>Net income for the year before Zakat</b> .....	<b>4,707,833</b>	<b>4,003,903</b>
Zakat for the year .....	485,100	428,773
<b>Net income for the year</b> .....	<b>4,222,733</b>	<b>3,575,130</b>
Basic and diluted earnings per share (SAR).....	3.33	2.79

### Key performance ratios

The table below shows the Group's key performance ratios as at and for the years ended 31 December 2023 and 31 December 2022:

<b>Key ratios</b>	<b>As at and for the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	Provisions to non-performing loans <sup>(1)</sup> .....	137.65%
Non performing loans to total loans <sup>(2)</sup> .....	1.06%	2.54%
SAMA loans to deposits <sup>(3)</sup> .....	84.14%	83.33%
Loans to deposits <sup>(4)</sup> .....	104.17%	100.90%
CET1 capital adequacy <sup>(5)</sup> .....	16.68%	16.57%
Tier I capital adequacy <sup>(6)</sup> .....	18.92%	18.90%
Total capital adequacy <sup>(7)</sup> .....	19.54%	19.92%
Net interest margin <sup>(8)</sup> .....	3.53%	3.06%
Cost to income <sup>(9)</sup> .....	32.41%	33.10%
Return on average assets <sup>(10)</sup> .....	1.73%	1.58%
Return on average equity <sup>(11)</sup> .....	10.62%	9.24%
Cost of risk <sup>(12)</sup> .....	0.96%	0.85%
Liquidity coverage ratio <sup>(13)</sup> .....	196.14%	196.41%
Net stable funding ratio <sup>(14)</sup> .....	116.77%	122.15%



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Notes:

- (1) Calculated as allowance for impairment divided by total non performing loans and advances, net.
- (2) Calculated as total non performing loans and advances, net divided by total loans and advances.
- (3) Calculated in accordance with SAMA regulations. Represents total loans and advances, net divided by total customers' deposits weighted by maturity in accordance with SAMA regulations.
- (4) Calculated as total loans and advances, net divided by total customers' deposits.
- (5) Calculated in accordance with SAMA regulations. Represents common equity tier I capital divided by total risk-weighted assets.
- (6) Calculated in accordance with SAMA regulations. Represents tier I capital divided by total risk-weighted assets.
- (7) Calculated in accordance with SAMA regulations. Represents tier I and tier II capital divided by total risk-weighted assets.
- (8) Calculated as net special commission income divided by the simple average of the last 13 month-end interest-earning assets. Interest-earning assets is calculated as the sum of money market placements with SAMA, due from banks and other financial institutions, investments, net and loan and advances, net.
- (9) Calculated as total operating expenses before impairment charge divided by total operating income.
- (10) Calculated as net income for the year divided by average total assets. Average total assets as at 31 December 2023 is calculated as the simple average of (i) total assets as at 31 December 2023, (ii) total assets as at 30 September 2023, (iii) total assets as at 30 June 2023, (iv) total assets as at 31 March 2023 and (v) total assets as at 31 December 2022. Average total assets as at 31 December 2022 is calculated as the simple average of (i) total assets as at 31 December 2022, (ii) total assets as at 30 September 2022, (iii) total assets as at 30 June 2022, (iv) total assets as at 31 March 2022 and (v) total assets as at 31 December 2021.
- (11) Calculated as net income for the year divided by average total equity. Average total equity as at 31 December 2023 is calculated as the simple average of (i) total equity as at 31 December 2023, (ii) total equity as at 30 September 2023, (iii) total equity as at 30 June 2023, (iv) total equity as at 31 March 2023 and (v) total equity as at 31 December 2022. Average total equity as at 31 December 2022 is calculated as the simple average of (i) total equity as at 31 December 2022, (ii) total equity as at 30 September 2022, (iii) total equity as at 30 June 2022 (iv) total equity as at 31 March 2022 and (v) total equity as at 31 December 2021.
- (12) Calculated as impairment charge for expected credit losses on loans and advances, net divided by the average gross loan portfolio. Gross loan portfolio is calculated as the sum of performing loans and advances-gross and non-performing loans and advances, net. Average gross loan portfolio as at 31 December 2023 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2023, (ii) gross loan portfolio as at 30 September 2023, (iii) gross loan portfolio as at 30 June 2023, (iv) gross loan portfolio as at 31 March 2023 and (v) gross loan portfolio as at 31 December 2022. The average gross loan portfolio as at 31 December 2022 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2022, (ii) gross loan portfolio as at 30 September 2022, (iii) gross loan portfolio as at 30 June 2022, (iv) gross loan portfolio as at 31 March 2022 and (v) gross loan portfolio as at 31 December 2021.
- (13) Calculated in accordance with SAMA regulations. Represents quarterly average high-quality liquid assets divided by quarterly average net cash outflows.
- (14) Calculated in accordance with SAMA regulations. Represents total available stable funding divided by total required stable funding.

## FINANCIAL REVIEW

*The following discussion and analysis of the Group's financial condition and results of operations as at 30 June 2024 and for the six months ended 30 June 2024 and 30 June 2023, and as at and for the years ended 31 December 2023 and 31 December 2022 should be read in conjunction with the Interim Financial Statements, the 2023 Financial Statements and the notes thereto as incorporated by reference herein, "Presentation of Financial and Other Information" and "Summary of the Group's Financial Information". The financial information presented in this discussion and analysis has been extracted or derived from the 2023 Financial Statements and the Interim Financial Statements.*

The following discussion contains forward-looking statements that involve risks and uncertainties. BSF has based these forward-looking statements on its current projections and expectations about future events. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those discussed below and elsewhere in this Base Offering Circular, particularly under the headings "*Forward-looking Statements*" and "*Risk Factors*".

See "*Presentation of Financial and Other Information*" for a discussion of the source of the numbers presented in this section.

### Overview

BSF is a commercial bank operating in the Kingdom under Commercial Registration No. 1010073368 dated 5 September 1989. BSF's head office is located at King Saud Road, AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia. The telephone number of BSF's head office is +966 11 289 9999.

BSF is a full-service bank, whose main business lines are corporate banking, retail banking, treasury and investment banking and brokerage. The Group offers a full range of conventional and Islamic banking products and services in Saudi Arabia to the retail and corporate sectors, in addition to investment advisory services, asset management, local and international securities trading and treasury services.

According to Tadawul, BSF was the fifth largest listed commercial bank in the Kingdom as at 31 December 2023 by total assets (based on the latest available financial statements of the banking industry), with total assets of SR 253,383 million. As at 31 December 2023, BSF's total customers' deposits amounted to SR 172,209 million. As at 31 December 2023, BSF's customers' deposits accounted for 6.96 per cent. of all customer deposits in the Kingdom, according to publicly available data. BSF's net income was SR 4,223 million for the year ended 31 December 2023.

### Significant Factors Affecting Results of Operations

#### *Factors affecting net special commission income*

The Group's net special commission income is the major contributor to its total operating income, representing 84.03 per cent. and 80.16 per cent. of the Group's total operating income for the years ended 31 December 2023 and 31 December 2022, respectively.

Within the Group's net special commission income:

- income from loans and advances is the major contributor, accounting for 85.58 per cent. and 85.93 per cent. of the Group's special commission income for the years ended 31 December 2023 and 31 December 2022, respectively. The Group's other sources of special commission income are income from investments held at a fair value through other comprehensive income (FVOCI), investments held at amortised cost and due from SAMA, banks and other financial institutions; and

- the expense paid on customers' deposits is the major contributor to the Group's special commission expense, representing 74.99 per cent. and 79.99 per cent. of the Group's special commission expense for the years ended 31 December 2023 and 31 December 2022, respectively.

The Group's net special commission income is affected by a number of factors. It is primarily determined by the volume of special commission-earning assets and investment assets relative to the volume of special commission-bearing liabilities, as well as the differential between the rates earned on special commission-earning assets and the rates paid on special commission-bearing liabilities.

For a discussion of the trends in the Group's net special commission income in each of the years under review, see "*Results of operations for the years ended 31 December 2023 and 31 December 2022 — Net special commission income*".

#### ***Movements in impairment charge for expected credit losses on loans and advances, net***

The Group's impairment charge for expected credit losses on loans and advances, net represents its impairment charge for expected credit losses on loans and advances less any recoveries of written-off loans. The Group's impairment charge for expected credit losses on loans and advances, net, amounted to SR 1,669 million for the year ended 31 December 2023 and SR 1,364 million for the year ended 31 December 2022.

#### ***Interest rates in the Kingdom***

The table below shows the absolute level of interest rates in the Kingdom as at 31 December 2023 and 31 December 2022:

	SIBOR rate				IRS Curve	
	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years
31 December 2023 .....	5.91313%	6.23226%	6.07557%	5.99447%	4.66%	4.45%
31 December 2022.....	4.73017%	5.34044%	5.59776%	5.86967%	4.80%	4.71%

Source: Reuters

#### ***Market Conditions in the Kingdom***

According to SAMA, the Saudi financial sector increased its lending to the private sector by 10.01 per cent. in the year ended 31 December 2023 and by 12.57 per cent. in the year ended 31 December 2022.

According to GASTAT, the Kingdom's real GDP decreased by 0.8 per cent. to SR 3,468 billion in 2023 from SR 3,495 billion in 2022. According to the Ministry of Finance, the Government recorded a budget deficit of SR 82 billion and revenues of SR 1,193 billion in 2023. Actual expenditure was estimated to have increased by 9.5 per cent. from SR 1,164 billion in 2022 to SR 1,275 billion in 2023.

The Government continues to place an emphasis on development projects that enhance growth sustainability and promote long-term development, including through the construction of new houses, hospitals, schools, universities and other similar facilities. This has presented and may continue to present the Group with a number of opportunities, including:

- direct financing to clients for educational activities as well as indirectly through various funds intended for investment in the educational sector in the Kingdom;
- supporting several housing projects for the Ministry of Municipalities and Housing, Rural Affairs and Housing, Kingdom-wide (including in the underdeveloped area of the north of the Kingdom). These involve off-plan site sales targeted at largely middle-income working families;

- as part of supporting the Government's initiative towards the promotion of tourism (inclusive of pilgrimage), the Group is also actively partnering with developers involved in the construction of properties to provide accommodation and facilities for the tourists and pilgrims expected;
- being an active partner in Vision 2030 projects including the Red Sea, NEOM and Qiddiya projects towards promoting the tourism and entertainment sectors in the Kingdom;
- entering into a project financing collaboration agreement with the Tourism Development Fund to support the development of the tourism sector;
- actively participating in project financings of infrastructure including conventional and renewable power, water, utilities, telecom, healthcare, hospitality, housing compounds, transport and shipping, aviation and airports, logistics and education; and
- providing strong project financing support as advisers, lenders and arrangers, to the oil and gas, mineral and mining and petrochemicals sectors.

Given the Group's extensive lending and investment banking capabilities, its management believes that the Group is well-placed to benefit from these trends.

### Key Indicators and Key Ratios

The tables below show the Group's key indicators and ratios as at and for the years ended 31 December 2023 and 31 December 2022.

Key Indicators	As at and for the year ended 31 December	
	2023	2022
	<i>(SR'000)</i>	
Total assets .....	253,382,849	232,078,119
Loans and advances, net.....	179,391,223	159,011,525
Customers' deposits .....	172,208,983	157,592,320
Total equity .....	41,121,221	38,745,325
Total operating income.....	9,323,994	8,017,275
Net income for the year.....	4,222,733	3,575,130

Key ratios	As at and for the year ended 31 December	
	2023	2022
	Provisions to non performing loans <sup>(1)</sup> .....	137.65%
Non performing loans to total loans <sup>(2)</sup> .....	1.06%	2.54%
SAMA loans to deposits <sup>(3)</sup> .....	84.14%	83.3%
Loans to deposits <sup>(4)</sup> .....	104.17%	100.90%
CET1 capital adequacy <sup>(5)</sup> .....	16.68%	16.57%

Key ratios	As at and for the year ended	
	31 December	
Tier I capital adequacy <sup>(6)</sup> .....	18.92%	18.90%
Total capital adequacy <sup>(7)</sup> .....	19.54%	19.92%
Net interest margin <sup>(8)</sup> .....	3.53%	3.06%
Cost to income <sup>(9)</sup> .....	32.41%	33.10%
Return on average assets <sup>(10)</sup> .....	1.73%	1.58%
Return on average equity <sup>(11)</sup> .....	10.62%	9.24%
Cost of risk <sup>(12)</sup> .....	0.96%	0.85%
Liquidity coverage ratio <sup>(13)</sup> .....	196.14%	196.41%
Net stable funding ratio <sup>(14)</sup> .....	116.77%	122.15%

Notes:

- (1) Calculated as allowance for impairment divided by total non performing loans and advances, net.
- (2) Calculated as total non performing loans and advances, net divided by total loans and advances.
- (3) Calculated in accordance with SAMA regulations. Represents total loans and advances, net divided by total customers' deposits weighted by maturity in accordance with SAMA regulations.
- (4) Calculated as total loans and advances, net divided by total customers' deposits.
- (5) Calculated in accordance with SAMA regulations. Represents common equity tier I capital divided by total risk-weighted assets.
- (6) Calculated in accordance with SAMA regulations. Represents tier I capital divided by total risk-weighted assets.
- (7) Calculated in accordance with SAMA regulations. Represents tier I and tier II capital divided by total risk-weighted assets.
- (8) Calculated as net special commission income divided by the simple average of the last 13 month-end interest-earning assets. Interest-earning assets is calculated as the sum of money market placements with SAMA, due from banks and other financial institutions, investments, net and loan and advances, net.
- (9) Calculated as total operating expenses before impairment charge divided by total operating income.
- (10) Calculated as net income for the year divided by average total assets. Average total assets as at 31 December 2023 is calculated as the simple average of (i) total assets as at 31 December 2023, (ii) total assets as at 30 September 2023, (iii) total assets as at 30 June 2023, (iv) total assets as at 31 March 2023 and (v) total assets as at 31 December 2022. Average total assets as at 31 December 2022 is calculated as the simple average of (i) total assets as at 31 December 2022, (ii) total assets as at 30 September 2022, (iii) total assets as at 30 June 2022, (iv) total assets as at 31 March 2022 and (v) total assets as at 31 December 2021.
- (11) Calculated as net income for the year divided by average total equity. Average total equity as at 31 December 2023 is calculated as the simple average of (i) total equity as at 31 December 2023, (ii) total equity as at 30 September 2023, (iii) total equity as at 30 June 2023, (iv) total equity as at 31 March 2023 and (v) total equity as at 31 December 2022. Average total equity as at 31 December 2022 is calculated as the simple average of (i) total equity as at 31 December 2022, (ii) total equity as at 30 September 2022, (iii) total equity as at 30 June 2022 and (iv) total equity as at 31 March 2022 and (v) total equity as at 31 December 2021.
- (12) Calculated as impairment charge for expected credit losses on loans and advances, net divided by the average gross loan portfolio. Gross loan portfolio is calculated as the sum of performing loans and advances-gross and non-performing loans and advances, net. Average gross loan portfolio as at 31 December 2023 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2023, (ii) gross loan portfolio as at 30 September 2023, (iii) gross loan portfolio as at 30 June 2023, (iv) gross loan portfolio as at 31 March 2023 and (v) gross loan portfolio as

at 31 December 2022. The average gross loan portfolio as at 31 December 2022 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2022, (ii) gross loan portfolio as at 30 September 2022, (iii) gross loan portfolio as at 30 June 2022, (iv) gross loan portfolio as at 31 March 2022 and (v) gross loan portfolio as at 31 December 2021.

- (13) Calculated in accordance with SAMA regulations. Represents quarterly average high-quality liquid assets divided by quarterly average net cash outflows.
- (14) Calculated in accordance with SAMA regulations. Represents total available stable funding divided by total required stable funding.

## **Critical Accounting Judgements, Estimates and Assumptions**

In preparing the Group's financial statements, management is required to make certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Management is also required to exercise judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. For a description of the Group's critical accounting judgments, estimates and assumptions made in the preparation of the 2023 Financial Statements, see note 2(e) to the 2023 Financial Statements. These are predominantly related to ECLs, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

## **Classification of Investments**

The Group's management decides on the categorisation of its investments at the time of their acquisition. On initial recognition, an investment is classified into one of three categories: amortised cost, FVOCI (fair value through other comprehensive income) or FVSI (fair value through statement of income). Investments classified as FVSI are recorded initially at cost and periodically marked to market with any gains or losses arising on such revaluation being recorded as gains or loss in the income statement. Particularly at times of stock market volatility, this classification can have a material effect on the Group's investment income.

## **Impairment of Financial Assets**

The Group recognises loss allowances for ECL on the financial instruments that are not measured at FVSI. No impairment loss is recognised on equity investments.

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

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

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

For further details of the impairment policy, see note 3H to the 2023 Financial Statements.

### Consolidated statement of financial position data

The table below shows the Group's consolidated statement of financial position data as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>		
	<b>2023</b>	<b>2022</b>	<b>% Var 12m 2023/2022</b>
		<i>(SR'000)</i>	
<b>ASSETS</b>			
Cash and balances with SAMA.....	10,558,759	11,325,586	-6.77%
Due from banks and other financial institutions, net.....	4,113,165	4,795,111	-14.22%
Investments, net .....	48,467,289	44,517,549	8.87%
Positive fair value of derivatives .....	5,658,824	6,582,980	-14.04%
Loans and advances, net.....	179,391,223	159,011,525	12.82%
Investment in associate, net.....	9,695	9,695	0.00%
Property, equipment and right use of assets, net .....	2,038,231	1,739,307	17.19%
Other real estate, net.....	343,359	342,050	0.38%
Other assets, net .....	2,802,304	3,754,316	-25.36%
<b>Total assets</b> .....	<b>253,382,849</b>	<b>232,078,119</b>	<b>9.18%</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to SAMA .....	5,065,895	8,004,403	-36.71%
Due to banks and other financial institutions .....	13,879,375	8,766,039	58.33%
Customers' deposits .....	172,208,983	157,592,320	9.27%
Negative fair value of derivatives .....	5,985,332	7,383,707	-18.94%
Debt securities and term loans .....	8,634,026	4,515,254	91.22%
Other liabilities.....	6,488,017	7,071,071	-8.25%
<b>Total liabilities</b> .....	<b>212,261,628</b>	<b>193,332,794</b>	<b>9.79%</b>
<b>Equity</b>			
Share capital.....	12,053,572	12,053,572	0.00%
Statutory reserve .....	12,053,572	12,053,572	0.00%

	<b>As at 31 December</b>		
	<b>2023</b>	<b>2022</b>	<b>% Var 12m 2023/2022</b>
		<i>(SR'000)</i>	
General reserve .....	982,857	982,857	0.00%
Other reserves .....	(1,423,083)	(2,090,067)	31.91%
Retained earnings.....	11,428,181	9,768,005	17.00%
Proposed dividend.....	1,197,738	1,079,633	10.94%
Treasury shares.....	(171,616)	(102,247)	-67.84
<b>Equity attributable to the shareholders of the Bank...</b>	<b>36,121,221</b>	<b>33,745,325</b>	<b>7.04%</b>
Tier 1 Sukuk.....	5,000,000	5,000,000	0.00%
<b>Total equity .....</b>	<b>41,121,221</b>	<b>38,745,325</b>	<b>6.13%</b>
<b>Total liabilities and equity .....</b>	<b>253,382,849</b>	<b>232,078,119</b>	<b>9.18%</b>

### **Assets**

As at 31 December 2023, the Group's total assets were SR 253,383 million, an increase of 9.18 per cent. from SR 232,078 million as at 31 December 2022. This was mainly due to a 12.82 per cent. increase in loans and advances, net, an 8.87 per cent increase in investments, net and a 17.19 per cent. increase in property, equipment and right use of assets, net.

### **Cash and Interbank Positions**

SAMA's regulation on banks' asset ratios requires that 20 per cent. of customers' deposits be invested in Government bonds and/or placed in short-term deposits (less than or equal to 30 days) on the interbank market or with SAMA.

The Group's cash and balances with SAMA was SR 10,559 million as at 31 December 2023, a decrease of 6.77 per cent., as compared with SR 11,326 million as at 31 December 2022. This decrease was primarily attributable to a 100.00 per cent. decrease in money market placements. The Group's due from banks and other financial institutions, net as at 31 December 2023 was SR 4,113 million, a decrease of 14.22 per cent. as compared with SR 4,795 million as at 31 December 2022. This decrease was primarily attributable to a 41.44 per cent. decrease in current accounts.

The Group's due to SAMA was SR 5,066 million as at 31 December 2023, a decrease of 36.71 per cent., as compared with SR 8,004 million as at 31 December 2022. This decrease was primarily attributable to the repayment of SR 525 million in the year ended 31 December 2023 of multiple profit free deposits the Group received from SAMA in 2020. The Group's due to banks and other financial institutions was SR 13,879 million as at 31 December 2023, an increase of 58.33 per cent., as compared with SR 8,766 million as at 31 December 2022. This increase was primarily attributable to an increase in money market deposits.



The table below shows the Group's cash and the interbank positions as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Cash and balances with SAMA.....	10,558,759	11,325,586
Due from banks and other financial institutions, net.....	4,113,165	4,795,111
Due to SAMA .....	5,065,895	8,004,403
Due to banks and other financial institutions .....	13,879,375	8,766,039
Net interbank position <sup>(1)</sup> .....	(4,273,346)	(649,745)

Note:

- (1) Calculated as the difference between the sums of (x) "Due from banks and other financial institutions" and "Cash and balances with SAMA" and (y) "Due to banks and other financial institutions" and "Due to SAMA".

### ***Investments, net***

The Group maintains an investment portfolio for its own account which principally consists of fixed income instruments, the purpose of which is two-fold:

- to cater for the Group's liquidity risk management, ensuring a cushion of assets that the Group can liquidate easily (either by a sale or a repurchase agreement) in case of a sudden withdrawal of deposits; and
- to reduce the interest rate mismatches between assets and liabilities.

As at 31 December 2023, the Group's investments, net was SR 48,467 million, an increase of 8.87 per cent. as compared with SR 44,518 million as at 31 December 2022. The Group's policy is to invest primarily in investment grade securities, being those rated BBB and above by S&P (or the equivalent) and the Group has had no direct or indirect exposure to collateralised debt obligations and other subprime-related issues. The Group has a portfolio of unrated investments that amount to SR 9,222 million, or 19.03 per cent. of its investment portfolio, as at 31 December 2023 and SR 6,791 million as at 31 December 2022, including local sukuk, Mudarabah and a small proportion of legacy local and foreign equities.

The table below shows a breakdown of the Group's investment portfolio as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Held as FVSI.....	221,937	68,744
FVOCI.....	23,605,134	18,405,668
Investments held at amortised cost, net.....	24,640,218	26,043,137

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
<b>Investments, net</b> .....	48,467,289	44,517,549

The table below shows the composition of the Group's investments, net by counterparty as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Government and quasi government.....	34,765,826	30,286,351
Corporate.....	5,228,776	6,519,826
Banks and other financial institutions .....	8,472,687	7,711,372
<b>Total investments, net</b> .....	<b>48,467,289</b>	<b>44,517,549</b>

The Group's investments, net comprises Government bonds and treasury bills (accounting for 71.73 per cent. and 68.03 per cent. of investments, net, as at 31 December 2023 and 31 December 2022, respectively), corporate bonds, sukuk and equities (accounting for 10.79 per cent. and 14.65 per cent. of investments, net as at 31 December 2023 and 31 December 2022, respectively) and bonds, sukuk and equities of banks and other financial institutions (accounting for 17.48 per cent. and 17.32 per cent. of investments, net as at 31 December 2023 and 31 December 2022, respectively).

The Group's bond and sukuk portfolio is highly liquid as all Government instruments are eligible for repurchase agreements and the majority of the portfolio is investment grade rated which increases its marketability.

### ***Loans and Advances, net***

#### *Total portfolio*

The table below shows the Group's loan portfolio as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December 2023</b>			
	<b>Overdraft &amp; Commercial Loans</b>	<b>Credit Cards</b>	<b>Consumer Loans</b>	<b>Total</b>
	<i>(SR'000)</i>			
Performing loans and advances – gross .....	147,636,954	668,238	31,809,240	180,114,432
Non performing loans and advances, net.....	1,727,150	19,094	174,537	1,920,781
Total loans and advances .....	149,364,104	687,332	31,983,777	182,035,213
Allowance for impairment.....	(2,368,159)	(35,612)	(240,219)	(2,643,990)

**As at 31 December 2023**

	<b>Overdraft &amp; Commercial Loans</b>	<b>Credit Cards</b>	<b>Consumer Loans</b>	<b>Total</b>
	<i>(SR'000)</i>			
Loans and advances held at amortised cost, net .....	146,995,945	651,720	31,743,558	179,391,223

**As at 31 December 2022**

	<b>Overdraft &amp; Commercial Loans</b>	<b>Credit Cards</b>	<b>Consumer Loans</b>	<b>Total</b>
	<i>(SR'000)</i>			
Performing loans and advances – gross .....	130,156,440	586,647	29,099,056	159,842,143
Non performing loans and advances, net .....	4,038,589	20,175	111,160	4,169,924
Total loans and advances .....	134,195,029	606,822	29,210,216	164,012,067
Allowance for impairment .....	(4,696,609)	(38,798)	(265,135)	(5,000,542)
Loans and advances held at amortised cost, net .....	129,498,420	568,024	28,945,081	159,011,525

The Group's performing loans and advances, gross was SR 180,114 million as at 31 December 2023, an increase of 12.68 per cent. as compared with SR 159,842 million as at 31 December 2022. This increase was primarily attributable to growth in the Group's corporate and retail banking segments. The Group's gross performing loans and advances in the corporate banking segment (comprising overdraft and commercial loans) were SR 147,637 million as at 31 December 2023, an increase of 13.43 per cent. as compared with SR 130,156 million as at 31 December 2022. The Group's gross performing loans and advances in the retail banking segment (comprising credit cards and consumer loans) were SR 32,477 million as at 31 December 2023, an increase of 9.40 per cent. as compared with SR 29,686 million as at 31 December 2022.

The Group's non performing loans and advances, net was SR 1,921 million as at 31 December 2023, a decrease of 53.94 per cent. as compared with SR 4,170 million as at 31 December 2022. This decrease was primarily attributable to write-offs of fully provisioned Stage 3 loans to certain borrowers in 2023.

The Group's allowance for impairment was SR 2,644 million as at 31 December 2023, a decrease of 47.13 per cent. as compared with SR 5,001 million as at 31 December 2022. This decrease was primarily attributable to the transfer of certain exposures to Stage 3 and subsequent write-offs of Stage 3 loans.

The Group's loans and advances, net was SR 179,391 million as at 31 December 2023, an increase of 12.82 per cent. as compared with SR 159,012 million as at 31 December 2022. This increase was primarily attributable to the factors described above.

The Group's non performing loans to total loans ratio was 1.06 per cent. as at 31 December 2023 and 2.54 per cent. as at 31 December 2022. The Group's provisions to non performing loans was 137.65 per cent. as at 31 December 2023 and 119.92 per cent. as at 31 December 2022.

The above also includes *Shari'a*-based overdraft and commercial loans, net of SR 100,951 million and SR 86,353 million as at 31 December 2023 and 31 December 2022, respectively, and *Shari'a*-based credit cards and consumer loans, net of SR 31,754 million and SR 28,855 million as at 31 December 2023 and 31 December 2022, respectively.

*Loans and advances, net by sector distribution*

The table below shows a breakdown of the Group's total loans and advances, net by sector as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December 2023</b>	<b>% of total</b>	<b>As at 31 December 2022</b>	<b>% of total</b>
	(SR'000)			
Government and quasi Government .....	—	—	—	—
Banks and other financial institutions .....	3,037,856	1.69%	1,576,897	0.99%
Agriculture and fishing .....	3,083,053	1.72%	2,999,114	1.89%
Manufacturing .....	20,301,224	11.32%	19,333,541	12.16%
Mining and quarrying .....	3,929,573	2.19%	4,583,993	2.88%
Electricity, water, gas and health services ...	16,787,393	9.36%	13,994,859	8.80%
Building and construction .....	14,500,132	8.08%	16,780,201	10.55%
Commerce .....	37,714,968	21.02%	29,055,939	18.27%
Transportation and communication .....	6,075,500	3.39%	6,044,976	3.80%
Services .....	25,585,168	14.26%	19,643,533	12.35%
Consumer loans and credit cards .....	32,395,278	18.06%	29,513,105	18.56%
Others .....	15,981,078	8.91%	15,485,367	9.74%
<b>Total</b> .....	<b>179,391,223</b>	<b>100%</b>	<b>159,011,525</b>	<b>100%</b>

*Loans and advances, net by geographical distribution*

The table below shows the geographical distribution of the Group's loans and advances, net by aggregate amount outstanding as at 31 December 2023 and 31 December 2022:

	<b>Kingdom of Saudi Arabia</b>	<b>Middle East</b>	<b>Europe</b>	<b>North America</b>	<b>Other Countries</b>	<b>Total</b>
	(SR'000)					
31 December 2023 .....	178,057,811	1,333,412	—	—	—	179,391,223
31 December 2022 .....	157,381,662	1,629,863	—	—	—	159,011,525

The table below shows the geographical distribution of the Group's loans and advances, net by percentage as at 31 December 2023 and 31 December 2022:

	<b>Kingdom of Saudi Arabia</b>	<b>Middle East</b>	<b>Europe</b>	<b>North America</b>	<b>Other Countries</b>
31 December 2023	99.26%	0.74%	—	—	—
31 December 2022	98.98%	1.02%	—	—	—

#### *Shari'a-based loans and advances*

The Group's loans and advances portfolio contains a high proportion of *Shari'a*-based loans and advances. *Shari'a*-based loans and advances, net increased from SR 115,207 million, or 72.45 per cent. of loans and advances, net as at 31 December 2022 to SR 132,705 million, or 73.98 per cent. of loans and advances, net as at 31 December 2023.

#### *Non Performing Loans*

The table below shows the credit quality of the Group's loans and advances to customers at amortised cost as at 31 December 2023:

	<b>As at 31 December 2023</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
	<i>(SR'000)</i>			
Very strong quality including sovereign (A+ to B) .....	33,208,967	—	—	33,208,967
Good quality (C+ to C).....	49,062,011	1,819,920	—	50,881,931
Satisfactory quality (C-to E+).....	53,437,100	6,638,571	2,993	60,078,664
Unrated (consumer loans and credit cards)..	32,080,363	124,566	26,312	32,231,241
Special mention (E to E-) .....	—	3,694,169	19,460	3,713,629
Impaired.....	—	—	1,920,781	1,920,781
<b>Total</b> .....	<b>167,788,441</b>	<b>12,277,226</b>	<b>1,969,546</b>	<b>182,035,213</b>

The Group's provisioning policy for consumer credit loans applies 100 per cent. provisioning after 360 days past due. Other than in the case of retail loans and advances, where such loans and advances are written off after 360 days past due, the Group writes off its doubtful loans only when all means of recovery have been exhausted. Such write-offs amounted to SR 4,155 million as at 31 December 2023 and SR 1,281 million as at 31 December 2022.

All of the Group's non performing loans and advances and allowance for impairment losses are concentrated in the Kingdom. The table below shows the Group's non performing loans and advances and allowance for impairment losses as at 31 December 2023 and 31 December 2022:

	As at 31 December			
	2023		2022	
	Non performing net	Allowance for impairment losses	Non performing net	Allowance for impairment losses
		(SR'000)		
<b>Total</b> .....	1,920,781	(2,643,990)	4,169,924	(5,000,542)

The table below shows the movement in the allowance for impairment losses on loans and advances as at 31 December 2023 and 31 December 2022:

	As at 31 December	
	2023	2022
	(SR'000)	
Balance at January 01 .....	5,000,542	4,732,824
Net charge for the year .....	1,798,293	1,548,321
Write-offs .....	(4,154,845)	(1,280,603)
<b>Balance at the end of the year</b> .....	2,643,990	5,000,542

#### Cost of Risk

As at 31 December 2023, the Group's cost of risk ratio was 0.96 per cent., as compared with 0.85 per cent. as at 31 December 2022. The increase in the cost of risk ratio as at 31 December 2023 was primarily attributable to the increase in impairment charge for expected credit losses on loans and advances, net.

The table below shows and the calculation of the Group's cost of risk as at 31 December 2023 and 31 December 2022:

	As at 31 December	
	2023	2022
	(SR'000)	
Gross loan portfolio as at year end (SR'000) .....	182,035,213	164,012,067
Average gross loan portfolio <sup>(1)</sup> (SR'000) .....	174,245,441	160,523,467
Impairment charge for expected credit losses on loans and advances, net (SR'000).....	1,668,817	1,363,944
Cost of risk <sup>(2)</sup> .....	0.96%	0.85%

#### Notes:

- (1) Gross loan portfolio is calculated as the sum of performing loans and advances-gross and non-performing loans and advances, net. Average gross loan portfolio as at 31 December 2023 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2023, (ii) gross loan portfolio as at 30 September 2023, (iii) gross loan portfolio as at 30 June 2023, (iv) gross loan portfolio as at 31 March 2023 and (v) gross loan portfolio as at 31 December

2022. The average gross loan portfolio as at 31 December 2022 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2022, (ii) gross loan portfolio as at 30 September 2022, (iii) gross loan portfolio as at 30 June 2022, (iv) gross loan portfolio as at 31 March 2022 and (v) gross loan portfolio as at 31 December 2021.

- (2) Calculated as impairment charge for expected credit losses on loans and advances, net divided by the average gross loan portfolio.

#### *Provisions to Non Performing Loans Ratio*

The Group's provisions to non performing loans ratio is calculated as allowance for impairment divided by total non performing loans and advances, net. As at 31 December 2023, the Group's provisions to non performing loans ratio was 137.65 per cent., as compared with 119.92 per cent. as at 31 December 2022.

#### *Positive fair value of derivatives*

The Group's positive fair value of derivatives was SR 5,659 million as at 31 December 2023, a decrease of 14.04 per cent. as compared with SR 6,583 million as at 31 December 2022. This decrease was primarily attributable to the replacement of matured derivative transactions with new derivative transactions priced in line with the prevailing interest rates.

### **Liabilities**

#### *Deposits*

The Group's funding remains well-diversified through its pool of customers from its different business lines. In order to mitigate liquidity risk on the liability side, the Group also maintains liquid reserves of not less than 20 per cent. of its deposit liabilities, in the form of cash, Government securities or assets which can be converted into cash within a period not exceeding 30 days. The Group can also raise additional funds through repo facilities available with SAMA against its holding of Government securities.

The Group's total customers' deposits increased by 9.27 per cent. to SR 172,209 million as at 31 December 2023 from SR 157,592 million as at 31 December 2022.

The Group's non interest-bearing deposits (demand deposit and other deposits) decreased by SR 15,132 million (or 15.72 per cent.) to SR 81,131 million as at 31 December 2023 compared with SR 96,263 million as at 31 December 2022.

The Group's interest-bearing deposits (saving and time deposits) increased by 48.51 per cent. as at 31 December 2023 to SR 91,078 million from SR 61,329 million as at 31 December 2022. The level of interest-bearing deposits is primarily calibrated to maintain a balanced loan to deposit ratio and changes depending on the movement in the amounts of loans and non interest-bearing deposits.

The table below shows the Group's total customers' deposits as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
Non interest-bearing deposits (SR'000) .....	81,131,261	96,263,225
Interest-bearing deposits (SR'000) .....	91,077,722	61,329,095
<b>Total customers' deposits (SR'000).....</b>	<b>172,208,983</b>	<b>157,592,320</b>
<b>Non interest-bearing deposits as a % of total customers' deposits...</b>	<b>47.11%</b>	<b>61.08%</b>

The ratio of non interest-bearing deposits to total deposits decreased to 47.11 per cent. as at 31 December 2023 from 61.08 per cent. as at 31 December 2022. This decrease was due to an increase in interest-bearing deposits.

In line with the Group’s assets and liabilities statistical model, the average duration of non interest-bearing deposits (which are categorised as demand deposits) is up to 2.9 years. In accordance with BSF’s ALM policy, the stability coefficient is tested on a monthly basis.

#### *Loan to Deposits Ratio*

The table below shows the Group’s loans to deposits ratio (calculated as the ratio of total loans and advances, net to total customers’ deposits) as at 31 December 2022 and 2023:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
<b>Loans and advances, net (SR’000)</b> .....	179,391,223	159,011,525
<b>Customers’ deposits (SR’000)</b> .....	172,208,983	157,592,320
<b>Loans to deposits (%)</b> .....	104.17%	100.90%

The level of concentration of customers’ deposits has not changed significantly since 2017 with the top-20 depositors representing 41.88 per cent. of total deposits as at 31 December 2023. These 20 depositors are represented by large Saudi corporates and financial institutions and Government-related companies. These deposits are from large companies most of whom have been customers of the Group since their incorporation.

#### *Term Loans*

On 22 December 2022, BSF drew U.S.\$500 million under its U.S.\$500m facility agreement with a syndicate of international banks (the “**Club Loan Facility**”). The Club Loan Facility matures on 22 December 2025 and bears interest at a rate of SOFR plus 0.70 per cent. margin, payable quarterly.

On 21 June 2023, BSF drew U.S.\$50 million under its U.S.\$50 million unsecured term loan facility with First Abu Dhabi Bank PJSC. The facility matures on 22 December 2025 and bears interest at a rate of SOFR plus 0.70 per cent. margin, payable quarterly (the “**2025 Facility**”).

#### *Debt Securities*

As at 31 December 2023, the Group had the following debt securities in issue:

- SR 5,000 million Fixed Rate Reset Additional Tier 1 Capital Sukuk issued on 3 November 2020 by way of private placement.
- U.S.\$700 million 5.50 per cent. notes due 2027 issued on 23 November 2022 (the “**2027 Notes**”) by the Issuer under the BSF’s and BSF Finance’s U.S.\$4,000,000,000 Medium Term Note Programme (the “**MTN Programme**”).
- U.S.\$900,000,000 Trust Certificates due 2028 (the “**2028 Certificates**”) issued on 31 May 2023 by BSF Sukuk Company Limited under BSF’s and BSF Sukuk Company Limited’s U.S.\$4,000,000,000 Trust Certificate Issuance Programme (the “**Trust Certificate Issuance Programme**”).
- U.S.\$100,000,000 Trust Certificates due 2027 issued on 18 July 2023 by BSF Sukuk Company Limited under the Trust Certificate Issuance Programme (the “**2027 Certificates**”).
- U.S.\$50 million floating rate notes due 2026 issued on 9 November 2023 by the Issuer under the MTN Programme (the “**2026 Notes**”).



The table below shows the sources of the Group's funding as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Due to SAMA .....	5,065,895	8,004,403
Due to banks and other financial institutions .....	13,879,375	8,766,039
Customers' deposits .....	172,208,983	157,592,320
Debt securities and term loans .....	8,634,026	4,515,254
	<u>199,788,279</u>	<u>178,878,016</u>
Share capital.....	12,053,572	12,053,572
Statutory reserve .....	12,053,572	12,053,572
General reserve .....	982,857	982,857
Other reserves .....	(1,423,083)	(2,090,067)
Retained earnings.....	11,428,181	9,768,005
Proposed dividend.....	1,197,738	1,079,633
Treasury shares.....	(171,616)	(102,247)
<b>Equity attributable to shareholders of the Bank</b> .....	<u>36,121,221</u>	<u>33,745,325</u>
Tier I Sukuk.....	5,000,000	5,000,000
<b>Total equity</b> .....	<u><u>41,121,221</u></u>	<u><u>38,745,325</u></u>

## Equity

The paid-up share capital of the Group has remained at SR 12,054 million during the periods under review.

BSF's board of directors (the "**Board of Directors**") recommended a final net cash dividend of SR 0.90 net per share on 12 December 2022 amounting to SR 1,080 million in total.

The Board of Directors recommended a final net cash dividend of SR 1.00 per share on 5 February 2023, amounting to SR 1,198 million in total.

On 25 July 2023, the Board of Directors declared an interim net dividend of SR 0.95 per share, amounting to SR 1,140 million in total.

The Group's total equity increased by 6.13 per cent. from SR 38,745 million as at 31 December 2022 to SR 41,121 million as at 31 December 2023. This increase was primarily attributable to a 31.91 per cent. reduction in the negative balance of other reserves and a 17.00 per cent. increase in retained earnings. The movement in other reserves was primarily a result of a SR 672 million net movement in the marked to market value of cash flow hedges and FVOCI investments for the year ended 31 December 2023. The increase in retained earnings was primarily a result of the growth in net income for the year.

## Liquidity Coverage Ratio

BSF's liquidity coverage ratio (calculated in accordance with SAMA regulations and representing quarterly average high-quality liquid assets divided by quarterly average net cash outflows) was 196.14 per cent. and 196.41 per cent. as at and for the twelve months ended 31 December 2023 and 31 December 2022, respectively.

## Capital Adequacy

The Group actively manages its capital base to cover the risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel IV Regulation. The Basel IV Regulation measures capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

In this section "*Financial Review – Capital Adequacy*", the total capital adequacy ratio, CET1 capital adequacy ratio and tier I capital adequacy ratio are presented, in the case of numbers as at 31 December 2023, as per the Basel IV Regulation and, in the case of numbers as at 31 December 2022, as per Basel III regulations.

The table below shows BSF's capital adequacy ratios as at 31 December 2023 and 31 December 2022:

	As at 31 December	
	2023	2022
CET1 Capital Adequacy <sup>(1)</sup> .....	16.68%	16.57%
Tier I Capital Adequacy <sup>(2)</sup> .....	18.92%	18.90%
Total Capital Adequacy <sup>(3)</sup> .....	19.54%	19.92%

Notes:

- (1) Calculated in accordance with SAMA regulations. Represents common equity tier I capital divided by total risk-weighted assets.
- (2) Calculated in accordance with SAMA regulations. Represents tier I capital divided by total risk-weighted assets.
- (3) Calculated in accordance with SAMA regulations. Represents tier I and tier II capital divided by total risk-weighted assets.

## Results of operations for the years ended 31 December 2023 and 31 December 2022

### Consolidated statement of income data

The table below shows the Group's consolidated statement of income data for the years ended 31 December 2023 and 31 December 2022:

	For the year ended 31 December	
	2023	2022
	(SR'000)	
Special commission income.....	13,218,031	8,307,199

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Special commission expense.....	5,382,834	1,880,646
<b>Net special commission income</b> .....	<b>7,835,197</b>	<b>6,426,553</b>
Fee and commission income .....	1,491,777	1,423,040
Fee and commission expense .....	577,102	526,179
<b>Net fee and commission income</b> .....	<b>914,675</b>	<b>896,861</b>
Exchange income, net .....	455,222	474,684
Trading income, net .....	114,016	201,748
Dividend income .....	15,213	13,397
(Losses) / gains on FVOCI / non-trading investments, net .....	(16,260)	3,524
Other operating income.....	5,931	508
<b>Total operating income</b> .....	<b>9,323,994</b>	<b>8,017,275</b>
Salaries and employee related expenses.....	1,741,583	1,494,960
Rent and premises related expenses .....	67,464	73,122
Depreciation and amortisation .....	250,658	221,428
Other operating and general and administrative expenses .....	962,001	864,065
<b>Total operating expenses before impairment charge</b> .....	<b>3,021,706</b>	<b>2,653,575</b>
Impairment charge for expected credit losses on loans and advances, net...	1,668,817	1,363,944
Impairment reversal for investments, financial assets and others, net .....	(74,362)	(4,147)
<b>Total operating expenses, net</b> .....	<b>4,616,161</b>	<b>4,013,372</b>
<b>Net income for the year before Zakat</b> .....	<b>4,707,833</b>	<b>4,003,903</b>
Zakat for the year .....	485,100	428,773
<b>Net income for the year</b> .....	<b>4,222,733</b>	<b>3,575,130</b>
Basic and diluted earnings per share (SAR).....	3.33	2.79

### **Overview**

The Group's total operating income for the year ended 31 December 2023 increased by 16.30 per cent. to SR 9,324 million, as compared with SR 8,017 million for the year ended 31 December 2022. The increase in the Group's total operating income for the year ended 31 December 2023 was primarily attributable to an increase in the Group's net special commission income and was partially offset by a decrease in the Group's non-interest income.

The Group's non-interest income (comprised of net fee and commission income, exchange income, net, trading income, net, dividend income, (losses) / gains on FVOCI / non-trading investments, net and other operating income) for the year ended 31 December 2023 decreased by 6.41 per cent. to SR 1,489 million, as compared with SR 1,591 million for the year ended 31 December 2022, primarily as a result of a decrease in the Group's

trading income, net, exchange income, net and movements in (losses) / gains on FVOCI / non-trading investments, net, which, in turn, was a result of the factors described under “*Exchange Income, net*”, “*Trading Income, net*” and “*(Losses) / gains on FVOCI / non-trading investments, net*” below. The proportion of the total operating income of the Group derived from non-interest income decreased from 19.84 per cent. for the year ended 31 December 2022 to 15.97 per cent. for the year ended 31 December 2023.

The Group’s net special commission income increased by 21.92 per cent. from the year ended 31 December 2022 to the year ended 31 December 2023 as a result of the factors described under “*Net special commission income*” below. The proportion of the total operating income of the Group derived from net special commission income increased from 80.16 per cent. for the year ended 31 December 2022 to 84.03 per cent. for the year ended 31 December 2023.

The Group’s total operating expenses before impairment charge increased by 13.87 per cent. to SR 3,022 million for the year ended 31 December 2023 from SR 2,654 million for the year ended 31 December 2022. This increase was primarily the result of the factors described under “*Total Operating Expenses before Impairment Charge*” below.

The Group’s impairment charge for expected credit losses on loans and advances, net increased by 22.35 per cent. from SR 1,364 million for the year ended 31 December 2022 to SR 1,669 million for the year ended 31 December 2023 primarily as a result of factors described under “*Impairment Charge for Expected Credit Losses on Loans and Advances, net*” below. Impairment reversal for investments and other financial assets, net was SR 74 million for the year ended 31 December 2023 as compared with SR 4 million for the year ended 31 December 2022.

The Group’s net income for the year increased by 18.11 per cent. to SR 4,223 million for the year ended 31 December 2023 from SR 3,575 million for the year ended 31 December 2022. This increase was primarily attributable to the factors discussed above.

The Group’s cost to income ratio decreased from 33.10 per cent. for the year ended 31 December 2022 to 32.41 per cent. for the year ended 31 December 2023.

#### *Total operating income and expenses*

The table below shows the Group’s net special commission income, net fee and commission income, total operating income as well as expenses for the years ended 31 December 2023 and 31 December 2022:

	<b>For the year ended 31 December</b>		<b>% Var 12m 2023/2022</b>
	<b>2023</b>	<b>2022</b>	
	<i>(SR’000, except percentages)</i>		
Special commission income.....	13,218,031	8,307,199	59.12%
Special commission expense.....	5,382,834	1,880,646	186.22%
<b>Net special commission income</b> .....	<b>7,835,197</b>	<b>6,426,553</b>	<b>21.92%</b>
<b>Non-interest income</b> .....	<b>1,488,797</b>	<b>1,590,722</b>	<b>-6.41%</b>
<b>Total operating income</b> .....	<b>9,323,994</b>	<b>8,017,275</b>	<b>16.30%</b>
<b>Total operating expenses before impairment charge</b> ..	<b>3,021,706</b>	<b>2,653,575</b>	<b>13.87%</b>
<b>Impairment charges for financial assets, net</b> .....	<b>1,594,455</b>	<b>1,359,797</b>	<b>17.26%</b>

	<b>For the year ended 31 December</b>		<b>% Var 12m 2023/2022</b>
	<b>2023</b>	<b>2022</b>	
	<i>(SR'000, except percentages)</i>		
<b>Net income for the year before zakat</b> .....	4,707,833	4,003,903	17.58%

#### *Special commission income*

The Group's special commission income increased by 59.12 per cent. to SR 13,218 million for the year ended 31 December 2023 from SR 8,307 million for the year ended 31 December 2022. This increase was primarily attributable to the growth in the Group's loan and investment portfolios as well as the prevailing higher interest rate environment. See "Significant Factors Affecting Results of Operations – Interest rates in the Kingdom".

#### *Special commission expense*

The Group's special commission expense for the year ended 31 December 2023 increased by 186.22 per cent. to SR 5,383 million from SR 1,881 million in the year ended 31 December 2022. This increase was primarily attributable to an increase in expense paid on customers' deposits and debt securities and term loans. The expense paid on customers' deposits increased by SR 2,532 million (or 168.31 per cent.) for the year ended 31 December 2023 as compared with the year ended 31 December 2022, primarily as a result of an increase in interest-bearing deposits in the year ended 31 December 2023 and an increase in the rates offered by the Group on such deposits in line with the prevailing higher interest rate environment. The expense on debt securities and term loans for the year ended 31 December 2023 was SR 483 million, as compared with SR 6 million for the year ended 31 December 2022 as a result of the issuance of the 2027 Notes in November 2022, the 2027 Certificates in July 2023, the 2028 Certificates in May 2023 and a drawdown under the 2025 Facility in June 2023.

#### *Net special commission income*

As a result of the factors described above, the Group's net special commission income increased by 21.92 per cent. in 2023 from SR 6,427 million for the year ended 31 December 2022 to SR 7,835 million for the year ended 31 December 2023.

#### *Non-interest income*

The Group's non-interest income decreased by 6.41 per cent. to SR 1,489 million for the year ended 31 December 2023 from SR 1,591 million for the year ended 31 December 2022.

The table below shows the Group's fees and commissions generated from activities contributing to its non-interest income for the years ended 31 December 2023 and 31 December 2022:

	<b>For the year ended 31 December</b>		<b>% Var 12m 2023/2022</b>
	<b>2023</b>	<b>2022</b>	
	<i>(SR'000, except percentages)</i>		
Net fee and commission income	914,675	896,861	1.99%

	<b>For the year ended 31 December</b>		<b>% Var 12m 2023/2022</b>
	<b>2023</b>	<b>2022</b>	
	<i>(SR'000, except percentages)</i>		
Exchange income, net	455,222	474,684	-4.10%
Trading income, net	114,016	201,748	-43.49%
Dividend income	15,213	13,397	13.56%
(Losses) / gains on FVOCI / non-trading investments, net	(16,260)	3,524	-561.41%
Other operating income	5,931	508	1,067.52%
<b>Total</b> .....	<b>1,488,797</b>	<b>1,590,722</b>	<b>-6.41%</b>

#### *Fee and commission income*

The Group's net fee and commission income increased by 1.99 per cent. for the year ended 31 December 2023 to SR 915 million from SR 897 million for the year ended 31 December 2022.

Fee and commission income is generated by the following product lines:

- Brokerage and asset management;
- Trade finance, project finance and advisory;
- Card products; and
- Loans processing fees.

The table below shows a breakdown of the Group's fee and commission income for each of the years ended 31 December 2023 and 31 December 2022:

	<b>For the year ended 31 December</b>		<b>% Var 12m 2023/2022</b>
	<b>2023</b>	<b>2022</b>	
	<i>(SR'000)</i>		
Share trading, brokerage, fund management and corporate finance.....	327,313	392,843	-16.68%
Trade finance.....	458,618	417,900	9.74%
Card products.....	458,568	426,912	7.42%
Other banking services.....	247,278	185,385	33.39%
<b>Total fees and commissions income</b> .....	<b>1,491,777</b>	<b>1,423,040</b>	<b>4.83%</b>

The Group's share trading, brokerage, fund management and corporate finance fees and commissions decreased by 16.68 per cent. to SR 327 million for the year ended 31 December 2023 from SR 393 million for the year ended 31 December 2022 primarily as a result of lower brokerage volumes representative of a decline in Saudi Arabia's stock market in 2023.

The Group's trade finance income increased by 9.74 per cent. to SR 459 million for the year ended 31 December 2023 from SR 418 million for the year ended 31 December 2022, primarily as a result of the general growth in the Group's trade finance business.

The Group's income from card products increased by 7.42 per cent. to SR 459 million for the year ended 31 December 2023 from SR 427 million ended 31 December 2022 primarily as a result of an increase in volumes of point of sale and e-commerce transactions, which, in turn, was a result of the growth of consumer spending in Saudi Arabia and the growing consumer preference to pay by cards and online.

The Group's income from other banking services (which primarily comprises loan processing fees and penalty fees) increased by 33.39 per cent. to SR 247 million for the year ended 31 December 2023 from SR 185 million for year ended 31 December 2022 primarily as a result of the increase in remittances, loan commitment fees and Islamic products-related fees which, in turn, was attributable to the roll out of new products and services in 2023.

#### *Exchange income, net*

The Group's exchange income, net is income arising from foreign exchange gains. Exchange income, net decreased by 4.10 per cent. for the year ended 31 December 2023 to SR 455 million from SR 475 million for the year ended 31 December 2022. This decrease was primarily attributable to a marginal decrease in volumes of the Group's foreign currency transactions in 2023.

#### *Trading income, net*

The Group's trading income, net decreased by 43.49 per cent. for the year ended 31 December 2023 to SR 114 million from SR 202 million for the year ended 31 December 2022. This decrease was primarily attributable to a one-off credit value adjustment and lower interest rate volatility in 2023.

#### *(Losses) / Gains on FVOCI / Non-trading investments, net*

The Group's losses on FVOCI / non-trading investments, net for the year ended 31 December 2023 was SR 16 million, as compared to a gain of SR 4 million for the year ended 31 December 2022. This movement was primarily attributable to a disposition by the Group of certain securities in line with the Group's investment strategy.

### **Total Operating Expenses before Impairment Charge**

The Group's total operating expenses before impairment charge increased by 13.87 per cent. to SR 3,022 million for the year ended 31 December 2023 from SR 2,654 million for the year ended 31 December 2022. This increase was primarily due to increases in salaries and employee related expenses and other operating and general administrative expenses.

The Group's salaries and employee related expenses increased by 16.50 per cent. to SR 1,742 million for the year ended 31 December 2023 from SR 1,495 million for the year ended 31 December 2022. This increase was primarily driven by the increase in the Group's headcount and the increase in overall employee compensation.

The Group's other operating and general and administrative expenses increased by 11.33 per cent. to SR 962 million for the year ended 31 December 2023 from SR 864 million for the year ended 31 December 2022. This increase was primarily attributable to an increase in expenditures on ICT infrastructure and communication, publication and advertisement charges, which, in turn, reflected the overall growth of the Group's business.

### Impairment Charge for Expected Credit Losses on Loans and Advances, Net

The Group's impairment charge for expected credit losses on loans and advances, net increased by 22.35 per cent. to SR 1,669 million for the year ended 31 December 2023 from SR 1,364 million for the year 31 December 2022. This increase was primarily as a result of a comprehensive review of the Group's credit portfolio which, in turn led to the movement of certain corporate exposures between stages. See note 33(d) to the 2023 Financial Statements for details on classification of the Group's loans and advances.

### Net Interest Margin and Cost to Income Ratio

#### Net Interest Margin

The tables below show the calculation of the Group's net interest margin for the years ended 31 December 2023 and 31 December 2022.

	As at 31 December	
	2023	2022
	<i>(SR'000, except percentage)</i>	
Average interest-earning assets <sup>(1)</sup> .....	22,108,602	209,682,471
Net special commission income .....	7,835,197	6,426,553
<b>Net interest margin</b> .....	<b>3.53%</b>	<b>3.06%</b>

Note:

- (1) Average interest-earning assets is calculated as the simple average of the last 13 month-end interest-earning assets. Interest-earning assets is calculated as the sum of money market placements with SAMA, due from banks and other financial institutions, investments, net and loans and advances, net.

#### Cost to Income Ratio

The table below shows the calculation of the Group's cost to income ratio for the years ended 31 December 2023 and 31 December 2022:

	As at 31 December	
	2023	2022
	<i>(SR'000, except percentages)</i>	
Total operating income .....	9,323,994	8,017,275
Total operating expenses before impairment charge .....	3,021,706	2,653,575
<b>Cost to Income Ratio</b> .....	<b>32.41%</b>	<b>33.10%</b>

### Performance – Business Segments

To report its published financial performance by business activities, the Group uses the format (the “**SAMA Format**”) imposed by SAMA. The SAMA Format applies unilaterally across the financial sector in the Kingdom for comparison purposes. The word “segment” refers to regulatory disclosure while “business line” designates an activity run by a business unit or a separate legal entity specific to the Group's own organisation.



The business segments below are described in a manner consistent with the disclosure within the notes to the 2023 Financial Statements. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are distinct from those other business segments.

The description of the business segments set out under “*Business Description of the Group – Operations*” reflects the SAMA Format of the business segments described therein. Accordingly, the classification in the table below is used to provide financial reporting in relation to operations of each business line within the Group.

The table below shows the Group’s internal organisation and the way the performance of each of its business line’s performance is reported in the SAMA Format (corresponding to the Group’s internal organisation and business segments as dictated by the SAMA Format):

<b>Business Model and Bank’s Internal Organisation</b>		<b>Business Segment as per the SAMA Format</b>
<b>Business Segment</b>	<b>Group / Entity</b>	<b>Reported in</b>
<b>Corporate Banking</b>	Wholesale Banking	Corporate Banking
<b>Treasury Activities</b>	Money Market & Funding, Market Making & Trading, Investments, Foreign Exchange, Risk Solutions and Structured Products and Treasury Sales	Treasury Banking
<b>Retail Banking</b>	Retail Banking Group	Retail Banking
	Wealth Management Group and High Net Worth Group	
	Bank Assurance (via Allianz Saudi Fransi, an investment of BSF)	Retail Banking
	Consumer Finance and Leasing (via Saudi Fransi for Finance Leasing)	Retail Banking
<b>Investment Banking and Brokerage</b>	Saudi Fransi Capital (Equity Brokerage, Asset Management, Corporate Finance)	Investment Banking and Brokerage

The table below shows the Group’s net income for the year before zakat by business segment following the reporting format published in the 2023 Financial Statements:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR’000)</i>	
Retail banking .....	1,926,092	803,269
Corporate banking.....	1,876,029	1,500,169
Treasury banking.....	664,988	1,464,265
Investment banking and brokerage .....	240,724	236,200

	As at 31 December	
	2023	2022
	(SR'000)	
<b>Total</b> .....	4,707,833	4,003,903

The following is a summary explanation of the Group's net income for the year before zakat per business segment:

*Retail banking* – this segment includes retail banking group and the wealth management group. Retail banking's net income before zakat for the year ended 31 December 2023 was SR 1,926 million, an increase of 139.78 per cent. as compared with SR 803 million for the year ended 31 December 2022. This increase was primarily attributable to an increase in retail loans and advances and the impact of the internal funds transfer pricing rate (the "FTP").

*Corporate banking* – this segment includes the corporate banking group (large corporate and financial institutions clients) and the commercial banking division (small and medium size establishments). The corporate banking segment's net income before zakat was SR 1,876 million for the year ended 31 December 2023, an increase of 25.05 per cent. as compared with SR 1,500 million for the year ended 31 December 2022. This increase was primarily attributable to an increase in corporate loans and advances, the prevailing higher interest rate environment and the impact of the FTP.

*Treasury* – this segment includes the capital market activities of the Group and the performance of its investment portfolio. The treasury segment's net income before zakat was SR 665 million for the year ended 31 December 2023, a decrease of 54.59 per cent. as compared with SR 1,464 million for the year ended 31 December 2022. This decrease was primarily attributable to an increase in funding and hedging costs as well as the impact of the FTP.

*Investment banking and brokerage* – this segment includes the Group's asset management, brokerage and investment banking activities. The Group's investment banking and brokerage segment's net income before zakat remained relatively flat and was SR 241 million for the year ended 31 December 2023, an increase of 1.92 per cent. as compared with SR 236 million for the year ended 31 December 2022.

## Credit Ratings

BSF is rated by S&P, Moody's and Fitch. The table below shows BSF's credit ratings as at the date of this Base Offering Circular:

	Long-Term Rating	Short-Term Bank	Outlook/Review
<b>S&amp;P</b>	A-	A-2	Stable
	Long-Term Rating	Short-Term Bank	Outlook Review
<b>Moody's</b>	A2	P-1	Positive
	Long-Term Rating	Short-Term Bank	Outlook Review
<b>Fitch</b>	A-	F2	Stable

## Credit-related Commitments and Contingencies

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers. The tables below set out the Group's credit-related commitments as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Letters of credit .....	8,351,739	9,794,419
Letters of guarantee .....	46,634,872	40,195,932
Acceptances .....	4,825,739	2,412,633
Irrevocable commitments to extend credit .....	10,918,887	11,443,665
<b>Total .....</b>	<b>70,731,237</b>	<b>63,846,649</b>

The tables below set out the contractual maturity structure of the Group's commitments and contingencies that are payable on demand subject to terms and conditions as at 31 December 2023 and 31 December 2022.

	<b>As at 31 December 2023</b>				
	<i>(SR'000)</i>				
	<b>Within 3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Letters of credit .....	5,274,992	2,827,716	177,398	71,633	8,351,739
Letters of guarantee .....	12,551,029	22,720,943	11,072,750	290,150	46,634,872
Acceptances .....	2,395,664	2,218,355	211,720	—	4,825,739
Irrevocable commitments to extend credit .....	111,924	1,906,902	6,438,248	2,461,813	10,918,887
<b>Total .....</b>	<b>20,333,609</b>	<b>29,673,916</b>	<b>17,900,116</b>	<b>2,823,596</b>	<b>70,731,237</b>

	<b>As at 31 December 2022</b>				
	<i>(SR'000)</i>				
	<b>Within 3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Letters of credit .....	6,287,304	2,838,840	608,680	59,595	9,794,419
Letters of guarantee .....	12,876,001	16,557,457	10,579,734	182,740	40,195,932
Acceptances .....	1,311,216	996,810	104,607	—	2,412,633

**As at 31 December 2022**

	<i>(SR'000)</i>				
	<b>Within 3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Irrevocable commitments to extend credit .....	2,536,884	476,324	5,415,064	3,015,393	11,443,665
<b>Total</b> .....	<b>23,011,405</b>	<b>20,869,431</b>	<b>16,708,085</b>	<b>3,257,728</b>	<b>63,846,649</b>

Guarantees and standby letters of credit, which represent irrecoverable assurances that the Group will make payments if a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances.

Letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment as the Group does not generally expect the third party to draw funds under the agreement. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers. Commitments to extend credit represent an unused portion of authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded. The outstanding unused portion of non-firm commitments which can be revoked unilaterally at any time by the Group as at 31 December 2023 was SR 70,890 million compared with SR 63,570 million as at 31 December 2022.

**Related Parties**

In the ordinary course of its activities, the Group transacts business with related parties. In the opinion of the Group's management and the Board of Directors, the related party transactions are carried out in accordance with the Group's internal pricing framework. The related party transactions are governed by limits set by the Banking Control Law and Regulations issued by SAMA. The balances as at 31 December 2023 and 31 December 2022 resulting from such transactions included in the consolidated financial statements are as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
<b>Associates</b>		
Investments .....	9,695	9,695
Due to banks and other financial institutions .....	8,462	8,204

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
<b>Directors, senior management, shari'a members and their affiliates</b>		
Loans and advances .....	7,442,827	9,201,213 <sup>(1)</sup>
Investments .....	1,021,721	957,941
Due from banks and other financial institutions .....	395,625	—
Other assets .....	25,736	17,783
Customers' deposits .....	10,020,831	10,645,043 <sup>(2)</sup>
Due to banks and other financial institutions .....	2,822,190	900,000
Other liabilities .....	4,550	6,542
Derivatives at fair value, net .....	(13,772)	(45,733)
Commitments and contingencies .....	3,055,299	3,224,229
<b>Major shareholders and their affiliates</b>		
Loans and advances .....	671,978	2,611,976
Customers' deposits .....	6,284,014	1,467,292

Notes:

- (1) In the 2022 Financial Statements, the amount disclosed was SR 11,813,189 thousand. The difference between the amount as shown in the 2023 Financial Statements and as shown in the 2022 Financial Statements reflected the reclassification in the 2023 Financial Statements of loans and advances attributable to "Major shareholders and their affiliates" to a separate line item.
- (2) In the 2022 Financial Statements, the amount disclosed was SR 12,112,335 thousand. The difference between the amount as shown in the 2023 Financial Statements and as shown in the 2022 Financial Statements reflected the reclassification in the 2023 Financial Statements of customers' deposits attributable to "Major shareholders and their affiliates" to a separate line item.

## Recent Developments

### *Interim Condensed Consolidated Statement of Income Data*

The following table sets out the Group's interim condensed consolidated statement of income data for the six months ended 30 June 2024 and 30 June 2023:

	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i>(SR'000)</i>	
Special commission income .....	7,991,335	6,222,619
Special commission expense .....	4,132,896	2,323,150
<b>Net special commission income .....</b>	<b>3,858,439</b>	<b>3,899,469</b>
Fee and commission income .....	822,587	702,743
Fee and commission expense .....	311,052	256,456

	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i>(SR'000)</i>	
<b>Net fee and commission income</b> .....	<b>511,535</b>	<b>446,287</b>
Exchange income, net .....	193,304	223,915
Trading income, net .....	88,020	79,248
Dividend income .....	7,667	6,914
Gains on FVOCI / non-trading investments, net.....	14,418	4,422
Other operating income.....	255	5,166
<b>Total operating income</b> .....	<b>4,673,638</b>	<b>4,665,421</b>
Salaries and employee related expenses.....	927,826	831,295
Rent and premises related expenses .....	30,673	32,532
Depreciation and amortization .....	133,998	113,224
Other operating and general and administrative expenses .....	489,680	458,751
<b>Total operating expenses before impairment charge</b> .....	<b>1,582,177</b>	<b>1,435,802</b>
Impairment charge for expected credit losses on loans and advances, net....	569,150	912,058
Impairment (reversal) for investments, financial assets and others, net.....	(19,462)	(75,520)
<b>Total operating expenses, net</b> .....	<b>2,131,865</b>	<b>2,272,340</b>
<b>Net income for the period before Zakat</b> .....	<b>2,541,773</b>	<b>2,393,081</b>
Zakat for the period.....	262,628	243,326
<b>Net income for the period</b> .....	<b>2,279,145</b>	<b>2,149,755</b>
Basic and diluted earnings per share (SAR).....	1.81	1.70

The Group's total operating income for the six months ended 30 June 2024 as compared to the six months ended 30 June 2023 remained broadly flat with increases in net fees and commission income and trading income, net partially offset by a decrease in net special commission income and exchange income, net.

The Group's net special commission income for the six months ended 30 June 2024 as compared with the six months ended 30 June 2023 remained broadly flat, with an increase in special commission expense partially offset by an increase in special commission income.

For the six months ended 30 June 2024, the Group's special commission income increased by 28.42 per cent. to SR 7,991 million from SR 6,223 million for the six months ended 30 June 2023. This increase was primarily attributable to the growth in the Group's loan and investment portfolios as well as the prevailing higher interest rate environment. The Group's special commission expense for the six months ended 30 June 2024 increased by 77.90 per cent. to SR 4,133 million from SR 2,323 million for the six months ended 30 June 2023, primarily as a result of an increase in expense paid on customers' deposits, due to banks and other financial institutions and debt securities and term loans.

For the six months ended 30 June 2024, the Group's total operating expenses before impairment charges increased by 10.19 per cent. to SR 1,582 million, as compared with SR 1,436 million for the six months ended 30 June 2023. This increase was primarily attributable to an increase in salaries and employee related expenses.

The Group's salaries and employee related expenses for the six months ended 30 June 2024 increased by 11.61 per cent. to SR 928 million from SR 831 million for the six months ended 30 June 2023. This increase was primarily driven by an increase in the Group's headcount and the increase in overall employee compensation.

For the six months ended 30 June 2024, the Group's impairment charge for expected credit losses on loans and advances, net decreased by 37.60 per cent. to SR 569 million, as compared with SR 912 million for the six months ended 30 June 2023. This decrease was primarily attributable to a lower ECL risk assessment on the Group's loans and advances reflective of the improving macroeconomic environment in the Kingdom. For the six months ended 30 June 2024, BSF's net income for the period increased by 6.02 per cent. to SR 2,279 million, as compared with SR 2,150 million for the six months ended 30 June 2023. This increase was primarily attributable to the factors discussed above.

### ***Interim Condensed Consolidated Statement of Financial Position Data***

The following table sets out the Group's interim condensed consolidated statement of financial position data as at 30 June 2024 and 31 December 2023:

	<b>As at</b>	
	<b>30 June 2024</b>	<b>31 December 2023</b>
	<i>(SR'000)</i>	
<b>ASSETS</b>		
Cash and balances with Saudi Central Bank <sup>(1)</sup> .....	11,577,948	10,558,759
Due from banks and other financial institutions, net.....	11,742,226	4,113,165
Investments, net .....	55,505,863	48,467,289
Positive fair value of derivatives.....	6,207,275	5,658,824
Loans and advances, net.....	197,160,066	179,391,223
Investment in associate, net.....	9,695	9,695
Property, equipment and right of use assets, net .....	2,075,122	2,038,231
Other real estate, net.....	343,500	343,359
Other assets, net .....	4,204,781	2,802,304
<b>Total assets</b> .....	<b>288,826,476</b>	<b>253,382,849</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Due to Saudi Central Bank <sup>(2)</sup> .....	11,583,187	5,065,895
Due to banks and other financial institutions .....	13,273,581	13,879,375
Customers' deposits .....	196,247,577	172,208,983
Negative fair value of derivatives .....	7,102,424	5,985,332

	As at	
	30 June 2024	31 December 2023
	(SR'000)	
Debt securities and term loans .....	12,490,055	8,634,026
Other liabilities.....	6,320,323	6,488,017
<b>Total liabilities</b> .....	<b>247,017,147</b>	<b>212,261,628</b>
<b>Equity</b>		
Share capital.....	12,053,572	12,053,572
Statutory reserve .....	12,053,572	12,053,572
General reserve .....	982,857	982,857
Other reserves .....	(1,672,242)	(1,423,083)
Retained earnings.....	13,594,941	11,428,181
Proposed dividend.....	-	1,197,738
Treasury shares.....	(203,371)	(171,616)
<b>Equity attributable to the shareholders of the Bank</b> .....	<b>36,809,329</b>	<b>36,121,221</b>
Tier 1 Sukuk.....	5,000,000	5,000,000
<b>Total equity</b> .....	<b>41,809,329</b>	<b>41,121,221</b>
<b>Total liabilities and equity</b> .....	<b>288,826,476</b>	<b>253,382,849</b>

Notes:

- (1) This line item was labelled as "Cash and balances with SAMA" in the 2023 Financial Statements.
- (2) This line item was labelled as "Due to SAMA" in the 2023 Financial Statements.

### **Key Performance Ratios**

The following table sets out the Group's key performance ratios as at and for the six months ended 30 June 2024 and 30 June 2023:

	As at and for the six months ended 30 June	
	2024	2023
Provisions to non performing loans <sup>(1)</sup> .....	161.85%	133.26%
Non performing loans to total loans <sup>(2)</sup> .....	0.94%	2.42%
SAMA loans to deposits <sup>(3)</sup> .....	81.03%	82.25%
Loans to deposits <sup>(4)</sup> .....	100.46%	105.29%
CET1 capital adequacy <sup>(5)</sup> .....	15.34%	16.70%
Tier I capital adequacy <sup>(6)</sup> .....	17.37%	19.00%



	<b>As at and for the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
Total capital adequacy <sup>(7)</sup> .....	18.08%	19.99%
Net interest margin <sup>(8)</sup> .....	3.10%	3.62%
Cost to income <sup>(9)</sup> .....	33.85%	30.78%
Return on average assets <sup>(10)</sup> .....	1.69%	1.80%
Return on average equity <sup>(11)</sup> .....	10.95%	10.90%
Cost of risk <sup>(12)</sup> .....	0.60%	1.07%
Liquidity coverage ratio <sup>(13)</sup> .....	187.05%	179.68%
Net stable funding ratio <sup>(14)</sup> .....	118.06%	116.10%

Notes:

- (1) Calculated as allowance for impairment divided by total non performing loans and advances, net.
- (2) Calculated as total non performing loans and advances, net divided by total loans and advances.
- (3) Calculated in accordance with SAMA regulations. Represents total loans and advances, net divided by total customers' deposits weighted by maturity in accordance with SAMA regulations.
- (4) Calculated as total loans and advances, net divided by total customers' deposits.
- (5) Calculated in accordance with SAMA regulations. Represents common equity tier I capital divided by total risk-weighted assets.
- (6) Calculated in accordance with SAMA regulations. Represents tier I capital divided by total risk-weighted assets.
- (7) Calculated in accordance with SAMA regulations. Represents tier I and tier II capital divided by total risk-weighted assets.
- (8) Calculated as net special commission income divided by the average of the last four month-end interest earning assets, multiplied by an annualization factor which divides the number of total interest earning days in the relevant year by the number of interest earning days in the relevant quarter. Interest earning assets is calculated as the sum of money market placements with SAMA, due from banks and other financial institutions, investments, net and loan and advances, net
- (9) Total operating expenses before impairment charge divided by total operating income.
- (10) Calculated as annualised net income for the period divided by average total assets. Average total assets as at 30 June 2024 is calculated as the simple average of (i) total assets as at 30 June 2024, (ii) total assets as at 31 March 2024 and (iii) total assets as at 31 December 2023. Average total assets as at 30 June 2023 is calculated as the simple average of (i) total assets as at 30 June 2023, (ii) total assets as at 31 March 2023 and (iii) total assets as at 31 December 2022.
- (11) Calculated as annualised net income for the period divided by average total equity. Average total equity as at 30 June 2024 is calculated as the simple average of (i) total equity as at 30 June 2024, (ii) total equity as at 31 March 2024 and (iii) total equity as at 31 December 2023. Average total equity as at 30 June 2023 is calculated as the simple average of (i) total equity as at 30 June 2023, (ii) total equity as at 31 March 2023 and (iii) total equity as at 31 December 2022.
- (12) Calculated as annualised impairment charge for expected credit losses on loans and advances, net divided by the average gross loan portfolio. Gross loan portfolio is calculated as the sum of performing loans and advances-gross and non-performing loans and advances, net. The average gross loan portfolio as at 30 June 2024 is calculated as the simple average of (i) gross loan portfolio as at 30 June 2024, (ii) gross loan portfolio as at 31 March 2024 and (iii) gross loan portfolio as at 31 December 2023. The average gross loan portfolio as 30 June 2023 is calculated as the simple average of (i) gross loan portfolio as at 30 June 2023, (ii) gross loan portfolio as at 31 March 2023 and (iii) gross loan portfolio as at 31 December 2022.
- (13) Calculated in accordance with SAMA regulations. Represents quarterly average high-quality liquid assets divided by quarterly average net cash outflows.
- (14) Calculated in accordance with SAMA regulations. Represents total available stable funding divided by total required stable funding.

### ***Term Loan***

On 26 March 2024, BSF drew U.S.\$250 million under the U.S.\$250 million unsecured term loan syndicated facility with SMBC Bank International plc. The facility matures on 26 March 2027 and bears interest at a rate of SOFR plus 0.90 per cent. margin, payable quarterly.

### ***Debt Securities***

On 25 January 2024, BSF Sukuk Company Limited issued U.S.\$700,000,000 Trust Certificates due 2029 under the Trust Certificate Issuance Programme (the “**2029 Certificates**”).

On 29 February 2024, the BSF Finance issued U.S.\$30,000,000 floating rate notes due 2031 under the MTN Programme.

On 30 April 2024, BSF Finance issued U.S.\$20,000,000 floating rate notes due 2031 under the MTN Programme.

On 1 May 2024, BSF Finance issued U.S.\$20,000,000 floating rate notes due 2031 under the MTN Programme.

On 9 May 2024, BSF Finance issued U.S.\$50,000,000 floating rate notes due 2029 under the MTN Programme.

On 16 May 2024, BSF Finance issued U.S.\$20,000,000 floating rate notes due 2029 under the MTN Programme.

On 5 September 2024, the Issuer issued SR 3,000 million fixed rate additional tier 1 capital sukuk under the Issuer’s SR 8,000,000,000 Additional Tier 1 Capital Sukuk Programme.

## BUSINESS DESCRIPTION OF THE GROUP

### Overview

BSF is a commercial bank operating in the Kingdom under Commercial Registration No. 1010073368 dated 5 September 1989. BSF's head office is located at King Saud Road, AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia. The telephone number of BSF's head office is +966 11 289 9999.

BSF is a full-service bank, whose main business lines are corporate banking, retail banking, treasury and investment banking and brokerage. The Group offers a full range of conventional and Islamic banking products and services in Saudi Arabia to the retail and corporate sectors, in addition to investment advisory services, asset management, local and international securities trading and treasury services.

According to Tadawul, BSF was the fifth largest listed commercial bank in the Kingdom as at 30 June 2024 by total assets (based on the latest available financial statements of the banking industry), with total assets of SR 288,826 million. As at 30 June 2024, BSF's total customers' deposits amounted to SR196,248 million, and accounted for 7.35 per cent. of all customer deposits in the Kingdom, according to publicly available data. BSF's net income was SR 2,279 million for the six months ended 30 June 2024 and SR 4,223 million for the year ended 31 December 2023.

As at 30 June 2024, BSF had a network of 82 branches, 441 automated teller machines ("ATMs"), 81 cash acceptance machines ("CAMs"), 28,774 point of sale ("POS") terminals and an increasing range of internet banking services.

Through a combination of active marketing and investment in its distribution channels, as at 30 June 2024, BSF has built a customer base of approximately 1.26 million individuals, 58,500 micro-, small- and medium-sized enterprises ("MSMEs"), 5,047 large and international corporates, 741 financial institutions and 160 Government and public sector entities.

### History

BSF is the successor to Banque de l'Indochine, which established a branch in Jeddah in 1949. BSF was formed in accordance with regulations adopted by the Kingdom in the mid-1970s, under which foreign companies were required to sell majority equity interests to Saudi Arabian nationals. As a result, Banque Indosuez, the entity that succeeded Banque de l'Indochine in 1975, formed a new company with local partners in 1977. Royal Decree No. M/23 dated 4 June 1977 established BSF as a Saudi Arabian joint stock company.

Prior to 2017, CA-CIB, the corporate and investment banking arm of Crédit Agricole S.A., held 31.1 per cent. in the share capital of BSF. CA-CIB divested of 16.2 per cent. in the share capital of BSF to Kingdom Holding in September 2017 and divested of a further 9.0 per cent. and 1.9 per cent. in the share capital of BSF to RAM Holdings and Olayan Saudi Investment Company, respectively, in 2019. On 27 September 2020, CA-CIB divested of a further 2.88 per cent. and 1.13 per cent. in the share capital of BSF to Al Raidah Investment Company and the Public Pension Agency, respectively. See "*Share Capital and Ownership Structure*".

### Strengths

BSF's management believes that BSF benefits from the following strengths:

***Experienced management:*** BSF has a senior management team with considerable and diverse experience in the banking industry and strong skills in operating financial institutions in the local, regional and international markets.

**Leading corporate franchise:** BSF has deep institutional knowledge and relationships in the corporate segment and is one of the Kingdom's leading providers of banking services to large corporates and MSMEs, in addition to financial institutions, semi-Government and Government clients. According to BSF's estimates based on publicly available information, as at 31 December 2023, BSF ranked as the fifth largest bank in the Kingdom in the corporate segment by total loans and advances, net, with total loans and advances, net attributable to its corporate banking segment of SR 135,650 million.

**Fully-owned investment bank providing complementary products and distribution:** Saudi Fransi Capital ("BSF Capital"), a wholly-owned investment banking subsidiary of BSF, provides BSF with a wide distribution and placement network and an extensive complementary product range for BSF's corporate (wholesale) and high net worth customers.

**Recognised product expertise:** BSF is a recognised leader in complex products such as interest rate derivatives and structured finance and has a strong track record of finding innovative solutions to meet its customers' requirements.

**Strong high net worth business:** According to BSF's estimates based on publicly available information, BSF has a market-leading position in affluent, high net worth and ultra-high net worth banking and is a partner of choice for customers in these segments.

**Robust capital position:** BSF benefits from a robust capital base enabling it to pursue its growth plans. As at 30 June 2024, BSF's total capital ratio was 18.08 per cent., significantly exceeding the statutory minimum total capital ratio of 10.5 per cent. (including a capital conservation buffer of 2.5 per cent.).

**Effective cost management:** BSF has historically maintained a low cost to income ratio compared with the banking sector in the Kingdom as a whole by following a stringent approach to cost control. For the six months ended 30 June 2024 and the years ended 31 December 2023 and 31 December 2022, BSF's cost-to-income ratio remained relatively low at 33.85 per cent., 32.41 per cent. and 33.10 per cent., respectively, notwithstanding the growth in BSF's loan portfolio.

## Strategy

BSF's strategic objective is to achieve balanced growth and maintain consistent and sustainable profitability while strictly adhering to prudent risk management. BSF endeavours to achieve this strategic objective through the implementation of the following key initiatives which BSF expects will drive its growth and enhance its position in the banking market:

**Technology Infrastructure Upgrade:** BSF is continuously investing in advanced technologies to ensure BSF remains at the forefront of the digital banking revolution;

**Expand coverage of financial institutions, Government and Multi-National Companies:** BSF aims to broaden its reach and service a wider segment of financial institutions, Government and multi-national companies;

**Expand Product Suite:** BSF expects to offer new and innovative products catering to the diverse needs of its customers;

**Revamp Global Transaction Services:** BSF is planning a comprehensive enhancement of its Global Transaction Services group aimed at streamlining its operations including through the reduction of the turnaround times and automation and digitalisation of the customer journey;

**Experience Centric Rewards:** BSF is focusing on elevating customer experience through tailored rewards and recognition programmes;

**Scale up Financing and Leasing:** BSF intends to expand its offering in this segment, capitalising on market opportunities;

**Scale up High Net Worth Banking:** BSF intends to introduce new tailored services and products in its high net worth banking segment;

**Provide Superior Daily Banking:** BSF intends to ensure that everyday banking is more efficient, responsive and customer-centric; and

**Leverage Opportunities in Capital Markets:** BSF aims to maximise its presence and opportunities in capital markets with a view to ensuring sustainable growth.

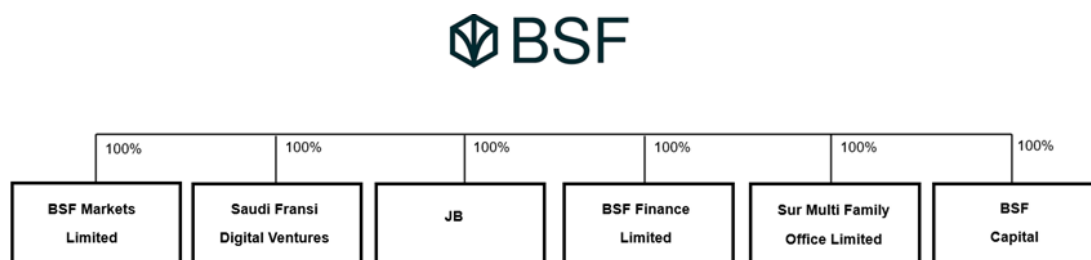
## Competition

According to SAMA’s website, there are 37 commercial banks licensed to operate in the Kingdom, of which 14 are incorporated in the Kingdom with three banks being digital banks (namely STC Bank, D360 Bank and Vision Bank) that have been recently licensed by SAMA but have not yet commenced their operations, although two are in a pilot phase of operations. Of the remaining 23 licensed banks, seven are branches of banks based in countries of the GCC other than the Kingdom (namely Abu Dhabi Commercial Bank, Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, First Abu Dhabi Bank, Bank Muscat and Qatar National Bank), ten are international banks (namely J.P. Morgan Chase, N.A., BNP Paribas, Deutsche Bank, T.C. Ziraat Bankası A.Ş., MUFG Bank Ltd, National Bank of Pakistan, Industrial and Commercial Bank of China, Credit Suisse, Standard Chartered Bank and National Bank of Iraq) and six have been licensed but are yet to commence operations under their licences (namely Trade Bank of Iraq, Bank of China Limited, Banque Misr, Sohar International Bank, National Bank of Egypt and Bank of Jordan).

All segments of the financial services market in the Kingdom are highly competitive. BSF’s primary competitors in the retail and wholesale banking sectors are the Arab National Bank, Riyadh Bank, the Saudi Awwal Bank and Saudi National Bank. BSF also faces competition from Emirates NBD and Gulf International Bank in the retail sector. In addition, financial technology (“**fintech**”) start-ups in the Kingdom are providing limited banking services such as e-wallets enabling merchant payment, remittance and inter-bank transfers.

## Group Structure

The following structure chart sets out the operating subsidiaries of BSF as at 30 June 2024:



## Share Capital and Ownership Structure

The table below shows BSF’s shareholders holding more than 5.0 per cent. in the share capital of BSF as at 30 June 2024.

Name	Basic Information	Percentage Shareholding
Kingdom Holding Company	The Kingdom Holding Company is a Saudi conglomerate holding company.	16.2 per cent.
Rashed Abdulrahman Al-Rashed & Sons Co	Saudi General partnership owned by the heirs of Rashed Abdul Rahman Al Rashed.	9.8 per cent.

## Operations

The Group has four principal reporting segments which correspond to its core business lines. These are:

- Retail banking, which provides banking services to general retail, affluent, high net worth and ultra-high net worth customers as well as predominantly non-lending banking services to MSMEs;
- Corporate (wholesale) banking, which provides banking services to large local and international corporates, the Government and public sector entities as well as predominantly lending services to MSMEs;
- Treasury, which manages the Group's liquidity, ensures BSF is in compliance with liquidity ratios prescribed by SAMA and offers derivative and other structured products to the Group's customers; and
- Investment banking and brokerage, which provides securities brokerage, asset management and corporate finance services to the Group's customers.

## Retail Banking

### Overview

BSF's retail banking segment is the largest business line of BSF in terms of the number of customers and number of employees. Retail banking's net income before zakat was SR 1,054 million for the six months ended 30 June 2024, SR 1,926 million for the year ended 31 December 2023 and SR 803 million for the year ended 31 December 2022. The total assets of the retail banking segment amounted to SR 49,259 million as at 30 June 2024, SR 44,030 million as at 31 December 2023 and SR 38,411 million as at 31 December 2022. Loans and advances, net to retail customers amounted to SR 46,877 million as at 30 June 2024, SR 42,325 million as at 31 December 2023 and SR 37,048 million as at 31 December 2022. Customers' deposits within the retail banking segment amounted to SR 61,262 million as at 30 June 2024, SR 69,214 million as at 31 December 2023 and SR 77,321 million as at 31 December 2022.

As at 30 June 2024, BSF had approximately 1.26 million retail customers, most of whom are Saudi Arabian nationals. BSF's retail banking segment also provides predominantly non-lending banking services to MSMEs. See "*MSME Banking*".

BSF's retail banking services include retail lending products, such as housing loans, consumer loans, credit and debit cards, deposit solutions, payments and transfers, foreign exchange transactions, education and retirement plans, brokerage services and portfolio and investment advisory services.

BSF's retail banking business comprises the following segments:

- general retail banking, which provides a full suite of retail lending and deposit products to BSF's retail customers; and
- high net worth banking, which provides tailored financial planning, portfolio management and investment advisory solutions to BSF's affluent, high net worth and ultra-high net worth customers.

BSF's management believes that BSF's retail segment has significant growth potential which BSF intends to exploit. In particular, BSF is looking to increase its retail customer base by leveraging its corporate banking relationships and offering general retail banking and high net worth banking products to employees of its corporate banking customers.

#### *General retail banking:*

BSF offers a wide range of general retail banking products through its branches and alternative distribution channels. See – “*Distribution Channels*” below. The key products offered are as follows:

#### Home Finance

BSF offers a full range of residential finance products, which includes Murabaha, construction finance, land finance, financing of incomplete property and off-plan finance. As at 30 June 2024, outstanding home finance loans extended by BSF amounted to SR 16,368 million.

#### Auto Finance

Saudi Fransi for Finance Leasing (“**JB**”), a wholly-owned subsidiary of BSF, offers auto finance solutions in the form of leasing, which is an Ijara-based facility provided to individuals buying passenger vehicles. Under the Ijara structure, JB, at the request of its customer, acquires a vehicle of the customer's choice and leases it to the customer for a period of up to five years. JB has representatives in most of the automobile showrooms in the Kingdom. As at 30 June 2024, JB's auto finance portfolio amounted to SR 6,121 million.

#### Deposit Solutions

BSF offers a wide range of deposit solutions, including savings accounts, time deposits and structured deposits. As at 30 June 2024, BSF's individual deposits amounted to SR 61,262 million.

#### Bank Cards

As at 30 June 2024, the number of issued credit cards, debit cards and prepaid cards was 134,563, 965,344 and 20,568, respectively. BSF offers its customers Visa and Mastercard debit and credit cards, which include both conventional and *Shari'a*-compliant cards.

#### Education and Retirement Plans

BSF provides its retail customers with access to education and retirement plans. These plans are long-term saving tools that build cash value over time while protecting the policy holder from unforeseen circumstances such as death, disability or serious illness. Educational plans help to cover the cost of education of children when they reach college whilst retirement plans support individuals in sustaining themselves financially after retiring. The number of participating customers in BSF's retirement and education plans reached 664 customers with 2,767 contracts as at 30 June 2024.

#### Brokerage and Investment funds

BSF provides its retail customers with access to both international and Saudi securities markets through its subsidiary, BSF Capital. In addition, BSF Capital offers a wide range of managed investment solutions such as mutual funds and managed portfolios for BSF's retail customers. See – “*Investment Banking and Brokerage*”.

#### *High Net Worth Banking*

BSF's high net worth customers include affluent customers (those with personal financial assets of between SR 3 million and SR 7.5 million), high net worth customers (those with personal financial assets of greater than SR 7.5 million) and ultra-high net worth customers (those with personal financial assets of greater than SR 150

million). As at 30 June 2024, BSF had 330, 695 and 115 affluent, high net worth and ultra-high net worth customers, respectively.

BSF's high net worth banking offers a wide range of tailored financial planning, portfolio management and investment advisory solutions.

Customers of BSF's high net worth banking also have access to the general retail banking products.

### *Distribution Channels*

#### Branches

As at 30 June 2024, BSF had a network of 82 branches.

BSF's branches are spread across the Kingdom and are divided into three regional management groups for operational purposes, which reflect the administrative zoning of the Kingdom, and comprise:

- Western Region (Jeddah): 28 branches
- Central Region (Riyadh): 32 branches
- Eastern Region (Dammam – Al Khobar): 22 branches

BSF is focused on modernising its branch network to make the older branches more user-friendly for customers and to improve BSF's retail product distribution.

All branches are equipped with state-of-the-art ATMs and CAMs and card printing kiosks, which allow banking operations to be processed directly by customers. In addition, as at 30 June 2024, BSF had three fully automated self-service branches which operate 24 hours a day.

#### ATMs

BSF had a network of 441 ATMs as at 30 June 2024.

#### E-banking

BSF uses e-banking technologies to enhance its distribution channels and give it a competitive advantage. These include:

- “*FransiPlus*”, which enables retail customers to make online payments, obtain cash advances and make money transfers;
- “*FransiTadawul*”, an online local share trading system;
- “*FransiPhone*”, which enables customers to execute a selection of banking transactions by telephone and is coupled with BSF's 24-hour call centre located in Riyadh; and
- “*FransiMobile*”, which enables customers to perform various transactions using their mobile phones, such as on the spot account information and bill payments.

## **Corporate (Wholesale) Banking**

### *Overview*

Based on its analysis of publicly available information, BSF estimates that it is one of the largest providers of corporate banking services in the Kingdom and has the fifth largest corporate banking business in the Kingdom in terms of both total assets and income. According to BSF's estimates based on publicly available information, as at 30 June 2024, the market share of BSF's corporate (wholesale) banking segment was 10.40 per cent. in



terms of loans and advances, net, 9.94 per cent. in terms of outstanding letters of credit and bank guarantees and 8.18 per cent. in terms of net income before zakat.

BSF provides a wide range of corporate banking services to large local and international corporates, the Government and public sector entities, as well as to MSMEs. Operating under the banner “One Client, One Bank”, BSF provides its corporate banking customers with integrated lending, payments, deposits, cash management and cash collection solutions. BSF’s corporate banking product offering is complemented by BSF Capital, which provides BSF’s corporate clients with a wide range of investments and brokerage solutions. See – “*Investment Banking and Brokerage*”.

As at 30 June 2024, BSF’s corporate (wholesale) banking segment had more than 8,200 active corporate customers, which included approximately 5,047 large and international corporates, 160 Government and public entities, 741 financial institutions and 2,336 MSMEs.

For the six months ended 30 June 2024, the year ended 31 December 2023 and the year ended 31 December 2022, the corporate banking segment’s net income before zakat was SR1,644 million, SR 1,876 million and SR 1,500 million respectively. The total assets of the corporate banking segment amounted to SR 151,370 million as at 30 June 2024, SR 136,409 million as at 31 December 2023 and SR 122,841 million as at 31 December 2022. Loans and advances, net, to BSF’s corporate customers amounted to SR 148,547 million as at 30 June 2024, SR 135,650 million as at 31 December 2023 and SR 120,540 million as at 31 December 2022. Customers’ deposits attributable to the corporate banking segment amounted to SR134,986 million as at 30 June 2024, SR 102,995 million as at 31 December 2023 and SR 80,271 million as at 31 December 2022.

BSF diversifies its corporate customer base into the following categories:

- Large corporates, being companies with annual sales exceeding SR 200 million;
- Financial institutions, being banks and non-banking financial institutions within and outside of the Kingdom;
- Government and public entities, being entities wholly owned by the Government and Government agencies and departments; and
- MSMEs, being companies with annual sales of SR 200 million or lower.

#### *Large corporates*

BSF offers a wide range of banking services and solutions to large corporates including lending, deposit and cash management solutions.

#### Lending Solutions

Lending solutions offered by BSF to its large corporate customers include term loans, working capital loans, overdraft facilities, project finance, trade finance, syndicated finance and real estate finance (both conventional and *Shari’a*-compliant).

- Project and Structured Finance

BSF has been involved in more than 100 project / structured finance transactions in the Kingdom and the wider GCC region covering key industries including: oil and gas, petrochemicals, metals and mining, power and water, infrastructure, telecommunications, transport, real estate, hospitality, construction and cement. BSF provides a comprehensive product range in financing these sectors either through limited / non-recourse cashflow based financing or asset-backed, acquisition / leverage financing.

For the year ended 31 December 2023, BSF arranged and participated in deals with an aggregate value of more than SR 11 billion across different sectors, including infrastructure, real estate, tourism, power, water and mining. These deals included debt refinancing deals for, amongst others, ACWA Power, NEOM Construction Villages Project (Tamasuk Consortium), Maaden, Saudi Electricity Company, Avilease and Arabian Contracting Services Company.

BSF's Project & Structured Finance Team has been recognised for its experience and achievements in arranging debt transactions including refinancing, project financing and syndicated transactions for large corporates across various industries. BSF's deal experience credentials for 2023 include:

- EMEA Utility Deal of the Year: The Red Sea Multi-utilities Project by Project Finance International EMEA Awards (“**PFI**”);
- EMEA Special Award Green Deal of Year: NEOM Green Hydrogen by PFI;
- Deal of the year – Petrochemicals: Advanced Polyolefins Industry Company by IJ Global Mena Awards (“**IJ Global**”);
- Deal of the year – Utilities: Red Sea Multi-Utilities Project by IJ Global;
- Deal of the year – Refinancing Petrochemicals: Chemanol Refinancing & Expansion by IJ Global;
- Project Finance Loan Deal of the Year: Advanced Polyolefins Industry Company (APOC) by Capital Markets and ESG Finance Saudi Arabia Awards; and
- Water & Utilities Deal of the Year: Marafiq Red Sea for Energy Company by Capital Market and ESG Finance Saudi Arabia Awards;
- Trade Finance Solutions

BSF provides a comprehensive suite of documentary operations and trade finance instruments for its large corporate customers. Such instruments include revolving documentary letters of credit, transferable documentary letters of credit and standby letters of credit which are used by BSF's large corporate customers in their import and export operations. BSF also provides a wide range of guarantee services which include bid bonds, performance bonds, advance payments, payment guarantees, retention bonds, zakat and income tax bonds, shipping guarantees and counter guarantees. In addition, BSF's trade finance solutions product offering includes import / export documentary collection services, such as post finance letters of credit, avalisation and bills discounting.

BSF's trade finance business has developed a firm footing in the market which was reaffirmed by a number of citations and awards received in 2023, such as the Best KSA Trade Finance Bank in the Kingdom by the Asian Banker Survey, the Best KSA Export Growth Bank by the Global Trade Review and the Most Innovative Trade Bank, Best Export Bank and the Best Trade Advisory Team by the Saudi Bank Awards.

#### Deposits and Accounts

BSF provides a full range of current and term accounts (both conventional and *Shari'a* compliant) to large corporate customers and seeks to develop new products to meet customer requirements. In addition, BSF offers time, demand, savings and other types of deposits.

### *Financial Institutions*

Since its establishment, BSF has maintained strong relationships with financial institutions both regionally and globally. BSF's Financial Institutions business acts as a gateway into the Kingdom by providing foreign banks and their clients access to the Saudi market and connects BSF customers to the rest of the world. It offers a full suite of corresponding banking services, including cash management, treasury and trade services. In 2023, BSF's Financial Institutions business received the Operational Excellence Award from Wells Fargo Bank and the Elite Quality Recognition Award from JP Morgan Bank.

### *Government and Public Entities*

BSF provides a full suite of solution-driven general banking services to the Government and public entities including account management, investment and commercial banking services.

In addition to general banking services, BSF participates in several joint lending programmes with Saudi Government funds and agencies, including:

- a collaboration programme with the Agricultural Development Fund (the “**ADF**”) which aims to provide short-term working capital financing to agriculture companies in the Kingdom (the “**ADF Programme**”). Through the ADF Programme, banks offering finance to customers receive a guarantee from ADF, covering a certain percentage of the financing amount.
- a co-operation programme with the Tourism Development Fund (the “**TDF**”) which aims to provide funding to companies operating in the tourism sector, including large corporates and small and medium-sized enterprises (the “**TDF Programme**”). Through the TDF Programme, customers receive a guarantee from TDF, covering a certain percentage of the financing amount;
- a co-operation memorandum of understanding with the Cultural Development Fund (the “**CDF**”) which aims to provide funding to companies operating in the cultural sector, including large corporates and small and medium-sized enterprises (the “**CDF Programme**”). Through the CDF Programme, customers receive a guarantee from CDF/KAFALAH, covering a certain percentage of the financing amount;
- a co-operation programme with the Saudi Industrial Development Fund (the “**SIDF**”) which aims to provide funding to companies operating in the industrial sector, including large corporates and small and medium-sized enterprises (the “**SIDF Programme**”). Through the SIDF Programme, customers receive a guarantee from SIDF, covering a certain percentage of the financing amount;
- a co-operation programme with the Real Estate Development Fund (the “**REDF**”) which aims to provide funding to real estate developers operating in the housing sector, including large corporates and small and medium-sized enterprises (the “**REDF Programme**”). Through the REDF Programme, customers receive a guarantee from REDF, covering a certain percentage of the financing amount; and
- a co-operation programme with National Development Fund (“**NDF**”) which aims to support private infrastructure companies that are facing temporary financial situations (the “**SSP Programme**”). Through the SSP Programme, banks are offering finance to customers with a guarantee from the National Infrastructure Fund (one of NDF's funds) under the SSP Programme.

In 2023, BSF cooperated with the Government on the following initiatives:

- a guarantee programme with Saudi Exim Bank which aims to support exports of Saudi products and services and contracts for companies in the Kingdom. In addition, BSF signed a memorandum of understanding with Saudi Exim Bank on the support of non-oil export activities of companies in the Kingdom;

- a cooperative framework agreement with the Associations Support Fund (“**ASF**”) under which certain donations from BSF will be passed to the targeted associations via ASF; and
- sponsorship of programmes, activities and campaigns of the King Salman Humanitarian and Relief Center, Um AlQura University, Social Development Bank and the General Food Security Authority.

BSF is also an active contributor to the Government’s Vision 2030 megaprojects, including:

- the Red Sea project, which involves the development of resorts across the Red Sea coastline;
- the NEOM project, which involves the development of a transnational “smart city” and economic zone located in Tabuk by the north-western border of the Kingdom;
- the Qiddiya project, which involves the development of an entertainment city located approximately 40 kilometres west of Riyadh; and
- ROSHN Real Estate, supported by the Public Investment Fund, is one of the largest national master developers specialising in the field of real estate and community building, which aims to increase the rate of home ownership among Saudi citizens to 70 per cent.

### *Distribution Channels*

Corporate banking customers of BSF benefit from dedicated teams of relationship managers who are assigned on the basis of the size and geographical location of the customer. BSF’s relationship managers are based in the head office in Riyadh and each of BSF’s three regional offices. Operational banking requirements are met through e-channels, the branch network and designated corporate lounges. BSF also offers its corporate customers access to specialist e-banking systems such as “Fransi Global” in addition to business-to-business, MACUG which provides cash management services and “Fransi Trade” through which customers can obtain trade finance services such as letters of credit. Certain large corporate customers also have access to bespoke electronic banking systems dedicated to their specific requirements.

### **MSME Banking**

BSF provides lending services to MSMEs primarily through its corporate (wholesale) banking segment, whilst non-lending services are provided to MSMEs by BSF’s retail segment. As at 30 June 2024, BSF’s corporate and retail banking segments serviced over 58,500 MSMEs. BSF offers MSMEs the same lending and deposit solutions as are offered to its large corporates (see – “*Corporate (Wholesale) Banking – Large Corporates – Lending Solutions*” and see – “*Corporate (Wholesale) Banking – Large Corporates – Deposits and Accounts*”). In addition, BSF offers a number of packaged programme-based lending products which are tailor-made for MSMEs as well as cash management solutions.

### Liquidity and Cash Management

Liquidity and Cash Management (“**LCM**”) allows BSF customers to manage their cash flow and transaction banking requirements through innovative and cost-effective solutions delivered through state-of-the-art digital channels and a robust network of teams distributed across the country. LCM offers BSF’s customers solutions to facilitate (i) the making of payments, (ii) managing collections and liquidity digitally with solutions such as FransiGlobal, FransiTrade, B2B, MACUG, e-Dividend, e-Payroll, Payroll Cards and Ejar and (iii) acquiring business (POS and E-commerce). Expansion in this area is part of BSF’s long-term strategy.

### Distribution Channels

BSF's products are distributed to its MSME customers through a combination of BSF's retail and corporate (wholesale) banking segments' distribution channels. See – "*Corporate (Wholesale) Banking – Distribution Channels*" and "*Retail Banking – Distribution Channels*".

### **Treasury**

The Group's treasury functions are carried out by the Treasury and Investment Group, whose objective is to maximise returns on the Group's assets and liabilities whilst adhering to clear limits and parameters set according to BSF's risk appetite. The Treasury and Investment Group is primarily responsible for managing BSF's liquidity and ensuring that BSF is in compliance with the liquidity ratios prescribed by SAMA. In addition, the Treasury and Investment Group is tasked with developing BSF's investment strategy in line with BSF's risk appetite and maximising its returns through the proper and efficient deployment of capital and liquidity. The Treasury Investment Group is also a major participant in the local inter-bank market and plays a prominent role in market-making activities in the SR market for derivatives and interest-rate products.

In addition, the Treasury and Investment Group offers a wide range of derivatives products which are structured with a primary focus on assisting the Group's customers in managing their foreign currency, interest rate, commodity and other risks. Such derivative products include interest rate swaps, profit rate swaps, foreign exchange swaps, foreign exchange forwards, forward rate agreements, foreign exchange spot transactions, interest rate and foreign currency options and structured products.

For the six months ended 30 June 2024, the treasury segment reported a loss for the period before zakat of SR 286 million. The treasury segment's net income before zakat was SR 665 million for the year ended 31 December 2023 and SR 1,464 million for the year ended 31 December 2022. As at 30 June 2024, 31 December 2023 and 31 December 2022, the total assets of the treasury segment amounted to SR 85,704 million, SR 70,830 million and SR 68,635 million, respectively.

### **Investment Banking and Brokerage**

The Group conducts its investment banking and brokerage business through BSF Capital which offers securities brokerage, asset management and corporate finance services. BSF Capital is licensed as a "Capital Market Institution" by the CMA.

The Group's investment banking and brokerage segment's net income before zakat was SR 129 million, SR 241 million and SR 236 million for the six months ended 30 June 2024, the year ended 31 December 2023 and the year ended 31 December 2022, respectively. As at 30 June 2024, 31 December 2023 and 31 December 2022, the total assets of the investment banking and brokerage segment amounted to SR 2,494 million, SR 2,113 million and SR 2,191 million, respectively.

### Securities Brokerage

As at 30 June 2024, BSF Capital was the twelfth largest equity broker by total traded volume. According to Tadawul, BSF Capital's market share in the Saudi local brokerage market (by total value traded) was 2.37 per cent. as at 30 June 2024.

BSF Capital offers its customers an extensive trading and price dissemination network through its proprietary trading platform, SFC Tadawul, which provides BSF Capital's customers access to the Saudi and international securities markets.

### Asset Management

BSF Capital's asset management business offers a variety of managed investment solutions such as mutual funds, managed portfolios and private placements for all categories of customer including retail, affluent, high net worth and ultra-high net worth individuals, corporate and government clients.

As at the date of this Base Offering Circular, BSF Capital offers ten mutual funds, eight of which are Shari'a-compliant, six are Saudi and GCC equity funds, three are money market and murabaha funds and one is a diversified fixed income fund. All funds are managed locally. In addition, BSF Capital manages two real estate investment traded funds ("**REITs**"), Bonyan REIT and Taleem REIT, which are listed on the Main Market of Tadawul. As at 30 June 2024, the Group's total assets under management of public mutual funds listed on Tadawul amounted to SR 3,641 million (U.S.\$971 million) and the two REITs had a combined market capitalisation of SR 2,099 million (U.S.\$560 million).

BSF Capital currently offers its customers access to more than 100 global product offerings covering all major asset classes and geographies. In 2023, BSF Capital launched several private placement offerings of global private credit, real estate and absolute return funds. These offerings complement the Group's existing product portfolio and are a part of BSF's cross-selling strategy targeting affluent, high net worth and ultra-high net worth customers, as well as key clients of the corporate banking group.

### Investment Banking

BSF Capital offers a full range of investment banking services in the Kingdom covering equity capital markets, debt capital markets, mergers and acquisitions ("**M&A**") and advisory services.

In 2023, BSF Capital advised a number of companies on their initial public offerings ("**IPOs**") in the Kingdom, including Jamjoom Pharmaceuticals Factory Company, Lumi Rental Company, ADES Holding Company, Professional Medical Expertise Company and Armah Sports Company. Furthermore, BSF Capital acted as a buy-side advisor for IoT squared (a joint venture of the Kingdom's Public Investment Fund and STC Group) on the acquisition of Machinestalk, and as a buy-side advisor for "Solutions" by STC on its acquisition of Devoteam. BSF Capital also acted as joint lead manager and bookrunner on Saudi Electricity Company's U.S.\$2 billion sukuk offering and in connection with 2028 Certificates and the 2029 Certificates. Additionally, in the six months ended 30 June 2024, BSF Capital acted as a joint financial adviser, co-underwriter and joint bookrunner in connection with the IPOs of Maihona Company and Rasan Information Technology Company. In 2023, BSF Capital was recognised as "Best Local Investment Bank" in Saudi Arabia by EMEA Finance, "Best M&A House" in Saudi Arabia by EMEA Finance, "Best Equity House" in Saudi Arabia by EMEA Finance and "Local ECM House of the Year" in Saudi Arabia by Capital Markets & ESG Finance, and one of the transactions on which it worked was recognised as "Deal of the Year" in Saudi Arabia by Capital Markets & ESG Finance.

### *Distribution*

As at 30 June 2024, BSF Capital had its own distribution team of approximately 22 employees who are responsible for marketing its asset management, securities brokerage and investment banking products and solutions.

### **Shari'a Affairs Division**

In 2002, with a mandate to organise Islamic banking activities and in order to establish market credibility, BSF's Islamic banking division engaged one of the leading and internationally renowned Islamic banking scholars, Dr. Mohammed Elgari as BSF's *Shari'a* adviser. Dr. Elgari assisted BSF in laying down the foundation for Islamic banking governance and the development of *Shari'a*-compliant products and services.

In 2003, BSF appointed well-known *Shari'a* scholars to its Shariah Committee to ensure that BSF's Islamic products comply with *Shari'a* requirements, both in terms of product specifications and documentation. Each new Islamic product requires the approval of BSF's Shariah *Committee*, which is formalised by the issuance of a "Fatwa" before launch.

BSF continues to expand its Islamic banking business and to develop new products and services to meet the increasing demand of its customers, many of whom are gradually moving from conventional finance to *Shari'a*-compliant products.

BSF continues to grow its Islamic products portfolio, including through providing Islamic banking products to retail customers through all of its branches. In the corporate and investment banking sector, BSF offers a comprehensive range of *Shari'a*-compliant innovative and tailor-made solutions (including Islamic capital markets products) which are designed to meet all types of financial requirements of BSF's corporate and institutional customers. Gross loans and advances (both retail and corporate) provided by BSF under *Shari'a*-compliant structures amounted to SR 142,866 million as at 30 June 2024, SR 134,070 million as at 31 December 2023 and SR 117,247 million as at 31 December 2022. The Group's *Shari'a*-based investments amounted to SR 37,653 million as at 30 June 2024, SR 32,627 million as at 31 December 2023 and SR 29,882 million as at 31 December 2022. The volume of the BSF's *Shari'a*-based deposits was SR 59,999 million as at 30 June 2024, SR 38,812 million as at 31 December 2023 and SR 28,648 million as at 31 December 2022.

## **Subsidiaries and Associates**

In addition to BSF Finance, BSF Capital and JB, BSF has a number of other operating subsidiaries and associates, including:

### *BSF Markets Limited*

BSF Markets Limited is engaged in derivative trading and repo activities. As at 30 June 2024, BSF owned 100 per cent. of the share capital of BSF Markets Limited.

### *Saudi Fransi Digital Ventures*

Saudi Fransi Digital Ventures provides a wide range of digital solutions to BSF. As at 30 June 2024, BSF owned 100 per cent. of the share capital of Saudi Fransi Digital Ventures.

### *Sur Multi Family Office*

Sur Multi Family Office provides a wide range of wealth management services to customers of BSF's high net worth banking segment and their families. As at 30 June 2024, BSF owned 100 per cent. of the share capital of Sur Multi Family Office.

### *Banque Bemo Saudi Fransi Syria*

As at 30 June 2024, BSF owned a 27.0 per cent. stake in Banque Bemo Saudi Fransi Syria ("**BBSF**"), which as at 30 June 2024 operated a retail banking network of 30 branches in the Syrian Arab Republic ("**Syria**"). BSF also holds a 10.33 per cent. stake in Bemo Lebanon S.A. ("**Bemo Lebanon**"), which in turn owns a 22 per cent. stake in BBSF. On 26 November 2011, the board of directors of BSF took the unanimous decision to withdraw from the board of directors of BBSF and Bemo Lebanon, terminate any operational or managerial relationship with BBSF and Bemo Lebanon, and to sell BSF's 27 per cent. share in BBSF and 10.33 per cent. participation in Bemo Lebanon. The decision was made on the basis that operational risks in Syria as well as sanctions risks do not permit BSF to continue its operations in the Syrian market. BSF approached a reputable auditing firm to value its shares in BBSF and Bemo Lebanon and is currently looking for buyers for those shares. However, the political situation in Syria has prevented the consummation of the sale and any such sale process would be subject to the approval of the Central Banks of Syria and Lebanon, as applicable. BBSF is accounted for in

BSF's financial statements in accordance with the equity method and adequate provisioning is maintained through regular impairment testing.

### **Environmental, Social and Governance (“ESG”)**

In 2022, BSF published its first ESG policy framework (the “**ESG Framework**”), which applies to all groups and business units of BSF. The ESG Framework is focused on the following five pillars, which align with BSF's corporate mission and values: (i) exemplifying the highest ethical and governance standards, (ii) protecting our communities, (iii) accelerating sustainable economic growth, (iv) serving our clients and (v) creating a thriving workplace. Furthermore, in 2022, BSF established the environmental, social and governance committee of the Board of Directors (the “**ESG Board Committee**”) and the ESG management committee See “*Senior Management and Employees – Governance – The ESG Board Committee*”. In addition, BSF has published annual ESG reports since 2020.



## RISK MANAGEMENT

Pro-active and efficient management of the risks involved in BSF's activities is critical to its long-term financial strategy, profitability, assets and stakeholders' confidence. BSF has a risk management framework (the "**Risk Management Framework**") that ensures strong risk management awareness and culture, and instils these practices into day-to-day business activities and responsibilities. The Risk Management Framework entails proactive identification, measurement, monitoring and mitigation/control of key risks and strong risk governance and organisation.

### *Risk governance*

BSF's approach is to identify, analyse and respond appropriately to all risks. The approved risk appetites and tolerances for each type of risk determine the appropriate risk response.

The Board of Directors has ultimate responsibility for BSF's business, strategy and financial soundness, as well as its management and compliance obligations. The Risk Committee of the Board of Directors (the "**BRC**") is responsible for advising the Board of Directors on BSF's overall current and future risk appetite, overseeing senior management's implementation of the Risk Appetite Statement, reporting on the state of risk culture, interacting with the Chief Risk Officer (the "**CRO**"), and overseeing the adequate functioning of the risk management function.

The Board Level Committees (mainly the BRC, Audit Committee and the Executive Committee (the "**EC**")) are supported by BSF's Management Committees and respective senior management. In addition, BSF operates the three lines of defence model:

- As the first line of defence, the business units have ownership, responsibility and accountability for assessing, controlling and mitigating risks.
- As the second line of defence, the Risk Management function and Compliance and Legal facilitate and monitor the implementation of effective risk management practices by business and operational management and assist the risk owners with reporting appropriate risk-related information to the relevant stakeholders. The risk management process includes Risk Identification/Recognition, Risk Assessment (Validation, Measurement and Prioritisation), Risk Monitoring and Risk Mitigation (Controls).
- As the third line of defence, the internal audit function (the "**Internal Audit Function**"), through a risk-based audit approach, provides independent assurance to the Board of Directors and senior management on the effectiveness of the risk management process in BSF and its assessment and management of its risks (including the manner in which the first and second lines of defence operate).

### *Risk organisation*

BSF has a well-defined risk taxonomy (within the overall framework of credit, market and operational risks) following the Basel Committee on Banking Supervision (the "**BCBS**") classification and best practice guidelines for newer risk types. The CRO heads the Risk Management Group (the "**RMG**") and is responsible for overall implementation of the risk objectives of BSF.

### *Risk strategy*

RMG has a dedicated Risk Strategy Division responsible for:

*Analytics:* Fit for purpose models for rating, macroeconomic models, IFRS 9 methodology and execution. These models, which are mainly in the credit space, ensure accurate estimation of risk components for assessment of provisions, capital planning and stress tests.

*Capital Planning:* Annual Internal Capital Adequacy Assessment Process ("**ICAAP**") over a three-year horizon in co-ordination with the Finance Division under base and stressed conditions to ensure BSF's growth strategy

and franchise in line with SAMA guidelines and facilitate its integration with risk-based deal pricing and structuring.

*Stress Testing:* Semi-annual SAMA stress tests and ad-hoc integrated stress testing and scenario definition including the development of a robust recovery plan for BSF.

*Risk Appetite:* An enterprise-wide perspective on risks for the purpose of setting risk appetite (with approval of the Board of Directors), risk tolerance for expected losses, capital and liquidity adequacy and their impact on business lines for the purposes of setting prudential risk thresholds, all in the context of BSF's business strategy and plans.

*SAMA Regulatory Reporting:* SAMA capital reporting in line with BCBS and other reporting related to IFRS 9 assessment of provisions and planning.

*Portfolio Management:* Independent review and reporting of the Corporate Banking book exposures, individually and from a portfolio perspective for internal and SAMA reporting.

### ***Credit administration, control and monitoring***

The Credit Administration, Control and Monitoring Division is responsible for post-approval credit controls. Its role includes:

- ensuring that documentation and securities are obtained and comply with the terms of approval prior to limit activation;
- monitoring limit excesses and credit exceptions; and
- escalating exceptions and reporting on the credit portfolio.

Risk Projects, a function managed by the division, is responsible for the integrated management of all software implementation projects (whether analytical or operational) primarily related to credit risk.

### ***Special assets management***

Special Assets Management (“**SAM**”) is responsible for the management of non-performing credit exposures for the institutional banking business (all businesses except consumer credit, which is managed by a separate collections division). SAM is organised into a Debt Restructuring Unit and a Recovery Unit to manage remediation and hard collection strategies, respectively.

BSF regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

### ***Assets and Liabilities Management***

BSF's assets and liabilities management (“**ALM**”) policy provides the framework for the management and control of liquidity and interest rate risk. Day to day operational responsibility resides with the ALM department, reporting to the Chief Treasury and Investment Officer (the “**CTIO**”), with governance oversight provided by the ALCO.

*Liquidity:* BSF has a low tolerance to liquidity risks and has delegated the management of liquidity to the Treasury department. BSF aims to hold sufficient liquidity to meet the minimum regulatory requirements set by SAMA as well as its own internal liquidity requirements. The Treasury Investment Group (the “**TIG**”), together with internal stakeholders, is responsible for the preparation of BSF's internal liquidity adequacy assessment plan (“**ILAAP**”) which seeks to ensure that BSF remains sufficiently liquid for its current and forecasted business under both normal and distressed market conditions.

*Interest rate risk:* BSF has a low tolerance to interest rate risk that arises from its banking book activities. It is BSF's policy to transfer interest rate risk positions from all business lines for central management by the TIG. Exposures are managed in accordance with ALCO-approved risk tolerance and pre-defined limits. Stress testing and sensitivity analyses are also performed on a regular basis, with results reported to ALCO.

*Capital adequacy:* BSF seeks to hold sufficient capital in both quality and quantity to meet the regulatory minimum requirement set by SAMA as well as its own internal assessment of its capital requirements. The RMG, together with internal stakeholders, is responsible for the preparation of BSF's ICAAP. This plan seeks to ensure that BSF retains sufficient capital for its current and forecasted business under both normal and distressed market conditions.

### ***Litigation***

As at 31 December 2023, BSF had outstanding claims as referred to in note 21(a) to the 2023 Financial Statements, for which adequate provision has been made. The legal advice provided in relation to these claims indicates that it is unlikely that any significant loss will arise. Progress on these claims has been slow due to delays in the courts of the Kingdom; however, all major cases are typically resolved through compromises and amicable settlements. No significant new claim has been made against BSF since 31 December 2023.

## **Quantitative and Qualitative Disclosures About Risk**

Like other financial institutions, BSF faces a range of risks in its business and operations including: (i) credit risk; (ii) market risk; (iii) liquidity risk; and (iv) operational risk.

### ***Credit risk***

BSF manages its exposure to credit risk (i.e. the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss). Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The BRC responsible for monitoring the overall risk process within BSF.

BSF's credit policy provides detailed guidelines to manage credit risk effectively. It is reviewed and updated from time to time based on experience, emerging issues, best market practices and directives from regulatory authorities. The credit policy is designed to ensure clear recognition of credit risk management strategies and objectives. BSF's credit exposure to each client is reviewed annually with high-risk exposures reviewed on a more frequent basis.

BSF attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and by continually assessing the creditworthiness of its counterparties. BSF's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to these limits.

Actual exposures against limits are monitored daily. In addition to monitoring credit limits, BSF manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, BSF may also close out transactions or assign them to other counterparties to mitigate credit risk. BSF's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligations, and to control the level of credit risk taken. BSF assesses counterparties using the same techniques as for its lending activities.

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

BSF assesses the probability of default of counterparties using internal rating tools and credit assessment, where necessary. Where available, BSF also uses the external ratings of the major rating agencies. BSF has a 14-point unified master scale that links the ratings of all counterparties to the probability of default.

BSF seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or industries. It also takes collateral / security when appropriate. BSF also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the allowance for impairment losses.

### ***Market Risk***

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, FX rates and equity prices. BSF classifies market risk exposures into either trading or non-trading (also referred to as banking book).

Market risk within the trading and banking books is managed and monitored using various indicators such as VAR, stress testing and sensitivity analyses.

#### ***Market risk – trading book***

The Board of Directors has set limits for the acceptable levels of risk in managing the trading book. In order to manage the market risk in the trading book, BSF applies, on a daily basis, a value at risk (“**VAR**”) methodology based on historical rate changes observed in the market.

VAR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time period. BSF uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

VAR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results may differ from the VAR calculations. The calculation also does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VAR limitations mentioned above, BSF also carries out stress tests of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to BSF's ALM and Market Risk committees for their review.

#### ***Market risk – non-trading book***

Market risk on BSF's non-trading book mainly arises as a result of exposure to special commission rate, foreign currency and equity price changes.



	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>Long (short)</b>	<b>Long (short)</b>
	(SR'000)	
US Dollar .....	(3,750)	(56,250)
Euro.....	34,658	2,813
Pound Sterling.....	22,996	20,721
Other .....	19,892	32,774
<b>Total</b> .....	<b>73,796</b>	<b>(392)</b>

Within the Kingdom's economic context, where most exports and imports are settled in U.S. dollars, the largest foreign exchange exposures created by the business flows are in U.S. dollars. These U.S. dollar exposures have a very limited daily variation risk as they benefit from the 3.75 fixed exchange rate between U.S. dollars and SR handled by SAMA through daily transactions with Saudi banks.

While BSF is not aware of any planned de-pegging of the U.S. dollar and Saudi Riyal, specific stress scenarios linked to a potential USD/SR de-peg (both revaluation and devaluation) are monitored on a daily basis in order to estimate the potential associated risk.

#### *Currency position*

BSF manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors (acting through the EC) sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily.

#### *Management of market risk*

The primary focus of the market risk department is to assess, measure and follow up on the risks that are taken within the trading books managed by the treasury department.

Market risk activity is governed by BSF's Market Risk Committee, which meets regularly, and is closely monitored by a dedicated and independent Market Risk Department that reports ultimately to the CRO.

BSF has clearly defined policies and procedures related to market risk activity, as well as a comprehensive set of market risk indicators and their associated limits which are reviewed at least annually, monitored independently and reported on a daily basis to senior management.

The market risk department has access to sophisticated systems with real time data to calculate the daily profit and loss of BSF Treasury and monitor market risk exposures.

#### *Liquidity Risk*

Liquidity risk is the risk that BSF will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to become immediately unavailable. To mitigate this risk, BSF's management has diversified funding sources and manages its assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

BSF has delegated the management of liquidity to the TIG.

In accordance with the Banking Control Law and the Regulations issued by SAMA, BSF maintains a statutory deposit with SAMA of no less than 7 per cent. of total customer demand deposits and 4 per cent. of balances due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), savings, time deposits, margins of letters of credit and guarantee, excluding all types of repo deposits. In addition to the statutory deposit, BSF also maintains liquid reserves of not less than 20 per cent. of its deposit liabilities in the form of cash, Government securities or assets which can be converted into cash within a period not exceeding 30 days. BSF can also raise additional funds through repo facilities available with SAMA against its holding of Government securities up to 100 per cent. of the nominal value of the securities. In addition, BSF has repo agreements in place with 21 banks in order to get liquidity (if needed) from its corporate bond portfolio.

The following table shows the maturity profile of assets, liabilities and total equity as at 31 December 2023 and 31 December 2022:

	Within 3 months	3-12 months	1-5 years	Over 5 years	No Fixed Maturity	Total
	(SR'000)					
<b>As at 31 December 2023</b>						
<b>Assets</b>						
<b>Cash and balances with SAMA</b>						
Cash in hand .....	—	—	—	—	1,068,081	1,068,081
Balances with SAMA .....	—	—	—	—	9,490,678	9,490,678
<b>Due from banks and other financial institutions</b>						
Current account.....	—	—	—	—	1,636,873	1,636,873
Money market placements .....	513,890	161,796	1,800,606	—	—	2,476,292
<b>Investments, net</b>						
Held as FVSI.....	—	—	53,756	168,181	—	221,937
Held as FVOCI, net.....	1,340,408	2,274,223	10,657,924	8,976,842	355,737	23,605,134
Held at amortised cost, net.....	—	1,395,636	7,606,314	15,638,268	—	24,640,218
<b>Investment in associate, net .....</b>	—	—	—	—	9,695	9,695
<b>Positive fair value of derivatives .....</b>						
Held for trading.....	133,216	290,785	2,578,460	2,290,914	—	5,293,375
Held as fair value hedges .....	—	—	4,021	—	—	4,021
Held as cash flow hedges .....	46,138	24,073	291,217	—	—	361,428
<b>Loans and advances, net.....</b>						
Credit cards and consumer loans.....	215,637	720,365	15,269,780	15,693,818	495,678	32,395,278
Overdraft and commercial loans .....	20,009,243	38,924,981	45,075,792	42,020,409	965,520	146,995,945
<b>Property, equipment and right of use assets, net .....</b>						
	—	—	—	—	2,038,231	2,038,231
<b>Other assets and other real estate .....</b>	—	—	—	—	3,145,663	3,145,663
<b>Total assets .....</b>	<u>22,258,532</u>	<u>43,791,859</u>	<u>83,337,870</u>	<u>84,788,432</u>	<u>19,206,156</u>	<u>253,382,849</u>
<b>Liabilities and equity</b>						
<b>Due to SAMA, banks and other financial institutions</b>						
Current accounts .....	—	—	—	—	466,229	466,229
Money market deposits .....	14,683,901	1,663,928	2,131,212	—	—	18,479,041
<b>Customers' deposits</b>						

	Within 3 months	3-12 months	1-5 years	Over 5 years	No Fixed Maturity	Total
	(SR'000)					
Demand.....	—	—	—	—	76,411,540	76,411,540
Saving.....	—	—	—	—	878,229	878,229
Time.....	68,303,793	18,147,539	3,748,161	—	—	90,199,493
Other.....	—	—	—	—	4,719,721	4,719,721
<b>Negative fair value of derivatives</b>						
Held for trading.....	64,418	291,548	2,546,129	2,193,369	—	5,095,464
Held as fair value hedges.....	—	—	12,488	104,529	—	117,017
Held as cash flow hedges.....	—	52,903	719,948	—	—	772,851
<b>Debt securities and term loans</b> .....	—	—	8,634,026	—	—	8,634,026
<b>Other liabilities</b> .....	29,192	62,391	273,043	298,492	5,824,899	6,488,017
<b>Total equity</b> .....	—	—	—	—	41,121,221	41,121,221
<b>Total liabilities and equity</b> .....	<u>83,081,304</u>	<u>20,218,309</u>	<u>18,065,007</u>	<u>2,596,390</u>	<u>129,421,839</u>	<u>253,382,849</u>
<b>As at 31 December 2022</b>						
<b>Assets</b>						
<b>Cash and balances with SAMA</b>						
Cash in hand.....	—	—	—	—	973,736	973,736
Balances with SAMA.....	1,185,000	—	—	—	9,166,850	10,351,850
<b>Due from banks and other financial institutions</b>						
Current account.....	—	—	—	—	2,793,569	2,793,569
Money market placements.....	836,950	308,514	856,078	—	—	2,001,542
<b>Investments, net</b>						
Held as FVSL.....	3,800	—	—	60,459	4,485	68,744
Held as FVOCI, net.....	717,073	870,618	13,519,627	2,977,957	320,393	18,405,668
Held at amortised cost, net.....	1,749,354	5,333,861	12,523,937	6,435,985	—	26,043,137
<b>Investment in associate</b> .....	—	—	—	—	9,695	9,695
<b>Positive fair value of derivatives</b>						
Held for trading.....	111,404	364,288	3,241,926	2,814,352	—	6,531,970
Held as fair value hedges.....	—	—	7,825	12,813	—	20,638
Held as cash flow hedges.....	25,331	—	5,041	—	—	30,372
<b>Loans and advances, net</b>						
Credit cards and consumer loans.....	241,054	699,551	13,182,776	15,022,058	367,666	29,513,105
Overdraft and commercial loans.....	21,299,145	29,163,057	42,155,354	35,946,710	934,154	129,498,420
<b>Property, equipment and right of use assets, net</b> .....						
	—	—	—	—	1,739,307	1,739,307
<b>Other assets and other real estate</b> .....	—	—	—	—	4,096,366	4,096,366
<b>Total assets</b> .....	<u>26,169,111</u>	<u>36,739,889</u>	<u>85,492,564</u>	<u>63,270,334</u>	<u>20,406,221</u>	<u>232,078,119</u>
<b>Liabilities and equity</b>						
<b>Due to SAMA, banks and other financial institutions</b>						
Current accounts.....	—	—	—	—	262,687	262,687
Money market deposits.....	5,472,651	6,225,457	4,809,647	—	—	16,507,755
<b>Customers' deposits</b>						



	Within 3 months	3-12 months	1-5 years	Over 5 years	No Fixed Maturity	Total
	(SR'000)					
Demand.....	—	—	—	—	91,181,332	91,181,332
Saving.....	—	—	—	—	1,053,846	1,053,846
Time.....	48,572,004	8,550,894	3,152,351	—	—	60,275,249
Other.....	—	—	—	—	5,081,893	5,081,893
<b>Negative fair value of derivatives</b>						
Held for trading.....	89,159	354,096	3,109,251	2,675,146	—	6,227,652
Held as fair value hedges.....	—	—	27,240	15,906	—	43,146
Held as cash flow hedges.....	—	15,924	1,096,985	—	—	1,112,909
<b>Debt securities and term loans</b> .....	—	—	4,515,254	—	—	4,515,254
<b>Other liabilities</b> .....	34,577	293,980	268,228	395,500	6,078,786	7,071,071
<b>Total equity</b> .....	—	—	—	—	38,745,325	38,745,325
<b>Total liabilities and equity</b> .....	54,168,391	15,440,351	16,978,956	3,086,552	142,403,869	232,078,119

In all cases, the expected maturities of assets and liabilities have been determined on the basis of the remaining period at the relevant balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by BSF's deposit retention history. BSF's management monitors the maturity profile to ensure that adequate liquidity is maintained.

The following table sets out the loans to deposits ratio and SAMA loans to deposits ratio for the years ended 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
SAMA Loans to Deposits Ratio <sup>(1)</sup> .....	84.14%	83.33%
Loans to Deposits Ratio <sup>(2)</sup> .....	104.17%	100.90%

Notes:

- (1) Calculated in accordance with SAMA regulations. Represents total loans and advances, net divided by total customers' deposits weighted by maturity in accordance with SAMA regulations.
- (2) Calculated as total loans and advances, net divided by total customers' deposits.

### ***Investment Portfolio***

The key objective of maintaining the investment portfolio is to have sufficient high-quality liquid assets ("HQLA") to meet regulatory ratios and BSF's obligations in times of stress. The vast majority of the investment portfolio is made up of HQLA assets that enhance BSF's regulatory ratios. Moreover, the part of the portfolio that is denominated in U.S. dollars predominantly comprises high investment grade securities that enhance BSF's net special commission income whilst providing liquidity through the repo market when needed.

As of 31 December 2023, BSF's investments, net amounted to SR 48,467 million of which its HQLAs amounted to SR 43,141 million.

The following table sets out the credit risk exposure of the Group's investments as at 31 December 2023 and 31 December 2022:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(SR'000)</i>	
Saudi government bonds .....	29,070,791	28,358,050
Investment grade .....	9,833,171	9,053,833
Non-investment grade .....	—	—
Unrated.....	9,563,327	7,105,666
<b>Total</b> .....	<b>48,467,289</b>	<b>44,517,549</b>

The vast majority of the portfolio is comprised of Saudi government development bonds and Sukuks rated at or above A by Standard & Poor's Financial Services LLC, A+ by Fitch Ratings Inc. and A1 by Moody's Investor Service. Foreign investments are primarily investment grade securities with credit exposure equivalent to an S&P rating of AAA to BBB-. In order to enhance the portfolio yield, a small limit also exists for high-yield regional sovereigns.

#### ***Capital Adequacy Management***

The RMG is responsible for ensuring that BSF's capital adequacy ratios comply with international standards, internal policies and SAMA requirements. The adequacy of BSF's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by SAMA in supervising BSF. These ratios measure capital adequacy by comparing BSF's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

RMG is responsible for ensuring that BSF's capital plan takes into consideration all key risks and makes a comprehensive assessment of its capital requirements considering its strategies, business plans and dividend policies. This ensures that the risk metrics remain within its appetite and that BSF's capital adequacy ratios remain above the thresholds prescribed by SAMA, typically over a medium-term horizon (three years), under normal and stressed operating conditions.

BSF has adopted a standardised approach for its Pillar I capital requirements, while Pillar II capital comprehensively covers risks specific to BSF's portfolio and environment (such as concentration risk, interest rate risk on the banking book, strategic risk and macroeconomic risk). BSF also conducts stress tests across all risk types to ensure that its strategy and brand franchise remain robust over a medium-term planning horizon.

BSF's ICAAP is in line with SAMA requirements, international standards and internal policies in terms of risk coverage. There is an annual supervisory review process through which SAMA provides BSF feedback on the risk coverage and strategic insights into new areas of focus.

The ICAAP is prepared under the leadership of the CRO in co-ordination with the CFO. The BRC is tasked with review and approval of the ICAAP and its recommendation to the Board of Directors. Once validated, the ICAAP is officially submitted to SAMA.

The ICAAP carefully considers business plans along with capital projections over a forward-looking horizon which are assessed under stress conditions to determine the adequacy of capital to meet business plans and potential stresses.

### ***Operational risk***

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Where controls are not designed adequately or fail to perform, operational risks can materialise into incidents and cause damage to reputation, business disruption, have legal or regulatory implications and/or lead to financial loss. While BSF cannot eliminate all operational risks, BSF aims to manage such risks through a dynamic operational risk identification and management framework which includes identification, assessment, monitoring, treatment, reporting, control/mitigation and staff awareness of operational risks. BSF has a comprehensive bank-wide risk and control assessment for operational risk management. Operational risk, including technology risk, is primarily managed by prescribing controls and mitigation measures, which are reviewed, tested and updated on a regular basis. The operational risk division presents the status of control implementation, areas of risk and required actions for various business entities to the internal control committees. BSF has also implemented a robust business continuity plan to ensure the continuity of its critical operations. All new products and services, along with outsourcing contracts are assessed by Operational Risk and associated parties prior to implementation/initiation. Operational risk policies are approved by BSF's board risk management committee. BSF has recently adopted a revised standardised approach for operational risk capital assessment as part of the Basel III enhancements.

### ***Use of Derivatives***

In the ordinary course of business, BSF uses derivative financial instruments for both trading and hedging purposes.

#### ***Held for trading purposes***

Most of BSF's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers, banks and other financial institutions in order, *inter alia*, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in rates. Arbitrage involves exploiting, with the expectation of profiting from, price differentials between markets or products.

#### ***Held for hedging purposes***

BSF has adopted a comprehensive system for risk measurements and management of derivative exposures risk. Part of the risk management process involves managing BSF's exposure to fluctuations in foreign exchange and commission rates to manage currency and interest rate risks at an acceptable level as determined by the Board of Directors. Positions and interest rate exposures are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has also established the level of interest rate risk by setting interest rate gap limits.

As part of its asset and liability management, BSF uses derivatives for hedging purposes to adjust its own exposure to currency and interest rate risks. This is generally achieved by hedging specific transactions (as and when required) against the overall consolidated statement of financial position exposures. Strategic hedging qualifies for cashflow hedge accounting.

BSF uses forward foreign exchange contracts and currency rate swaps to hedge against specifically identified currency risks. In addition, BSF uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified fixed commission rate exposures. BSF also uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging

relationship and objective, including details of the hedged items and hedging instruments are formally documented and the transactions are accounted for as fair value or cash flow hedges.

### ***Related Party Exposure***

BSF engages in transactions with major shareholders, directors, executive management and their related persons (collectively, the “**Related Parties**” of BSF) in the ordinary course of its business. These transactions include both banking and non-banking activities and are governed by regulations issued by SAMA and other regulatory bodies. According to the Related Party Regulations, BSF is required to (i) adhere to certain maximum exposure/transaction limits to bank and non-bank Related Parties, (ii) maintain arm’s-length dealings in all transactions, (iii) obtain tangible collateral covering a minimum of 100 per cent. of the credit limits as set out in Article 9 of the Banking Control Law; and (iv) disclose to its governing bodies Related Parties transactions in accordance with the Related Party Regulations.

Multiple divisions within BSF are involved in the identification, managing and reporting of transactions with Related Parties. BSF’s internal policies and processes are aligned with regulatory requirements, detailing the roles and responsibilities of each stakeholder to ensure that the transactions with Related Parties are conducted in strict compliance with these requirements. The maximum exposure (depending on type of entity) to a Related Party is defined by SAMA Regulations as a percentage of BSF’s tier I capital.

### ***Business Continuity Plan***

With the continuing growth in BSF’s banking activities, BSF recognises its obligation to clients, shareholders and staff to ensure the continuity of its business, in line with its commitment to safety, quality and commercial best practices. BSF’s business continuity management team (“**BCM**”) ultimately reports to the CRO. BCM also works closely with other divisions in BSF who are responsible for the technology, business, and control groups.

BCM works to ensure that the internal BSF business groups are able to continue operations through any type of disruption, working across different BSF sites throughout the Kingdom to develop, test, and maintain business continuity.

In addition to its main data centre in Riyadh, BSF has established a disaster recovery data centre in its western region (Jeddah) with an active and live data centre for the main Bank’s critical systems, applications and network infrastructure. BSF has also established business recovery sites in Riyadh, Jeddah and Al Khobar to which BSF’s staff can be relocated in order to ensure the continuity of BSF’s services. BSF’s disaster readiness is tested regularly and results are shared with internal stakeholders for remediation and also reported to SAMA.

### ***Internal Audit***

BSF has an independent Internal Audit Function which operates as a third line of defence and with an objective of adding value to BSF’s operations by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of BSF’s governance, risk management and internal controls in line with the approved strategic plan.

The Internal Audit Function is established and authorised by the Audit Committee with defined responsibilities as part of the Audit Committee’s oversight role. The Audit Committee Charter defines the role of the Audit Committee which is recommended by Board of Directors and approved by BSF’s shareholders at the General Assembly.

The Internal Audit Function is headed by the Group Chief Audit Executive (“**CAE**”) who is appointed by the Board of Directors subject to non-objection from SAMA. The CAE functionally reports to the Audit Committee and administratively to the CEO. The CAE communicates and interacts directly with the Audit Committee to provide updates on internal audit activities on a quarterly basis. The roles, responsibilities and authority of the

Internal Audit Function are governed by the Internal Audit Charter which is approved by the Board of Directors. The Internal Audit Charter is updated annually.

BSF's Internal Audit Function has an updated and comprehensive Internal Audit Framework which sets out detailed methodology and procedures for executing internal audit responsibilities on a continual basis.

BSF's Internal Audit Function develops a four-year strategic plan and an annual audit plan that is based on a risk-based audit methodology which is approved by the Audit Committee. The Audit Committee also monitors its execution and compliance with the Institute of Internal Audit ("IIA") standards as well as SAMA regulatory requirements.

The Internal Audit Function performs cyclical, regulatory and ad-hoc audit assignments with the aim of providing an independent objective assurance on the audited entities within BSF to both the senior management and the Audit Committee, in line with the approved annual internal audit plan. Each audit assignment leads to a detailed report containing an assessment of the objectives and processes and effectiveness of controls as well as recommendations for a stronger and more robust controlled operating environment and enhanced process efficiency. The Internal Audit Function follows up on the implementation of the proposed corrective action plans according to the agreed target dates. The Internal Audit Function also validates the closure of issues reported by SAMA in thematic, targeted or self-assessment reviews and regular reports are presented to SAMA and the Audit Committee on the implementation status of the agreed action plans.

In line with SAMA's regulatory requirements and best practices, the Internal Audit Function has a dedicated Quality Assurance and Improvement Programme that (i) covers and evaluates all aspects of the internal audit activities and their conformance with the internal auditing standards, code of ethics and code of conduct, and (ii) assesses the overall efficiency and effectiveness of the Internal Audit activity through an annual self-assessment process. The CAE also communicates to the Audit Committee all internal audit activities relating to the quality assurance and improvement program, including results of ongoing internal assessments in accordance with SAMA requirements, internal auditing standards and best practices.

### ***Compliance Group***

The objective of BSF's compliance function is to enhance transparency and reduce non-compliance risks which ultimately benefits customers and protects the reputation of BSF.

The Compliance Group is an independent control function headed by the Chief Compliance Officer. The Compliance Group supports all business lines and support and control functions by: (i) communicating and advising on regulatory rules; (ii) monitoring, reviewing, identifying and reporting non-compliance risks; and (iii) developing training and awareness campaigns.

As a second line of defence function, the Compliance Group plays a key role in achieving the strategic mission and objectives of BSF. Significant emphasis has been placed on adopting financial technologies for banking operations and enhancing the overall compliance programme (i.e. compliance framework, processes, tools and skill set) in order to give effect to the guidelines, regulations and rules promulgated by relevant regulatory bodies. This is achieved by the close monitoring of BSF's business activities and its adherence to the regulations and internal controls requirements.

Among others, one of the focus areas of the Compliance Group is to continuously develop an effective and efficient internal control framework within BSF. Integrity, accuracy and transparency are fundamental pillars of BSF's framework which aims to not only reduce financial crimes and fraud risks but also to meet and exceed the level of compliance required by the principles and initiatives of SAMA and regulatory bodies in the Kingdom.

### *Anti-money laundering, terrorist financing and suspicious transactions*

BSF has implemented a programme to combat money laundering and terrorist financing which aims to prevent the use of BSF's branches, trade finance centres, products in general and its affiliates as channels of illegal activities. The programme has been developed to ensure compliance with global requirements (including, but not limited to the Financial Action Task Force ("FATF") recommendations), local laws as well as SAMA and other regulatory requirements which are all aimed at preventing illegal transactions or activities.

Apart from this programme, BSF has established other anti-money laundering and anti-terrorism financing policies and procedures grounded on local and global practices in order to combat and prevent criminal activities. Such policies and procedures cover Know Your Customer ("KYC") requirements, monitoring customer transactions and suspicious activities, adhering to sanctions requirements, training and awareness of employees, establishing reporting procedures and conducting independent stress-testing.

The Chief Compliance Officer participates in meetings of the Board of Directors, Audit Committee and various management committees and regularly updates the Board of Directors and Audit Committee on the status of compliance in BSF and the measures required to ensure a high level of compliance with applicable laws, rules and regulations.

### ***Legal and Governance Group***

The Legal and Governance Group is responsible for providing legal advice and consultation on all general and corporate legal matters and managing all corporate governance affairs. It is also responsible for reviewing, negotiating and drafting facility agreements, for both conventional and Islamic facilities, treasury documents, workouts, trade finance documents, commercial agreements between BSF and third parties and any other agreement that BSF may enter into from time to time. It also provides advice on regulatory matters and manages any litigation to which BSF is a party. BSF also uses external legal advisers where appropriate.

The Corporate Governance Division is responsible for ensuring that governance structures and practices are in accordance with regulatory requirements and best practices.

## **Decision making**

### ***Overview***

BSF's governance structure is headed by the Board of Directors, which has overall responsibility for risk management. BSF has a number of board committees and management committees which oversee and monitor day-to-day risk management. These committees are responsible for the overall approval and implementation of BSF's risk management policies, while the formulation, monitoring and reporting of such policies, any exceptions thereto and any required corrective actions is the responsibility of the Risk Management Group (headed by the CRO).

Risk management is undertaken independently from the business units of BSF. BSF aims to enforce a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor, report, mitigate and control risk exposures.

The Board of Directors evaluates risk in co-ordination with BSF's board committees and management committees. For further information regarding BSF's board committees and management committees (see – "*The Executive Committee*", "*The Board Risk Committee*", "*The Risk Management Group*", "*The General Management Forum*" and "*The Asset and Liability Committee*").

The BRC and the specialised risk management committees (including the general management forum and the ALCO) are responsible for overseeing BSF's risk management procedures. The credit risk division is

responsible for drawing up credit policies, establishing limits, credit approval authorities and setting concentration limits.

A brief description of the committees is set out below:

### ***The Executive Committee***

The EC is formed by the Board of Directors and includes five members of the Board of Directors. The EC's main responsibilities include but are not limited to the following:

- approving loans and credit facilities to BSF's clients, as per BSF's "Delegation of Authority" manual ("DOA") and in line with SAMA rules and regulations for granting loans and credit facilities;
- reviewing the annual budgets, plans and investigating material differences in the budget and deviations from the approved plans (if any) before submitting its recommendations to the Board of Directors; and
- approving related party transactions as per the DOA.

The EC meets at least six times a year. However, for specific matters requiring an urgent decision, the EC will meet on an *ad hoc* basis.

### ***The Board Risk Committee***

The BRC represents and assists the Board of Directors in fulfilling its oversight responsibility to ensure that all risks are managed in accordance with the Risk Management Framework, policies, procedures, and regulatory obligations (through the provision of governance oversight and strategic direction).

The CRO is linked to the Board of Directors through the BRC. The BRC raises its recommendations on RMG reports to the Board of Directors.

The committee is formed by the Board of Directors and includes three non-executive members of the Board of Directors but may also include members from outside the Board of Directors. It is presided over by a non-executive member of the Board of Directors.

The key duties and responsibilities of the BRC include but are not limited to the following:

- requiring and reviewing development strategies, objectives and comprehensive risk management policies to ensure that they are consistent with the nature and volume of BSF's activities, risk profile, risk appetite and risk tolerance taking into account cyber and technology risks and ensuring the operation of these policies, and regularly reviewing and updating them based on BSF's internal and external changing factors;
- reviewing the adequacy of (i) BSF's risk management system; and (ii) management's assessment of the effectiveness of the systems and mechanisms used to determine and monitor the risks that threaten BSF, in order to determine areas of inadequacy therein, maintain the risk register and recommend appropriate changes; and
- requiring establishment of bank-wide risk measurement methodologies for quantifying risks.

### ***The General Management Forum***

The General Management Forum (the "GMF") consists of the senior executives representing all business lines, control and support functions of BSF. The GMF is chaired by the CEO and meets fortnightly.

The GMF tracks external developments and key internal matters requiring attention and sets appropriate guidance to be implemented by functional areas in BSF. Under BSF's governance framework, separate management level committees are responsible for governance and decisions on matters of credit risk, market risk, investments, operational risk, fraud, compliance, cyber security and business continuity.

### *The Asset and Liability Committee*

The ALCO is responsible for reviewing and approving BSF's asset and liability management policy. The responsibilities of the ALCO include identifying, managing, and controlling the Group's balance sheet risks and capital management in executing its chosen business strategy.

The CEO chairs the ALCO which meets monthly and is facilitated by the CTIO.

The key duties and responsibilities of the ALCO include but are not limited to the following:

- monitoring and managing BSF's balance sheet risks;
- ensuring compliance with Board of Directors' directives and BSF's internal policies and regulatory guidelines with respect to balance sheet risks and their management;
- ensuring compliance with regulatory requirements for capital, interest rate risk in the banking book (the "IRRBB"), liquidity, funding, foreign exchange and market risk;
- reviewing and recommending proposals on the Board of Directors' risk appetite for financial risks (including liquidity, IRRBB, funding, market risk, investment risk and capital) before seeking approval of the BRC and subsequently monitoring actual exposure against the risk appetite statement;
- oversight of the ICAAP and preparation of the regulatory reporting to be submitted for approval as per the DOA;
- reviewing and approving underlying risk assumptions;
- assessing BSF's capital adequacy ratio;
- monitoring long-term risk-weighted asset trends and overseeing actions to optimise RWA levels;
- approving the allocation of capital between business lines;
- oversight of the ILAAP and preparation of the regulatory reporting to be submitted for approval as per the DOA;
- reviewing and approving the calculation methodology for risk adjusted return on capital ("the RAROC") for each business line;
- monitoring performance of business lines against the RAROC;
- reviewing material positions and hedging strategies with respect to non-trading interest rate risk and foreign currency exposure;
- assessing liquidity risk and setting appropriate business limits and targets;
- reviewing BSF's liquidity position;
- reviewing compliance with the SAMA regulatory ratios, including liquidity coverage ratio, loan-to-deposit ratio and net stable funding ratio;
- taking strategic decisions on liquidity e.g. providing incentives to promote products to improve balance sheet structure;
- reviewing and approving the FTP framework covering methodologies and key assumptions for centralising and managing the IRRBB;
- reviewing and approving internal methodologies impacting the FTP results;



- reviewing market risk positions and limiting breaches;
- reviewing and monitoring investments and proposals for investments to be approved by the Board of Directors as per the DOA; and
- reviewing principal positions and hedging strategies and approving access as required.

### ***Risk Management Group***

The risk management activities are carried out by eleven main departments, namely the:

- Credit Risk Department;
- Retail Risk Department;
- Treasury and Financial Market Risk Department;
- Operational Risk Department;
- Special Assets Management Department;
- Risk Strategy Department;
- Credit Administration and Credit Control Department;
- Corporate Information (Cyber) Security Division;
- Business Continuity Management Department;
- Data Privacy Office; and
- RMG Governance and Control.

Each department works independently from the business units of BSF to identify, measure and mitigate risks on a pre-emptive basis.

BSF regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

## **Credit Approval Procedures**

### ***Overview***

Credit decisions are delegated to various committees depending on the amount of the proposed credit and the risk rating of borrowers. For every credit request, a credit committee is convened before a credit decision is finalised.

BSF requires credit approvals to be in compliance with SAMA regulations and the credit procedures approved by the Board of Directors for both consumer and wholesale products. BSF applies different credit limits and approval criteria depending on the types of products, customers and industry sectors.

### ***Retail credit approval procedures***

BSF has developed a comprehensive retail credit policy and procedures manual, which establishes the retail banking segment's overall risk management framework. The manual establishes operating policies and procedures relating to credit approval and verification, collections, risk mitigation, repossession and foreclosure management and fraud. The policy acts as a guideline for the formulation of individual product credit policy and procedures manuals.

For retail loans, the Board of Directors has delegated authority to (i) the credit risk division; and (ii) the retail banking group (who rely on the retail credit risk manager under the risk policy approved by credit risk division). This division applies a tiered hierarchy of delegated approval authorities based on the value of the credit commitment sought. Such authorities are set out in authority matrices that must be approved by appropriate internal committees. Credit parameters for retail lending include the following steps:

- identification of the potential client “Know Your Customer” through access to the Saudi Ministry of Interior individual identification cards database (“Yaqeen”);
- verification of the potential client’s credit history through the Saudi Credit Bureau (“Simah”) which is a database of all Saudi banks retail customers; and
- salary certificate and salary assignment, to ensure that the potential client has a fixed source of income which is credited to that client’s BSF account on a monthly basis.

New retail borrowers are sourced through BSF’s sales channels, including direct sales agents and BSF’s retail branch network. The time required for the approval of consumer credit applications depends on the size of the exposure, type of product and the credit profile of the applicant. The performance and the monitoring of the retail loan portfolio is reviewed once every month through the retail credit risk committee which includes the retail credit risk manager, the CRO, the head of retail banking, and the head of collection.

Most retail consumer lending is tied to electronic salary assignments.

#### ***Corporate credit approval procedures***

BSF has adopted a committee approach to decision-making on credit granting and review. There are four credit committees within BSF that are responsible for credit decisions, namely (i) the EC; (ii) the Management Credit Committee; (iii) the Head Office Credit Committee; and (iv) the Regional Credit Committee. The committees’ decisions are taken either at sitting meetings or through circulation process and the process of submission of credit requests and the quorum for approvals are stipulated in the charters of the respective committees.

Each credit proposal is originated by the relevant business line and submitted to the Credit Risk Department for an independent assessment and risk opinion, after which the proposal is submitted for decision to the respective delegated credit committee, as per the DOA.

The credit delegations are designed based on certain parameters such as the originating business line, amount, tenor of the facility and the risk rating of the borrower. Every borrowing entity is assigned a risk rating based on BSF’s credit policy and rating models.

BSF applies specific standards of review for each category of credit commitment, which enables BSF to examine both the credit risk of the borrower as well as BSF’s overall lending exposure per product category. The credit risk department also complies with product specific policy guidelines.

New corporate borrowers are sourced through BSF’s relationship managers in the corporate banking segment as well as through BSF’s local branch network. Once a new corporate customer has been identified, the relationship manager prepares a credit report based on a review of all relevant information, which generally includes: (i) borrower information (including legal constitution, ownership structure, organisational structure and financial strength); (ii) management (including a list of directors, key officers and their qualifications and affiliations); (iii) industry sector and market information; (iv) relationship with other banks; (v) financial analysis of the borrower (turnover and profitability, earnings before interest, taxes, depreciation and amortisation, return on equity and other financial ratios); (vi) sources of repayment; and (vii) appropriateness of certain collateral, terms and covenants to be included in loan documents. BSF also reviews the borrower’s payment history with BSF or other banks, competitive strengths, levels of collateral and other factors to reach

its credit decision. This due diligence report is then reviewed independently by the credit risk department, which prepares a risk opinion on the request for submission to the relevant deciding credit authority.

The wholesale credit process also uses a risk rating system to assess and monitor the risk profile of new and existing borrowers. In accordance with BSF's ratings matrix, corporate banking clients are assigned risk ratings based on various qualitative and quantitative factors including the financial strength of the borrower, industry risk factors, management quality, operational efficiency and company standing. These risk ratings are one of the factors used to determine the maximum lending limits per single borrower or a group of borrowers as detailed in the DOA. The risk grading system attempts to grade a borrower based solely on the borrower's characteristics, the business model and the financial status and therefore does not take into consideration any security provided by the borrower. In addition to facilitating loan approval decision making, credit scores are also used by BSF to set credit facility limits and to determine whether tangible collateral is to be requested from specific clients. The credit quality of the client and the guarantor, the fair value of security interests and other relevant factors are all considered prior to setting the terms of the facility agreement (including the payment period, processing fee and interest rate).

All credit facilities are reviewed at least once every year by the Credit Risk Department.

## **Collection Procedures**

### ***Retail banking collection procedures***

If a retail banking loan is in arrears, it is processed in accordance with standard operating procedures whereby the loan is considered to be past due one day after payments under the loan were due to be made.

A loan account becomes non-performing when no payment or instalment is made for 90 days. The collection unit pursues all available avenues, in adherence to collection regulation, to collect the outstanding amount from a debtor including, amongst other methods, filing a claim with the court and starting a court proceeding in relation to personal and home loans, making claims on order notes and foreclosing on any relevant collateral as per the enforcement law.

A remedial loan is written off after 360 days past-due, however recovery activities remain in action until the dues are collected.

### ***Corporate banking collection procedures***

Borrowers who display weaknesses in the timely repayment of their obligations due to financial constraints are managed as per SAMA's guidelines on Managing Problem Loans and Rules on Classification and Provisioning. These borrowing accounts are categorised as Special Mention or Stressed Accounts and periodic discussions are conducted between the senior management, Risk Management and the Business Lines to identify the issues involved and find suitable action plans to contain the situation. BSF has implemented the IFRS 9 Provisioning Standards according to which the borrowers are categorised into Stage 1, Stage 2 and Stage 3. The borrowers who are in default for over 90 days are considered 'Non-Performing' unless there is evidence suggesting potential, imminent repayment despite the period of time elapsed.

The SAM manages the non-performing loan portfolio. SAM conducts diagnostic review and analysis for newly transferred cases, discusses and negotiates with clients for their outstanding payments (including using measures for rescheduling or restructuring repayments).

As part of such repayment restructurings, SAM may request additional collateral or modification of the other terms and conditions (including the pricing). Restructuring plans negotiated by SAM are submitted to the relevant Credit Committee within BSF for decision, as per the DOA.

If negotiations are not successful and both parties are unable to reach a settlement, the Recovery Department takes over and provides a more assertive approach by initiating legal proceedings to recover BSF's money through legal channels.

SAM is responsible for the overall management of the non-performing loans including drawing up work-out plans, realising collateral and instituting legal action (where necessary) through BSF's Legal Department.

## **Technology and Operations Group**

### ***Organisation***

The Technology and Operations Group (the "TOG") runs technology and operations related decision-making, collaboration, operations and information sharing in formalised committees such as the Investment Projects Committee which is led by the Chief Strategy and Finance Officer that addresses investments and the IT steering committee which is led by the CEO, Chief Operation Officer and the control function heads. The Governance and Control Division oversees the control and financial activities and conducts the self-assessments in the TOG.

The TOG has five sub-divisions, collaborated to provide, manage and support business functions and requirements.

- Governance and Control Division;
- Corporate Operations Division;
- Consumer Asset Collection Division;
- Properties Management Division; and
- Information Technology Division.

### ***Technology Production***

The TOG operates two data centres on a 24/7 basis. The main data centre is in Riyadh and the data recovery centre is located in Jeddah.

The TOG also operates three business recovery centres with the necessary number of ready-to-operate workstations covering the main critical functions in case of disaster.

Centres, branches and offices are connected through a high-bandwidth backbone. Every location has a second line using different service providers, to ensure the availability of uninterrupted services. BSF has adopted a multi-vendor policy of communication services to ensure competitiveness in maintaining service levels and to reduce the risk of failure.

### ***Technology Security***

Since the introduction of online banking in 2001, BSF has dedicated a considerable amount of investment and effort towards the development and improvement of the security of its systems. TOG works in co-ordination with the Corporate Information Security Division to formulate and regulate information security, following best practice and local and international standards. These efforts were recognised in 2009 when BSF achieved the ISO 27001/2005 certification. ISO represents the only auditable, internationally recognised standard regarding the requirements for information security management systems. BSF was the second bank in the Kingdom to have obtained this certification.

BSF has put in place several security controls to ensure that only authorised individuals obtain access to its systems. BSF was the first bank in the Kingdom to implement a biometric single sign-on solution that provides both strong authentication and ease of use. BSF was also the first bank in the Kingdom to set up a password

auto repository system to prevent the sharing of administrative passwords. BSF has put in place a users' identity management system to ensure that requests to systems resources undergo an adequate approval process. To ensure that suspicious behaviour is monitored, detected and acted upon in a timely manner, BSF has implemented numerous monitoring and detection controls.

To measure and improve security effectiveness and minimise security breaches, BSF has established a corporate security incident forum. BSF has also laid the foundations for a proactive 24/7 incident management system and established a dedicated security operations centre that takes a proactive approach to security.

BSF has established a dedicated ongoing awareness programme to ensure that its staff remain vigilant when it comes to protecting BSF's information assets.

To ensure continuous and thorough verification of systems security, BSF has advanced security monitoring and protective capabilities, including an application risk assessment system to ensure the early identification and mitigation of system risks. BSF seeks to remain in compliance with the industry's standards and best practices regarding security, for instance, the deployment of automated firewall rule analysers that enables early detection of security issues.

### ***Core Banking System Implementation***

BSF is managing ICT services with the help of over 250 applications including customised third-party applications and in-house applications. In 2019, the Board of Directors approved a multi-year core banking programme to consolidate and modernise the technology landscape. The centralisation and modernisation of its core applications will enhance BSF's time to market and improve overall efficiencies.

## SENIOR MANAGEMENT AND EMPLOYEES

### Board of Directors

Without prejudice to the powers of the General Assembly, the Board of Directors is the ultimate decision-making forum of the Group. The members of the Board of Directors are under a duty to provide effective governance and supervise the senior management on behalf of BSF's shareholders and to balance the interest of its diverse constituencies, including its customers, employees, suppliers and local communities.

The Board of Directors meets at least four times a year and at least once every quarter. The committees of the Board of Directors meet from once a year to six times a year or more depending on each committee.

In accordance with the companies law issued pursuant to Royal Decree No. M/132 dated 1/12/1443H (corresponding to 30 June 2022) (the "**Companies Law**") and BSF's articles of association (the "**Articles of Association**"), the Board of Directors comprises ten members.

The Board of Directors is responsible for taking all the decisions of BSF other than those matters reserved to the shareholders pursuant to the Articles of Association or the law.

Matters reserved to the Board of Directors include agreements on strategy and budgets, review and follow up on BSF's financial performance, approval of major capital expenditures, policies covering treasury and finance and acknowledgement of the conclusions rendered by the audit committee.

Members of the Board of Directors are elected for a three-year term.

The table below sets out the current members of the Board of Directors:

<b>Name</b>	<b>Title</b>
Mazin Al Romaih	Chairman of the Board of Directors, Chairman of Executive Committee.
Talal Al Maiman	Vice Chairman of the Board of Directors, member of Executive Committee and Nomination & Remuneration Committee, Chairman of Board Strategy Committee.
Abdulrahman Al Rashed	Member of the Board of Directors, Executive Committee and Nomination & Remuneration Committee.
Bader Al Issa	Member of the Board of Directors, ESG Board Committee and Board Strategy Committee and Chairman of Audit Committee.
Abdullatif Al Othman	Member of the Board of Directors, Chairman of Board Risk Committee and Chairman of ESG Board Committee.
Ghazi Al Rawi	Member of the Board of Directors, Chairman of Nomination & Remuneration Committee and member of Audit Committee.
Khalid Al Omran	Member of the Board of Directors, Board Risk Committee, Board Strategy Committee and Nomination & Remuneration Committee.

Abdulaziz M. Al Gudaimi	Member of the Board of Directors and Board Strategy Committee.
Rayan Fayez	Member of the Board of Directors, Executive Committee, ESG Board Committee and Board Strategy Committee.
Khalid Al Sharif	Member of the Board of Directors, Executive Committee and Board Risk Committee.

***Mazin Al Romaih – Chairman of the Board of Directors***

Mazin was elected as a member of the Board of Directors on 2 February 2015. He was re-appointed as a Chairman of the Board of Directors on 1 January 2022. Mr. Al Romaih currently holds various senior positions outside BSF including chief executive officer of Future Generation Investment Company, chairman of King Faisal Specialist Hospital & Research Centre, director at Dr. Sulaiman Al Habib Medical Group, director at Real Estate Development Fund, director at Saudi Tourism Authority and director at Saudi Arabian Airlines. Mr. Al Romaih graduated from the University of Buckingham with a bachelor’s degree in accounting and financial management. Prior to joining BSF, Mr. Al Romaih served on the board of the Capital Market Authority and held the position of chief executive officer at Samba Capital & Investment Group Company.

***Talal Al Maiman – Vice Chairman of the Board of Directors***

Talal was elected as a member of the Board of Directors on 28 February 2018. He was re-appointed as Vice Chairman of the Board of Directors on 1 January 2022. Mr. Al Maiman holds the following senior positions outside BSF: chief executive officer and board member of Kingdom Holding Co., chairman at Kingdom Real Estate Development Company, director at Tasnee Company, director at NAS Holding Company, chairman at Real Estate Investment Company, chairman at Kingdom School Company Limited, chairman at Kingdom Investment and Development Company, director at Jeddah Economic Company and chairman at BSF Capital. Mr. Al Maiman holds a bachelor’s degree of science in electrical engineering from the University of Evansville and an MBA from the University of Liverpool. He also completed the executive management programme at Harvard University and holds a diploma in computer science from computer sciences corporation. Previously, Mr. Al Maiman was the director of operations and maintenance at the Ministry of Interior, director of the computer department at Saudi Central Bank and chairman of the board and chief executive officer of Kingdom Real Estate Development.

***Abdulrahman Al Rashed***

Abdulrahman was re-elected as a member of the Board of Directors on 1 January 2022. Mr. Al Rashed is also, an executive partner at Rashed Abdul Rahman Al Rashed & Sons Company, chairman of the board of directors of Dammam Hotels Company and chairman of the board of directors of UNICOIL Universal Metal Coating Company. Mr. Al Rashed holds a bachelor’s degree in Business Administration, Department of Finance from the University of Seattle.

***Bader Al Issa***

Bader was re-elected as a member of the Board of Directors on 1 January 2022. Mr. Al Issa is a board member of Al Marai Company and chief executive officer at Assila Investment Company. Mr. Al Issa graduated with a bachelor’s degree in economics from the University of Virginia and an MBA from Rice University. Prior to joining BSF, Bader served as chief financial officer of Assila Investment Company, an investment portfolio manager at HSBC Saudi Arabia Limited, a financial and marketing analyst at SABIC America and a financial analyst at JP Morgan-London.

### ***Abdullatif Al Othman***

Abdullatif was re-elected as a member of the Board of Directors on 1 January 2022. He is also the owner and chief executive officer of Al-Othman Engineering Consultants. Mr. Al Othman holds a bachelor's degree of civil engineering from King Fahad University of Petroleum and Minerals and an MBA, Sloan Fellows programme from the Massachusetts Institute of Technology (MIT). Prior to joining BSF, Mr. Al Othman spent more than 35 years in the field of planning and managing oil and gas projects, financial management, investment, business and international relations development and served as governor and chairman of the board of directors of the General Authority for Investment.

### ***Ghazi Al Rawi***

Ghazi was re-elected as a member of the Board of Directors on 1 January 2022. Mr. Al Rawi is the founder and chairman of Valuegate Investments Company. Mr. Al Rawi holds a bachelor's degree in electrical engineering, communications from King Abdulaziz University, a master's degree in electrical engineering (EE) – communication, a master's degree in management science and engineering – finance & investment as well as a Ph.D. in electrical engineering from Stanford University. Previously, Mr. Al Rawi was an associate at McKinsey & Company, assistant professor at King Abdulaziz University and managing partner of Eastgate Capital Group.

### ***Khalid Al Omran***

Khalid was re-elected as a member of the Board of Directors on 1 January 2022. Mr. Al Omran also holds a position of general manager of Daily Food Company and of a director of SAMAYA Company. He graduated from King Fahad University of Petroleum and Minerals with a bachelor's degree in finance and from IESE Business School with a master's degree in business administration. Prior to joining BSF, Mr. Al Omran spent 13 years in retail and two years in management consulting.

### ***Abdulaziz M. Al Gudaimi***

Abdulaziz was appointed as a member of the Board of Directors on 31 January 2023. Mr. Al Gudaimi also serves as a director of VISION Invest. Mr. Al Gudaimi has over 35 years' experience in energy and chemicals industries and managing businesses and is a member of multiple companies' boards. Prior to joining BSF, Mr. Al Gudaimi served as a vice president of Corporate Development in Saudi Arabian Oil Company (Saudi Aramco). Mr. Al Gudaimi holds a master's degree in business administration, is a Sloan School of Management Fellow from Massachusetts Institute of Technology, and holds a bachelor's degree.

### ***Rayan Fayez***

Rayan was re-elected as a member of the Board of Directors on 1 January 2022. Mr. Fayez currently holds a position of deputy chief executive officer of NEOM. From February 2018 to May 2022, Mr. Fayez also served as managing director and CEO of BSF. Prior to assuming the leadership of BSF, Mr. Fayez held the role of chief executive officer of Savola Group from 2016 to 2018. Mr. Fayez was previously the managing director and Saudi Arabia senior regional officer at J.P. Morgan. Prior to that, he held senior positions at Goldman Sachs' Saudi and London offices. Mr. Fayez started his career at J.P. Morgan's natural resources investment banking team in New York. Mr. Fayez is a member of the boards of Gulf Coast Development Company and the Human Resource Development Fund and has previously served on the boards of the Saudi Exchange, Saudi Agricultural and Livestock Investment Company and Almarai. Mr. Fayez is also a member of the World Economic Forum's Young Global Leaders. Mr. Fayez graduated from the Massachusetts Institute of Technology (MIT) with a B.Sc. in mechanical engineering.

### ***Khalid Al Sharif***

Khalid was elected as a member of the Board of Directors on 1 January 2022. Mr. Al Sharif is also a member of the boards of directors of Rua Almadinah Holding and Arabian Petroleum Supply. Prior to joining BSF, Mr. Al Sharif held various leadership positions in the Saudi banking sector for more than 34 years, including serving



as senior executive vice president, head of corporate and retail banking group and senior credit officer at the Saudi National Bank. Mr. Al Sharif holds master's and bachelor's degrees in business administration from the College of Notre Dame.

As at the date of this Base Offering Circular, the members of the Board of Directors referred to above have no potential or actual conflicts of interest between their duties to BSF and their private interests or any other duties.

The business address of each of the members of the Board of Directors and the senior management is King Saud Road, AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

## **Governance**

The Board of Directors has six board level committees:

### ***The Executive Committee***

For an overview of the Executive Committee, see – “*Decision making – The Executive Committee*”.

### ***The Board Risk Committee***

For an overview of the Board Risk Committee, see – “*Decision making – The Board Risk Committee*”.

### ***The Audit Committee***

The audit committee of BSF (the “**Audit Committee**”) is appointed upon the recommendation of the Board of Directors and approved by SAMA and the General Assembly. The Chairman of the Audit Committee is an independent member of the Board of Directors who is joined by four independent members. The CAE is the secretary of the Audit Committee and the Chief Compliance Officer attends the Audit Committee.

The Audit Committee meets at least four times a year and assists the Board of Directors. Some of the key responsibilities of Audit Committee are to:

- review and approve the Internal Audit four-year strategic plan and annual audit plan;
- ensure that BSF operates ethically and complies with laws and regulations;
- review the effectiveness of the internal and financial control system and risk management system set-up within BSF;
- review related party transactions and ensure that these are recorded and disclosed appropriately;
- recommend to the Board of Directors annually the appointment or dismissal of external auditors determine their fees and evaluate their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts in line with all applicable regulations and guidelines;
- ensure, through the quarterly compliance activities report, BSF's compliance status with the relevant laws, regulations, policies and instructions including any issues and corrective actions; and
- review external auditor's reports and comments on the financial statements, and follow-up on the procedures taken in connection therewith.

### ***The Nomination and Remuneration Committee***

The nomination and remuneration committee (the “**Nomination & Remuneration Committee**”) is appointed by the Board of Directors and chaired by an independent member of the Board of Directors. The duties and responsibilities of this committee include the following:

- providing recommendations to the Board for the nomination or re-nomination of the Board of Directors members, and nominees for serving on the committees of the Board of Directors;
- assessing the strengths and weaknesses of the Board of Directors and the committees of the Board of Directors through performance assessments and making recommendations for improvement that align with BSF's interests;
- reviewing the structure of the Board of Directors and Executive Management and recommend changes as and when required;
- ensuring on an annual basis the independence of the independent members of the Board of Directors and absence of any conflict of interest if a Board member also acts as a member of the board of directors of another company;
- approving the succession plan for executive management; and
- determining an incentives system and approving compensation in accordance with the regulatory requirements and instruction.

#### ***The Board Strategy Committee***

The board strategy committee (the “**Board Strategy Committee**”) is formed by the Board of Directors and includes five members of the Board of Directors. The chair of the Board Strategy Committee is appointed by the Board of Directors.

The key duties and responsibilities of the Board Strategy Committee include but are not limited to the following:

- carrying out a quarterly business review focused on the financial performance against budget and BSF's five-year strategy goals as well as the strategic project implementation;
- reviewing and making recommendations to the Board of Directors with respect to BSF's overall strategy and business plan and all strategy related matters; and
- monitoring and suggesting remedial action during the implementation of all strategy related matters including BSF's five-year strategy.

#### ***The ESG Board Committee***

The ESG Board Committee is formed by the Board of Directors and shall include not less than three and not more than five members. The ESG Board Committee is chaired by an independent member of the Board of Directors. The key responsibilities of the ESG Board Committee include:

- review and approval of ESG key performance indicators and targets;
- ensuring the development and maintenance of ESG trackers that feed into the Global Sustainability Index;
- oversight and monitoring of ESG-related risks and opportunities; and
- review of the annual report related to ESG prior to the approval of the same by the Board of Directors and approving any other disclosures made in regard to ESG.

#### ***Senior Management***

BSF's senior management comprises the following individuals:

<b>Name</b>	<b>Title</b>
Bader Alsalloom	Chief Executive Officer
Muhamed Alshaikh	Chief Personal Banking Officer
Ramzy Darwish	Chief Strategy and Finance Officer
Turki AlMehaid	Head of Customer Care
Thamer M. Youssef	Chief Operations Officer
May Alhoshan	Chief Human Capital Officer
Mutasim Mufti	Chief Risk Officer
Abdulaziz Al-Molhem	Regional General Manager – Eastern Region
Abdallah Alshaikh	Chief Legal, Governance and ESG, Corporate Secretary
Abdulmohsen Alrayes	Group Control Advisor
Ibrahim AlSanebi	Chief Audit Executive
Yasser Al Ansari	Chief Compliance Officer
Zuhair Mardam	Chief Treasury and Investment Officer
Majed Abdulrahman Saad Alsadhan	Chief Wholesale Banking Officer
Mazen Al-Shehri	Head of Enterprise Project Management Office

#### ***Bader Alsalloom – Chief Executive Officer***

Bader Alsalloom was appointed as Chief Executive Officer of BSF in September 2022. Bader joined BSF in April 2021 and has a diverse experience within the banking sector and a successful track record in wholesale banking in prominent Saudi banks. After graduating from King Fahad University for Petroleum and Minerals with a Bachelor of Science degree in finance, Bader started his banking career with Saudi British Bank in 2004 where he spent 15 years between corporate banking and global markets with his last role as deputy general manager of commercial banking. In 2019, Bader moved to the Saudi Investment Bank as deputy general manager of corporate banking where he held the post until he took over his position with BSF.

#### ***Muhamed Alshaikh – Chief Personal Banking Officer***

Muhamed Alshaikh joined BSF as Chief Personal Banking Officer in July 2018. He is an accomplished banker with a wealth of experience in various well-known banks in Saudi Arabia. Muhamed started his career as an executive trainee in Saudi British Bank and became the Islamic banking specialist, before being appointed corporate banking manager between 2005 to 2008. He moved to ANB as manager of Islamic banking product development and in 2011 became head of the consumer credit administration and then head of branch network, deputy general manager – retail banking. In 2017, he worked as the head of branch banking assistant general manager – retail banking at AlRajhi Bank before joining BSF. Muhamed’s experience runs across Kingdom sales, consumer product development, Islamic banking, retail operations/compliance and customer servicing/experience.

#### ***Ramzy Darwish – Chief Strategy and Finance Officer***

Ramzy Darwish was appointed Chief Strategy and Finance Officer of BSF in December 2022. Ramzy held various positions with the Saudi National Bank, including the head of treasury, head of principal strategies and investment and head of assets and liabilities management. Ramzy graduated from Cornell University with a B.S. in Industrial and Labour Relations.

### ***Turki AlMehaid – Head of Customer Care***

Turki AlMehaid joined BSF in 2005 and prior to his current position worked in a number of roles including in the Corporate Banking Group, Private Banking Group, Compliance Group and the Consumer Protection and Customer Complaints Division. Turki holds a bachelor's degree in business administration from King Saud University and an MBA from AlYamamah University where he was placed on the "Dean's list of honour". He has a diploma in international leadership from Washington State University and is also a certified compliance officer. Throughout his career, he has attended over 80 courses spanning across corporate banking, compliance, anti-money laundering, credit advisory, personal banking, customer service and management.

### ***Thamer M. Youssef – Chief Operations Officer***

Thamer Youssef is currently Chief Operating Officer & Head-Information Systems at BSF, prior to which he was Chief Information Officer. Thamer has a history of working in the banking industry and is experienced in financial risk, banking, portfolio management and ICT management. Before working at BSF, he was head of information systems department at Saudi British Bank. He also worked as information technology manager at Samba Financial Group for ten years. Thamer holds a bachelor's degree in computing engineering from King Saud University.

### ***May Alhoshan – Chief Human Capital Officer***

May Alhoshan joined BSF in August 2018 as Chief Human Capital Officer. Previously, she was at Alawwal Bank as the human resources general manager responsible for leading BSF's HR transformation. With extensive experience in the HR field, she has led various change and transformation tracks covering organisational development, performance management and leadership development. Prior to joining Alawwal Bank, May was the head of human capital management at NCB Capital and was part of the founding management team dating back to the inception of NCB's investment arm. Her previous roles include managing leadership development, high potential programmes, and organisational/human capital strategy. May serves as a board member and a member of the nomination and remuneration committee at Care. May holds a bachelor's degree in business administration and organisational behaviour from Boston University of Management and a master's degree in engineering management and knowledge management from George Washington University.

### ***Mutasim Mufti – Chief Risk Officer***

Mutasim Mufti has 26 years of experience in Saudi banking, primarily covering the corporate (wholesale) banking sector. Mutasim joined BSF's risk management group in April 2018 as Deputy Chief Risk Officer where he focused on shaping a sustainable loan portfolio while working closely with the CRO to deliver on the wider mandates under the risk group. Most recently, Mutasim was promoted, in January 2021, to the position of Acting Chief Risk Officer where he oversees a wide risk mandate.

### ***Abdulaziz Al-Molhem – Regional General Manager – Eastern Region***

Abdulaziz Al-Molhem has held the position of Regional General Manager in the Eastern Region at BSF for more than 10 years and has 35 years of diverse experience in the banking industry with a focus on banking operations and management. Abdulaziz started his career in BSF under the professional training programme in the Al Khobar Branch and held various positions in BSF, including retail and commercial credit officer, corporate relations officer, human resources manager-eastern province, branch manager and network manager. In 1995, he worked for Saudi Hollandi Bank (which became AlAwwal Bank and is now Saudi Alawal Bank), where he was in charge of marketing and remote delivery channels and held various senior positions and committee memberships, including head of personal banking group, regional manager, chairman of the consumer banking committee, acting in-charge for the marketing department, member of the new core banking system steering committee, member of the strategic change programme committee, stream leader of the strategic change programme and member of the maximum growth strategy committee.

***Abdallah Alshaikh – Chief Legal, Governance and ESG, Corporate Secretary***

Abdallah Alshaikh was appointed Chief Legal, Governance and ESG in 2018. With more than 15 years of relevant experience, he has worked in the legal division of BSF's regulators (SAMA and CMA) and has enjoyed international experience through working overseas with both Dentons LLP and NASDAQ OMX Group. Before joining BSF, Abdallah has served as the head of legal & corporate secretary of both Samba Capital and Samba Financial Group. Abdallah holds a bachelor's degree in law from King Saud University, Saudi Arabia, and a master of law from Harvard Law School.

***Abdalmohsen Alrayes – Group Control Advisor***

Abdalmohsen Alrayes was appointed Group Control Advisor in May 2024. He served as BSF's Chief Audit Officer of BSF from August 2017 to May 2024. With 34 years of experience in the banking industry, his career has developed from the position of branch Manager to his current position. Abdalmohsen started his career at Saudi British Bank as a branch manager in 1982 and in 1989, he then worked for two years as the senior retail manager of the central region. After that, he moved to the Saudi Industrial Development Fund as the head of international recruitment for five years. He spent nearly 20 years at Arab National Bank, where he held the positions of regional manager of the central region (1998 – 2001), head of retail operations (2001 – 2003) and head of internal audit division. Through these roles, Abdalmohsen developed his expertise in business development and banking operations. He has experience in audit, banking operations, banking regulations, retail banking, risk management, compliance and has extensive knowledge of international standards and best practices of internal auditing.

***Ibrahim Alsanebi – Chief Audit Executive***

Mr. Ibrahim Alsanebi was appointed Chief Audit Executive in May 2024 and has 15 years of internal and external audit experience. Mr. Alsanebi joined BSF in 2017 as Credit Audit Manager in charge of the credit audit division and was subsequently promoted to Head of Banking Audit covering operations, credit and retail audit functions. Prior to joining BSF, Mr. Alsanebi was an auditor with EY and served as deputy audit manager with Arab National Bank. Mr. Alsanebi holds a bachelor degree in science and a masters degree in accounting from the Lebanese American University. In addition, he has successfully completed London Business School's Executive Leadership Programme

***Yasser Al Ansari – Chief Compliance Officer***

Yasser Al Ansari is well-known in the financial industry and has over 20 years of banking experience, in particular, in the international retail banking industry. Yasser specialises in product management and development, with wide knowledge of both conventional and Islamic banking products, technology and services and associated industry regulations. He has an extensive compliance / FCC background in several aspects of banking.

***Zuhair Mardam – Chief Treasury and Investment Officer***

Zuhair Mardam was appointed as Chief Treasury and Investment Officer of BSF in October 2022. Prior to his current position, Mr. Mardam served as BSF's Head of Global Markets Group and managed BSF's interbank activities, which included trading, funding and investments. He joined BSF in 2004 as a fixed income and derivatives trader. Zuhair has 18 years of markets experience in the Saudi banking sector. Zuhair holds a B.Sc. in finance from Prince Sultan University in Riyadh and has attended several professional development programmes, including IMD's advanced management programme, INSEAD's leadership programme, and the University of Michigan's senior executive leadership programme.

***Majed Abdulrahman Saad Alsadhan– Chief Wholesale Banking Officer***

Majed Abdulrahman Saad Alsadhan was appointed as Chief Wholesale Banking Officer in November 2022. Prior to his current position, Majed served as BSF's Head of Corporate Banking and Regional Head for

Corporate Banking. Prior to joining BSF, Majed was the head of institutional banking of Gulf International Bank and a team leader in the corporate and commercial banking division of Saudi British Bank. Majed holds a master's degree in accounting and finance from the University of Southampton and a bachelor's degree in accounting from the King Faisal University.

***Mazen Al-Shehri – Head of Enterprise Project Management Office***

Mazen Al-Shehri joined the Retail Banking Group of BSF in 2017 and has extensive expertise in banking transformation and change management. Mazen established and currently runs the Enterprise Project Management Office of BSF which provides independent oversight and the ongoing execution of BSF's key strategic initiatives. Prior to his current position, Mazen led strategic programmes in the Retail Banking Group and assumed the role of Retail Banking Group Champion since its inception until the end of 2022. Mazen holds a bachelor's degree in information technology and computer science. Prior to joining BSF, Mazen held numerous roles at Saudi British Bank, Riyad Bank and Emirates NBD Bank PJSC where he led the execution of strategic initiatives to enable digital transformation and enhance operational efficiencies.

**Employees**

As at 30 June 2024, BSF had 3,180 employees. BSF has a young and diverse workforce, with individuals under the age of 40 comprising 87.30 per cent. of joiners during 2023.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### 1 Initial Issue of Notes

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### 2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for its share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### 3 Exchange

#### 3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Overview of the Programme – Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

### **3.2 Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

- (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal and Principal Paying Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes (as defined below), such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

### **3.3 Permanent Global Certificates**

If the applicable Pricing Supplement state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system while they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

### **3.4 Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

### **3.5 Delivery of Notes**

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal and Principal Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or



that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this Base Offering Circular, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### 3.6 Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal and Principal Paying Agent is located and in the city in which the relevant clearing system is located.

## 4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Base Offering Circular. The following is a summary of certain of those provisions:

### 4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal and Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “**business day**” set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

### 4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

#### **4.3 Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.

#### **4.4 Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

#### **4.5 Purchase**

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) in the applicable Pricing Supplement.

#### **4.6 Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

#### **4.7 Enforcement Events**

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 11 (*Enforcement Events and Winding - up*) by stating in the notice to the Fiscal and Principal Paying Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 25 September 2024 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

#### **4.8 Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for

publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note. The Issuer shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which the Notes are listed and/or admitted to trading.

## 5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (i) in respect of any resolution proposed by the Issuer where the terms of the resolution proposed by the Issuer have been notified to the Noteholders through the relevant clearing system(s), the Issuer shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an “**Electronic Consent**” as defined in the Agency Agreement). Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. The Issuer shall not be liable or responsible to anyone for such reliance; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on: (a) consents or instructions given in writing directly to the Issuer by accountholders in the clearing system with entitlements to such Global Note or Global Certificate; and/or (b) where the accountholders hold any such entitlement on behalf of another person, written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant Alternative Clearing System (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EasyWay system or Clearstream, Luxembourg’s Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A Written Resolution and/or Electronic Consent shall take effect as an Extraordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Noteholders and holders of Coupons and Talons, whether or not they participated in such Written Resolution and/or Electronic Consent.

## **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche will be applied by BSF to improve its Tier 1 capital and for general banking purposes.

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## BANKING INDUSTRY IN THE KINGDOM OF SAUDI ARABIA

### General

According to SAMA's website, there are 37 commercial banks licensed to operate in the Kingdom, of which 14 are incorporated in the Kingdom with three banks being digital banks (namely STC Bank, D360 Bank and Vision Bank) that have been recently licensed by SAMA but not yet commenced their operations, although two are in a pilot phase of operations. Of the remaining 23 licensed foreign banks, seven are branches or subsidiaries of banks based in other GCC countries (namely Abu Dhabi Commercial Bank, Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, First Abu Dhabi Bank, Bank Muscat and Qatar National Bank), 10 are international banks (namely J.P. Morgan Chase, N.A., BNP Paribas, Deutsche Bank, T.C. Ziraat Bankası A.Ş., MUFG Bank, Ltd., National Bank of Pakistan, Industrial and Commercial Bank of China, Credit Suisse Bank, Standard Chartered Bank and National Bank of Iraq) and six have been licensed but are yet to commence operations under their licences (namely Trade Bank of Iraq, Bank of China Limited, Banque Misr, Sohar International Bank, National Bank of Egypt and Bank of Jordan).

All 11 Saudi operating banks provide a broad range of retail and wholesale banking products and services. Al Rajhi Bank, Bank Albilad, Bank AlJazira and Alinma Bank provide *Shari'a*-compliant products and services only. The remaining seven banks provide a combination of *Shari'a*-compliant and conventional banking products and services. Apart from Gulf International Bank Saudi Arabia, all of the 11 Saudi operating banks are publicly listed with their shares traded on the Saudi Exchange.

In addition to the commercial banks, there are a number of state-run credit institutions, including the Saudi Industrial Development Fund, the Islamic Development Bank, the Real Estate Development Fund, the Saudi Arabian Agricultural Bank, and the Saudi Credit & Saving Bank, which provide funds for targeted sectors. In addition, the Public Investment Fund ("PIF"), the investment arm of the Government, and Hassana Investment Company, the investment arm of the General Organisation of Social Insurance, fund and support local projects and companies with their investments in the Kingdom ranging across sectors, geographies and asset classes. SAMA does not regulate any of these entities.

As at 30 June 2024, there were 1,903 bank branches, 15,716 ATMs and 1,749,317 points of sale terminals in the Kingdom (source: SAMA June 2024 Monthly Statistics).

According to SAMA's 2023 Financial Stability Report:

- bank credit and asset growth remained strong in 2022, notwithstanding global macroeconomic developments in regard to inflationary pressures and monetary tightening;
- in recent years, the banking sector has seen significant bank credit growth, driven primarily by mortgage lending, although bank credit slowed in 2022 to 14.1 per cent. compared to 15.5 per cent. in 2021;
- while interest rate increases raise concerns about the NPL rate, it remained low at 1.8 per cent. in 2022 compared to 1.9 per cent. in 2021. This is attributed to domestic banks' resiliency, due to factors such as robust lending standards;
- the banking sector remained in a stable position, with liquidity indicators such as the net stable funding ratio, liquidity coverage ratio and loan-to-deposit ratio remaining well above SAMA's requirements and guidelines;
- profitability indicators in the Saudi banking sector showed a steady increase in 2022 compared to 2021, mainly attributed to higher interest rates; and

- the Saudi banking sector is well capitalised, with the capital adequacy ratio remaining at 19.9 per cent. in 2022.

## History

Prior to 1976, a number of wholly foreign-owned banks operated branches and subsidiaries in the Kingdom.

In 1976, the Government issued a directive requiring all banks operating within the Kingdom to convert to entities incorporated locally with at least 60 per cent. of the shares held by Saudi nationals.

In 2000, the first branch of a foreign bank was authorised to open in the Kingdom in over 40 years, in connection with changes in GCC countries' policies concerning cross-border banking. The new entrant was Gulf Investment Bank ("GIB"), an offshore bank based in Bahrain and owned by the six GCC states. GIB had been active in the Kingdom for many years, but having a branch in the Kingdom allowed it to compete at close hand. SAMA has since granted a number of banking licences to foreign banks. In May 2020, GIB converted its branch into a locally incorporated bank jointly owned by the PIF and GIB. In April 2021, The National Commercial Bank ("NCB") and Samba National Bank merged, with NCB being the surviving entity. NCB was renamed into The Saudi National Bank. In March 2022, Alawwal Bank and Saudi British Bank ("SABB") merged, with SABB being the surviving entity.

There are also non-bank competitors in brokerage and personal finance. The Kingdom's banking sector has seen an accelerating competitive convergence focused on Islamic banking, private and affluent segments and brokerage and investment banking, as well as significant investments in new distribution, marketing and technology.

Following the licence granted to GIB in 2000, SAMA granted licences to the following foreign banks, all of which have set up branches or subsidiaries that are currently operating in the Kingdom: Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Bank Muscat, J.P. Morgan Chase, N.A., BNP Paribas, Deutsche Bank, National Bank of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and Commercial Bank of China, Qatar National Bank, First Abu Dhabi Bank, MUFG Bank, Ltd., Credit Suisse Bank, Standard Chartered Bank and National Bank of Iraq. The Government also developed the capital markets sector in the Kingdom with the enactment of the Capital Market Law (issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31 July 2003), as amended by Royal Decree No. M/16 dated 19/01/1441H (corresponding to 18 September 2019)) which also established the CMA. In line with the Government's overall desire to develop and boost the capital markets in the Kingdom, the CMA has encouraged the participation of foreign investment banks. According to its website, the CMA has licensed 175 entities to conduct various types of securities business in the Kingdom as at the date of this Offering Circular, although a number of those licensed entities have not yet commenced business.

## Corporate Banking Segment

The majority of commercial banking assets in the Kingdom are loans to businesses and, as at 30 June 2024, banks' claims on the private sector constituted SR 2,690.5 billion equal to 52.91 per cent. of total commercial banks' assets (source: SAMA, June 2024 Monthly Statistics). This has been driven by the strong economic growth and increased investment within the Kingdom in various sectors such as electricity, water and health services, building and construction, commercial and Government projects in oil and gas, infrastructure and education. Government stimulus to the economy has contributed to the growth in corporate assets.

Though commercial mortgages are a lucrative business in developed countries, banks in the Kingdom have not been very active in this product due to legal and operational hurdles. However, financing is provided for real estate development purposes, which does not fall under commercial mortgages.

Investment banking activities have been growing rapidly in the Kingdom. Project finance has also been a strong growth area with several projects being financed in recent years and new investments in infrastructure and industry being planned, in line with the reform and stabilisation programmes being implemented to reduce the dependency of the Kingdom's economy on oil-related revenues.

### **Personal Banking Segment**

Consumer lending increased from SR 428.4 billion as at 31 December 2021 to SR 452.3 billion as at 30 June 2024 (source: SAMA, June 2024 Monthly Statistics). Historically, growth in consumer finance has been driven by several factors, including:

- economic growth coupled with favourable consumer demographics;
- growth of the credit card market;
- product innovation and a rapidly expanding range of product and service offerings; and
- the creation of SIMAH (as defined below).

The value of the credit card loans market was SR 30.0 billion as at 30 June 2024 (source: SAMA, June 2024 Monthly Statistics), up from SR 27.1 billion as at 31 December 2023 and SR 23.1 billion as at 31 December 2022. The growth in the credit card loan market is expected to continue as a result of the increasing use of electronic forms of payment within the Kingdom. The majority of personal lending is tied to electronic salary assignment, thereby enhancing asset quality and effectively reducing the risk associated with personal lending which, coupled with higher margins than in corporate lending, has made personal finance a particularly attractive segment for banks in the Kingdom.

### **The Saudi Credit Bureau**

In 1998, SAMA and the domestic banks operating in the Kingdom conducted a study with regard to establishing a centre or a company to provide credit information. As a result, the Saudi Credit Bureau ("SIMAH") was established in 2002 and began operating in 2004. In 2008, the Council of Ministers issued a decision approving the Credit Information Law (issued pursuant to Royal Decree No. M/37 dated 05/07/1429H (corresponding to 8 July 2008)), which sets out general principles and controls for the collection, exchange and protection of credit information of consumers as further detailed by the Credit Information Implementing Regulations (issued pursuant to SAMA's Administrative Decision No. AQ/13709 dated 22/09/1432H (corresponding to 22 August 2011)). SIMAH, which is supervised by SAMA, was the first credit information company to be established in the Kingdom and offers consumer credit information services to its members in the Kingdom. SIMAH aggregates credit-related information among participating members to provide credit providers with credit risk information. In 2014, SIMAH was transformed from a limited liability company into a closed joint stock company with the major Saudi domestic banks as shareholders. A number of SIMAH's projects were acknowledged by the G-20 based on an initiative of the Financial Stability Board (of which SAMA is a member), aimed at helping financial institutions to evaluate risks in a systematic and effective manner and put regulatory and operational requirements in place, and develop products and services, to ensure stability and efficiency of the financial sector.

### **Bayan Credit Bureau**

Bayan Credit Bureau was established as a closed joint stock company and began operating in 2015. It is supervised by SAMA, provides banks and other companies in the Kingdom with trade credit information, financial statements, commercial registration information and management information on over one million companies in the Kingdom.

## **Islamic Finance**

Islamic finance has been a growth area for the Saudi financial economy.

In the banking industry in the Kingdom, there is no differentiation between conventional and Islamic banking as all banks generally have to comply with the underlying *Shari'a* law in the Kingdom. Hence, none of the banks is called an 'Islamic bank' and all laws and regulations issued by SAMA apply to all banks licensed in the Kingdom equally. In particular, all banks in the Kingdom are required to have *Shari'a* committees (or external *Shari'a* counsel if outsourced) which provide independent opinions on the extent of compliance with *Shari'a* principles. Currently, a wide range of *Shari'a*-compliant products are available in the market for the corporate and personal banking segments covering credit, deposit, investment and treasury offerings.

The personal banking segment has experienced the strongest demand for Islamic banking products and services with consumer Islamic assets forming the bulk of total consumer assets. In addition to deposit products, Islamic financing solutions include personal finance, home finance and Islamic credit cards. With growing business activity in the real estate sector and a growing population, *Shari'a*-compliant home financing is expected to be a major driver of Islamic personal banking asset growth in the future.

Credit demand from the corporate banking segment is rapidly growing following the launch of infrastructure projects and increasing interest in manufacturing. The main product offerings include Ijara and Murabaha and are offered as bilateral facilities, as well as through syndications. To cater to this market segment, domestic banks have also introduced innovative *Shari'a*-compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting the participation from a large number of banks.

The Islamic banking segment is expected to continue to grow with credit demand anticipated from corporate and consumer segments. It is also expected to be accompanied by an increase in innovative Islamic product offerings and growing awareness and demand within the general public for sophisticated *Shari'a*-compliant solutions.

## **Treasury**

The treasury activities of banks in the Kingdom have increased over the past few years as the financial markets have become more sophisticated with the increased use of financial instruments. Capable banks in the Kingdom are able to offer their customers structured products that make use of derivatives and are also *Shari'a*-compliant.

## **Investment Banking and Asset Management**

Brokerage services activity especially flourished between 2003 and 2006, when Tadawul peaked to all-time highs. The level of the Tadawul All Share Index was 10,478.46 as at 31 December 2022, 11,967.39 as at 31 December 2023 and 11,679.50 as at 30 June 2024.

As a response to the Government's drive to develop an efficient capital markets platform, a number of banks, including BSF, embarked on providing corporate finance and equity and debt capital markets advisory services to companies. Since 2003, a number of IPOs have been effected, several of which were Government initiatives.

A number of banks in the Kingdom have established separate subsidiaries that were consequently licensed by the CMA to engage as principal or agent in equity lead arrangements, equity management arrangements and/or advisory and securities custody services.

Foreign financial institutions have been permitted to buy and sell shares directly in companies listed on the Saudi Exchange since 2015. Restrictions for Qualified Foreign Investors ("QFIs") have also been relaxed in May 2023 by the Saudi Capital Market Authority which revised the applicable regulations, allowing QFIs to



invest in securities and face fewer investment limits. With these improvements, the number of registered QFIs on the Saudi Exchange surged from 118 at the end of 2017 to 3,724 by the end of 2023.

In March 2019, the Kingdom was included in the FTSE Russel Emerging Index and S&P Dow Jones Market Indices and in August 2020, the Saudi Exchange launched a new derivatives market as part of its strategy to diversify its product offering and provide more investment opportunities for market participants. Investors are able to trade the Saudi Futures 30, based on the MSCI Tadawul 30 Index, from 30 August 2020.

Furthermore, the Saudi Exchange has established formal links with Euroclear and Clearstream, Luxembourg in June 2021, giving investors greater access to trade sukuk and conventional bonds. In 2022, towards the realisation of Vision 2030, the Saudi Exchange implemented the most extensive bundle of post-trade enhancements in its history and a new single stock futures product offering on the derivatives market. The same year, it also saw its first dual listing of Americana Restaurants, with the Abu Dhabi Securities Exchange (“**ADX**”). This followed a 2019 agreement with ADX to encourage cross listings. New agreements have also been signed with the Muscat Stock Exchange to allow companies to list on both markets and, since July 2021, with the Swiss Stock Exchange to collaborate on cross-listings, ESG standards, and other areas of innovation. In addition, in April 2022, sukuk and bonds saw their first inclusion in a global index, when the Saudi sukuk market joined the FTSE Russell Emerging Market Government Bond Index.

## SAUDI ARABIAN BANKING REGULATION AND SUPERVISION

### SAMA

SAMA is the regulator and supervisor of licensed financial institutions, including banks, finance companies (including real estate finance companies), money exchange companies, payment service providers and credit information companies in the Kingdom. In November 2023, the regulation of insurance companies was transferred from SAMA to a newly established regulator, the Insurance Authority.

SAMA was established pursuant to Royal Decree No. 30/4/1/1046 dated 25/07/1371H (corresponding to 20 April 1952) and renamed by the Royal Decree No. M/36 dated 11/04/1442H (corresponding to 26 November 2020) to “Saudi Central Bank” while maintaining the acronym “SAMA”. SAMA’s principal functions include:

- issuing the national currency;
- issuing regulations and instructions related to financial institutions;
- managing the Kingdom’s foreign exchange reserves;
- managing monetary policy for maintaining price and exchange rate stability;
- promoting the growth of the financial system and ensuring its soundness;
- supervising commercial banks and exchange dealers;
- supervising finance companies (leasing and real estate); and
- supervising credit information companies.

### Banking Control Law

The Banking Control Law was issued by Royal Decree No. M/5 dated 22/02/1386H (corresponding to 11 June 1966) (the “**Banking Control Law**”) with the aim of protecting banks, customers’ deposits and shareholders and securing adequate liquidity levels. The Banking Control Law prohibits banks from undertaking certain activities that might cause damage to their shareholders and customers. In addition, the law prohibits individuals and companies from using the word “bank” or its synonyms in their names or conducting any banking activities without obtaining a licence from SAMA. The Banking Control Law sets out the framework within which banks must operate in the Kingdom and is supplemented by circulars, directives and guidelines issued by SAMA from time to time. These circulars and directives are generally not made publicly available outside the banking sector.

### Consumer Protection

SAMA has been a strong advocate of consumer protection since the issuance of its charter in 1952 and the Banking Control Law. Consequently, SAMA has played an important role in ensuring that financial institutions under its supervision deal with consumers fairly and honestly.

As the Kingdom’s financial sector evolves and grows, SAMA continues to review these developments and decides on appropriate regulatory and organisational changes to provide the level of consumer protection expected from a country that is a member of the world’s main economic and financial organisations. SAMA’s current objective is to ensure that all consumers dealing with licensed financial institutions in the Kingdom receive the expected level of consumer protection including fair treatment, honesty and ease of access to financial products and services at a reasonable cost.

SAMA has set out the conduct expected from such financial institutions through various regulations, policies and issued instructions including the 'Banking Consumer Protection Principles' (the "**Principles**") issued in June 2013, which are based on the 'General Principles for Financial Consumer Protection' developed by the Organisation for Economic Co-operation and Development (the "**OECD**") in 2011.

The Principles set out key guidelines to enable licensed banking institutions to deliver the required level of fair treatment, honesty and financial inclusiveness thereby meeting SAMA's strategic objective for financial consumer protection in the Kingdom. The Principles apply to the activities of banks operating by way of a licence, under the supervision of SAMA and dealing with persons who are, or may become consumers. They also apply to the activities of any third party engaged by such banks to undertake any outsourced activities. The Principles are binding on all such banks, complementary to the instructions and internal regulations issued by any such bank and applicable to all transactions that are made with individual consumers.

The Principles are further underpinned by the Responsible Lending Principles for Individual Consumers (issued by SAMA under Circular No. 46538/99 dated 02/09/1439H (corresponding to 17 May 2018), as amended by SAMA's Circular No. 40694/1 dated 09/09/1439H (corresponding to 24 May 2018)) which aim to:

- (i) encourage responsible lending that meets the actual needs of consumers, especially those related to owning housing and assets rather than consumer purposes;
- (ii) enhance financial inclusion by providing adequate financing for all segments of society, taking into account reasonable deductible ratios that the consumer can afford; and
- (iii) focus on ensuring fairness and competitiveness among creditors to make sure that their procedures and mechanisms are effective and efficient.

The Responsible Lending Principles for Individual Consumers apply to all creditors and finance activities directed at consumers, encompassing all credit products and programmes designed for individuals, including, among others, personal finance, vehicle finance, credit cards and real estate finance.

In April 2018, SAMA issued the Debt Collection Regulations and Procedures for Individual Consumers applying to banks and finance companies under SAMA's supervision which set out debt collection procedures in relation to consumers and procedures for dealing with defaulting retail consumers, as well as controls governing the communication with retail consumers and their guarantors in order to enable creditors to follow clear and specific procedures while protecting the rights of all relevant parties.

Further consumer protection legislation which supplements the Principles issued by SAMA (the Regulations for Issuance and Operations of Credit and Charge Cards) relates to the issuance and operation of credit and charge cards issued by banks, finance companies and other card issuers supervised by SAMA.

In September 2022, SAMA published updated Financial Consumer Protection Principles and Rules (the "**Consumer Finance Regulations**"). The Consumer Finance Regulations contain a number of provisions relating to the protection of consumer rights, including:

- unifying fees, commissions and administrative service charges across all banks in the Kingdom;
- requiring financial institutions in the Kingdom to develop appropriate data protection and information privacy policies;
- providing customers with summaries of their financings, which include basic details of the financing and also reference key provisions of the financing;
- prescribing rules and standards in relation to how banks deal with customers; and
- emphasising the principles of transparency and disclosure in consumer finance contracts.

The Consumer Finance Regulations are aimed at ensuring that consumer finance contracts have enhanced levels of disclosure and transparency and are aimed at, among other things, enabling customers to be better informed of their rights and obligations under their financings.

## **Real Estate Financing and Finance Leasing**

In August 2012, the Saudi Council of Ministers issued a package of legislation in relation to the finance industry including real estate financing issued by Royal Decree No. M/50 dated 13/08/1433H (corresponding to 3 July 2012) (the “**Real Estate Finance Law**”), leasing financing issued by Royal Decree No. M/48 dated 13/08/1433H (corresponding to 3 July 2012) (the “**Finance Lease Law**”) and the supervision of financial companies issued by Royal Decree No. M/51 dated 13/08/1433H (corresponding to 3 July 2012) as amended by Royal Decree No. M/272 dated 04/12/1445H (corresponding to 10 June 2024) (the “**Finance Companies Control Law**”), in each case, as further described below. In February 2013, SAMA issued the implementing regulations of these laws.

### ***Real Estate Finance Law***

This law provides the regulatory architecture in relation to the authorisation and licensing of banks and finance companies to enter the real estate financing market. In particular:

- banks may own real estate for the purposes of real estate finance – a key feature of Islamic financing products;
- the Government publicises real estate market activity and financiers are granted access to courts and notary registers; and
- a credit check must be conducted against borrowers through one of the authorised credit bureaus.

### ***Implementing Regulations of the Real Estate Finance Law***

The Implementing Regulations of the Real Estate Finance Law were issued by H.E. the Minister of Finance’s Resolution No. 1229 dated 10/04/1434H (corresponding to 20 February 2013). These implementing regulations define the role of finance companies and set out the requirements for entering into and registering a real estate finance lease. The Implementing Regulations of the Real Estate Finance Law also set out the SAMA’s requirements for licensing re-finance companies as well as the rules governing the activities of re-finance companies.

In 2020, SAMA issued guidelines on the provision of real-estate financing products to individuals setting out minimum requirements on entities providing such products.

### ***Rules Governing Real Estate Refinancing Companies***

In 2022, SAMA issued the rules governing real estate refinancing companies (the “**Real Estate Refinancing Companies Rules**”) which set out the role, capital adequacy, liquidity requirements, and establish corporate governance standards of real estate refinancing companies. The Real Estate Refinancing Companies Rules also outline the operational guidelines for real estate refinancing activities, including risk management, compliance, and internal audit procedures.

### ***Finance Lease Law***

This law prescribes the rules relating to finance leasing, the finance leasing contract, register, violations and disputes. It specifically provides that:

- the responsibilities of the lessor and lessee must be carried out in a *Shari’a*-compliant manner (placing asset risk on the lessor during the lease term but making the lessee responsible for the relevant use);

- the transfer of leased assets is permitted to the lessee upon maturity of the lease term; and
- the lessor is permitted to request payments of future rentals if the lessee is in payment default, provided the number of such payments is not greater than the number of late payments.

### ***Implementing Regulations of the Finance Lease Law***

The Implementing Regulations of the Finance Lease Law were issued by H.E. the Governor of the SAMA (with the agreement of H.E. the Minister of Justice) pursuant to Governor’s Resolution No. 1/MCS on 14/04/1434H (corresponding to 24 February 2013) as amended by SAMA Governor’s Resolution No. 93/MCS on 18/10/1441H (corresponding to 10 June 2020). The Implementing Regulations of the Finance Lease Law set out the rights and obligations of the lessor and lessee in a finance lease. These implementing regulations also outline rules relating to assignment of rights, instalment payments and ownership rights of the relevant parties. Furthermore, these implementing regulations specify the requirements for establishing a company that registers finance leases and the requirements for such companies to register finance leases.

### ***Finance Companies Control Law***

This law provides a regulatory and supervisory framework for *Sharia* compliant finance companies to provide SAMA approved forms of financing, including real estate financing. It sets out the licensing procedure for finance companies, permitted activities of finance companies, requirements in relation to its management and the violations and limits of penalties that can be imposed.

However, regulations surrounding items such as capital adequacy, loan to value ratios, transaction costs and consumer rights have yet to be announced.

### ***The Implementing Regulations of the Finance Companies Control Law***

The Implementing Regulations of the Finance Companies Control Law were issued by H.E. the Minister of Finance’s Resolution No. 2/MCS 14/04/1434H (corresponding to 24 February 2013). These implementing regulations set out the SAMA’s rules and requirements for licensing finance companies. Furthermore, the Implementing Regulations of the Finance Companies Control Law contain corporate governance requirements, internal auditing requirements and other rules which the finance companies must comply with in order to maintain their licence.

## **Capital Market Authority**

The Capital Market Authority (the “**CMA**”) was established by the Capital Market Law, issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31 July 2003) as amended by Royal Decree No. M/16 dated 19 January 1441H (corresponding to 18 September 2019) (the “**CML**”). The CMA is a governmental organisation with financial, legal and administrative independence.

The CMA regulates the Kingdom’s capital markets. It issues the required rules and regulations for the implementation of the provisions of the CML aimed at creating an appropriate investment environment. Some of the CMA’s major objectives are to:

- regulate and develop the capital market;
- protect investors and the general public from unfair and unsound practices involving fraud, deceit, cheating, manipulation and insider trading;
- achieve fairness, efficiency and transparency in securities transactions;
- develop measures to reduce the risks pertaining to securities transactions;

- develop, regulate and monitor the issuance of, and trading in, securities;
- regulate and monitor the activities of entities subject to the control of the CMA;
- regulate and monitor the full disclosure of information related to securities and their issuers; and
- regulate proxy and purchase requests and public share offerings.

In addition, the CML established the Committee for the Resolution of Securities Disputes and the Appeal Committee for the Resolution of Securities Disputes. Both of these committees are quasi-judicial bodies authorised to adjudicate disputes and violations in respect of the Capital Market Law or the rules and regulations of the CMA and/or Tadawul.

### **The Saudi Exchange (Tadawul)**

On 19 March 2007, the Saudi Council of Ministers approved the formation of the Saudi Stock Exchange (Tadawul) Company (now called the Saudi Exchange which is a wholly-owned subsidiary of the Saudi Tadawul Group). This was in accordance with Article 20 of the CML establishing the Saudi Exchange as a joint stock company for the purposes of issuing and managing mechanisms for listing and trading securities and disclosure of information related to it. The Saudi Exchange is responsible for the executive and operational functions in the market. It is the only authorised body to manage the stock market and it aims to provide efficiency and justice in trading as well as transparency in listing requirements, technical trading systems, securities information systems in the market in addition to providing systems with high levels of efficiency for settlements and clearing and applying the professional standards for brokers and their agents in the market.

In the early 1980s, the Government embarked on forming a regulated market for trading. In 1984, a Ministerial Committee composed of the Ministry of Finance and National Economy, the Ministry of Commerce and SAMA was formed to regulate and develop the market. SAMA was the government body charged with regulating and monitoring market activities until the establishment of the CMA in July 2003. As the sole regulator and supervisor of the capital markets, the CMA issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market.

In April 2021, a holding company called Saudi Tadawul Group was established. Four subsidiaries were established under the holding company: the Saudi Exchange, the Securities Clearing Center Company (Muqassa), the Securities Depository Center Company (Edaa) and Wamid, a new technology services business. The Saudi Exchange was established in March 2021. As the Kingdom's dedicated stock exchange and the largest stock exchange in the Middle East, the Saudi Exchange carries out listing and trading in securities for local and international investors. As the official source of all market information, the Saudi Exchange is instrumental to achieving long-term growth plans for the Saudi Tadawul Group and providing market participants with attractive and diversified investment opportunities.

The Saudi Exchange is the 9<sup>th</sup> largest stock market among the 78 members of the World Federation of Exchanges and is the dominant market in the GCC. It is an affiliate member of the International Organization of Securities Commissions, the World Federation of Exchanges, and the Arab Federation of Exchanges.

The legal status, duties, and responsibilities of the Saudi Exchange and the Securities Depository Centre are defined in the CML.

### **Management of Liquidity and Credit Risk**

Under the Banking Control Law, each bank shall at all times maintain a liquidity reserve of at least 15 per cent. of its total deposit liabilities. The liquid reserve must comprise cash, gold or assets which can be converted into

cash within a period not exceeding 30 days in order to comply with the requirements of the Banking Control Law. In addition, SAMA requires banks to maintain a statutory deposit of no less than 15 per cent. of its deposit liabilities. Moreover, SAMA may modify the statutory deposit for banks if SAMA deems it to be in the public interest provided that the statutory deposit is at least 10 per cent. and not more than 17.5 per cent. (whereby SAMA may exceed these thresholds with prior approval of the Minister of Finance).

Under SAMA Rules on Large Exposures for Banks, as updated in August 2019, a bank may not grant a loan, extend a credit facility, give a guarantee or incur any other financial liability in respect of any one person in an aggregate amount exceeding:

- in the case of banks, 25 per cent. of its total eligible capital; however; if the lending bank and/or the counter party bank are/is classified as a “Domestically Systematically Important Bank” or a “Globally Systematically Important Bank”, then the sum of all exposures of the lending bank to its counter party bank cannot exceed 15 per cent. of the lending bank’s available eligible capital base at all times;
- in the case of companies, 15 per cent. of its total eligible capital;
- in the case of individuals, sole proprietors and partnerships, 5 per cent. of its total eligible capital; and
- in the case of a group of connected parties, 15 per cent. of a bank’s eligible capital base at all times.

SAMA also has the power to regulate the liquidity and the credit risk of a bank by restricting, among other things, the maximum amount of money which may be loaned by a bank, the level of a bank’s exposure to single customer and the categories of loans which a bank can make. These restrictions may vary from bank to bank depending on the relevant circumstances and are in addition to the statutory deposit and liquid reserve requirements provided for in the Banking Control Law.

SAMA carries out a review of the operations of each bank every three years. SAMA has also intervened to support banks that have found themselves in difficulties. Similarly, it allowed distressed banks to benefit from low cost of funding in the 1980s.

## **Reporting Requirements**

Banks are required to submit monthly statements of the consolidated financial position of their domestic and foreign branches. Banks also have to submit quarterly, semi-annual and annual reports to SAMA. These reports are comprehensive and deal with matters like the maturity schedule of credit facilities, risk concentrations, large exposures, foreign exchange exposure, analysis of specific loan loss reserves and a calculation of the relevant bank’s risk asset-based capital adequacy.

Banks are required to submit their audited consolidated annual financial statements to SAMA within six months of each financial year-end and listed banks are required to report within three months in accordance with the CMA Rules on the Offer of Securities and Continuing Obligations. Annual consolidated financial statements have to be audited by at least two independent joint auditors. The published audited consolidated financial statements of Saudi banks are required to be compliant with IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. The consolidated financial statements are also required to be in compliance with the provisions of the Banking Control Law, the Companies Law and the by-laws of the bank. Listed joint stock companies are required to publish quarterly financial statements as their stocks are listed on Tadawul. However, quarterly financial statements are reviewed by the auditors in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and are limited in terms of the scope of procedures performed.

Since SAMA introduced mandatory disclosure standards, there has been an improvement in the level of disclosure by Saudi banks. Banks now publish a breakdown of loans by sector and geography, in addition to loans to the Government and related parties. Banks also report doubtful loans, loan loss reserves and write-offs.

### **Anti-Money Laundering and Counter-Terrorist Financing**

The Kingdom is a signatory to, and has implemented measures required by, the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the “**1988 Vienna Convention**”), the International Convention for the Suppression of the Financing of Terrorism and various other international conventions and agreements relating to money laundering and terrorist financing.

Money laundering is considered an offence under the Kingdom’s laws. Over the past decade, the Kingdom has established a comprehensive legislative and regulatory framework to prevent money laundering and terrorist financing. The Kingdom implemented its first customer identification procedure in 1975. Beginning in the mid-1990s, the Kingdom expanded its anti-money laundering regime starting with the issuance of the 1995 anti-money laundering manual and various circulars from SAMA and other government agencies.

In April 2003, SAMA issued updated Rules Governing the Opening of Bank Accounts and General Operational Guidelines (SAMA No. 3222/BCI/60: dated 8 April 2003) (the “**Account Opening Rules**”). The Account Opening Rules contain comprehensive requirements governing customer identification, as well as the opening, maintenance and operations of bank accounts. The Account Opening Rules have been updated multiple times, most recently in May 2024. The latest amendment added new requirements and guidelines for dealing with non-resident individuals, entities and multi-lateral organisations, expanded the list of legal entities subject to KYC requirements and account operating controls, increased the KYC information requirements for corporate clients, and amended the requirements for opening bank accounts for government entities to receive donations into their own accounts.

In October 2017, the anti-money laundering law and implementing regulations were replaced by the Anti-Money Laundering Law and its Implementing Regulations issued pursuant to Royal Decree No. M/20 dated 05/02/1439H (corresponding to 25 October 2017) and the Combating-Terrorism Crimes and its Financing Law issued pursuant to Royal Decree No. M/21 dated 12/02/1439H (corresponding to 1 November 2017) along with its Implementing Regulations issued pursuant to Ministerial Decision No.228 dated 02/05/1440H (corresponding to 8 January 2019) (collectively, the “**AML Law**”) provide an up-to-date legal framework for addressing money laundering and terrorist financing offences.

In November 2019, SAMA issued the Anti-Money Laundering and Counter-Terrorism Financing Guide which sets out the requirements of the updated AML Law for financial institutions. The guide mandates all financial institutions operating in the Kingdom and supervised by SAMA to strictly comply with these requirements and implement additional measures as required based on their internal risk assessment.

Similarly, the CMA requires capital market institutions to comply with the AML Law under the Capital Market Institutions Regulations. These regulations were issued by the CMA Board pursuant to resolution number 1-83-2005, dated 21/05/1426H (corresponding to 28 June 2005), and were last amended by the CMA Board pursuant to resolution number 4-78-2024 dated 16/01/1446H (corresponding to 22 July 2024).

In August 2020, SAMA issued guidelines to combat financial fraud in banks operating within the Kingdom. These guidelines aim to institutionally address fraud, bribery and corruption by requiring all banks operating in the Kingdom to implement and comply with specified controls as minimum standards.

In April 2021, the Kingdom issued the Law on Combating Financial Fraud and Deceit, which set out certain penalties, including fines and imprisonment, for fraudulent and deceitful activities. The Kingdom’s public prosecution body is authorised to institute lawsuits for violation of this law.



The Kingdom has been a member of the Financial Action Task Force (the “**FATF**”) since June 2019. It’s also a founding member of the Middle East and North Africa Financial Action Task Force (the “**MENA-FATF**”) which was established in November 2004. As a member of the GCC, the Kingdom has issued laws and regulations designed to comply with the FATF’s “Forty Recommendations on Money Laundering” and is largely compliant with these recommendations.

In September 2003, the FATF conducted a mutual evaluation of the Kingdom, in collaboration with the GCC, which was approved in February 2004. The Kingdom underwent a joint assessment conducted by MENA-FATF, in participation with FATF in 2010. In 2015, the Kingdom received an invitation from the FATF to join the group as an observer. The invitation was made in recognition of the Kingdom’s international and regional status, its efforts and measures in combating money laundering, terrorism financing, and proliferation, as well as its compliance with international standards and requirements. The Kingdom obtained FATF observer status in June 2015.

Moreover, in November 2017, the FATF conducted an on-site visit which led to the Mutual Evaluation Report issued in September 2018 and in 2020 FATF issued a follow up report along with a technical compliance re-rating. In summary, the Kingdom’s recently updated legal framework for international co-operation is comprehensive, and includes all the required elements. However, minor gaps remain in building systems and processes for managing cases, and providing feedback to foreign counterparts.

### **Independent Auditors**

As a measure of prudence, SAMA requires all banks in the Kingdom to be audited jointly by two independent auditors.

### **Financial Requirements**

SAMA has introduced regulations to ensure that banks do not have disproportionate concentrations of risk in any one sector or client and that sufficient liquidity and capitalisation is maintained to support bank activities. The most significant regulations are summarised below:

#### *Doubtful and Past Due Loans/Loan Loss Reserves*

In 2004, SAMA issued regulations regarding the classification of assets, as well as provisioning norms. The table below shows the classifications and the reserves required for prudential regulation purposes:

<b>Classification</b>	<b>Defined as</b>	<b>Reserve Required</b>
Current	No problems	1 per cent. of outstanding
IA (Special mention)	Potential weakness	1 per cent. of outstanding
II (Substandard)	Inadequate capacity to pay and/or profit or principal overdue by more than 90 days	25 per cent. of outstanding
III (Doubtful)	Full collection questionable and/or overdue by more than 180 days	50 per cent. of outstanding
IV (Loss)	Uncollectible and/or overdue by more than 360 days	100 per cent. of outstanding

All banks in the Kingdom also calculate impairment provisions on the basis of IFRS 9 on a forward-looking “Expected Credit Loss” basis.

## **Basel III Framework**

In response to the global financial crisis which commenced in 2007, the Basel Committee enhanced its capital measurement and capital standards by issuing a new capital framework (the “**Basel III Framework**”). The Basel III Framework focuses on strengthening the quality of regulatory capital, raising the minimum capital requirements, enhancing risk coverage and reducing cyclicity of regulatory capital. It introduces new leverage ratio, liquidity coverage ratio and net stable funding ratio requirements and capital buffers to promote the build-up of capital. Regulatory guidance around the standardised approach for measuring counterparty credit risk and capital requirements for bank exposures to central counterparties was also issued. These enhancements were implemented by means of a staggered approach up to 2020.

The Basel III Framework requires banks’ exposures to be backed by a high-quality capital base. To this end, the predominant form of tier I capital must be common shares and retained earnings. The Basel Committee principles adopted by SAMA ensure that banks hold high-quality tier I capital that represents “Pure Capital” which is highly “Loss Absorbent” through the following measures:

- deductions from capital and prudential filters to be generally applied at the level of common equity or its equivalent;
- subordinated debt of high quality;
- fully discretionary non-cumulative dividends or coupons;
- neither a maturity date nor an incentive to redeem;
- innovative hybrid capital instruments with an incentive to redeem through features such as step-up clauses, currently limited to 15 per cent. of the tier I capital base, will be phased out;
- Tier 3 capital instruments to cover market risks are eliminated; and
- to improve market discipline, the transparency of the capital base will be improved, with all elements of capital required to be disclosed along with a detailed reconciliation to the reported accounts.

Following the implementation of Basel III standards related to capital, the minimum requirements for regulatory capital, excluding capital buffers, in the Kingdom are:

- common equity tier 1 must be at least 4.5 per cent. of RWA at all times;
- tier I Capital must be at least 6.0 per cent. of RWA at all times; and
- total capital (tier I capital plus tier II capital) must be at least 8.0 per cent. of RWA at all times.

## **Basel IV Framework**

In response to the ongoing evolution of the banking sector following the global financial crisis, the Basel Committee introduced further reforms known as the Basel IV Regulation, building upon the Basel III Framework. The Basel IV Regulation focuses on refining credit risk models with a greater emphasis on standardised approaches, implementing an “output floor” to set minimum RWA thresholds, revising operational risk management, enhancing market risk regulations and strengthening leverage ratio controls. The implementation of the Basel IV Regulation, initially proposed for 2022, was deferred to January 2023 due to the COVID-19 pandemic. These measures aim to increase the resilience of the banking system, ensuring higher capital adequacy, reducing variability in risk assessments, and enhancing transparency and comparability in banks’ capital ratios.

On 28 December 2022, SAMA issued its final guidelines on these changes, which became effective from 1 January 2023. This includes an updated approach to calculating risk-weighted assets (“**RWA**”) for credit, operational and market risk, emphasising an improved standardised approach and reducing reliance on an internal ratings-based approach. Additionally, such implementation incorporates a revised leverage framework and introduces minimum output floors for RWA calculations, which are key components in aligning with the Basel IV Regulation.

## **SIFI Law**

### **The Law on Treatment of Systematically Important Financial Institutions**

The SIFI Law relates to the treatment of systemically important financial institutions. As at the date of this Base Offering Circular, the implementing regulations to the SIFI Law which will contain more detailed provisions have not yet been issued. The SIFI Law gives the relevant regulator (SAMA and the CMA) the authority to determine, from time to time, whether a financial institution should be deemed to be systematically important. As of the date of this Base Offering Circular, BSF has not been designated as a systemically important financial institution under the SIFI Law.

Among other things, the SIFI Law provides that:

- the management of the relevant financial institution shall be required to notify SAMA when the financial institution is distressed or likely to become distressed;
- within 180 days of being requested by SAMA, the relevant financial institution shall submit, for review by SAMA, a recovery plan detailing the steps and procedures to be taken for the restoration of the financial institution’s financial position;
- any application for bankruptcy procedures in respect of the relevant financial institution is subject to approval by SAMA, such that SAMA may instead commence a Treatment Plan (as defined below) noting, however, that if SAMA does not issue its decision to approve or reject the application within 90 days, the application shall be deemed approved; and
- subject to the Treatment Conditions (as defined below) being met, SAMA may prepare a treatment plan (“**Treatment Plan**”) for the relevant financial institution group which, subject to (i) review and input from the financial institution, (ii) an assessment by an accredited valuer and (iii) approval by the Council of Economic and Development Affairs, may provide for:
  - (a) the sale of all or part of the shares, stocks, assets and/or liabilities of the Financial Institution to a third party;
  - (b) incorporation of a bridge institution, to which all or part of the shares, stocks, assets and/or liabilities of the financial institution or bridge institution are transferred;
  - (c) establishment of an asset management institution to whom the assets or liabilities of the financial institution are transferred; and/or
  - (d) an amendment of the rights of creditors and/or holders of capital instruments of the financial institution, including, without limitation, the reduction or cancellation thereof or the conversion of the debts of such financial institution into capital instruments (and vice versa).

The SIFI Law also provides that in implementing the relevant Treatment Plan, shareholders and creditors shall not receive less, or shall not incur greater losses, than what is estimated would have been received or lost, had the relevant financial institution been wound up at the time of the Treatment Plan.

The “**Treatment Conditions**” are:

- the financial institution is in distress (as further explained below), or is likely to become in distressed in a way that affects its continuity and ability to fulfil its obligations;
- the financial institution is unable to fulfil its obligations, affecting its ability to continue in due course, if a Treatment Plan is not undertaken;
- the treatment plan achieves any of the objectives of the SIFI Law (such as continuing the necessary activities of the financial institution and minimising future reliance on government support); and
- implementing a Treatment Plan for the financial institution is better than it being wound-up.

Pursuant to the SIFI Law, in this context, “**distress**” includes:

- a lack of financial and administrative resources necessary to achieve the requirements of financial adequacy, liquidity, risk management or institution management in general, and to meet the continuing obligations of licensing which, if not met, justify licensing revocation;
- where the value of the financial institution’s assets fall below, or is expected to fall below, the value of its liabilities in near future;
- where the financial institution is unable, or is expected to become unable, to pay its debts when due; and
- a need for exceptional government support.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the dealer agreement dated 25 September 2024 (as amended and supplemented from time to time, the “**Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for their expenses incurred in connection with the establishment and each update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### Selling Restrictions

#### *United States*

The Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered or sold within the United States. The Notes are being offered and sold outside of the United States in reliance on Regulation S. Terms used in this paragraph have the meaning given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), and regulations thereunder.

Bearer Notes will be issued in accordance with the provisions of U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”), or in accordance with the provisions of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**D Rules**”), as specified in the Pricing Supplement. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules and the D Rules.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering of such Notes may violate the registration requirements of the Securities Act.

#### *Prohibition of Sales to EEA Retail Investors*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the

purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### ***United Kingdom***

#### *Prohibition of Sales to UK Retail Investors*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA.

#### *Other regulatory provisions*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

### ***State of Qatar (including the Qatar Financial Centre)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except:

- (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and
- (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

This Base Offering Circular:

- (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre);

- (ii) is intended for the original recipient only and must not be provided to any other person; and
- (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

#### ***Dubai International Financial Centre***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “**Exempt Offer**” in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the “**DFSA**”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

#### ***United Arab Emirates (excluding the Dubai International Financial Centre)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### ***Kingdom of Bahrain***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes, except on a private placement basis, to persons in Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual who has a minimum net worth (either singly or jointly with a spouse) of U.S.\$1,000,000 (excluding that person’s principal place of residence);
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund); or
- (d) any other entity which is an “accredited investor” as defined in the Central Bank of Bahrain Rulebook.

#### ***Kingdom of Saudi Arabia***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to any investor in the Kingdom of Saudi Arabia or who is a Saudi person will be made in compliance with Article 10 and either (i) Article 8(a)(1) of the Rules on the Offer of Securities and Continuing Obligations or (ii) Article 9 of the Rules on the Offer of Securities and Continuing Obligations.

In this paragraph:

“**CMA**” means the Saudi Arabian Capital Market Authority; and

“**Rules on the Offer of Securities and Continuing Obligations**” means the Rules on the Offer of Securities and Continuing Obligations issued by the CMA pursuant to its resolution number 3-123-2017 dated 9/4/1439H

(corresponding to 27 December 2017), as amended by its resolution number 3-6-2024 dated 05/07/1445H (corresponding to 17 January 2024).

The Notes may thus not be advertised, offered or sold to any person in the Kingdom other than to “institutional and qualified clients” under Article 8(a)(1) of the Rules on the Offer of Securities and Continuing Obligations or by way of a limited offer under Article 9 of the Rules on the Offer of Securities and Continuing Obligations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes by it to any investor in the Kingdom of Saudi Arabia or who is a Saudi person will be made in compliance with Articles 10, 11 and 12 and either Article 8(a)(1) or Article 9 of the Rules on the Offer of Securities and Continuing Obligations.

Each offer of Notes shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the Rules on the Offer of Securities and Continuing Obligations, but is subject to the restrictions on secondary market activity under Article 14 of the Rules on the Offer of Securities and Continuing Obligations.

Although HSBC Bank plc is appointed as an Arranger and a Dealer pursuant to the Dealer Agreement, HSBC Saudi Arabia, which is a Capital Market Institution licensed by the CMA, will be the relevant legal entity for all regulated activities in the Kingdom of Saudi Arabia relating to the issuance of any Notes under the Programme, including offerings and related applications to the CMA.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**FIEA**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws, regulations and ministerial guidelines of Japan.

### ***Singapore***

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

### ***Hong Kong***

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571)



of Hong Kong (the “SFO”) and any rules made thereunder or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of Hong Kong) (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***PRC***

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the applicable laws of the PRC.

### ***General***

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the applicable Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Base Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Offering Circular, any other offering material or any Pricing Supplement therefore in all cases at its own expense and neither the Issuer nor any other Dealer shall have responsibility therefor.

If a jurisdiction requires that any offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker in that jurisdiction, the offering shall be deemed to be made by that Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Other persons into whose hands this Base Offering Circular or any Pricing Supplement comes are required by the Issuer and the Dealers to comply will all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Offering Circular or any Pricing Supplement or any related offering material, in all cases at their own expense.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its subsidiaries in the ordinary course of business for which they have and/or will receive fees and expenses.

## TAXATION

*The following is a general description of certain Kingdom of Saudi Arabia and United States tax and Zakat considerations relating to the Notes as in effect on the date of this Base Offering Circular and is subject to any change in law or relevant rules and practice that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax/Zakat considerations relating to the Notes and does not constitute legal or tax/zakat advice nor does it address the considerations that are dependent individual circumstances, whether in those jurisdictions or elsewhere. Prospective purchasers of Notes are advised to consult their own tax/zakat advisers as to the consequences of their respective citizenship, residence or domicile or applicable tax/Zakat laws in respect of acquiring, holding and/or disposing of Notes and/or receiving any payments thereunder.*

*Prospective purchasers should note that the Issuer is not obliged to update this section for any subsequent changes or modification to the applicable tax/Zakat regulations. Also, investors should note that the appointment by an investor in any Notes, or any person through which an investor holds any Notes, of a custodian, collection agent or similar person in relation to such Certificates in any jurisdiction may have tax/Zakat implications. Investors should consult their own tax/Zakat advisers in relation to the tax consequences for them of any such appointment.*

### **Saudi Arabia**

There are two types of direct taxes in Saudi Arabia: Zakat, which is based on Islamic concepts and income tax.

#### **Zakat**

Zakat is a religious levy subject to varying interpretations and complex computation rules. Zakat is computed based on the New Zakat Regulations. Separate rules for computing Zakat are applicable to Zakatpayers who are carrying out financing activities licensed by SAMA in the Kingdom and Zakatpayers who are engaged in the Kingdom in non-financing activities. Persons Subject to Zakat (as defined below) include Saudi/GCC persons (natural or corporate) licensed to perform an activity in the Kingdom, sole proprietorship of a Saudi/GCC person established in the Kingdom, Resident companies which are owned by Saudi/GCC persons (whether fully or partially) on the Saudi/GCC share, financing funds licensed by the CMA, non-Saudi/GCC persons (other than founding shareholders) who own shares in companies which are listed on a Saudi financial market and Resident in the Kingdom.

This section broadly covers the Zakat consequences of investment in Notes by investors who are engaged in non-financing activities in the Kingdom. Zakat base, in general, comprises equity, provisions, loans and credit balances (subject to certain conditions) reduced by certain deductible long-term investments, fixed assets etc. plus/minus the difference between the adjusted net profit/ (loss) and the book net profit/(loss).

There are certain rules that apply to the method of calculating the Zakat liability. The Zakat base for persons engaged in non-financing activities is generally computed by adding the ending balances of equity, loans and credit balances (subject to certain conditions), provisions and the difference between the adjusted net profit or loss for Zakat purposes and the book net profit/(loss), reduced by, among other items, certain deductible long-term investments and fixed assets among other deduction items. The Zakat base is currently levied on the higher of the minimum or actual Zakat base, not exceeding the maximum Zakat base.

Under the New Zakat Regulations, the minimum Zakat base for Zakat payers which are engaged in non-financing activities is the lower of (i) total non-deductible assets plus the difference between net adjusted profit/(loss) and net accounting profit/(loss) or (ii) net adjusted profit. The maximum Zakat base is the total of equity components and their equivalents (such as profits under distribution classified as a liability, shareholder

loans and certain other amounts classified as equity for Zakat purposes) plus the difference between the adjusted net profit and the book net profit or loss.

The Zakat rate under the new Zakat Regulations is 2.5 per cent. based on the Hijri year. If a Zakat payer is following the Gregorian financial year (of 365 days), the Zakat rate would be approximately 2.578 per cent.

Under the New Zakat Regulations, investments in sukuk and bonds can be deducted from the Zakat base of an investor if (i) such sukuk and bonds are held by the relevant investor for non-trading purposes and (ii) the issuer of such sukuk and bonds (x) has elected to treat them as equity for Zakat purposes and (y) has declared to ZATCA (in any document acceptable to ZATCA) that such sukuk and bonds are treated as equity in its Zakat return and (z) does not change such treatment until maturity of such bonds and sukuk.

### **Zakat Rules for Financing Activities**

Under the New Zakat Regulations, Zakat rules for financing activities are applicable to (i) resident Zakat payers engaged in banking and finance lease activities licenced by SAMA and (ii) financing funds licensed by the CMA. These Zakat rules are based on the attributable method in computing Zakat, by calculating the Zakatable assets and sources of funds subject to Zakat which depend on the residual maturity profile of all assets and liabilities.

The rules provide for minimum and maximum cap amounts for the Zakat base depending on the net profit or net loss of the Zakatpayer as per their financial statements:

	If the Zakatpayer has reported net profit <sup>(1)</sup>	If the Zakatpayer has not reported net profit <sup>(2)</sup>
Minimum cap .....	4 times net profit	4 times of 10 per cent. of gross profit
Maximum cap .....	8 times net profit	8 times of 10 per cent. of gross profit

Notes:

- (1) Net profit means profit before provision for Zakat.
- (2) If there is no gross profit, the minimum and maximum caps shall not apply.

### **Zakat Rules for Investment Funds**

Under the New Zakat Regulations:

1. investment funds are not subject to Zakat but are required to register and submit Zakat base calculation (information declaration to ZATCA);
2. unitholders in such funds are subject to Zakat, except in the case of:
  - a unitholder in a finance fund; and
  - a unitholder which (i) is a 100 per cent. direct or indirect owner of the fund and (ii) has submitted a consolidated declaration with such fund.

Under the New Zakat Regulations, investments in investment funds are deductible from the Zakat base of unitholders, provided that:

1. such investments are held for non-trading purposes;
2. calculation of Zakat on such investments is performed in accordance with paragraph 3 below and is set out either (i) in such unitholders' audited financial statements or (ii) a certificate prepared in accordance with the New Zakat Regulations and approved by a chartered accountant licensed in the Kingdom; and

3. Zakat on such investment is calculated as follows: the fund's zakat base  $\times$  percentage of the unitholders' share in such fund  $\times$  applicable Zakat rate.

## **Income Tax**

Income tax is applicable on resident capital companies in respect of (i) the shares owned directly or indirectly by non-Saudi/non-GCC persons; and (ii) the shares directly or indirectly owned by persons working in the production of oil and hydrocarbon excluding shares owned directly or indirectly by persons working in the production of oil and hydrocarbon in resident capital companies listed in the Saudi capital markets and the shares owned directly or indirectly by these companies in the capital companies, whether natural or corporate persons, resident or non-resident.

The standard rate of income tax is 20 per cent. Higher rates on income tax apply to persons involved in oil and hydrocarbon production (ranging from 50 per cent. to 85 per cent.) or natural gas investment (20 per cent.).

The Zakat and income tax implications of investing in the Notes for different types of Noteholders are set out below.

### **Noteholders who are GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia**

Noteholders who are GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia should not be subject to income tax, but should be subject to Zakat. However, currently Zakat is not generally enforced on such persons.

### **Noteholders who are non-GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia**

Noteholders who are non-GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia, should not be subject to either Zakat or income tax on interest received on the Notes or gains made from the disposal or redemption of the Notes.

### **Noteholders who are Saudi resident companies with only GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment**

Noteholders who are Saudi resident companies with only GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment should only be subject to Zakat.

Interest received on the Notes and gains made from the disposal or redemption of the Notes should be included in adjusted Zakatable profits purposes.

The investment in the Notes should not be deductible from the Zakat base.

### **Noteholders who are Saudi resident companies with only non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment**

Noteholders who are Saudi resident companies with only non-GCC ownership should only be subject to income tax.

Interest received on the Notes and gains made from the disposal or redemption of the Notes unless exempted under Article 10 of the Saudi Arabian Income Tax Law (refer below), should be included in taxable profit.

### **Noteholders who are Saudi resident companies with both GCC ownership and non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment**

Noteholders who are Saudi resident companies with both GCC ownership and non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment are commonly referred to as "mixed"

companies. Mixed companies are subject to Zakat and income tax respectively in proportion to their percentage of GCC ownership and percentage of non-GCC ownership.

**Noteholders who are not resident in Saudi Arabia and that hold the Notes in connection with a permanent establishment in Saudi Arabia**

Noteholders, either natural persons (whether GCC nationals or non-GCC nationals) or legal entities, who are not resident in Saudi Arabia and do not hold the Notes in connection with a permanent establishment in Saudi Arabia, should not be subject to Saudi Arabian Zakat or income tax on interest received on the Notes or gains made from the disposal of the Notes provided the Notes are not secured by movable or immovable property located in Saudi Arabia.

As the Notes will be issued by the Issuer which owns moveable and immovable property located in Saudi Arabia, there is a risk that the Notes could be considered secured by movable or immovable property located in Saudi Arabia and consequently that interest payments on the Notes and gains made from the disposal of the Notes, would be considered from sources in Saudi Arabia. In this case:

- (i) interest received on the Notes should be subject to withholding tax at 5 per cent., subject to relief under an applicable double tax treaty; and
- (ii) gains made from the disposal of the Notes should be subject to capital gains tax at the rate of 20 per cent. unless exempted under either Article 10 of the Saudi Arabia Income Tax Law (refer below) or an applicable double tax treaty.

However, there is currently no mechanism to collect the withholding tax on Saudi Arabian sourced interest income paid by a non-resident not in relation to a permanent establishment in Saudi Arabia, such as the Issuer, to a non-resident.

If withholding tax is required to be deducted from interest paid on the Notes, under Condition 9 (*Taxation*) of the Notes, the Issuer will be obligated to pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of the Notes had no such withholding been required.

**Noteholders who are not resident in Saudi Arabia that hold the Notes in connection with a permanent establishment in Saudi Arabia**

Noteholders who are not resident in Saudi Arabia but hold the Notes in connection with a permanent establishment in Saudi Arabia, subject to one exception, should include interest received on the Notes and gains made from the disposal or redemption of the Notes, unless exempted under Article 10 of the Saudi Arabian Income Tax Law (refer below), in their taxable profit.

**The Article 10 exemption**

Article 10 of the Saudi Arabian Income Tax Law provides that capital gains realized from the disposal of securities quoted in a Saudi stock market, or that are quoted in both a stock market outside of Saudi Arabia and in a Saudi stock market are exempt from income tax if:

- (i) the disposal is carried out through a stock market in or outside of Saudi Arabia; or
- (ii) the disposal is done in accordance with the CML.

**Transfer Taxes/Stamp Duty**

There are no transfer taxes/stamp duty regimes currently applicable in Saudi Arabia.

## **Indirect Tax**

### **Value Added Tax**

Saudi Arabia has introduced value added tax (“VAT”) with an effective date starting from 1 January 2018 pursuant to ratifying a GCC framework agreement between the GCC member states. To this effect, VAT legislations has also been issued in Saudi in line with the GCC framework agreement.

All goods and services traded within or imported into Saudi Arabia are subject to VAT, unless they are classified as exempt or outside the scope for VAT purposes. Certain supplies have been prescribed to be subject to VAT at zero rate (including qualifying medicines and medical goods, exports, international transportation etc.). From 1 July 2020, the standard rate of VAT has been increased from five per cent to fifteen per cent and is applicable on all the standard-rated taxable supplies made in Saudi Arabia.

### **Real Estate Transaction Tax (“RETT”)**

Saudi Arabia has introduced RETT with effective from 4 October 2020 whereby the disposal of real estate and related rights is subject to RETT at the rate of 5 per cent. Each real estate transaction subject to RETT must be registered with ZATCA and RETT accounted for by the seller on each transaction separately.

### **General**

For the purposes of this summary:

“**GCC**” means Gulf Cooperation Council, which consists of the Kingdom of Bahrain, Kuwait, the Sultanate of Oman, the State of Qatar, Saudi Arabia and the United Arab Emirates.

A “**GCC Person**” means (a) a natural person having the nationality of any of the countries within the GCC and (b) any legal entity owned by GCC nationals and established under the laws of a country in the GCC. A GCC Person will include a company owned by both Saudi/GCC and non-Saudi/(non-GCC) nationals, to the extent it is ultimately owned by Saudi/GCC nationals.

“**New Zakat Regulations**” means the Zakat Collection Regulations issued pursuant to Royal Decree No. 17/04/28/8634 dated 29/06/1370H (corresponding to 7 April 1951), as amended under MR No. 1007 dated 19/08/1445 (corresponding to 29 February 2024).

A “**non-GCC person**” means any legal entity not owned by GCC nationals but established under the laws of a country in the GCC.

“**Permanent Establishment**” of a non- Resident in Saudi Arabia represents a permanent place for the non-Resident’s activity where they conduct the activity either fully or partly; this also includes the activity conducted by the non-Resident through an agent. A non-Resident carrying out an activity in Saudi Arabia through a licensed branch is considered to have a Permanent Establishment in Saudi Arabia.

“**Persons Subject to Zakat**” as per Article 3 of the New Zakat Regulations, are:

- (a) Saudi residents engaged in activities under a license in the Kingdom;
- (b) Sole proprietorships owned by Saudis and established in the Kingdom in accordance with relevant regulations and rules;
- (c) Companies owned by Saudis and established in the Kingdom in accordance with relevant regulations and rules, including shares of Saudi partners in foreign companies;
- (d) Financing funds licensed by the CMA;
- (e) State-owned companies and companies owned by the Public Investment Fund in accordance with the provisions of relevant ministerial decisions;

- (f) Non-Saudi shareholders' stakes in resident companies listed on the Saudi financial market, excluding shares of non-Saudi founders as per articles of incorporation or relevant regulatory documents;

A person is a “**Resident**” in Saudi Arabia (as defined in Article 3 of the Income Tax Law issued under Royal Decree No. M/1 dated 15/01/1425H (the “**Income Tax Law**”)) if it meets the following conditions:

A natural person is considered Resident in Saudi Arabia for a taxable year if they meet either of the two following conditions: (i) they have a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or (ii) they are physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and

A company is considered Resident in Saudi Arabia during a taxable year if it meets either of the following conditions: (i) it is formed in accordance with the Saudi Companies Regulations issued pursuant to Royal Decree No. 17/3 dated 28/1/1437H (corresponding to 10/11/2015G); or (ii) its place of central control and management is located in Saudi Arabia.

Noteholders will not be deemed to be a Resident, domiciled or carrying on business in Saudi Arabia solely by reason of holding any Notes.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign pass thru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Kingdom of Saudi Arabia) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, proposed regulations have been issued that provide that including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign pass thru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign pass thru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under “*Terms and Conditions of the Notes— Condition 14 (Further Issues)*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## GENERAL INFORMATION

- (1) The Issuer's legal entity identifier (LEI) code is 558600N07EDF4ATYR106.
- (2) Application has been made to the London Stock Exchange for Notes issued under the Programme during the 12 months from the date of this Base Offering Circular to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of UK MiFIR. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of this Base Offering Circular.
- (3) Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by any competent or listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further competent or listing authorities, stock exchanges and/or quotation systems as the Issuer and the relevant Dealer(s) may agree.
- (4) The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer dated 19 August 2024.
- (5) There has been no significant change in the financial performance or financial position of the Issuer or of the Group since 30 June 2024 and there has been no material adverse change in the prospects of the Issuer or of the Group since 31 December 2023.
- (6) There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Offering Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.
- (7) Each Bearer Note, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- (8) The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.
- (9) The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (10) There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.
- (11) Where information in this Base Offering Circular has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.
- (12) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.



- (13) The website of the Issuer is <https://bsf.sa/english/home>. The information on <https://bsf.sa/english/home> does not form part of this Base Offering Circular, except where that information has been incorporated by reference into this Base Offering Circular. Except where such information has been incorporated by reference into this Base Offering Circular, the contents of the Issuer's website, any website mentioned in this Base Offering Circular or any website directly or indirectly linked to these websites have not been verified and do not form part of this Base Offering Circular and investors should not rely on such information.
- (14) For so long as Notes may be issued pursuant to this Base Offering Circular, the following documents may, when published, be (i) inspected and/or collected during normal business hours at the Specified Office of the Fiscal Agent; or (ii) at the option of the Fiscal Agent, emailed to any Noteholder, at its request (subject to provision of proof of holding satisfactory to the Fiscal Agent and the Issuer):
- (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
  - (ii) the Deed of Covenant;
  - (iii) the Memorandum and Articles of Association of the Issuer (with an English translation thereof);
  - (iv) the 2023 Financial Statements and the 2022 Financial Statements;
  - (v) the Interim Financial Statements;
  - (vi) each relevant Pricing Supplement; and
  - (vii) a copy of this Base Offering Circular together with any supplement to this Base Offering Circular or further Offering Circular.
- (15) In the ordinary course of their business activities, the Arrangers and Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Arrangers and Dealers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Arrangers and Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Arrangers and Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.
- (16) The current independent auditors of the Issuer are Deloitte and EY.
- EY are registered with SOCPA and were appointed as auditors of the Issuer on 12 December 2019.
- Deloitte are registered with SOCPA and were appointed as auditors of the Issuer on 23 May 2024.
- The 2023 Financial Statements and the 2022 Financial Statements have been jointly audited by KPMG and EY in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia. The Interim Financial Statements have been jointly reviewed by Deloitte and EY in accordance with International Standard on

Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” as endorsed in the Kingdom of Saudi Arabia.

- (17) With respect to the Interim Financial Statements, Deloitte and EY have jointly reported that they have applied limited procedures in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Auditor of the Entity*” as endorsed in the Kingdom of Saudi Arabia. Their joint review report dated 11 August 2024, incorporated by reference herein, states that they did not audit and they do not express any audit opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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*For the six months ended 30 June 2024 and the years ended 31 December 2023  
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