البنك السعودي الفرنسي
Banque Saudi Fransi

RESILIENT TRUSTED REFINED

BANQUE SAUDI FRANSI ANNUAL REPORT 2022

البنك السعودي الفرنسي
Banque Saudi Fransi

King Saud Road
Po Box 56006
Riyadh 11554
Kingdom of Saudi Arabia

WWW.ALFRANSI.COM.SA

Banque Saudi Fransi (BSF) is a Saudi Arabian Joint Stock Company established in 1977.

BSF offers financial services in Corporate Banking, Retail Banking, Private Banking and Global Markets. The Bank also provides investment banking, asset management, investment funds and brokerage services through its subsidiary Saudi Fransi Capital.

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HIGHLIGHTS

Our values and culture reflect our performance and our promise to our shareholders, in our mission to become the most modern, innovative and experience-focused bank in the region.

→ Read more on **p5**

BSF overcame market challenges and capitalized on rising interest rates to execute stellar performance across the Group in 2022.

→ Read more on **p24**

Our recruitment strategy helped us to hire 492 new employees, bringing our total to 2,757 and increasing the proportion of females as well as Saudi Nationals on our team.

→ Read more on **p46**

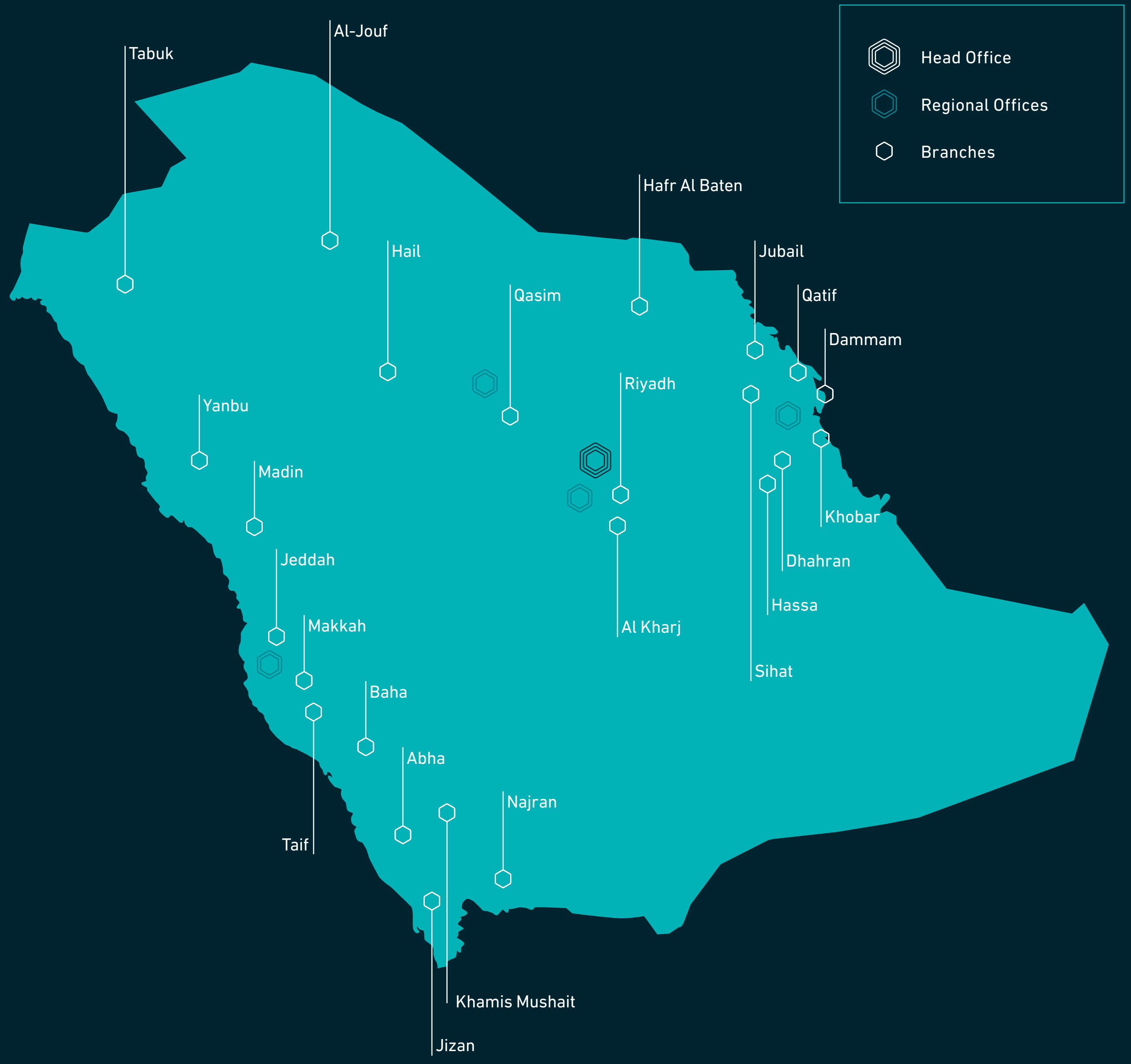
STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

STRATEGIC REPORT

Banque Saudi Fransi is a leading banking group in Saudi Arabia with a strong focus on domestic operations. A full-service bank, our business comprises retail banking, corporate banking, investment banking, private banking and treasury. Offering both Islamic and conventional products, BSF is regulated by the Saudi Central Bank and is listed on the Saudi Stock Exchange (Tadawul).



OUR MISSION

To become the most modern, innovative and experience focused bank in the region.

OUR VALUES

We conduct our business according to our values, which guide and inform everything that we do:

TRUE TO OURSELVES, ALWAYS
We are honest with one another, even at the risk of temporary disharmony. It is never personal.

US BEFORE ME
We put ideas before ego and leverage the expertise of others.

KEEP IT SIMPLE
We strive to make everything we do as simple as possible. We set our people up for success and then get out of their way. We own it.

WINNING IS FUN
We seek to be number one in the hearts and minds of our people, customers and shareholders. We have limitless ambition and the drive to win.

WE ARE BSF
Always putting the needs of our people, customers, shareholders and society ahead of our own personal agenda. We are a community that we defend and protect, always.

THINK BIG – ACT QUICK
We think long-term in our decisions, but we make them quickly and have a bias towards action.

BSF AT A GLANCE

Employees:	Branches:	Retail customers:
2,757	82	1.1 million

Total assets (SAR):	Customer Deposits (SAR):	Total Operating Income (SAR):	Loans and Advances (SAR):
232.1 bn	157.6 bn	8.017 bn	159.0 bn

RATINGS

S&P:	Moody's:	Fitch:
BBB+	A2	BBB+

BSF BY THE NUMBERS:

Loans and Advances:

SAR 159 bn

2022	159,011,525
2021	147,812,759
2020	130,564,835

Non-interest-bearing deposits:

SAR 96.3 bn

2022	96,263,225
2021	94,977,966
2020	85,916,302

Total Operating Income:

SAR 8.017 bn

2022	8,017,275
2021	7,187,845
2020	7,044,594

Non-interest bearing deposits % of total:

61%

2022	61%
2021	67%
2020	68%

Net Income after Zakat and Income Tax:

SAR 3.575 bn

2022	3,575,130
2021	3,449,877
2020	1,546,211

Net interest margin:

3.06%

2022	3.06%
2021	2.85%
2020	2.97%

Cost-to-Income Ratio:

33.1%

2022	33.1%
2021	34.0%
2020	33.6%

Tier 1 Capital Ratio:

18.90%

2022	18.90%
2021	19.94%
2020	20.56%

“Our values and culture reflect our performance and our promise to our shareholders, in our mission to become the most modern, innovative and experience-focused bank in the region. 2022 represents a tangible step forward towards those ideals.”

MAZIN AL ROMAIH
CHAIRMAN

I am proud to offer this Statement to preface Banque Saudi Fransi's 2022 Annual Report, my first since becoming Chair of the bank.

We are BSF. We keep things simple, think big and act quickly. We always put the needs of our people, customers, shareholders and society ahead of our own personal agendas. We defend and protect our community.

As the Kingdom looks beyond the recent challenges of epidemics, conflict and natural disasters that had marked previous years, and driven by the nation's Vision 2030 master plan, BSF enters the post-pandemic era with strength, confidence and belief in its ability to offer the most appropriate services profitably, and to benefit its wide variety of stakeholders.

BSF's objective remains to provide best-in-class commercial banking services to our domestic and international customers. We aim to create and maintain long term and personalized partnerships with all of our customers, gaining loyalty through recognized banking expertise, our high quality of service, and the most innovative and customized financial solutions.

We enjoyed significant success across BSF's operating groups throughout 2022. I shall leave it to the Chief Executive Officer to outline the detail, but several aspects are worthy of wider note.

Our Wholesale Banking Group (WBG) – one of the largest providers of corporate banking services in the Kingdom – is in the top five[1] Saudi Arabian banks by market share on all key volume and profitability statistics. Within WBG, the Corporate Banking element contributed to the group's profitability significantly in 2022, with corporate loans comprising more than 80%[2] of BSF's loan book, serving an expanded customer base comprising 6,000[3] companies. Our Structured Finance team won multiple awards, including two Project Finance deals of the year, and other peer accolades for hybrid energy, petrochemical, infrastructure and social financing deals.

BSF seeks to support the Kingdom's government's worthy initiatives to deliver Vision 2030 in every way possible. To optimize our operational contribution, we established separate Financial Institutions (FI) and Government and Public Entities (GID) teams under a distinct internal business unit.

This enables BSF both to focus on servicing the government sector's specific banking and financial requirements, and to expand its correspondent banking networks and relationships with other FIs.

From an ESG perspective, we are committed to advancing the development and implementation of various ESG-related ambitions, goals and measures. As a bank, we prioritize the needs of our people, customers, shareholders and society ahead of our own personal agenda, which is part of our core values. As a result, we launched our ESG policy framework in 2022, grounded on five pillars that supports BSF's commitment to act in a manner that supports ESG goals and has been the foundation of some our success stores. Over the course of the year, we teamed up with AstroLabs, a MENA technology ecosystem builder contributing to the development of the region's digital growth, to conduct a successful "Digital Engineering Apprenticeship Program". Furthermore, financial literacy is increasingly seen as an essential part of social development. Together with Udacity, we offer a fully-funded scholarship program designed to equip 10,000 Saudi nationals with the fundamental knowledge needed to navigate the realm of personal finance with confidence and proficiency by delving into the foundation and basic principles of finance.

The Global Markets Group also produced impressive results in 2022. Our Treasury operations included an expanded corporate client base and increased structured product transactions (an 80%[4] increase in 2022 over 2021), creating an operating revenue of SAR 1.76 bn[5], despite increased associated funding costs. The foreign exchange business also increased 19.2%[6] year-on-year in revenue terms (with the volumes also up 13.2%[7]. The Private Banking team secured operating income 19%[8] higher than its budget plan, and 36.9%[9] higher than the corresponding period last year (with net income 40%[10] higher, over the same period).

In the coming year, we at BSF seek to seize new opportunities to serve current and new customers even better. We look constantly at how new technology, smarter apps and improved internal decision-making would make BSF a cleverer banking partner. Our guiding ethos will be steady growth, expanding our extensive network and ensuring social responsibility and operational sustainability.

In conclusion, I remain most grateful to my fellow directors on the BSF Board, whose dedication, hard work and experience throughout the year has helped to guide our bank successfully through challenging waters into calmer seas, captained and inspired by the Kingdom's wise leadership. Thank you also to our dedicated staff – an irreplaceable core asset of BSF – with their strong customer focus and impressive operational performance.

Together, driven by a strong vision, values and culture, BSF seeks to continue to offer its customers, shareholders and our many supporters the very best in service, innovation, financial custody and true partnership, so that our Kingdom and BSF can continue to thrive in the coming years, God willing. Thank you for your support in this noble endeavor.

Mazin Al Romaih
Chairman

1 From the Wholesale Banking Group document.
2 From the Wholesale Banking Group document.
3 From the Wholesale Banking Group document.
4 From the Treasury and Investment document.
5 From the Treasury and Investment document.
6 From the Treasury and Investment document.
7 From the Treasury and Investment document.
8 From the Personal Banking document.
9 From the Personal Banking document.
10 From the Personal Banking document.

"2022 was undoubtedly a year of exceptional growth, new opportunities and increased confidence in Saudi Arabia. The global demand for energy and the implementation of sweeping economic reforms significantly boosted the Kingdom's economy, with Saudi Arabia recording its first budget surplus in nearly ten years."

BADER H. AL SALLOOM
CHIEF EXECUTIVE OFFICER

Higher revenues from the increase in oil prices spilled over to help drive business activity in non-energy sectors, grow national economic development plans and accelerate foreign ventures. Globally, as central banks battled a four-decade-high inflation through the rise in interest rates, banks' margins and profitability experienced relief following sustained periods of pressure thanks to monetary policy tightening and played a pivotal role in powering the Kingdom's economic growth.

A Year of Historic Growth

Increasing intra-GCC business cooperation, a rise in oil prices and an appetite for growth in new sectors, supported by a robust financial sector, helped Saudi Arabia become the fastest-growing economy in the Group of 20 last year. As a result, the respected Purchasing Managers Index (PMI) continued to record a positive reading[1] (57.2), highlighting the Kingdom's economic diversification strategy in action – as business activity in the nation's non-oil economy expanded at the fastest pace in more than seven years.

As the nation continues to progress on its Vision 2030 projects, banks are well positioned for growth, burgeoned by a growing Saudi economy. The launch of ambitious tourism projects last year, such as The Line and Trojena and programs such as the Local Content Growth Program by the Public Investment Fund (PIF) will continue to boost employment, innovation and competition in the private sector, which will benefit the banking industry. Regulatory oversight by the Saudi Central Bank has also helped. For example, the Saudi Central Bank (SAMA) continued to support the banking industry in 2022 with liquidity injections to meet the rapid credit growth faced by banks. This measure has notably helped prevent a credit crunch and bolstered economic activity in the Kingdom.

Exceptional Performance during Extraordinary Times

The 2022 performance of Banque Saudi Fransi (BSF) reflects the solid economic momentum of the Kingdom of Saudi Arabia. We achieved a 3.62% year-on-year (YoY) increase in net profit to SAR 3.57 billion, reflecting 12% growth in operating income, and an improvement in operating efficiency, partly offset by an increase in credit impairments. Our strong performance and net profit increase was primarily driven as by higher net special commission income, exchange income, as well as trading income, which was partially offset by decrease in gains on non-trading investments.

Total operating income grew 12% year-on-year to SAR 8,017 for 2022. Net interest income grew 13% to SAR 6,427 million from 11% year-on-year growth in average earning assets and a margin expansion of 4 basis points to 3.06%. Operating expenses increased 8% year-on-year to SAR 2,654 million in 2022 due to higher general and administrative expenses, mainly from increased business activity and non-regular expenses, and increased employee-related costs from higher utilization of FTE budgets. The cost to income ratio improved by 123 basis points year-on-year to 32.1% for 2022. This positive operating leverage resulted in 15% year-on-year growth in pre-impairment operating income to SAR 5,364 million.

The high-interest rate environment spurred higher revenue gains; however, customers expectedly shifted their deposits towards more interest-earning facilities. Despite this shift, retail net income achieved a growth of 120%[2], which was double last year's result, with total loans amounting to SAR 25.9 billion[3], achieving a 9.5%[4] growth compared to the previous year's SAR 23.6 billion[5]. Furthermore, home loans grew by 10.6%[6] year-on-year despite the rising housing costs. We also saw more retail and priority customers, increasing by 1.8% and 12%[7], respectively.

With corporate loans playing a critical role in the overall profitability of the banking industry last year, we have likewise seen similar demand. Our Corporate Banking Group increased its client base to 6,000 companies[8], comprising over 80% of BSF's loan book. Customer deposits and non-commission bearing deposits (NCBDs) were consistently on the rise last year, and we expect the momentum to continue strongly through this year. These positive results can be attributed mainly to a combination of factors. This includes macro-economic factors such as increased corporate activity, and resumption of Vision 2030 projects, in addition to the hard work, commitment and resilience shown by our people, which have delivered another strong performance for us in the Kingdom.

Furthermore, cross-selling has always and continues to be of growing importance where our banking groups are leveraging synergies to drive increased customer satisfaction and engagement with the Bank. For example, Last year, our Corporate Banking Group supported our Retail Banking Group to reach more customers by leveraging their relationships with their corporate clients, expanding its range of product offering in risk advisory solutions with the help of the Treasury segment's expertise in derivatives.

Despite an exceptional economic year for Saudi Arabia, 2022 wasn't without its own challenges for the banking sector. A consistently high rates environment also meant that cost for borrowers and risks of non-performing loans (NPLs) rose significantly, affecting personal loan sales and the overall mortgage market seeing a decline in demand due to its high cost. As a result, we needed to use conservative guidelines to pre-empt such risks, keep a close eye on working capital, strengthen asset quality and explore measures to improve cash flow.

Furthermore, given the liquidity pressures driven by rapid credit growth faced by banks in the Kingdom last year, the need for banks to raise Tier I capital in the form of debt issuances grew. This need was further driven by the Saudi Central Bank's (SAMA) announcement to implement Basel III reforms across the banking sector, which aims to strengthen the resilience of banks to any potential system-wide shocks. We are well on track to comply with this reform as we continue to operate in a period of high credit growth, to ensure adequate liquidity.

Furthermore, amid new competitors, increased demand for digitalization and radically different customer attitudes towards brand loyalty, today, banks are in the midst of one of the biggest business resets in history.

Consequently, we have continued to shift the lens from a product to a customer perspective that keeps the customer at the center of their offerings while creating experiences that are data-driven, secure, sustainable, consistent across channels, and rich with personalized advice. We have taken significant steps towards a more experience-focused offering, supported by the Core Banking System (CBS) launch, which helps drive efficiency and cost optimization and is built on a more modern and innovative infrastructure. Our success in offering an exceptional customer experience was recognized last year as we were awarded several industry-leading accolades.

Moreover, the digital momentum driven by public policy and consumer demand will continue to accelerate over the coming years. As Saudi Arabia aims to be a regional digital hub by expanding digitalization and innovation across the financial sector, we have seen the rapid rise of more digital banks and fintech players increasingly entering the foray and disrupting the banking industry. However, we view these changes as significant opportunities for co-creation and collaboration – ultimately creating a superior customer experience.

To address the growing demand for digital solutions, our Technology and Operations Group delivered over 100 projects[9] across ten business lines over the past year, which were focused on improving customer experience, data management, business continuity and cyber-security, operational efficiency, regulatory compliance, cost optimization and having delivered several transformational infrastructure projects in 2022.

Strategy in action

While 2022 brought more tailwinds than headwinds, I strongly believe that it was by holding firm to our strategy that we continued to see greater success. We continued to gain positive momentum on our strategic targets, including prioritizing profitability, creating a sustainable competitive advantage, return on assets, efficiency, resilience, and customer experience. Congratulations to the team for their unwavering commitment, exemplifying limitless ambition to our overarching mission and for raising the bar again at BSF.

Looking ahead, it is clear that innovation and change will continue to be key themes for the year. As banks in the Kingdom focus on their customers, collaborate with new entrants and work together with government institutions to ensure liquidity and risk management – the outlook for the coming year is largely promising, with the banking sector continuing to play a crucial role in translating the Kingdom's ambitious Vision 2030 into a reality.

As BSF's newly appointed CEO, I am immensely proud of what we achieved over the past year, and our results for 2022 clearly demonstrate the invaluable contributions of our people, having been a pivotal factor in our success that has brought outstanding value to our clients. With a shared strategy across all facets of our business, together, we will continue to build on these successes while also capitalizing on promising opportunities on the horizon. We will continue on our journey to make BSF the most modern, innovative, and experience-focused bank in the Kingdom, conquer new heights and achieve sustainable successes in the next year and beyond.

Bader H. Al Salloom
Chief Executive Officer

1 https://www.arabnews.com/node/2192261/business-economy
2 From the Personal Banking Group document.
3 From the Personal Banking Group document.
4 From the Personal Banking Group document.
5 From the Personal Banking Group document.
6 From the Personal Banking Group document.
7 From the Personal Banking Group document.
8 From the Wholesale Banking Group document.
9 From Technology and Operation Group document.

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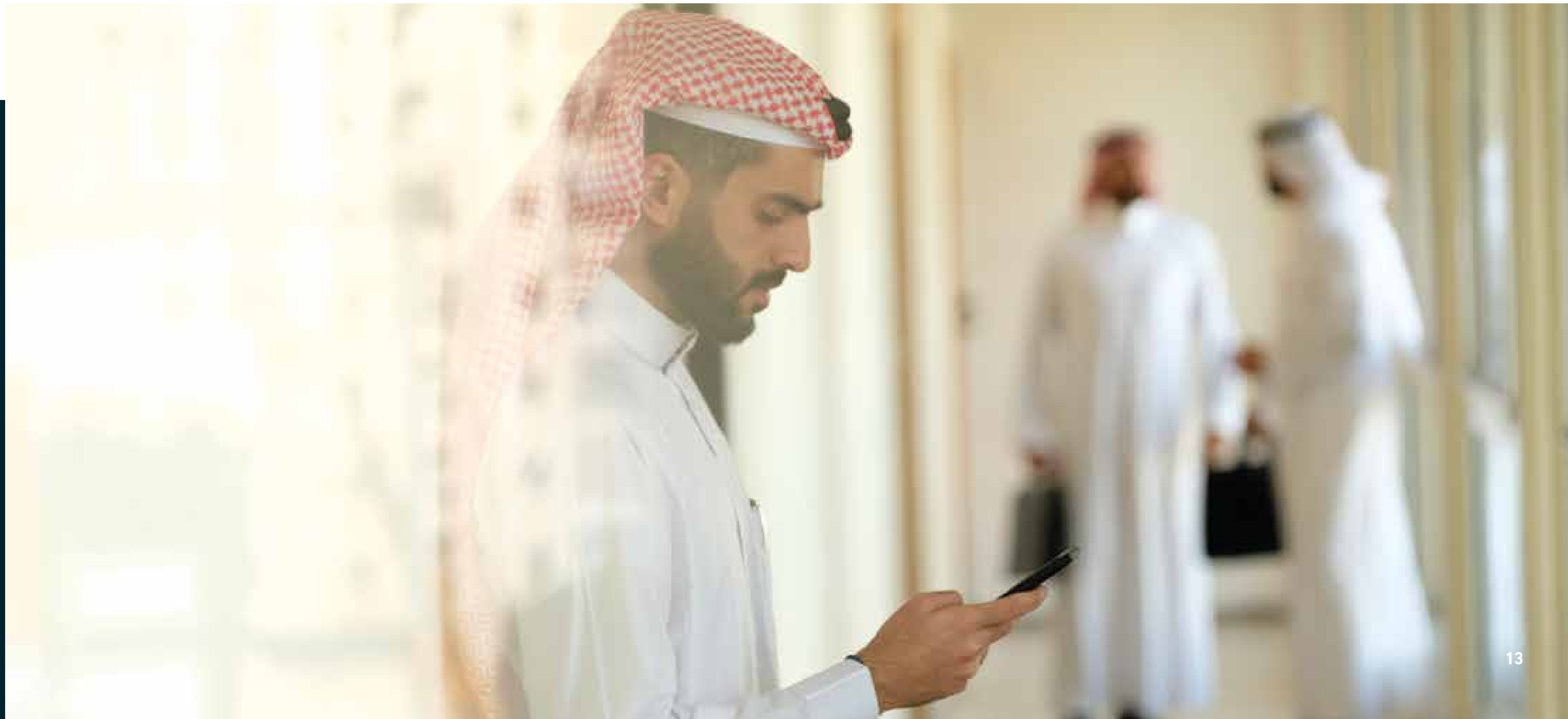


While many of the world leading economies slowed considerably during 2022, as global macroeconomic challenges and volatility including rapidly rising inflation, geopolitical instability and persistent COVID impacts took their toll, Saudi Arabia demonstrated its economic strength and resilience, as it continued to grow, diversify and invest to achieve the ambitions of Vision 2030.

The Global Economy in 2022

Following a marked recovery in 2021, the global economy faced significant headwinds and uncertainty in 2022, weighing considerably on the overall growth dynamics. Russia and Ukraine's military conflict at the start of the year and the sanctions that followed set off a surge in the prices of key commodities from oil to wheat, resulting in a sharp rise in the cost of living to levels not seen in the last four decades in many countries.

Persistent supply chain bottlenecks and disruptions during 1H22, alongside a surge in commodity prices, quickly dismissed notions that the inflationary run was transitory, prompting central banks to respond with the most aggressive pace of monetary tightening since the 1980s, led by the US Fed. Growth dynamics continued to weaken throughout the year, with global growth estimated to slow to 3.4% in 2022 from 6.0% in 2021[1].

The oil market remained volatile in 2022, as Brent crude oil touched a high of USD 128/bbl and a low of USD 76/bbl. For the year, it averaged USD 98.94/bbl, up from USD 71/bbl in 2021, implying an increase of 39%[2]. Oil production increased to an average of 99.8 mnbpd compared to 97.5 mnbpd in 2021, an increase of 2.4%. Production saw a significant rise in 2H22, leading to a build-up of inventory for the first time since the pandemic's beginning.

The Saudi Economy in 2022

Successfully overcoming the global economic headwinds, Saudi Arabia's economy proved resilient in 2022, with estimated real GDP growth of 8.5% year on year[3], the Kingdom's fastest annual growth since 2011. Positioning Saudi Arabia as the fastest-growing economy among the G20 countries, this growth was largely the result of increasing oil output and sustained strong recovery momentum in the domestic non-oil sector, which is estimated to have grown by 5.9% during 2022, while, the Kingdom's oil production increased to record levels, up 16.1% from the previous year.

High-frequency data pointed toward sustained growth in the non-oil sector throughout the year, led primarily by the private sector and supported by improved pilgrims' inflow, recovery in demand, and increased consumption, as mobility restrictions were removed entirely during the year. Strong investment spending was also sustained, despite increased interest rates, while non-oil PMI rebounded to near pre-pandemic levels, driven by an uptick in new order growth on the back of robust domestic expansion and export business. Saudi Arabia's Industrial production index recorded one of its fastest paces of expansion during 2022, with double-digit growth due to higher oil output and sustained growth in the manufacturing sector.

While headline inflation averaged 2.5% in 2022, moderating from 3.1% from the previous year, it largely reflected the high base, due to the impact of the VAT hike (from Jul' 20). Consumer price pressures generally accelerated, driven by an uptick in consumption, supply chain bottlenecks, and global inflation filtering through higher imported commodity prices. Key contributors remained higher housing rents, food inflation, and restaurant and hotel prices. That said, relative to global economies, where in some countries saw inflation jump to a four-decade high, the acceleration in consumer price pressures in Saudi Arabia's domestic economy remained relatively muted thanks to the fuel price cap, which has remained intact since last year.

Unemployment, on the other hand, came down to nearly pre-COVID levels of 5.8% in 3Q22 as Saudi Arabia's labor market continued to normalize on improved economic expansion, resulting in a pickup in jobs and employment creation within the county. Overall, labor force participation rate improved to 61.5% in 3Q22 vs. 58.2% 1Q20. Improved labor market conditions are more pronounced for Saudi Nationals thanks to the Saudisation policies, whose unemployment surpassed the pre-COVID level at 9.9% in 3Q22. Meanwhile, the expat labor market benefited from strong underlying economic growth, resulting in continued normalization in unemployment rates since the start of the year, though it remained slightly higher than pre-COVID levels of less than 1%.

The Kingdom is also on track to post its first annual fiscal surplus in over eight years, at SAR 102 bn[3] (USD 27.2 bn, 2.6% of GDP), rebounding from a deficit of SAR 74 bn (USD 19.7 bn, 2.4% of GDP) in the previous year. The improvement is fiscal balance was driven primarily by elevated oil prices and higher output to record levels, in tandem with prudent expenditure.

Despite the oil windfalls, the country's financial sector witnessed some short periods of tight liquidity as 400 bps interest rate hikes were delivered by SAMA (Repo and Reverse Repo rates increased to 5.0% and 4.5%, respectively), and the government maintained its excess surplus in the current accounts till the year-end.

The banking sector remained well-capitalized throughout 2022. Saudi banks' regulatory

Estimated global growth in 2022

3.4%

Saudi Arabia's real GDP growth in 2022

8.5%

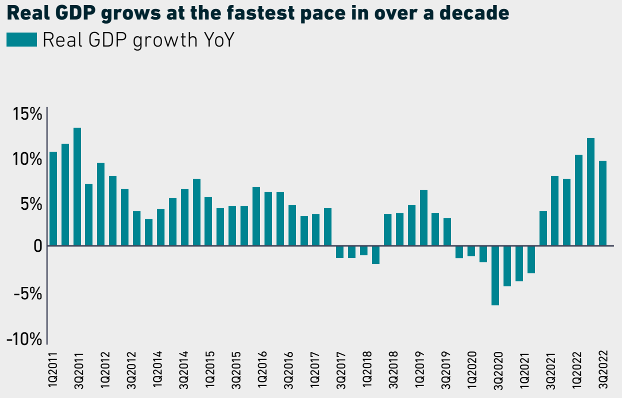
Saudi Arabia's Non-Oil GDP growth in 2022

5.9%

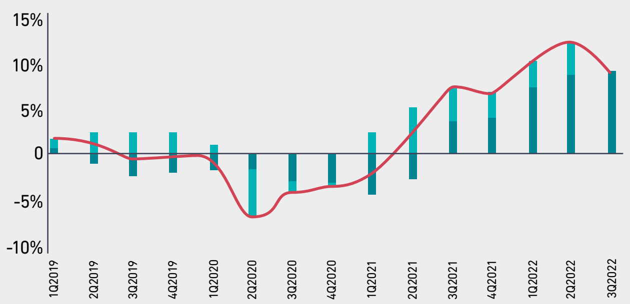
Saudi Arabia's headline inflation average

2.5%

Real GDP grows at the fastest pace in over a decade

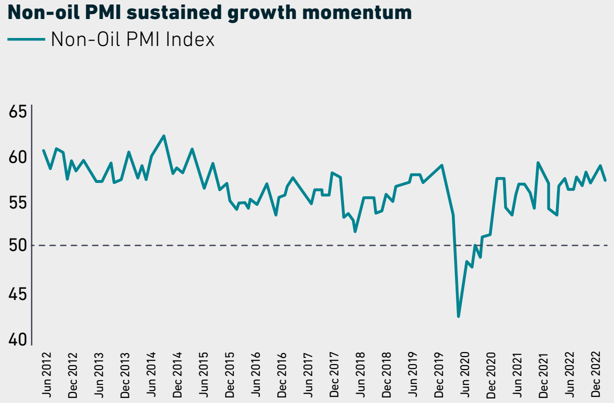


Driven largely by non-oil sector growth

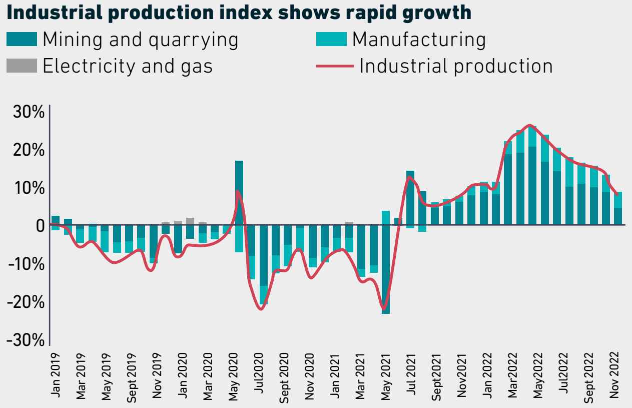


Source: GASAT

Non-oil PMI sustained growth momentum



Industrial production index shows rapid growth



Source: IHS Markit/GASTAT

capital to risk-weighted assets and regulatory Tier-1 capital to risk-weighted assets stood at 19.4% and 17.8%, respectively, in 3Q22, slightly lower than 19.9% and 18.2% at the end of 2021. Banks' asset quality also showed no signs of stress amidst a strong macro backdrop, with the ratio of non-performing loans (NPLs) to total loans slightly improving to 1.8% as of 3Q22 vs. 1.9% at the end of 2021.

Private sector lending was largely sustained, reflecting improved investment spending in the country and strong macroeconomic activity. Lending to the private sector by Saudi Banks recorded annual growth of 14.0%[4], with a total stock of loans granted at SAR 2,264 billion (USD 604bn) in 3Q22, up from SAR 2,034 billion (USD 542bn) for the same period in the previous year.

The Tadawul All Share Index (TASI) ended 2022 on a lower note at 10,478 points, down 7.12% from a fourteen-year high level. Total market capitalization also declined by 1.31% to reach SAR 9,878 billion (USD 2,634bn) at the end of 2022. Aggressive interest rate tightening, uncertainty around geo-political conflicts, and global economic slowdown continued to weigh upon TASI's performance in 2022. However, some recovery was witnessed in 4Q22, as the US Fed scaled back on its pace of monetary tightening.

2023 Outlook

Looking forward to 2023, global economic activity is expected to be undermined by tight monetary policies, restrictive global financial conditions and sustained elevated inflation, with projected global GDP growth of 2.9%[1]. With some signs of inflationary pressures abating, major central banks are expected to scale down significantly on the pace of monetary tightening. However, central banks are expected to maintain their tight policy stance throughout the year.

Significant economic uncertainty remains and the risks to the global outlook are tilted toward the downside, which might push the global economy into a recession. Renewed supply chain disruptions, geo-political tensions, and elevated core inflation could push underlying inflation pressures to become more persistent, leaving substantial uncertainty regarding the timing and magnitude of further monetary tightening. In this regard, further monetary policy tightening, and financial stress could result in a more pronounced slowdown in 2023.

The global oil market is forecasted to remain volatile, with OPEC having a pessimistic view of the global economy and its impact on oil demand. On the other hand, supply-side challenges remain due to underinvestment in oil production, changes in the attitude of U.S. shale producers, the continuation of OPEC cuts, and the result of tightening sanctions on Russian crude and refined products.

Similarly, the economic growth rate for Saudi Arabia is expected to moderate from a decade-high level of 8.5% in 2022 to 3.1% in 2023[3]. While the pace of deceleration appears quite sharp, the growth in 2023 is banked on non-oil activities, with little or no support from oil output on limited spare capacity. The non-oil sector is expected to deliver growth led by strong momentum, improved consumption, progress on Giga-projects under the Vision 2030 plan, and a strong fiscal position enabling crucial support.

While the high likelihood of persistently tight monetary conditions throughout 2023 would weigh on investment, these should not significantly derail the growth momentum. Improved fiscal space, with the first surplus in over a decade, is likely to compensate for this with increased spending from the government, as the budget surplus for 2022 is expected to be utilized in 2023. In addition, low public finance needs and elevated oil prices would support liquidity in the financial sector aided by recycling oil revenues and foreign investment inflows.

In addition, a renewed CAPEX cycle driven by quasi-public/private collaboration and accelerated progress in achieving Vision 2030 goals would add further impetus to growth, led by the National Investment Strategy (NIS). Moreover, the budget for 2023 also lends maximum support to growth, while striking a balance between growth and fiscal discipline amidst projected lower oil revenues.

Total revenues are expected to decline by 8% to SAR 1,130 bn, driven primarily by a 12% decline in oil and other revenues, while tax revenues are expected to grow by 2%.

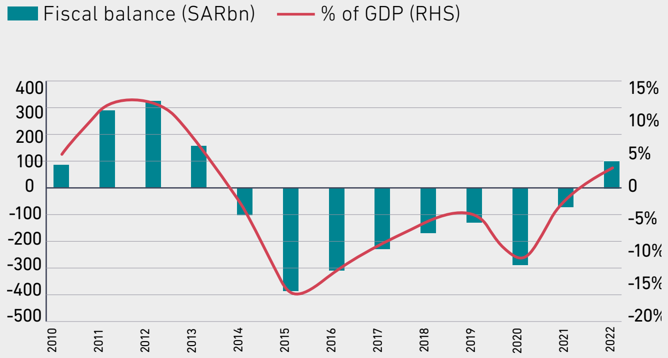
Inflationary pressures within the domestic economy will likely remain muted, albeit any further negative shock. Ministry of Finance forecasts headline CPI inflation to remain stable at 2.1% in 2023, as price pressures, mainly imported commodity prices, show signs of moderation and the Saudi Central Bank tightens monetary policy in line with US Fed. Moreover, the domestic fuel price cap has helped contain the second-order impact of rising core inflation in Saudi Arabia's economy, in contrast to global dynamics where higher energy prices have fueled high inflation.

Despite additional interest rate hikes forecast for the year, liquidity in the domestic economy should remain adequate on the back of low public finance needs and recycled oil revenues. Also, the public sector's increased contribution to growth should partially offset the impact of a tighter monetary stance.

1 IMF World Economic Outlook, JAN'23.
2 U.S. Energy Information Administration.
3 Saudi Ministry of Finance estimates in 2023 budget.
4 SAMA.

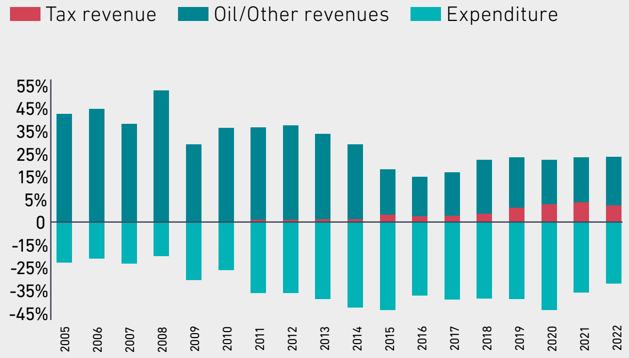
"While the high likelihood of persistently tight monetary conditions throughout 2023 would weigh on investment, these should not significantly derail the growth momentum."

Marked improved fiscal position



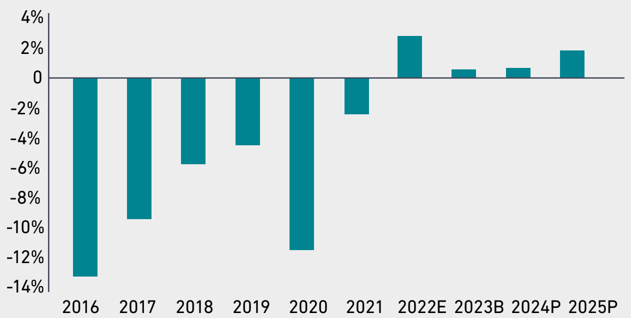
Source: Ministry of Finance

First surplus since 2013



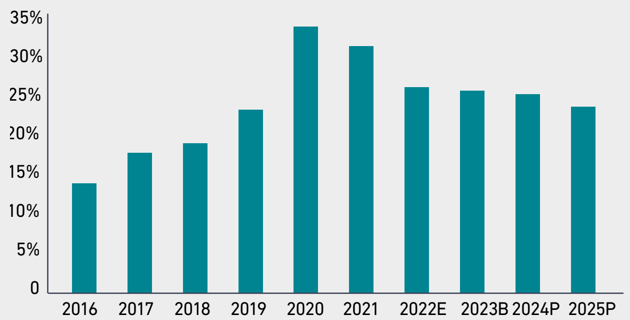
Source: Ministry of Finance

Improved fiscal position



Source: Ministry of Finance

Declining public debt



Source: Ministry of Finance

LONG-TERM INVESTMENT

OUR INPUTS

Economy
With 44 years' experience in the banking sector, we have a solid base to re-invest in the business to continuously improve our market share.

People
We are proud of our employees at every level of the business and do whatever is necessary to set them up for success. We will continue to do our best to ensure this is considered a great place to work.

Customers
Our customers are at the heart of our business and delivering the best possible service is a shared goal by everyone at BSF.

Investors
We think about the long-term sustainability of the business and that is the reason why we have a solid and loyal shareholder base.

OUR BUSINESS DIVISIONS

Wholesale Banking Group
Corporate Banking
Islamic Banking
Liquidity and Cash Management "LCM"

Treasury and Investment Group

Personal Banking Group
Private
Retail

Subsidiaries
Saudi Fransi Capital
Saudi Fransi For Finance and Leasing

OUR STRATEGY

- Solidify our leadership position in Corporate Banking
- Scale up in Retail Banking
- Optimize our leading position in Private Banking
- Reinforce our continued growth of Global Markets

Our Enablers

Modernize our Technology & IT platforms	Improve organizational effectiveness	Harmonize risk with our business aspiration
Boost digitalization	Brand	Ensure successful delivery of our strategy
Lead in customer experience	Nurture a positive environment and culture for our people	

OUR OUTPUTS

Economy
Operating Profit (SAR million)

2022	4,003
2021	4,741

People
Employee Net Promoter Score

2022	26
2021	23

Customers
Net Promoter Score

2022	69.4%
2021	65.9%

Investors
Total Shareholder Return

2022	-10.58%
2021	53.9%

OUR SUPPORT TEAM

- Finance
- HR
- Legal
- Risk
- Internal Audit
- Compliance
- Operations, IT, Premises and Procurement
- Strategy and Digital, Customer Experience, Change and Marketing

OUR VALUES

- True to ourselves, always
- Us before me
- Keep it simple
- Winning is fun
- We are BSF
- Think big, act quick

Banque Saudi Fransi has developed a client-centered strategy aiming at ensuring a well-balanced contribution to the net profit of the Bank from its different business lines underpinned by a focus to put the customer at the heart of everything we do. 2022 has proven to be a year full of changes for the banking industry, with interest rates rising much higher than what was initially expected and consumer demand change in light of rising financing costs. To that end, BSF is undergoing a strategy refocus that aims at aligning our operations and strategic targets to the newfound macroeconomic environment. This refocus will drive our initiatives for the upcoming five years and help ensure that BSF meets its overall performance targets.

STRATEGIC RE-ASSESSMENT

The 2022 strategy refocus (which will kick off in December 2022) will incorporate the following inputs to shape the future direction of the Bank, under the direction of the Bank's Leadership Team.

Under the direction of the Bank's leadership team, the strategic re-assessment incorporated the following inputs to shape the future direction of the Bank:

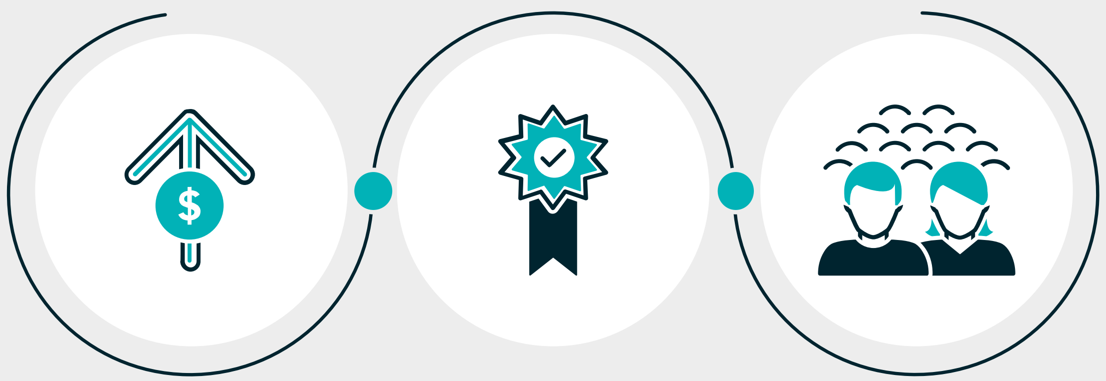
- BSF's current position in the Saudi market
- Assumptions of market and segmental growth based upon historical growth trends in the Saudi market
- The impact of Vision 2030 and an analysis of the opportunities this presents the Bank
- Local banking trends (i.e. consolidation, digital attackers, new international entrants)
- Addressing SAMA priorities in retail segments (i.e. mortgages, savings and SME)
- Trends relating to increased need for the Bank operating efficiency to ensure higher returns on equity.
- An analysis of Global banking trends and potential opportunities (i.e. digital, new business models, FinTech developments)

OUR AMBITION

The "LEAP" program initially defined the Bank's ambition in 2018 to:

– Achieve and sustain an overall 10% market share in the Kingdom across total assets and liabilities; and
– Become the #1 bank in the Kingdom in terms of Net Promoter Score (NPS).

Based on the feedback from the Board of Directors as part of this year's strategy re-assessment, BSF's ambitions have been re-aligned to:



Prioritizing profitability and healthy growth rather than market share

Focusing on differentiating and sustainable competitive advantage

Discovering and leveraging unmet and underserved customer needs

We set ourselves a clear ambition to guide our strategy forward:

To achieve top return on equity among our peer group well above our cost of capital by becoming the most personalized, innovative and experience focused bank in the region.

DRIVERS

We have developed five core strategic drivers to help us stay focused and measure progress:

- Strategic driver #1 **Shareholder darling**
- Strategic driver #2 **Resilience**
- Strategic driver #3 **Efficiency**
- Strategic driver #4 **Best customer experience**
- Strategic driver #5 **Best place to work**

ENABLERS

Key enablers to help us deliver our winning strategy:

- **Brand** Refresh our brand for the new BSF
- **Organization and people** Drive faster time to market, nurture world class talent, establish new ways of working
- **Customer experience and digital** Boost personalized customer experience and world class digital
- **Risk** Promote a risk adjusted return mindset and efficient processes to drive our business ambition
- **Technology and operations** Transform our foundations and processes for the future

KPI'S

The successful execution of our strategy is measured against the following KPI's:

Driver #1 – Shareholder darling

KPI #1 Total shareholder return (TSR) **-10.58%**

KPI #2 Return on average equity (ROAE) **9.24%**

Driver #2 – Resilience

KPI #3 Basic earnings per share (EPS) **SAR 2.79**

KPI #4 Dividend per share (DPS) **SAR 1.65**

Driver #3 – Efficiency

KPI #5 Cost-to-income Ratio (CIR) **33.1%**

Driver #4 – Best cX

KPI #6 Net Promoter Score (NPS) **+3.9%**

Driver #5 – Best Place to work

KPI #7 Employee Net Promoter Score (ENPS) **+2%**

STRATEGIC PILLARS

Wholesale Banking
Protect BSF's asset and liability market share whilst growing its fee income lines to improve Return on Equity and drive the next generation of wholesale banking in the Kingdom.

The Bank will actively steer the portfolio to higher-value offerings to achieve returns by capitalize on emerging high-value sectors and prioritizing book quality to improve the bottom line, become the trusted partner of Saudi Arabia's most sophisticated clients, and providing tailored offering to the different MSME sub-segments. In addition, it will increase focus on maximizing fee income by capturing a larger wallet share from clients and supercharging digital capabilities to deliver best-in-market service and enable healthy business growth. This will be underpinned by a large commitment to implementing an enhanced Integrated Corporate Portal (ICP).

Treasury
Strengthen BSF's position and grow ROI through opportunistic trades and innovative products and solutions.

The Bank will aim to maintain its strength and continue to grow in line with the franchise businesses. In addition, it will seek to enhance its expertise and market making capabilities. This will be achieved by growing client sales and foreign exchange volumes in collaboration with the business lines, as well as growing the investment book in line with the corporate book and diversifying funding sources and investments. The Bank has been successful with its historical cash flow hedging activities and will continue to approach it strategically as it sees the macroeconomic environment evolving. Finally, BSF has implemented its updated Foreign Exchange trading platform to improve operations in that crucial area of business.

Private Banking
Capitalize on BSF's superior value proposition and market-leading position to further grow market share with double digit customer growth, boost returns, be the best in client loyalty and become a multi-generational partner for clients.

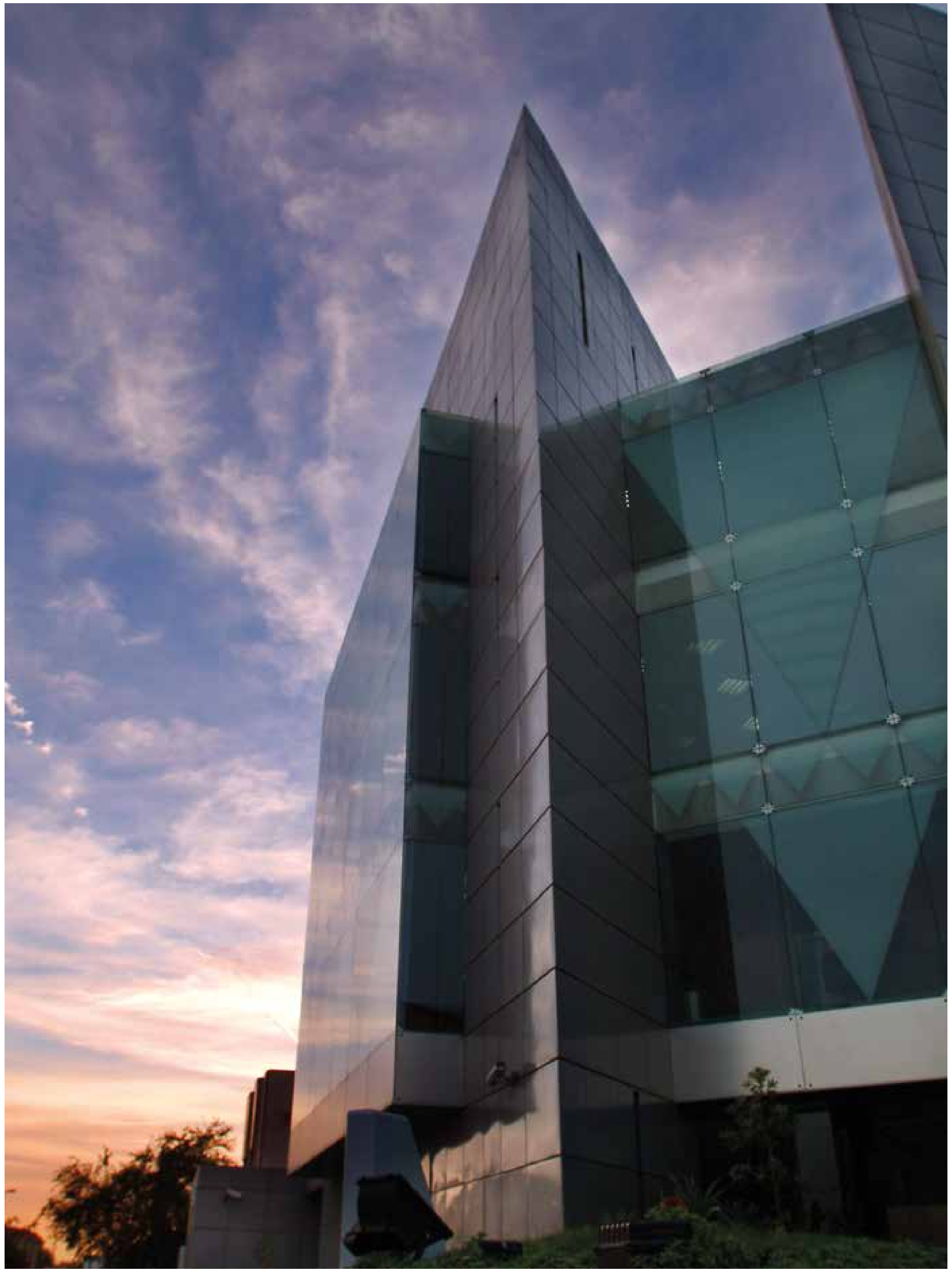
The Bank will aim to maintain its market leading position and continue to grow and protect the muti-generational family wealth of its clients to become their main banking partner. To drive growth, the Bank will focus on high net-worth individuals and their families, with special attention to upcoming generations. BSF will expand its reach towards high potential clients to groom future clientele and take advantage of higher margins. This will be enabled by increasing strategic collaboration with Saudi Fransi Capital to offer unique opportunities for clients, as well as investing in its people and digital offerings to differentiate the Bank and continue to provide bespoke services.

Retail Banking
Double down on the affluent segments and deliver exceptional banking solutions and services through leading digital channels and enhanced savings, mortgage, cards, and lending products.

The Bank's newly implemented organizational structure will increase synergies between Retail and Private banking. This includes initiatives to improve client segmentation across both businesses and better utilizing the branch network to provide more personalized services to all client tiers. In addition, the Bank aims to become the "Bank of choice for the ambitious." This will leverage its strong position in affluent segments, as well as driving scale by expanding into upper mass segments that are close to BSF's brand and DNA. To achieve this, the Bank will invest into its brand, personalization, digital capabilities, people skills, and finalize its technology transformation.

Digital & Innovation
Supporting the evolution of the Bank and preparing for future changes by instilling a digital-mindset and culture across the bank.

The Bank is working towards future-proofing its business with a vision to become the "Go-to bank for digital" across all stakeholders, including clients, employees, FinTechs, and regulators. BSF has already embarked on a digital journey and made progress on key initiatives of developing a new digital banking proposition, establishing strategic fintech partnerships, and developing digital talent and in-house development capabilities. These will allow BSF to transform its business model in a highly disrupted sector, and remain competitive with evolving trends and market norms.



BSF overcame market challenges and capitalized on rising interest rates to execute stellar performance across the Group in 2022. Wholesale, Retail, and Treasury and Investment ramped up cross-selling, accelerated digitalization, homed in on target customers, and upgraded their product offerings to make BSF the preferred bank across all segments for another year.

WHOLESALE BANKING GROUP

BSF's Wholesale Banking Group (WBG) is one of the largest providers of corporate banking services in the Kingdom, with a commanding market share ranked in the top five of all key volume and profitability matrices. In 2022, WBG successfully carried out its strategy to maintain its strong market position, whilst establishing efficiency in operations and leveraging industry-leading advisory capabilities.

About Wholesale Banking Group

The Wholesale Banking Group provides a diverse range of tailored banking and investment lending solutions, serving a wide base of public sector organizations, corporates and MSMEs.

Strategic Highlights 2022

Growth of CBG's Asset Book

+11.3%

Increase in cross-selling across the Bank

9.1%

Financial Highlights 2022

Net Income (SAR)

1,500m

The WBG mandate is to provide a wide range of banking services to large local and international corporate, government, and public sector entities, as well as financial and non-banking financial entities, and Medium, Small and Micro Enterprises (MSMEs). The Group offers integrated solutions for lending, payments, deposits, cash management and cash collection – operating under the banner "One Client, One Bank".

In 2022, WBG rebalanced the portfolio to focus on low-risk, higher revenue sectors with strong growth. At the same time, it continued to uphold credit quality standards to minimize non-performing loans. The Group empowered relationship managers with digital capabilities to create enterprise value and interact more efficiently with customers. It also enhanced product and solution offerings to level up the Bank's capabilities in addressing customers' diverse and changing needs.

Further, the WBG boosted cross-sell efforts to increase customer wallet share and provide auxiliary products to optimize each client's potential for revenue generation. The Group also invested in efficient and nimble infrastructure, platforms, innovation, and data capabilities to adapt to industry and regulatory changes and to drive and support growth.

WHOLESALE BANKING GROUP CONTINUED

A highlight of 2022 was the implementation of the new organizational structure to address the distinct customer requirements of each business line. This included the establishment of new sectoral units to increase efficiency and enhance service offerings. WBG then comprised of five major business lines namely the Corporate Banking Group (CBG), Project and Structured Finance (PSF), Global Transaction Solutions (GTS), Islamic Banking Division, and Financial Institutions and Government (FIG). The strengthened Business Management Division, meanwhile, provided the essential business support and focused on maintaining effective governance.

Corporate Banking Group

As is previous years, the CBG drove WBG's profitability in 2022 with corporate loans comprising more than 80% of BSF's loan book. A higher level of corporate banking activity in the Kingdom along with a phased resumption of Vision 2030 projects supported the Group's revenue growth. This year, the CBG's net income before Zakat and income tax was SAR 1.50 billion, a 2.6% improvement from SAR 1.46 billion in 2021. Operating income was SAR 3.54 billion, up 20.4% compared to SAR 2.95 billion the previous year.

In 2022, CBG's customer base increased to 6,000, a 76% improvement compared to 3,400 in 2021. Of those 6,000 customers, 1,800 maintain active credit facilities with BSF. Total assets and customer deposits, especially non-commission bearing deposits (NCBDs), consistently followed an uptrend, which then translated to an increase in profitability, despite the increase in provisions. At the end of 2022, total assets stood at SAR 123 billion, a 7.5% increase compared to SAR 114 billion in 2021.

With technology and customer experience increasingly shaping CBG's day-to-day engagement with its clients, the Group's average Net Promoter Score (NPS) for the year was 54.6%.

Cross-selling remained a strategic objective and was heightened in 2022. Income from cross-selling across the Bank increased by 6% to reach nearly SAR 800 million. The CBG leveraged its relationships to support the sale of Retail Banking products to the staff of corporate customers. It also capitalized on the derivatives expertise of the Treasury segment to expand the range of corporate product offerings and risk advisory solutions. These strategies, along with close monitoring of cross-selling efforts, led to increased revenues along with customer satisfaction and engagement across various divisions of the Bank.

WHOLESALE BANKING GROUP STRUCTURE

Corporate Banking Group
- Regional client coverage supported by Central, Government, Financial Institutions, MSME teams
- Business Credit, Client Coverage & Portfolio Management Team

Project & Structured Finance Division
- Syndicated Loans
- Structured & Project Finance
- Debt Advisory

Global Transactions Solutions
- Trade & Supply Chain
- Liquidity & Cash Management
- GTS Transformation

Business Management Division
- Business Performance
- Business Development
- Business Governance
- Contract Monitoring Unit

Islamic Banking Division
- Shariah Affairs/Secretary Unit
- Research and Development Unit
- Administration, Reporting & MIS Unit

Financial Institutions & Government
- Financial Institutions
- Government Institutions

The CBG is expected to sustain its growth trend into 2023 due to the build-up of pipeline business and close monitoring of facility utilization rates.

Supporting MSMEs

BSF established its MSME Unit in 2014 in response to the growing importance of the sector in the Saudi economy. The Unit within the CBG comprises 53 employees in three regional offices, with each region managed by a coverage manager reporting to the Head of MSME. This year, BSF inaugurated its Small and Medium Enterprises Centre in the Central Region, as part of its strategy to develop and improve financing services to MSMEs and to help the Kingdom achieve Saudi Vision 2030.

The MSME Unit also worked this year to hone its value proposition for MSME segments, in line with the larger BSF strategy. This included developing MSME products and programs for suppliers of the Bank's large corporate clients. Further, the Unit identified potential partnerships with third party fintechs to provide clients with the latest technologies, improved customer experience and ease of doing business.

Also in 2022, BSF and the Small and Medium Enterprises Bank signed a joint agreement to finance MSMEs by using BSF's existing infrastructure, processes, systems and customer base to bridge the finance gap.

Kafalah

The Bank has been actively developing its Kafalah business to support financing of the MSME sector, working closely with the Kafalah Program. BSF offers two portfolio arrangements, for active entities and start-ups, to issue Kafalah guarantees based on internal approvals. During the year, the two loan portfolios guaranteed by Kafalah grew by 15% and the number of customers benefiting from the program grew by 12%.

Moreover, the Bank conducted several marketing campaigns in collaboration with Kafalah to support the financing of MSMEs in emerging sectors such as entertainment, cultural activities, sports and technology. It also conducted awareness sessions for all MSME staff about the new Kafalah portal and processes. Finally, BSF is currently collaborating with the agency to develop a POS financing product.

Monsha'at

The General Authority for Small and Medium Enterprises (Monsha'at) was established in 2016 to support and develop the Kingdom's MSME sector. This year, the Bank conducted several financial awareness sessions in collaboration with Monsha'at and its sponsorship of the Global Entrepreneurship Congress (GEC).

On the side lines of the GEC, BSF signed a memorandum of understanding with Saudi Arabian Airlines, aimed at financing emerging MSMEs in the transport sector. The partnership aligns with BSF's strategy to establish local partnerships with relevant authorities to enhance integration and cooperation, and open new horizons to improve services for MSMEs.

Number of staff awareness and training days

Total training days	648
Number of training days per employee	12 (3 days per quarter)

Project and Structured Finance Division

Project and Structured Finance (PSF) maintained BSF's position as the bank of choice for large financing projects in the Kingdom, continuing to manage sophisticated, structured syndicated transactions with complex cash flows.

In 2022, PSF ramped up its support, financing and provision of financial advisory services to projects across a range of industries and sectors from local, regional, and international developers. It continued to provide financial instruments and solutions to large corporate entities with complicated financing requirements such as restructuring and refinancing. To complement these activities, PSF provided loan agency services to more than 40 facilities across its portfolio, performing roles such as account bank, security agent and facility agent.

By the end of 2022, PSF recorded a robust portfolio outstanding of SAR 30 billion, reflecting its successful management of diverse projects and structured transactions. Operating income for the fiscal year reached SAR 525 million, showcasing BSFs' profitability and sound financial management in project and structured finance. Additionally, its commitments exceeded SAR 41 billion, highlighting the unwavering dedication to supporting its clients' aspiration.

CBG Corporate customers

6,000

CBG net income before Zakat and income tax (SAR)

1.5bn

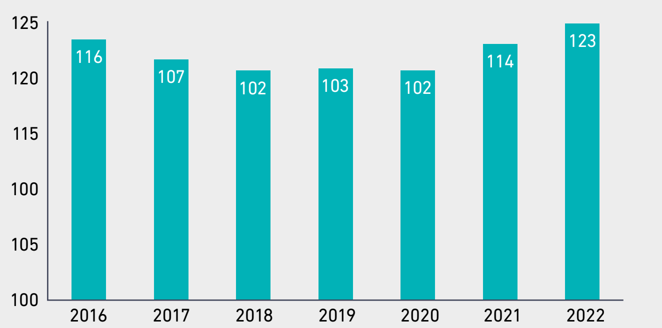
CBG operating income (SAR)

3.5bn

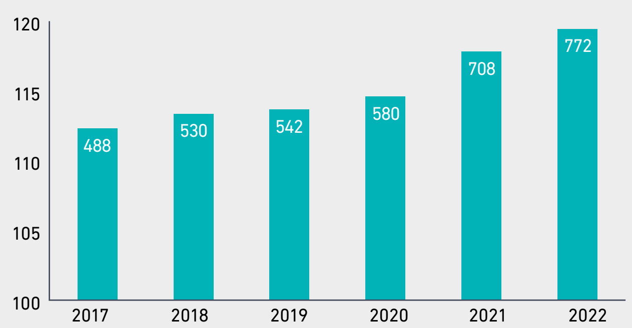
CBG total assets

122bn

CBG Total Assets
(in SAR Billions)



CBG Cross-Selling
(in SAR Millions)



WHOLESALE BANKING GROUP CONTINUED

PSF was vigorous in supporting Saudi Vision 2030 initiatives, successfully financing major infrastructure and other flagship projects across the Kingdom. This included funding the Red Sea Utilities project with ACWA Power. It also included financing an industrial gas hub project in Jubail with Air Products, a leading US-based manufacturer of industrial gases, Vision Invest, and Al Mutlaq Group. Further, the Division funded the NEOM Green Hydrogen project, also with Air Products and ACWA Power.

Moreover, PSF assumed key roles in renewable energy initiatives across the Kingdom. It recently secured approvals to participate in the Al Rass 700-megawatt solar photovoltaic independent power plant to be developed by ACWA Power and procured by Saudi Power Procurement Company.

Meanwhile, PSF continued to finance the Kingdom's emerging sectors by collaborating with various government support programs, such as the Tourism Development Fund and Events Investment Fund.

As it looks ahead to 2023, PSF will focus on sustainable financing solutions in the ESG and infrastructure space. It remains committed to supporting Saudi Arabia's Vision 2030 by facilitating projects that foster economic diversification and social development. Furthermore, it will continue to explore innovative financial products and partnerships to address the evolving needs of its clients. PSF aims to expand its expertise and presence in key sectors while upholding the highest standards of financial integrity and responsibility.

Global Transactions Solutions

The main objective of GTS this year was to take advantage of BSF's market position by tapping into the trade finance requirements of the Bank's corporate clients and their supply chains. In line with this, the Unit focused on delivering tailored cash management solutions to help clients optimize cash generated through their business activities. Following the restructuring, GTS now oversees two business lines, namely Trade and Supply Chain (TSC) and Liquidity and Cash Management (LCM).

PSF Awards 2022

- Sadara Chemical Project – Petrochemical Deal of the Year by IJGlobal
- Jazan Integrated Gasification Complex – Hybrid Energy Deal of the Year by IJGlobal
- Riyadh PP11 – Refinancing Deal of the Year by IJGlobal
- Wave 1 Schools – MENA Social infrastructure Deal of the Year by IJGlobal
- Sadara Chemical Project – Syndicated Loan Deal of the Year by Bonds, Loans, & Sukuk
- Jazan Integrated Gasification Complex – Syndicated Loan Deal of the Year by Bonds, Loans, & Sukuk

Trade and Supply Chain

The TSC Unit is the key driver for all trade finance-related business and associated activities within the WBG. Through TSC, BSF provides a comprehensive suite of documentary operations and trade finance instruments for large corporate customers in their import and export operations. These instruments include revolving documentary letters of credit, transferable documentary letters of credit, and standby letters of credit.

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 encompass import and export documentary collection services, such as post-finance letters of credit, avalisation, and bills discounting.

In 2022, TSC built and solidified BSF's profile in the market as the bank of choice for trade and supply chain solutions. The Unit saw 3.3% growth in volume, whilst income of the overall trade business increased by 10.1% year on year.

This success was reaffirmed by the winning of two awards from the Asian Banker Survey, namely the Best Export Finance Bank Award and the KSA Hall of Fame Trade Finance Bank Award.

The year saw the onboarding of TSC's new leadership team and amplification of its expertise with new key recruits across different disciplines. With these resources in place, BSF's trade finance continued its position as a market mover for traditional trade finance products and services. The business line also focused on expanding its offerings to include comprehensive structured trade products, as well as boosting its efforts towards the Financial Institutions trade and export business. These were coupled with initiatives to implement end-to-end digitization to deliver superior customer experience and higher efficiency, including the development of the Integrated Corporate Portal.

The Unit underwent a number of important initiatives in 2022. It developed and rolled out new trade products, including avalised bills discounting, letter of credit advising, and negotiation and discounting for non-BSF clients. It also heightened efforts to market the UPAS LC product as well as the export negotiation and discount business. At the same time, the Unit conducted awareness sessions throughout the year to actively promote all trade products.

PSF operating income (SAR)

525m

BSF arranged and participated in deals with an aggregate value of more than SAR 30bn

Partnerships remained a priority, as BSF forged a deal with Lamaa, a B2B fintech associated with Saudi Aramco, to offer a Shariah-compliant supply chain facility in the Kingdom. TSC continued to strengthen cooperation with government entities such Saudi EXIM Bank and Saudi Industrial Development Fund (SIDF) to promote business development through collaboration. It also worked to finalize its membership with the International Trade and Forfaiting Association to expand its network and gain access to information on global trends in the trade business.

Major deals during the year included letter of credit negotiation, confirmation and discounting backed by Saudi EXIM Bank for ARAMCO Trading, as well as avalisation bills for collection discounting for Tibbiyah and Philips Healthcare.

A major focus in 2022 was the development and digitalization of end-to-end trade finance product suite covering traditional as well as structured product offerings and encompassing both conventional and Islamic trade solutions.

Liquidity and Cash Management

LCM helps customers to manage their cash flow and transaction banking requirements through innovative and cost-effective solutions. The Unit serves clients ranging from MSMEs to large corporates to sophisticated multinationals via state-of-the art digital channels and a robust network of teams distributed across the country. LCM offers a wide variety of digital solutions for customers to make payments and manage collections and liquidity. These solutions include FransiGlobal, FransiTrade, B2B, MACUG, Dividend, e-Payroll, Payroll Cards, Ejar and Acquiring Business (point of sale (POS) and e-commerce). They are carried out by three core business activities: Cash Management Sales, Cash Management Product Development and Cash Management Support. Overall, transactions through digital channels grew substantially in 2022, increasing by 3.3 million compared to 2021, confirming a positive level of uptake of the Bank's digitalization efforts.

The LCM Unit has been repositioned as a liquidity engine for the Bank, in line with the WBG strategy to enhance its e-Commerce and POS service capabilities. This year, BSF's POS business increased its market share and registered growth that outpaced the market.

The Bank implemented a variety of initiatives through the year aimed at improving operational efficiency. This included introducing a new fee to promote increased use of the terminals, as well as the write-off of inactive, aged terminals. The Unit also helped the Bank rationalize costs, redraw contracts with vendors for improved pricing and revise pricing with key customers. Furthermore, it acquired new business through the signing of memorandums of understanding with STC, DigitalPay and SurePay.

The growing focus on e-commerce yielded significant results, demonstrated by the increased value of transactions processed by the Bank. The Unit continues to invest in partnerships with payment technical service providers, with eight already on board and negotiations underway with a few more. Meanwhile, the Bank signed a partnership with FlyNas, one of the largest e-commerce merchants in the Kingdom, to process their online bookings.

During the year, the Unit implemented various value-added initiatives across the product range to enhance customer experience and streamline processes. With aspirations to deliver best-in-class user experience, B2B and FransiGlobal services were materially expanded to keep pace with market standards and customer demand. Furthermore, the Bank planned a major upgrade to FransiGlobal to improve the channel's services and offerings to be rolled out in 2023.

The Dividends Distribution system was also enhanced in 2022. The upgrade helped the Bank secure the deal to distribute the dividends of SABIC, one of the largest petrochemical companies in the Kingdom and the region.

TSF growth in volume

3.3%

TSF income growth

10.1%

LCM growth in digital transactions

199.8%

GID NPS

100%

WHOLESALE BANKING GROUP CONTINUED

Financial Institutions and Government
As part of BSF's restructuring strategy, Financial Institutions (FI) and Government Institutions and Public Entities (GID) were established under separate units to optimize their potential as business lines. This enabled FI to boost its mandate to expand its correspondent banking relationships with financial institutions and non-bank financial institutions. At the same time, GID was able to focus on deepening its involvement in serving the government sector's banking and financial needs.

Financial Institutions
FI continued to maintain strong relationships with financial institutions and non-banking financial institutions regionally and globally, offering a full suite of correspondent banking services, including cash management, treasury, and trade services. In 2022, the Unit worked to modify its operating and coverage model to improve efficiency and enhance offerings to clients by expanding the scope of the business and service offerings.

This year, FI arranged its first term loan transaction worth USD 200 million, propelling it to become another major revenue source for WBG. It also arranged the first syndicated loan for BSF generating USD 500 million in medium-term funding at competitive pricing. Recognitions earned during the year included the Banking Operational Excellence Award from Citibank and the Euro Operational Excellence Award from Commerzbank.

Government Institutions and Public Entities (GID)
In 2022, GID substantially grew its business in terms of client base, deposits, total revenues and financing referrals. In terms of customer experience, the NPS for GID improved to 100% in 2022, compared to 72% the previous year.

WBG expanded the role of GID in 2022 to focus more on cross-selling and to serve as a viable source of referrals to other business lines. This resulted in significant growth in shadow revenue for the Bank – a 43.5% improvement to reach SAR 257 million.

The Unit's strategic objectives included focusing on customer experience and quality of service, strengthening relations with existing government entities, expanding BSF coverage in the government sector, and exploring newly established government entities. GID also conducted clean-up and regrouping exercises to operate more efficiently. Further, it enhanced its business performance monitoring by identifying significant business drivers via management information system dashboards.

During the year, GID actively established and fostered partnerships with government bodies in line with the Bank's objectives and in support of Saudi Vision 2030 initiatives. The Unit positioned BSF ahead of other banks by signing agreements and collaborating with government entities in different sectors. Important initiatives included:
- Tatweer Program with the Saudi Real Estate Development Fund
- Guarantee Program with SIDF
- Projects Support Fund Programme with the Ministry of Finance
- Memorandum of Understanding with National Centre for Privatisation
- Memorandum of Understanding with Um Alqura University
- Memorandum of Understanding with Wadi Makkah Company
- Professional Supervision Agreement with Um Alqura University

The Unit's plan for 2023 is to continue the growth in core revenues, shadow revenues and financing referrals to corporate in addition to kicking off its activities related to Saudi Vision 2030 and lending activities to government clients.

Islamic Banking Division
In 2002, with a mandate to organize 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 Shariah adviser. Dr. Elgari has assisted BSF in laying down the foundation for Islamic banking governance and the development of Shariah-compliant products and services.

In 2003, BSF appointed a number of well-known Shariah scholars to its Shariah board (the "Shariah Board") to ensure that BSF's Islamic products comply with Shariah requirements, both in terms of product specifications and documentation. Each new Islamic product requires the Shariah board's approval, which is formalized 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 Shariah-compliant products. It offers a full range of Shariah-compliant products to retail customers through its Tawafuq Islamic banking branches. BSF currently offers Islamic alternatives to most of the conventional products in corporate, retail, investment and treasury services.

BSF continues to grow its Islamic products. As at 31 December 2022, BSF operated 12 Islamic retail branches which provide Islamic finance products and services. In the corporate and investment banking sector, BSF offers corporate clients both conventional and Islamic capital market products. As at 31 December 2022, loans and advances, net (both retail and corporate) provided by BSF under Shariah-compliant structures amounted to SR 115,207 million, or 72.45% of BSF's total loans and advances, net as compared to SR 105,640 million, or 71.5% of BSF's total loans and advances, net as at 31 December 2021. As at 31 December 2022, BSF's Shariah-based investments (net) amounted to SR 8,753 million, or 19.66% of BSF's total investments (net), as compared to SR 8,724 million, or 19.89%, of BSF's total investments, net as at 31 December 2021. As at 31 December 2022, the volume of BSF's Shariah-compliant time deposits was SR 28,648 million, or 18.18%, of total customers' deposits, as compared to SR 16,656 million, or 11.7% of total customers' deposits as at 31 December 2021.

PERSONAL BANKING GROUP

It was an outstanding year for the Personal Banking Group, as Retail and Private Banking achieved triple- and double-digit growth, respectively. Exceptional customer experience, digitalization, and market-leading product offerings helped the Group overcome market challenges and soar on the back of rising interest rates.

Financial Highlights 2022

Net income growth
119.3%

Loans (SAR)
23.6bn

Net income (SAR)
372.7m

Deposits (SAR)
46.1bn

Operating income (SAR)
366.1m

Growth in priority customers
12%

Revenues (SAR)
1.59bn

Retail Banking

The Retail Banking Group (RBG) more than doubled its profit in 2022, overcoming global geopolitical conflict and high inflation to capitalize on the hikes in interest rates. Net income increased by 119.3% to SAR 372.7 million, compared to SAR 169.9 million the year before.

Rising interest rates enabled higher revenue gains from NCBDs. At the same time, customer inclination towards interest-earning facilities drove significant funds to commission-bearing deposits and capital market products, internally and externally. This shift in deposits, however, did not prevent RBG from earning greater interest income from its core NCBDs, with the average net interest margin growing from 1.6% in 2021 to 2.0% in 2022.

Net income growth rode on the back of a 22% improvement in operating revenue, which increased from SAR 1,302 million in 2021 to SAR 1,588 million in 2022. Lower impairment charges also boosted profitability following enhancements to the International Financial Reporting Standards 9 model.

PERSONAL BANKING GROUP CONTINUED

Income Statement Trends (SAR Mn)

	YTD DEC 2022	YTD DEC 2021	B 2022	YOY	A V B
Net Interest Income	1,463.7	1,213.6	1,372.9	20.6%	6.6%
Non-interest Income	125.2	88.5	105.0	41.4%	19.2%
Revenues	**1,588.8**	**1,302.1**	**1,477.9**	**22.0%**	**7.5%**
Operating Expenses	**1,222.8**	**1,103.4**	**1,192.3**	**10.8%**	**2.6%**
Direct Expenses	614.5	590.8	630.5	4.0%	-2.5%
Allocated Expenses	608.3	512.6	561.8	18.7%	8.3%
Net Operating Income	**366.1**	**198.7**	**285.7**	**84.2%**	**28.1%**
Impairment Charges	-6.7	28.8	32.0	-123.1%	-120.8%
Net Income*	**372.7**	**169.9**	**253.7**	**119.3%**	**46.9%**

Overcoming market challenges to expand assets

RBG increased its total assets portfolio this year, despite the slowdown in mortgage demand and intense competition on loans pricing. Sales on personal loans were heavily affected by aggressive pricing competition for most of the year as the mortgage market declined due to barriers to consumer affordability. Newly originated loans in the first half of the year yielded low margins due to market competition on pricing, but reversed in the second half as RBG shifted its sales strategy to focus on more profitable sectors and less-concentrated segments.

The year saw a 9.5% increase in loans and advances, which grew from SAR 23.6 billion to SAR 25.9 billion. Personal loans improved by 1.6% to SAR 9.8 billion. Despite rising residential affordability challenges, home loans accomplished double-digit growth at 10.6% to reach SAR 14.9 billion. Meanwhile, credit card balances grew by 13.6% to reach SAR 568 million.

Balances – SAR Billions

	31 DEC 2021	31 DEC 2022	GROWTH %
Total Deposits	46.1	40.4	-12.3%
Total Loans	23.6	25.9	9.5%
– Personal Loans	9.7	9.8	1.6%
– Home Loans	13.5	14.9	10.6%
– Credit Cards	0.500	0.568	13.6%

Growing customer loyalty

The Group's customer base continued to expand, particularly in the Loyalty Programme. The total number of retail customers grew by 1.8% to 1.16 million, while priority customers grew by 12% from 73,500 to 82,300.

	31 DEC 2021	31 DEC 2022	GROWTH %
No. of Retail Customers	1.14m	1.16m	1.8%
No. of Priority Customers	73.5K	82.3K	12%

As it grew its customer base, RBG also achieved strong and steady NPS ratings across all retail channels. The branches and direct sales both reached an average score of around 80%, improving by 4.5% and 14%, respectively. Mobile banking stabilized at 53%. Internet banking improved by 6.7% to 61%, while the Contact Centre increased its rating by 6.0% to 63%.

RBG NPS Scores

	FY 2021	FY 2022	GROWTH
Branch	77.3	80.8	4.5%
Direct Sales	70.0	79.8	14.0%
FransiMobile	52.7	52.7	–
FransiPlus	57.5	61.4	6.7%
Contact Centre	59.9	63.5	6.0%

Driving customer experience through digitalization

RBG continued its drive this year to enhance operational efficiency, improve agility and deliver better customer experience using modernized banking technology. This included the implementation and stabilization of the new loan origination system CBS/RLOS, as well as successful migration to the new card management system. The Group also transformed the retail credit process, improving turnaround time and customer experience. As well, it completed the digitalization of the JANA rewards program and real-time automation of redemption orders.

Importantly, RBG strengthened anti-fraud features across its digital channels. This involved the successful test and rollout of fingerprint authentication on self-service ATMs, as well as new controls on FransiMobile and FransiPlus. The Group also implemented time limits on new mobile phones and laptops and limited the number of new beneficiaries that can be created in a short period of time. Finally, it added interactive voice response call-backs to customer journeys such as account registration, forgotten passwords and creating new beneficiaries.

Expanding and upgrading product offerings

In 2022, RBG enriched its product menu to overcome market gaps and further position BSF ahead of the market. For remittance services, the Group expanded the BSFsend service to both the mobile app and internet banking. In partnership with Western Union, BSFsend now enables BSF customers to instantly transfer money across the globe in over 200 countries through FransiPlus and FransiMobile.

RBG diversified the mortgage business with a range of new products and services, such as buyouts for Real Estate Development Fund (REDF) and non-REDF customers, and off-plan products for non-REDF customers. It also enabled advanced features for off-plan products, including offering flexible down payments.

In addition to digitalizing the JANA rewards program, RBG officially launched an international partnership between JANA and Emirates Airline and Marriott Bonvoy. The agreement will offer BSF customers a wider range of redemption options for travel and lodging.

Notably, BSF's Lifestyle Credit Card won the "Credit Card of the Year" award from the Digital Banker. The award recognizes the product as the most substantial and attractive cashback program available to help cardholders save and spend smarter.

2023 Focus

In the year ahead, RBG will continue to grow profitability by improving product offerings and customer experience, further increasing margins and expanding market share. The Group will focus on acquiring affluent clients through targeted value propositions for services, product offerings and pricing. It will gear sales towards the private sector and review the risk appetite towards new focus groups, such as affluent Saudi and non-Saudi citizens with non-salary transfers.

The Group will also design and develop a full retail product menu for assets and liabilities that differentiate BSF from the market. It will generate new partnerships on a wide range of retail fronts to expand opportunities and affiliations, for example, through loyalty programs and with real estate agents and developers. It will also work with employers to offer loan schemes for their employees.

For sales, the Group will enhance incentive schemes to optimize pay outs to the entire sales force, including branch staff, direct sales agents, and telesales agents, and align team focus to boost profitability. It will also capitalize on the loyalty program to acquire new customers while streamlining costs on the existing earning matrix.

Further, it will implement non-stop activation and tactical campaigns to boost credit card spending and acquire new-to-card customers. Finally, the Group will push for quick and strategic wins with the implementation of Seamless X retail credit transformation, which will improve turn-around-time on loan originations and enhance the customer journey.

Digitalization will be at the helm of RBG strategy in 2023. Importantly, the year will see the minimum viable product launch of a new digital BSF retail platform. The platform will redefine the digital banking experience and address current front-end and orchestration challenges.

The Group will add to revenue streams by releasing EZPay instalment financing. EZPay is a microfinancing product that offers customers the ability to spread the cost of a purchase with an affordable payment plan.

RBG will also employ full-scale use of advanced analytics to support personalization at multiple stages of the customer lifecycle, such as onboarding new customers, growing customer value, and reactivating customers.

Further, the Group will modernize its segmentation model to include scopes beyond traditional wealth and income criteria, making it more comprehensive. Further, RBG will enable digital segmentation, targeting, and positioning to streamline the process and increase customer satisfaction with new originations.

Private Banking

The Private Banking Group (PBG) surpassed its own expectations in 2022, with a 40% increase in net income to achieve SAR 346 million in profits, compared to SAR 247 million the previous year. This growth overcame significant market obstacles, with the Group facing a low net interest rate spread for the first five months of the year.

Commendable efforts from relationship officers and management across the Kingdom led to the Group successfully securing new deposits and loans. By the end of 2022, the PBG had surpassed its operating income budget by 19% to earn SAR 56.3 million. This was a 36.9% improvement compared to SAR 257.9 million in 2021. The volume of NCBDs and loans increased by 10.9% and 18.7%, respectively, to SAR 1.8 billion and SAR 1.1 billion.

Meanwhile, the Group stayed on top of customer experience, earning an NPS of 80%. Initiatives to better serve customers included launching the digital onboarding system to register new clients online.

For the year ahead, PBG has a number of initiatives underway to expand its product offerings and better serve customers locally and internationally. The Group plains to leverage digital transformation apps to improve the customer journey. It will also focus on exclusive awards and segmentation alignment.

BSF's Personal Banking Group, formed through the integration of Retail Banking and Private Banking operations for high-net-worth customers, operates a wide network of branches, ATMs, digital platforms and mobile apps to deliver a comprehensive range of trusted banking services supported by outstanding client experience.

> "The Private Banking Group (PBG) surpassed its own expectations in 2022, with a 40% increase in net income to achieve SAR 346 million in profits, compared to SAR 247 million the previous year."

TREASURY AND INVESTMENT GROUP

The Treasury and Investment Group (TIG) contributed a significant portion 37% of the Bank's overall net income, generating SAR 1.77 billion in operating revenue in 2022. This was a -3.7% decrease compared to the previous year, driven by higher than anticipated funding costs. At the same time, Investments grew by +1.0%, supported by an optimized balance sheet. TIG also supported leveraging of BSF's unique position in the local derivatives market.

TIG saw a decline in revenue due to higher than expected funding costs although trading and sales witnessed strong growth. The Group optimized its balance sheet through efficient use of liquidity and adherence to healthy regulatory ratios. Cross-selling also improved in 2022 capitalizing on the Bank's franchise activities. Treasury remains a pioneer in its derivatives offering with non-linear derivatives activity volumes increasing by 80% year on year. Moreover, Forex Flow business witnessed a marked increase of revenues, at 19.2%, and volumes, at 13.2%, post the pandemic period.

TIG worked throughout the year to diversify sources of funding for BSF. In June, it established a euro medium-term note (EMTN) program worth USD 4 billion at the International Securities Market of the London Stock Exchange. The Bank also successfully issued a USD 700 million five-year note at 5.50% in November, as well as a USD 500 million club loan in December at 70bps over the CME Term SOFR rate. Overall, BSF increased the diversity of its investment book, with a continued focus on high-quality liquidity assets (HQLAs), global financials, and quality GCC credit.

This was also the year that saw business return to normal after the COVID-19 pandemic. TIG ensured effective communication between the sales teams across the Kingdom and with their respective clients. The focus was on offering bespoke financial products to fulfil clients' hedging needs.

At the same time, the Group built upon the digitalization and online banking momentum established during the pandemic. TIG improved on the Refinitiv Electronic Foreign Exchange Trading Platform by integrating it with Core Banking System modules as well as FransiGlobal, further facilitating automatic online foreign exchange transactions.

2023 Focus

TIG anticipates a fruitful year driven by continued healthy trading income, owing to expected high volatility resulting from rising interest rates, inflation, and potential recession risks. The Group aims to tap into new revenue streams through digitalization and deepen its focus on the commodity loan business. BSF remains active in the Debt Capital markets with initiatives such as the USD 4 billion EMTN program and a forthcoming Sukuk program. This is to ensure the bank optimizes on liquidity costs and has the liquidity buffers to support anticipated franchise growth. TIG will also expand its cash flow hedge program to safeguard a larger portion of BSF's net interest income against a lower interest rate environment.

Treasury and Investment Group Highlights

- Increased number of structured product transactions by 80%
- New USD 4 billion EMTN program
- USD 700 million note and USD 500 million club loan
- Grew Forex Flow revenues by 19.2%

The Group's strategy revolves around delivering best-in-market tailored lending and hedging solutions to corporate clients. It seeks growth opportunities in Forex Flow and structured deposits while identifying and introducing new asset classes for investment, aligned with the Board's risk appetite. Diversification of BSF's portfolio within the senior credit spectrum, prioritizing HQLAs and GCC credit, will remain a focal point.

SAUDI FRANSI CAPITAL

During a year characterized by uncertainty and volatility in the financial markets, Saudi Fransi Capital (SFC) continued its focus on providing pioneering investment products and services to its clients. It strengthened its leading position and continued to innovate across all segments, particularly in Investment Banking which completed eleven landmark transactions in 2022.

SFC consistently demonstrated expertise in underwriting, executing complex transactions, and developing investment and asset management products. A 2022 highlight was the launch of the SFC Islamic Fixed Income Fund, which aimed to generate diversified income and capital appreciation for investors in the face of rising interest rates. Notably, Securities Brokerage aggressively pursued growth of the custody business, reaching assets under custody worth SAR 14.9 billion. In recognition of its longstanding efforts and achievements, SFC received multiple awards during the year from prestigious awarding bodies.

Investment Banking

The Investment Banking business registered a strong 2022 by continuing to provide industry-leading advisory services to its clients, particularly in equity and debt capital markets and mergers and acquisitions. Reflecting this focus, it continued to hold the top ranking in terms of number of deals in the Equity Capital Markets (ECM) league table in Saudi Arabia, with over 23 ECM deals valued at SAR 28.8 billion since 2012.

Investment Banking successfully completed eleven landmark transactions in 2022. These included advising Seera Group and its shareholders on the demerger of Lumi Rental Company, a subsidiary of Seera. This was the first demerger in the Saudi market, paving the way for Saudi-listed conglomerates to unlock value through similar initiatives.

In addition to completing two main market initial public offerings (IPOs) in 2022, SFC secured Capital Markets Authority approval in December for the IPO of Jamjoom Pharma. This further positioned SFC as one of the most active investment banks of the year, paving the way for a strong start to 2023.

SFC continued leadership in equity markets, advising on IPO and rights issues. It acted as sole financial advisor, bookrunner and underwriter for an SAR 832 million IPO for the IT company Perfect Presentation, where the institutional offering was covered 60.1 times and the retail offering covered 3.75 times. For the SAR 1.2 billion Al Saif Gallery IPO, SFC served as sole financial advisor, bookrunner, and underwriter.

About Saudi Fransi Capital

A leader in investment banking, wealth and asset management, and securities brokerage in the Kingdom of Saudi Arabia, Saudi Fransi Capital provides a full range of investment solutions and advisory services to local and global financial institutions, corporations, government entities and individual investors.

SAUDI FRANSI CAPITAL CONTINUED

It also acted as bookrunner and receiving agent for the Jahez IPO on the Nomu parallel equity market, which was transformational in the fintech space. Finally, it served as joint underwriter for Petro Rabigh's rights issue of SAR 7.9 million.

The year witnessed a significant expansion of merger and acquisition advisory services at SFC. It acted as buy-side advisor for the STC company Solutions on its acquisition of Contact Centre Company. The deal marked a strategic milestone in digital transformation and the expansion of the business outsourcing solutions sector in the region.

SFC served as the sell-side advisor to SABB Takaful in the successful completion of the merger between SABB Takaful and Walaa Cooperative Insurance. The landmark deal comes at a time when Saudi Arabia's burgeoning insurance industry is trending towards consolidation. SFC was proud to play a pivotal role in the process based on its extensive experience in the insurance sector.

Further, SFC acted as joint lead manager on a variety of deals. This included the Public Investment Fund's inaugural USD 3.0 billion, three-tranche green bond, the first-ever 100-year green bond for a sovereign wealth fund. It also included the SAR 2.0 billion Sukuk issuance for Arabian Drilling Company. SFC was able to timely execute the transaction on the back of an extensive marketing strategy, which resulted in a coverage of 2.8x.

Finally, SFC was the arranger for BSF's USD 4.0 billion medium-term note program, as well as joint lead manager and bookrunner for the inaugural USD 700 million five-year registered bond issuance on the international market. The offering was highly oversubscribed and attracted a balanced book of international, regional and local demand.

Asset Management

2022 proved to be a challenging year for capital markets globally as rapidly rising inflation sparked an aggressive monetary policy response from the Federal Reserve, which increased the Federal Funds Rate seven times in 2022, from a base of 0.25% to 4.50%. The situation was further exacerbated by the geopolitical situation, namely the invasion of Ukraine by Russia. Overall, this led to negative performance across most major asset classes and a heightening of risk aversion amongst investors.

In response to these challenges, SFC's Asset Management business took a proactive approach to investors by keeping them informed, offering them high-quality advisory services and supporting them to take advantage of emerging opportunities.

This approach included the launch of SFC's inaugural Shariah-compliant Fixed Income Fund in April 2022. The fund capitalized on rising rates, as well as the fast-growing domestic fixed income market fostered by government development initiatives. The fund aims to provide diversified fixed income exposure and regular income to investors whilst also providing regular liquidity.

Whilst there were significant challenges globally, the Kingdom of Saudi Arabia perhaps shone the brightest of all major global economies. Saudi Vision 2030 and all its related programs experienced their most impressive year so far with the promise of more accelerated growth in the years ahead. In the midst of this, SFC continued to explore several initiatives and public-private partnerships within the real estate and infrastructure space, particularly projects closely linked to Vision 2030.

Following the highly successful launch of its data center initiative in 2021, SFC formally partnered with the Tourism Development Fund and Red Sea Markets Company to launch an investment fund. Managed by SFC, the SAR 950 million fund will support mixed-use projects in the Aseer region to develop the region and promote tourism.

As always, SFC continued to strengthen its global advisory platform. The focus in 2022 was on adding alternative investments with a low correlation to public markets given the prevailing volatility. As a result, SFC added three new managers to its platform, covering global private credit and hedge funds. It also successfully placed a few select US real estate deals during the year, whilst profitably divesting from others.

Notably, this year SFC was proudly recognized by International Business Magazine as the "Most Innovative Asset Management Company" for 2022.

> "The year witnessed a significant expansion of merger and acquisition advisory services at SFC."

2022 Awards

- **"Best Investment Bank in Saudi Arabia"** for the second year in a row, from MEA Finance
- **"Best REIT Management Firm"** from MEA Finance
- **"Best User Experience / Engagement - Saudi Arabia"** from MEA Finance
- **"Best Investment Banking Company"** from International Business Magazine
- **"Most Innovative Asset Management Company Saudi Arabia"** from International Business Magazine
- **"M&A House of The Year"** from GFC Media Group
- **"Bank/Financial Institutions Bond Deal of the Year"** from GFC Media Group
- **"Local Currency Corporate Bond Deal of the Year"** from GFC Media Group
- **"Quasi-Sovereign/GRE Bond Deal of the Year"** from GFC Media Group
- **"ESG Bond Deal of the Year"** from GFC Media Group
- **"Best local investment bank"** from EMEA Finance
- **"Best equity house"** from EMEA Finance
- **"Best M&A house"** from EMEA Finance
- **"Most Innovative Wealth Management Company in Saudi Arabia"** from International Finance magazine
- **"Best Performance Investment Fund"** from Sanadeq Media Group
- **"Best Innovative Investment Fund"** from Sanadeq Media Group

Securities Brokerage

SFC continued to focus this year on its niche service offerings such as bulk liquidation. It successfully grew its custody business, ending the year with assets under custody worth SAR 14.9 billion. The year was challenging for fixed income investments and, accordingly, SFC continued to provide its clients with actionable and investable fixed-income ideas.

Research coverage grew in several areas including the consumer discretionary and transport and retail sectors, with SFC's coverage standing at 51 companies at the end of the year. It also published multiple pre-IPO research pieces to support investors in the Saudi market. Its expanded research of pre-IPO listing provided more color for new listings to the Saudi capital markets and facilitated easier participation of institutional investors in the local equity market.

Another significant accomplishment was the continued expansion of the international client base, ultimately adding liquidity to the capital markets in Saudi Arabia. SFC's international client base had a larger contribution to the business in 2022 compared to prior years. In addition, SFC is working on the introduction of securities borrowing and lending, which could facilitate short selling in the Saudi equity market.

SFC places the utmost priority on the client's journey and experience, which increasingly takes place in the digital realm. During the year, SFC launched its new website application which commenced the journey towards a comprehensive digital transformation. It is in the process of overhauling investors' initial digital touchpoints, including the mobile application and trading platforms. It is also expanding digital services, with the objective of making each client's journey and experience as seamless as possible.

SFC in 2023

SFC will continue to sustain and grow market leadership and to innovate and launch new investment products and services that help expand its relationships with existing customers and attract new customers.

SAUDI FRANSI FOR FINANCE AND LEASING

Saudi Fransi For Finance and Leasing (SFL) continued its growth trajectory in 2022, with a double-digit increase in new sales. The focus for the year was on digital transformation to improve customer service and enhance the digital journey.

New sales booked increased from SAR 1.96 billion in 2021 to SAR 2.21 billion in 2022, an impressive growth of 12%. The percentage of non-performing loans decreased from 0.73% at the end of 2021 to 0.66% at the end of 2022.

SFL's gross portfolio grew by 10% to SAR 3.7 billion, compared to SAR 3.4 billion the previous year. This was following the sale of portfolio amounting to SAR 576 million to BSF.

SFL also increased its market share by gross portfolio, for banks and non-banks, from 7.0% in Q4 2021 to 8.0% in Q4 2022. Notably, market share by gross portfolio, for non-banks alone, increased from 25% at the end of 2021 to 31% at the end of this year.

Strategic Focus

In 2022, SFL focused on maintaining its market share, as well as financing luxury, high-value vehicle brands to affluent and high-salaried customers employed in government, semi-government, and large private institutions. It also upped the ante of customer experience and after sales service for all categories of SFL customers.

SFL prioritized improving its digital footprint in the market, providing its innovative product range for automotive financing. This included launching its personal finance product digitally.

2023 Outlook

The year ahead holds an increasingly positive outlook for the automotive industry and the economy as a whole. Consumer confidence and consumer spending are expected to improve in 2023. At the same time, the SME and Corporate segment will take advantage of continuing development of regional infrastructure.

In 2023, SFL will continue to drive its digitalization agenda, on the path to become the most modern leasing provider in the Kingdom. It will expand its network and enhance product offerings through digital channels.

About Saudi Fransi For Finance and Leasing

Licensed by the Saudi Arabian Monetary Authority, Saudi Fransi For Finance and Leasing is a leading provider of lease financing services in the Kingdom. It provides Shariah-compliant solutions to government, semi-government, individuals, and small and medium enterprises in sectors such as trade (wholesale and retail), construction, manufacturing, transportation, communication, utilities and health services. Its core customers are in the auto and heavy machinery lease financing sectors.

TECHNOLOGY AND OPERATIONS GROUP

The Technology and Operations Group (TOG) celebrates yet another year of continuing to deliver on BSF's five-year strategic vision through collaboration and technological transformation.

In 2022, successful execution of more than 100 projects helped to drive efficiency and cost optimization across the Bank, with the Core Banking System (CBS) program serving as the Group's flagship transformation project.

The TOG continued to act as a core enabler for BSF's strategic progress and operational excellence, responding to dynamic workload demands and catering to evolving business and regulatory requirements to deliver innovative and experience-focused banking products and services. This year, the Group's application of modern infrastructure, proactive implementation of advanced technologies, and employment of leading risk control methodologies created improvements in efficiency and effectiveness across the Bank.

The Group delivered on its key transformational agenda, namely the releases of CBS, the complete transformation of the Card Management System, implementation of the new Corporate and Private Banking Customer Relationship Management System, and the launch of the Enterprise Resource Planning Platform.

In total, 105 projects were implemented across 10 business lines. These included the Treasury Transformation, the Basel Committee on Banking Supervision 239 (BCBS 239) Programme, the Fraud Management System, Muqassa General Clearing and Agency Banking. Other strategic projects were initiated by year end, including the Retail Omni-Channel and Integrated Corporate Platform.

The CBS program is a landmark in the journey to achieving BSF's strategic vision of becoming the most modern, innovative and experience-focused bank in the region. The CBS Release 2.2A was focused on the entire Payments suite of products that demonstrated the continued momentum and perseverance of program delivery of the technology group in 2022.

Optimizing Costs and Enhancing Collections

In 2022, the TOG successfully drove efficiencies and contributed to BSF's bottom line through cost optimization and collections. Negotiation with suppliers and service providers along with cost avoidance this year helped Procurement gain a total of SAR 66 million in savings for the Bank.

The Group also improved overall delinquency and recovery performance to strengthen the Bank's collection portfolio. In 2022, overall recovery amounted to SAR 87.23 million, 27% higher than the yearly target. Delinquency rates dropped by approximately 50% recorded at 0.41% compared to the previous year at 0.83%.

Continuous Improvement in Customer Experience

In order to provide seamless and consistent services to BSF customers, the Group invested in the implementation of advanced monitoring capabilities that provides monitoring for the Bank's digital channels such as Fransi Plus, Fransi Mobile. This has provided proactive capabilities that resulted in a decrease of service unavailability compared to previous years.

In 2022, the Group achieved 99.4% uptime for its critical and customer-facing applications. It demonstrated more than 98% availability of ATMs, surpassing the Saudi Central Bank (SAMA) Service Level Agreement (SLA) benchmark. BSF also achieved outstanding scores for the quality of responses to customer complaints. This was despite an 8.5% year-on-year increase in transactions via near-field communication and a 25% increase in transactions via smart devices, along with a 53% improvement in the decline of point of sales card transactions.

Notably, this year, Visa and MasterCard appraised BSF for its performance over low rejected authorization rates, which indicates the Bank's seamless payment services.

Moreover, the TOG generated improvements and revamps across the Bank with direct and indirect positive impacts on customer service in areas such as trade finance, account services, and consumer products.

TECHNOLOGY AND OPERATIONS GROUP CONTINUED

The Premises Management team also relocated and set up two branches in premium locations in Jeddah. In addition, the Bank launched its first center for small and medium enterprises at the Al-Taawun branch, in line with its strategy to attract and support this growing market.

Early this year, BSF inaugurated the operations of Testing Centre of Excellence (TCoE) to ensure delivery of quality products and reliable customer experience. The TCoE performs quality management activities and delivers proven results by optimizing projects' quality and performance, improve alignment between business and IT, and increased QA efficiency. In 2022, the TCoE's professional team of analysts augmented 19 major projects by developing approximately 14,000 new test cases and executing them in all possible scenarios to ensure that quality products delivered to the greatest extent.

Ramping Up Enterprise Data Management

The Enterprise Data Management (EDM) Division continued in 2022 to establish and deliver leading data management services to support all BSF business lines and enhance efficiency and customer experience. Regulators placed heavy focus on data management this year, with the Bank ensuring compliance with all related regulations and expectations. This included the National Data Management Office's (NDMO) Personal Data Management and Personal Data Protection and Data Governance Regulations, as well as the Kingdom's Personal Data Protection Law.

During the year, EDM delivered 100 new reports to fulfil the needs of the business lines and completed over 100 business data requests along with working on multiple analytics initiatives that enabled the bank in increased sales by 13% as compared to the target i.e. 5%. The Division managed and contributed extensively to data migration activities for the CBS program. It also incorporated the Bank's 2021 internal Net Promoter Score (iNPS) feedback and actively worked with the business lines to fulfil their reporting needs and resolve data issues. This was supported by periodic Management Information Systems (MIS) Council and Data Governance Council meetings.

In July 2022, the Bank completed Phase 2 of the BCBS 239 Implementation Programme. This involved the establishment of 22 new key metrics and reports from the Risk, Finance, Compliance, Assets Liability Management (ALM) and Legal divisions. Phase 3 will begin in 2023 to add value to business activities by documenting and implementing the reporting process, data quality rules, data dictionaries and SLAs.

Another key project this year was the implementation of four modules of Oracle Financial Services Analytical Applications. The focus was on Target Finance Architecture, including ALM, Liquidity Risk Management, Fund Transfer Pricing, and Profitability Management. The implementation led to enhanced functional capabilities in regulatory and MIS reporting, with the Finance and ALM divisions as primary stakeholders.

EDM completed a comprehensive, bank-wide gaps assessment of alignment with NDMO regulations and the Personal Data Protection Law. The report led to 17 new policies and 30 new processes, as well as the creation of a Data Protection Officer role and Target Operating Model. The Group also conducted multiple bank-wide knowledge and awareness sessions on data privacy and protection. The TOG continues to work with all business lines to provide timely support and resolution to data issues.

This year also saw the initiation of the Data Ownership Programme, which resulted in the identification of data owners for the data elements stored in Data Warehouse. The Division defined the roles and responsibilities of data owners, in addition to developing data domains, a data ownership framework, and the data ownership assignment process. EDM also provided multiple awareness sessions to data owners regarding the framework, roles and responsibilities, data ownership assignment process etc.

Business intelligence and analytics remained an important focus. During the year, more than 100 new reports were developed, based on ad-hoc extraction requests. EDM worked on multiple analytics initiatives, including the implementation of Altryx for the Retail Banking Group, which helped to increase cross-sales by 13%, compared to the initial target of 5%.

Building Robust and Modern Infrastructure

The Group delivered a number of significant infrastructure transformation projects in 2022. The focus was on high-impact transformations involving modernization and centralization to improve efficiency and cost effectiveness. This included the establishment of the Cloud Centre of Excellence as part of the Journey to Cloud project, which will support agile deployment, costs savings, flexibility and scalability in meeting business demands, and strengthened security.

Improving Operational Efficiency

The TOG remained dedicated to operational efficiency, with the goal of delivering high-level customer experience, along with reduced costs and turnaround time, as well as enhanced value and scalability. In 2022, the Bank-wide approach to increasing efficiency covered all areas, touching upon resources, processes, and technology. This included the agile delivery of 20 identified processes to be automated using robotics. As well, Bank-wide operational activities continued to be centralized under Central Operations, as part of the larger efficiency strategy.

The transformation of cash and ATM operations by incorporating outsourcing approaches and minimizing cash handling led to BSF saving more than SAR 3 million in direct operating expenses in 2022. As well, continuous efforts to implement systematic anti-fraud measurements for cards and domestic transfers mitigated customer impact and reduced operational losses. This resulted the prevention of more than SAR 232 million in losses from potential fraudulent transactions.

This year, Procurement initiated a major transformation program to analyze and identify initiatives to strengthen core services, including the Procurement Management System. Procurement initiatives were re-aligned with the objectives of BSF's business lines, taking into consideration feedback from the annual iNPS survey, with the goal of improving cross-Bank relationships. Efforts included the establishment of a centralized procurement call center to provide direct support to all business lines. As well, the streamlining of procurement processes led to improvements in throughput averaging more than 78%.

BSF's drive for digitization and digitalization also led to significant impacts on operational efficiency. Paperless initiatives implemented by Procurement and Premises Services continued to add value to multiple processes through automation and faster turnaround times. Digitalization of customer-dealing and internal Bank documents progressed exceptionally well this year, allowing for easy retrieval and document safety, as well as preventing the need for physical expansion.

Further, the Bank implemented Dividends Distribution, a digital payment service for corporate clients. The service was completed for 25 listed local companies, including SABIC, with more than 130,000 clients amounting to what is worth SAR 2 billion.

Ensuring Business Continuity and Compliance

In 2022, BSF worked fastidiously to promote business continuity and resilience, and to ensure compliance with national and international regulations. Following the mandate by SAMA, the TOG conducted five test disaster recovery exercises covering the Bank's critical services. As part of due diligence, the Group ran Bank-wide exercises for risk assessment, evacuation and fire drills, training for security guards and first aid training across the Kingdom. All BSF buildings were also equipped with safe evacuation pathways for people with disabilities.

The Group delivered several security reviews and improvements to maintain compliance with regulatory security standards from bodies such as SAMA, the National Cybersecurity Authority and Payment Card Industry Data Security Standards. The SAMA IT Governance Framework was adopted to ensure leading control practices within the TOG. Further, SAMA Tanfeeth Wave-4 was successfully implemented to cover the additional functions such as salary inquiry, customer information inquiry and deductions.

This year, trusted device recognition was added to FransiMobile to enhance the security posture of the digital channel. As well, mini statements were incorporated into FransiMobile and FransiPlus to enhance customer experience. The Sanction Screening system used to detect, prevent, and disrupt financial crime was also enhanced to increase controls, accuracy as well as quality of reports pertaining to Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF).

Property Management and Security

In terms of business enablement, TOG completed 185 projects (90 construction projects and 95 ATMs projects) including two new branches in Jeddah. TOG supported SFC for business expansion to have their new Head Office in the municipality approval stage.

In addition, a new design concept was implemented for BSF Academy to help expand and enhance BSF employees' internal environment. It will help to enroll more employees in an excellent learning environment.

With regards to Building and Branches Safety & Security Programs: 576 activities were completed for main building and branches of Periodic Inspections and Testing of the Emergency Back-up Systems to ensure full operational availability to BSF internal and external clients. Also successfully completed Risk Assessment, Evacuation Drills and Fire Drills Exercises, Guards Trainings and First Aide Training Kingdom-wide, and training implementation of SAMA Requirements for Persons with Disabilities.

Looking Ahead to 2023

In the year ahead, the TOG will continue to enable BSF to achieve its strategic priorities, with a clear focus on greater digitization and modernization through technological and operational transformations. The Group will reaffirm its support of all areas of the Bank to build strong and sustainable relationships with customers, driving exceptional service, achieving cost reductions, and providing a solid foundation for operational excellence.

Implementation of CBS Release 2.2B, Omni Channels and ICP will play a crucial role in the technological growth of the bank as most of the current digital channels and payment applications will be decommissioned subsequent to the successful completion of aforementioned bank's strategical projects.

BSF places very high priority on protecting its reputation, stakeholders and assets by effectively preparing for and mitigating significant risks across the organization. The Bank adopts and regularly updates risk management principles issued by the Basel Committee for Banking Supervision (BCBS) of Bank of International Settlements (BIS), and follows all applicable regulations issued by Saudi Arabian Monetary Authority (SAMA).

The Bank's Risk Management Framework was established to ensure strong risk management awareness and culture, and to integrate these practices in day-to-day business activities and responsibilities. It provides the requisite foundation for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

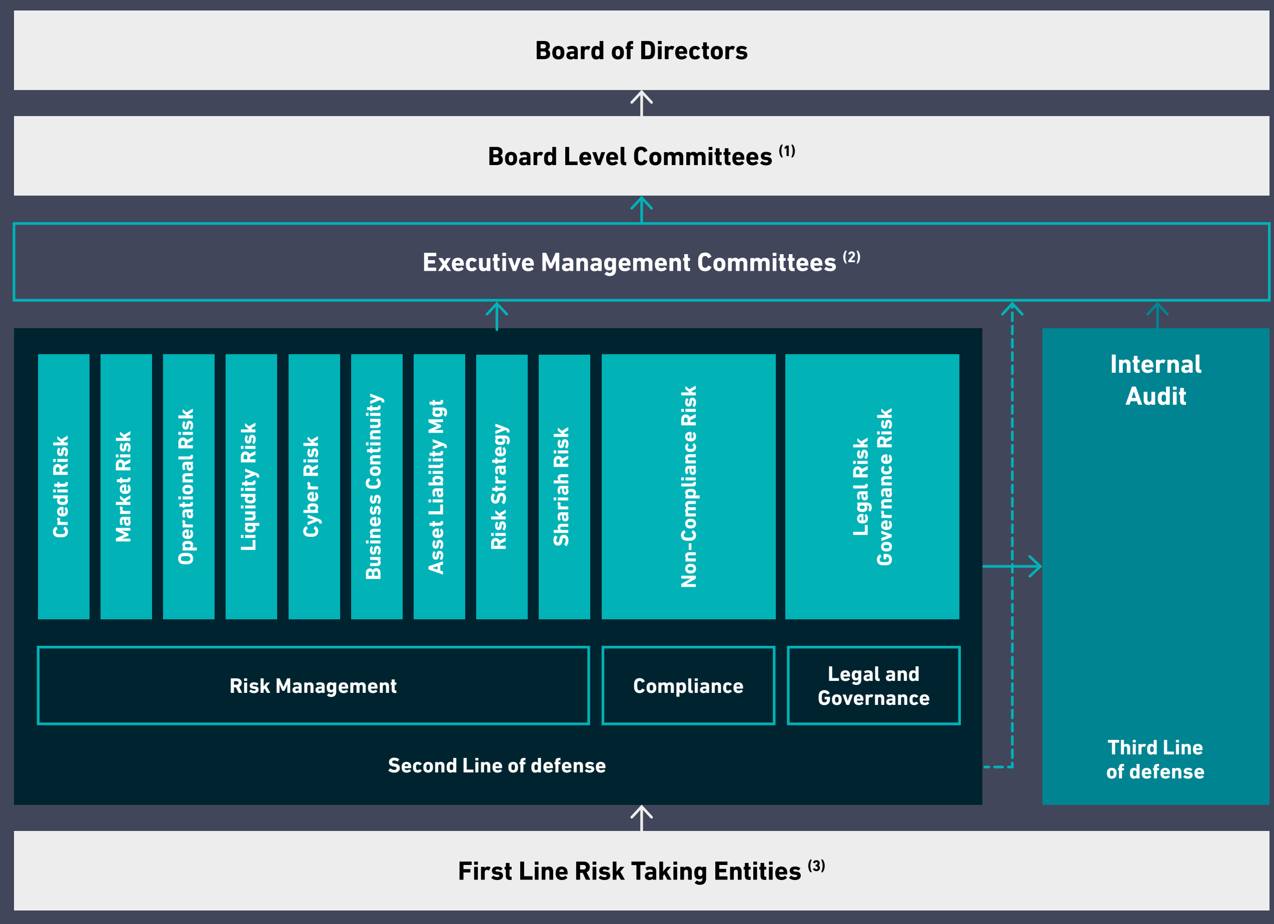
Risk governance

Effective risk management begins with effective risk governance. BSF's approach is to identify, analyze and respond appropriately to all material risks. The approved appetites, tolerances and actions required determine the risk responses selected for various types of risk. The Bank's Risk Appetite Framework, along with related metrics and thresholds, have continuously evolved over time according to the specific business objectives, including strategic, operational and asset protection needs.

The effectiveness of risk management and control measures is regularly reported to and actively acted upon by the Board, supported by an experienced executive management team. In addition, periodic independent reviews of the effectiveness of such measures are conducted. The Risk Governance Framework includes a strong risk management culture, a Risk Appetite Framework, articulated through its Risk Appetite Statement, and well-defined responsibilities for risk management and control functions, predicated on the three lines of defense model.

> "The effectiveness of risk management and control measures is regularly reported to and actively acted upon by the Board, supported by an experienced executive management team."

RISK MANAGEMENT AT BSF IS GOVERNED AS FOLLOWS:



Notes:
1 Board Level Committees – Executive Committee, Board Risk Committee, Audit Committee, Nomination & Remuneration Committee, and Strategy Committee
2 Executive Management Committees – Credit, Asset and Liability Management (ALCO), Risk Management, Information Security Governance, Compliance, Counter Fraud Governance and ESG
3 First Line – Business Lines (Institutional Banking, Retail Banking, Global Markets) & Support Functions (Finance, Operations, Information Technology, Human Resources)

BSF's Board of Directors has ultimate responsibility for the Bank's business, strategy and financial soundness, as well as its management and compliance obligations. The Risk Committee of the Board of Directors is responsible for advising the Board on the Bank's overall current and emerging risks; appropriateness of appetite and thresholds, including adherence to the same; review and approval of strategies and comprehensive policies for risk management, consistent with the nature and volume of the Bank's activities and dynamic environment; oversight of senior management's implementation of the Risk Management Framework; reporting on the state of risk culture; and overseeing the adequate functioning of the Risk Management function.

Under the direction of the Board and its Committees, the Chief Executive Officer and senior management conduct and manage the Bank's activities in a manner consistent with the business strategy, risk appetite, incentive compensation and other policies approved by the Board.

Three lines of defense

The Board and senior management have the ultimate responsibility for the governance of all risk-taking activities of the Bank. As the first line of defense, the business units have ownership, responsibility and accountability for assessing, controlling and mitigating risks, in line with the Bank's Risk Appetite.

As the second line of defense, Risk Management, in coordination with the Bank's Compliance and Legal functions, facilitate and monitor the implementation of effective risk management practices by business and operational management, and assist the risk owners in reporting appropriate risk-related information to the relevant stakeholders. The risk management process includes Risk Identification/Recognition, Risk Assessment (Validation, Measurement and Prioritization), Risk Monitoring, and Risk Mitigation (Controls), and includes measurement models, frameworks, policies and assurance practices, in accordance with the Bank's Risk Management Principles, best practices and regulatory requirements.

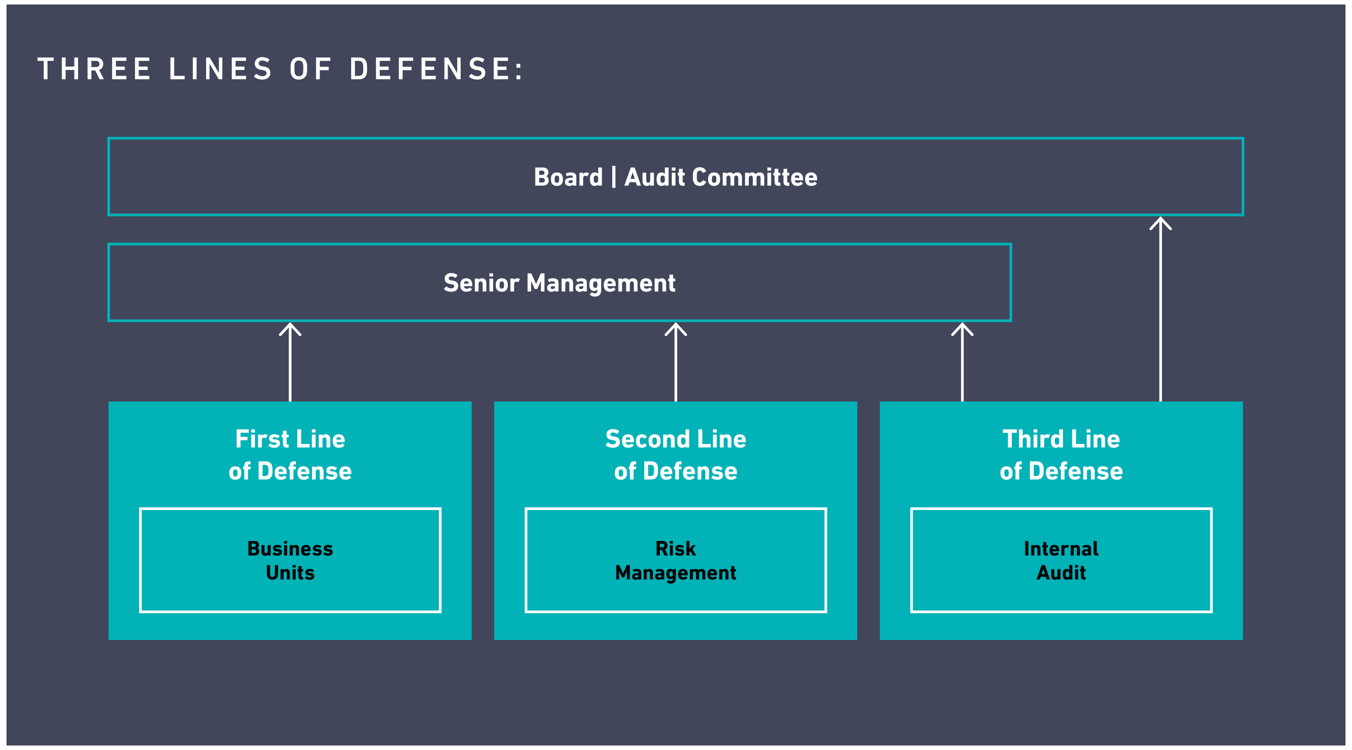
As the third line of defense, the Internal Audit function, through a risk-based audit approach, provides independent assurance to the Bank's Board and senior management on the effectiveness of the risk management process in the Bank, in terms of assessment and management of its risks, including the manner in which the first and second lines of defense operate.

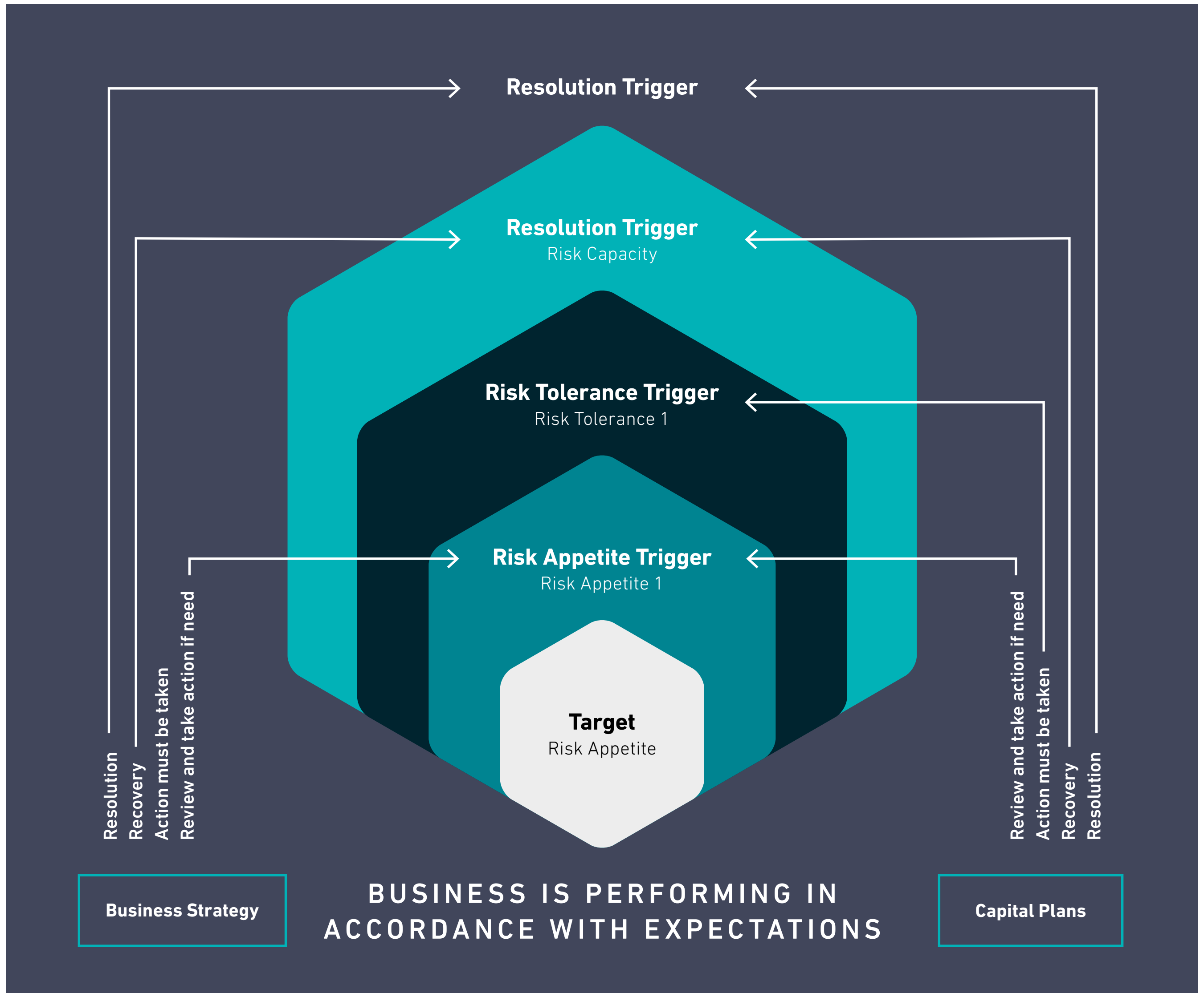
A strong risk culture aligns all employees to be risk owners, accountable for owning and managing reputational and operational risks.

2022 achievements

In 2022, with economic recovery and growth in the Kingdom, BSF's Risk Management Group played an enabling role to deepen robust risk management practices and risk culture in the Bank, while also completing a range of initiatives launched in 2021/2022.

The Bank's Business Continuity Management Framework and its crisis management plans, collectively designed to manage disruptions, were rigorously tested through full failover disaster recovery tests, in accordance with SAMA Guidelines. In addition, ISO 22301 certification was achieved.





The Bank has deepened its investment and focus to cybersecurity initiatives this year, with continuous compliance to Payment Card Industry Data Security Standard (PCI DSS) certification, SWIFT Customer Security Framework, SARIE and ISO/IEC 27001, a globally recognized best-practice framework. Cyber Security has also adopted robust methodologies to ensure compliance with mandates of SAMA Cyber security Framework and mandates from National Cybersecurity Authority and is working towards a stepped-up maturity level.

With a comprehensive Credit Policy and Standards developed in the previous years and a fit-for-purpose Target Market Risk Acceptance Criteria update in 2022, Risk Management's credit team is equipped with a comprehensive, process-oriented approach for improved and diversified origination. Together with a focused recovery strategy, this has started bearing results in terms of a more robust credit portfolio and an improved bottom line. Overall, credit processes have shown progressively reduced turnaround time by improving process efficiency thus supporting credit portfolio growth.

Further, there were significant improvements in the Bank's capital planning and bi-annual stress tests, both in terms of sophistication and granularity.

Regarding regulatory capital, the Bank conducted several Quantitative Impact runs using the published Guidance for Basel III enhancements, for Credit Market and Operational Risks. With the relevant systems and processes in place, Capital reporting under the new norms commenced beginning Q1 23. Impact assessment of the newly published Basel 4 draft guidelines is deemed favorable from a capital perspective. Retail Risk Probability of Default and Macroeconomic Models were re-developed in 2022. Further, Wholesale Loss Given Default Model was also developed in 2022. In addition to better credit decisioning, these would lead to improved accuracy in credit provision estimates under IFRS 9 framework.

Risk Management also actively participated in initiatives related to the Bank's Core Banking System.

As our business grew in 2022, so did our diverse and talented workforce. We continued to adapt to the revised BSF Strategy (marking the fourth year of our five-year-strategy pillars), whereby new guidance on strategic direction focused on Profitability, Digitalization and leading Customer Experience. BSF employees continued to experience significant increases in engagement, internal mobility and performance during the year, underpinning a strong performance for the Bank and positioning BSF for accelerating success in the future.

The challenges brought by the COVID-19 pandemic, coupled with our rapid growth in 2022, created both lessons and opportunities for us to reorganize and redefine our Human Capital focus, policies and processes.

We continued to invest in key strategic initiatives related to digital and technological transformation. We introduced changes to long- and short-term incentive plans, child education allowance as well as other regulatory job-related allowances; in addition to the launch of the Flexible working policy which supports a Flexible Working environment, by providing Flexible Time and Flexible Place arrangements for our employees. Further, we put forward enhancements to our performance management process, developing a progressive, potential-based approach to employee development that strengthens the link between performance and reward. We also revamped our technical and behavioral competencies as part of the career pathways framework, and managed to launch BSF's Talent Review process, updating our successor pool and setting a regular cadence for review and discussion.

BSF's Recruitment process was reengineered with a focus to "hire for the future". This includes establishing a mobility program, expanding our talent programs, as well as developing models for leadership development and career progression. Our recruitment strategy helped us to hire 492 new employees, bringing our total to 2,757 and increasing the proportion of females as well as Saudi Nationals on our team.

Each day, we strived to make BSF's culture and work environment more engaging, dynamic and growth-oriented for our people. We continue to elevate employee communication through driving transparency and participation. We also created an entrepreneurial landscape, hosting innovation forums and offering rewards for innovation across departments. The result was a more innovative culture, leading to new processes, services and products that will have a positive impact on our people, our customers and our bottom line.

2022 ACHIEVEMENTS

2022 saw numerous Human Capital successes worth celebrating at BSF. Employee engagement increased, with our eNPS score increasing to 26 (from a base of -18), which can be attributed to the Bank's inspirational leadership, commitment to continuous learning and improved business agility. Engaging employees in change management, with various initiatives reflected positively as well on our eNPS.

Our internal mobility rate has reached a percentage of 38.14% in 2022, of which a large number of employees progressed to higher positions at BSF. We also remained at an overall attrition of 13.93%.

The improvement of female participation in our workforce is in line with our Diversity and Inclusion Strategy. We were able to increase the ratio of our female employees to 22.45%, a 1.39% jump from 2021. We also increased the number of women in senior positions from 13% in 2021 to 15% 2022.

Our commitment, and intentions to recruiting, developing and engaging Saudi Nationals remains strong with a percentage of over 90%.

Further, we achieved a number of milestones in a number of key areas, including HR effectiveness and efficiency, culture change by connecting values to performance, and building capabilities to prepare for future success.

Total Employees
2,757

People Recruited in 2022
492

Male Employees
2,137 (78%)

Female Employees
620 (22%)

Saudi National Employees
91.29%

People with Disabilities
1%
(Males: 13, Females: 5)

> **"Our recruitment strategy helped us to hire 492 new employees, bringing our total to 2,757 and increasing the proportion of females as well as Saudi Nationals on our team."**

> "In the coming year, we will continue to nurture and grow our talent, with a focus on succession planning and emphasis on the development of our employees' talents, skills and careers."

Improving HR Effectiveness and Efficiency
In 2022, we continued to align our HR operating model with BSF's five-year corporate strategy. We restructured our HR team in line with the strategy and conducted a full review of HR policies, procedures and rewards practices. This led to us revamping staff cost reporting and data analytics, as well as better managing staff cost optimization, budgeting, monitoring and reporting.

We implemented several automation related initiatives to improve our employees' experience. We continued reviewing and revamping our sales incentive schemes in Retail Banking and Collections whereby all incentives are monitored through Incentive Oversight Committee. We launched employee lending programs and improved our employee savings plan. We introduced the bank-wide "On-Spot" recognition program which celebrated behaviors associated with the BSF values.

Connecting Values to Performance
2022 saw major shifts in the work culture at BSF. We launched our fourth employee engagement survey and elevated employee service quality by adopting a customer service model.

We activated BSF's Employee Value Proposition, culture and values, and developed behavioral competencies linked to those values. We also established a performance-based culture, incorporating our values into assessments. We launched our Internal Mobility Programme as the preferred first option to fill internal job openings. At the same time, we continued to monitor underperformance management program to legally manage low performers up or out of the company.

Further, we redesigned the onboarding experience to incorporate new hires into BSF's culture. We activated the FransiCareers Page and increased its traffic from LinkedIn. We were able to increase our followers on LinkedIn from 78,000 to 200,000+, which increased the number of influenced new hires.

Laying Foundations for the Future
In 2022, we have been planning for the future through various talent management streams. We designed our leadership model, known as LeadBSF, and established succession plans for critical senior roles. We also completed development assessments for senior leaders.

This year, we launched exciting initiatives to help our people become more future ready. We laid out BSF's three-year learning strategy and re-designed the learning needs analysis process.

We rolled out new business learning curriculums and learning manuals covering Corporate Banking, Risk Management and Retail Banking and other bank wide functions. We also designed the Private Banking curriculum, as well as the Core Values Skills Programme and the Agile Delivery future skills program.

BSF Academy continued to execute the transformation Journey methodology & plan for changing the academy operating model to adopt a more future based learning practices that tackle the advancements in fin-tech and banking technology.

We launched talent programs for the banking and cybersecurity departments, as well as Treasury Product Days to promote cross-selling. We also ran INSIGHT, a development program for key clients, and Leadership Team Day for the Corporate Banking department.

2023 FOCUS
BSF has outlined a clear people strategy for 2023, which is designed to drive holistic growth based on the pillars of "Talent", "Performance", "Agility" and "Culture".

BSF People Strategy
In the coming year, we will continue to nurture and grow our talent, with a focus on succession planning and emphasis on the development of our employees' talents, skills and careers. We will advance our Assessment Centre and promote knowledge sharing across the company. Key initiatives include the Cybersecurity Development Programme, The Banker Programme 2023, BSF leads (Emerging leader) and banker manager program; as well the newly established Credit Academy, and further developments of the Retail Banking and GMG curriculums. We also anticipate 100% completion of the RBPFC and Credit Advisor certifications by relevant staff (currently at 90%).

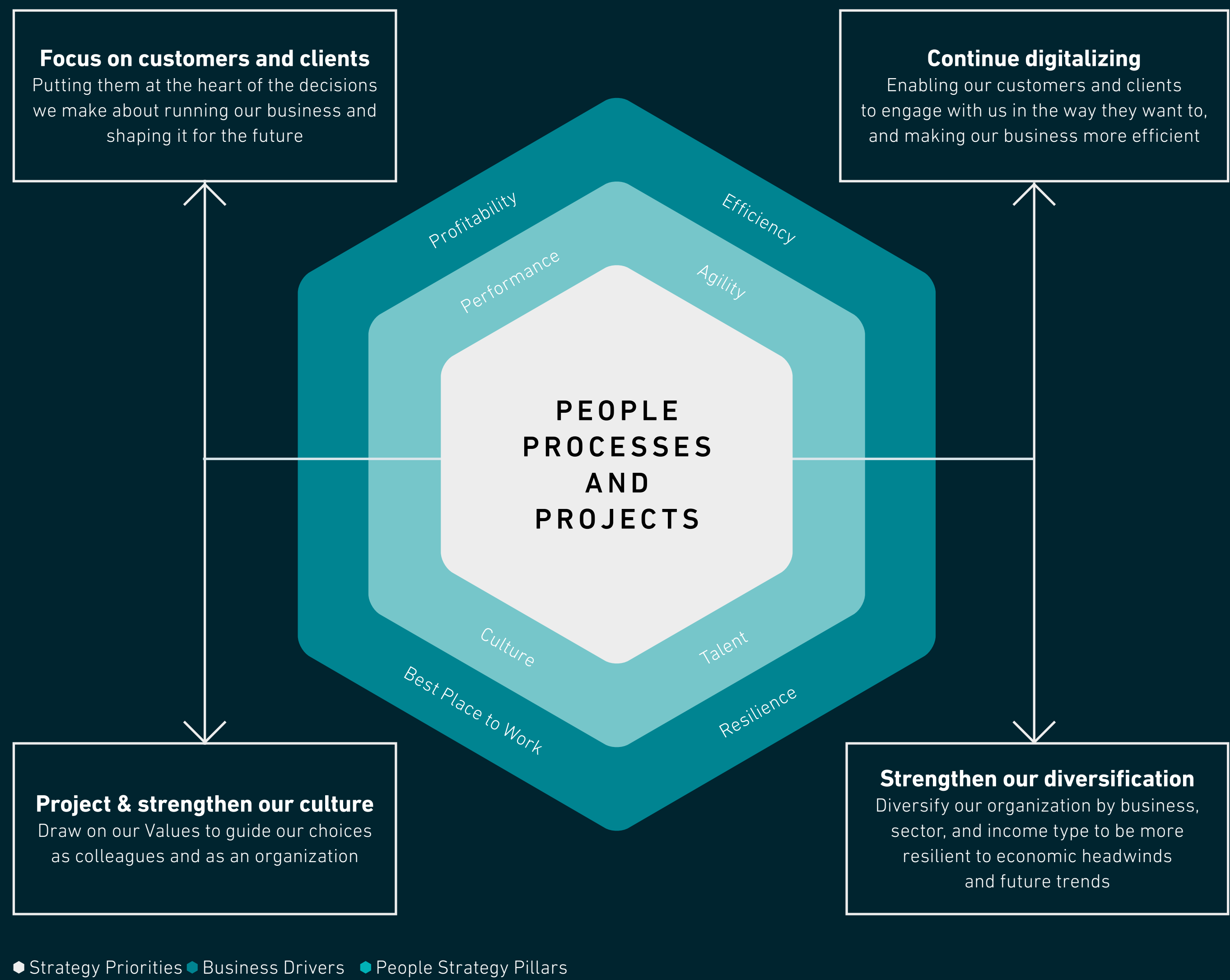
Improving our performance and agility is also a priority, with BSF employing Smart Performance Management, and improving rewards and incentives, as well as data analytics. In 2023, we plan to focus heavily on wellness and satisfaction, addressing remote working, smart working and helping our employees become "fit for the future." As well, we will continue with a number of IT projects, including further developing our ERP and automation across the business.

2023 will be another transformative year for the BSF workplace culture. We will focus on recognition, wellness, and diversity and inclusion. As well, we will work to attract new graduates and develop an alumni program. We will continue with our engagement survey and also present the outcome of the BSF Culture Audit. We will continue supporting our employees by revising the credit card limit process, and help their families with a Parents Medical Insurance program. Finally, we will continue promoting the Bank-wide "On-Spot" recognition program, which celebrates behaviors associated with the BSF values, laying a strong foundation for continued success.

BSF continues expanding efforts, to further our enhance recruitment strategy to help attract, grow and retain the strongest talent bench in the industry. We elevated our employee experience covering internal mobility, diversity, and automation. As part of our employer branding, continue to improve the recruitment, and onboarding systems.

The bank will continue to deliver on its commitment to providing its employees with growth and development opportunities, through various programs (BSF leads emerging leaders, Banker Manager program) that are targeting different levels of existing employees. These programs are aimed to build our future leaders and to accelerate our current leaders' effectiveness in a reasonable time frame, delivering on specific objectives to address leadership gaps and aspirations at BSF. We will continue to introduce the 2023 programs for the fresh graduates' programs such as (Banker Associate Program, Digital Apprenticeship Program, etc) to attract talented and motivated Saudi graduates from leading local and international universities, who aspire to build a career in the Banking and Financial Markets industry.

BSF PEOPLE STRATEGY



STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS

CORPORATE GOVERNANCE

Mazin Al Romaih

Chairman

Current positions

CEO of Future Generation Investment Company

Previous positions

- Member of the Board of Capital Market Authority, 2009-2014
- General Manager and Chief Executive Officer at Samba Capital & Investment Management Company (Samba Capital), 2008-2009
- General Manager of Corporate Finance Department at Capital Market Authority, 2004-2007

Qualifications

Bachelor of Accounting and Financial Management, University of Buckingham, 1992

Talal Al Maiman

Vice Chairman

Current positions

CEO of Kingdom Holding Company

Previous positions

- Chairman of the Board and CEO of Kingdom Real Estate Development, 2010-2017
- CEO of Kingdom Holding Company, 1996-2016
- Director of Computer Department at Saudi Central Bank, 1986-1996
- Director of Operations of IT Center at Ministry of Interior, 1979-1986

Qualifications

- Master of Business Administration, University of Liverpool, UK, 2009
- Bachelor of Sciences in Electrical Engineering, University of Evansville Indiana, US, 1979
- Executive Management Program, Harvard University, 1986
- Diploma in Computer Science, Computer Sciences Corporation (CSC), Herndon, Virginia, 1981

Abdulrahman Al Rashed

Board Member

Current positions

- Member of Al Shura Council
- Executive partner at Rashed Abdul Rahman Al Rashed & Sons Company
- Chairman of the Board of Directors of Dammam Hotels Company
- Chairman of the Board of Directors of UNICOIL Universal Metal Coating Company

Qualifications

Bachelor of Business Administration, Department of Finance, University of Seattle, 1985

Khaled Al Mutabagani

Board Member

Current positions

- Pediatric Surgery Consultant at New Jeddah Clinic Hospital
- CEO of New Jeddah Clinic Hospital
- CEO of Madina National Hospital

Previous positions

- Pediatric Surgery Consultant at King Faisal Specialist Hospital, Jeddah, 2000-2001
- Assistant Professor, Physiology at the Medical College in King Abdulaziz University, Jeddah, 2000-2002

Qualifications

- Ph.D. in Physiology, The Ohio State University, 1999
- M.S in Physiology, The Ohio State University, 1993
- M.B. & Ch.B, King Abdulaziz University, 1988

Bader Al Issa

Board Member

Current positions

- Managing Director of Al Marai Company
- CEO of Assila Investment Company

Previous positions

- CFO of Assila Investment Company
- Investment Portfolio Manager at HSBC Saudi Arabia Limited, 2006-2008
- Financial and Marketing Analyst at SABIC America, Houston, Texas, 2002-2004
- Financial Analyst at JP Morgan, London, 2001-2002

Qualifications

- MBA, Rice University, 2006
- Bachelor of Economy, The University of Virginia, Charlottesville, Virginia, 2001

Abdullatif Al Othman

Board Member

Current positions

Owner and CEO of Al-Othman Engineering Consultants

Previous positions

- Governor and Chairman of the Board of Directors, General Authority for Investment, 2012-2016
- More than 35 years in the field of planning and managing oil and gas projects, financial management, investment, business and international relations development

Qualifications

- MBA., Sloan Fellows program, Massachusetts Institute of Technology, 1998
- Bachelor of Civil Engineering, King Fahad University of Petroleum and Minerals, 1979

Ghazi Al Rawi

Board Member

Current positions

Chairman of Valuegate Investments Company

Previous positions

- Managing Partner – Eastgate Capital Group, 2006-2015
- Assistant Professor, Electrical Engineering King Abdulaziz University, 2004-2006
- Associate – McKinsey & Company, 2003-2004
- Research Assistant – Stanford University, 1999-2002

Qualifications

- Ph.D. in Electrical Engineering (EE), Communication, Stanford University, 2003
- M.S. in Management Science and Engineering (MS&E), Finance and Investment, Stanford University, 2001
- Master's in Electrical Engineering (EE), Communication, Stanford University, 1998
- Bachelor of Electrical Engineering (EE), Communication, King Abdulaziz University, 1994

Khaled Al Omran

Board Member

Current positions

General Manager of Daily Food Company

Previous positions

- 10 years in Retail
- 2 years in Management Consulting

Qualifications

- Master's in Business Administration, IESE Business School, Spain, 2012
- Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006

Timothy Collins

Board Member

Current positions

- Senior Fellow and Director of the Henry P. Belton Fellowship Program, Yale School of Management
- Member at New York State Common Retirement Fund Investment Advisory Committee
- Member at Yale Divinity School Advisory Board

Previous positions

- Director at RHJ International, 2004-2018
- Director at Gogo, Inc, 2013
- Director at Citigroup, Inc., 2009-2012
- Director at Weather Investments SpA, 2008-2011
- Director at 3W Power Holdings Ltd, 2009-2011
- Director at Commercial International Bank of Egypt, 2006-2009
- Director at RSC Holdings Inc., 2006-2009

Qualifications

- Honorary Doctorate of Humane Letters, DePauw University, 2004
- MBA in Public & Private Management, Yale University,1982
- BA in Philosophy, DePauw University, 1978

Rayan Fayez

Managing Director & Chief Executive Officer

Current positions

Managing Director and CEO of Banque Saudi Fransi

Previous positions

- CEO of Savola Group, 2016-2018
- Managing Director and Senior Country Officer at JPMorgan Chase N.A, Riyadh Branch, 2013-2016
- CEO of JP Morgan Saudi Arabia Limited, 2012-2013
- CEO of Goldman Sachs, Saudi Arabia, 2009-2012
- Executive Director at Goldman Sachs International, London, 2007-2009

Qualifications

Bachelor of Science in Mechanical Engineering, Massachusetts Institute of Technology (MIT), 2001

Introduction

Ladies and Gentlemen: Shareholders of Banque Saudi Fransi

Greetings,

Banque Saudi Fransi (BSF) Board members are pleased to present their annual board report for the fiscal year 2022.

Banque Saudi Fransi is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 4, 1977), after taking over the operations of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank formally commenced its activities on Muharram 1, 1398H (corresponding to December 11, 1977). It operates under Commercial Registration Number. 1010073368 dated Safar 4, 1410H (corresponding to September 5, 1989), through its 82 branches and 2 self-service centers in the Kingdom of Saudi Arabia, with 2,757 employees. The objective of the Bank is to provide a full range of banking services, including Islamic products and services, which are approved and supervised by an independent Shariah Committee. The Bank's Head Office is located at King Saud Road (AlMa'ather previously), AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

Net income after Zakat for 2022 financial year amounted to SAR 3,575 million compared to SAR 3,450 million in 2021. Net income increased by 3.6% mainly due to higher revenue (SAR 889 million) which was partially offset by higher expenses (SAR 207 million) and higher impairment (SAR 516 million).

Total operating income increased by 12.5% driven by net special commission income, net fee and commission income, exchange income, trading income and dividend income, this was partially offset by a reduction in gain on non-trading investment.

Meanwhile, total operating expenses excluding impairment charges increased by 8.4%. This increase was primarily due to increase in Salaries and staff related expenses, Rent and premises and other operating and general and administration expenses which was offset by reduction in depreciation and amortization. Net impairment charges amounted to SAR 1,360 million, increased by 61.1% or SAR 516 million, reflecting a comprehensive review of the bank's credit portfolio.

Net special commission income increased to SAR 6,427 million, an increase of 12.8% (SAR 728 million) compared to SR 5,699 million in previous year. Total assets amounted to SAR 232,078 million at the end of 2022, an increase of 7.5% compared to SAR 215,802 million in 2021. The investment portfolio grew by 1.5% to SAR 44,518 million at the end of December 2022 compared to SR 43,858 million at the end of previous year. Net loans and advances also increased by 7.6% to SAR 159,012 million at the end of 2022 compared to SAR 147,813 million for the previous year. Customer deposits increased by 11.02% to SAR 157,592 million at the end of December 2022 compared to SAR 141,950 million for the previous year.

Banque Saudi Fransi will continue to achieve its strategic objectives to enhance its position in the banking sector, improve its profitability and deliver a seamless customer and employee experience.

In this report, information is given on the bank's activities, major indicators during 2022 and details on the governance framework of the Board of Directors, its committees and internal controls.

(1) Bank's strategy and future plans:

A. Future plans:

Banque Saudi Fransi has developed a client-centered strategy aiming at ensuring a well-balanced contribution to the net profit of the Bank from its different business lines underpinned by a focus to put the customer at the heart of everything we do. 2022 has proven to be a year full of changes for the banking industry, with interest rates rising much higher than what was initially expected and consumer demand change in light of rising financing costs. To that end, BSF is undergoing a strategy refocus that aims at aligning our operations and strategic targets to the newfound macroeconomic environment. This refocus will drive our initiatives for the upcoming five years and help ensure that BSF meets its overall performance targets.

The 2022 strategy refocus (which will kick off in December 2022) will incorporate the following inputs to shape the future direction of the Bank, under the direction of the Bank's Leadership Team:

1. BSF's current position in the KSA market.
2. Assumptions of market and segmental growth based upon historical growth trends in the KSA market, as well as broad macroeconomic trends relating to consumer demand and private sector willingness for investments.
3. The impact of Vision 2030 and an analysis of the opportunities this presents the Bank, with a focus on the latest government initiatives relating to the financial sector broadly and FinTech specifically.
4. An analysis of Global banking trends and potential opportunities i.e. digital, new business models, FinTech developments.
5. Local banking trends i.e. consolidation, digital attackers, new international entrants.
6. Addressing SAMA priorities in retail segments i.e. mortgages, savings and SME.
7. Trends relating to increased need for the Bank operating efficiency to ensure higher returns on equity.

Additionally, as part of the continuous improvement efforts, the Bank implemented several key organizational changes to enhance operational synergies and better equip business lines and support functions to provide the best services. This includes:

1. Reviewing Strategy & Digital Group departments synergies and effectiveness (Strategy, Customer Experience, Digital and Marketing & Corporate Communication) that resulted into:
   - Moving Strategy Group to be under the Chief Finance Officer domain.
   - Moving Customer Experience from Strategy & Digital Group to Personal Banking Group.
   - Moving Marketing & Corporate Communication from Strategy & Digital Group to Personal Banking Group.
   - Creating standalone Digital and Innovation Group with focus on BSF wide digital agenda.
2. Setting up Environmental and Social Governance Division under Legal and Corporate Governance Group.
3. Moving Islamic Banking Division to Legal and Corporate Governance Group.

B. Strategy:

The "Leap" program initially defined Banque Saudi Fransi's ambition in 2018 as:

1. To achieve and sustain an overall 10% market share in the Kingdom across total assets and liabilities;
2. To become the #1 Bank in the Kingdom in terms of Net Promoter Score (NPS).

Moreover, based on the feedback from the Board of Directors as part of the 2021 Strategy re-assessment, BSF's ambitions have been re-aligned to be as follows:

- Focus of Profitability and Return on Capital above Cost of Capital.
- Remain among the top players in our target segments.
- Focus on Leading Customer Experience and Customer Advocacy being the #1 Bank in the Kingdom in terms of Net Promoter Score (NPS).

Strategic pillars:

These overall ambitions are supported by the following strategic pillar, led by our business line groups:

- **Wholesale Banking:** To protect BSF's asset and liability market share whilst growing its fee income lines to improve our Return on Equity and drive the next generation of wholesale banking in the Kingdom.
- **Treasury:** To strengthen BSF's position and grow our ROI through opportunistic trades and innovative products and solutions.
- **Private Banking:** Capitalize on BSF's superior value proposition and market-leading position to further grow our market share with double digit customer growth, boost returns, be the best in client loyalty and become a multi-generational partner for our clients.
- **Retail Banking:** Double down on the Affluent segments and deliver exceptional banking solutions and services through leading digital channels and enhanced savings, mortgage, cards, and lending products.
- **Digital & Innovation:** supporting the evolution of the Bank and preparing for future changes by instilling a digital-mindset and culture across the bank.

(1) Bank's strategy and future plans: continued

In Wholesale Banking, the Bank actively steer the portfolio to higher-value offerings to achieve returns by capitalize on emerging high-value sectors and prioritizing book quality to improve the bottom line, become the trusted partner of KSA's most sophisticated clients, and providing tailored offering to the different MSME sub-segments. In addition, we will increase focus on maximizing fee income by capturing a larger wallet share from our clients and supercharging our digital capabilities to deliver best-in-market service and enable healthy business growth. This will be underpinned by a large commitment to implementing our enhanced Integrated Corporate Portal (ICP).

In 2022, the Wholesale Banking Group (WBG) carried out the following business strategies which enabled it to maintain its strong position in the Corporate Banking forefront at the same time establish efficiency in its operations:

- Rebalanced the portfolio to focus on low risk, higher revenue sectors with strong growth whilst continuing to uphold the credit quality standards of the Bank to minimize NPLs.
- Leveraged on industry-leading advisory capabilities.
- Empowered relationship managers with digital capabilities to create enterprise value, and interact more efficiently with customers.
- Enhanced product and solution offerings that leveled up the Bank's capability in addressing customers' diverse and changing needs.
- Boosted cross-sell efforts to increase customer wallet share and provide auxiliary products that will optimize every client's revenue generation potential.
- Invested in efficient and nimble infrastructure, platforms, innovation and data capabilities, to drive and support growth; and adapt to industry and regulatory changes.

A main highlight in the WBG initiatives for 2022 was the implementation of the new organization structure where new sectoral units were established to increase efficiency and to enhance service offerings primarily to address distinct customer requirements of each business line. Financial Institutions and Government Institutions and Public Entities spun-off from Corporate Banking whilst Global Transaction Solutions was created as the department umbrella managing both Trade & Supply Chain and Liquidity and Cash Management. This project also gave the opportunity for WBG to set-up support units which were aimed to improve the way it does business such as the Business Governance Unit under Business Management and Contract Financing Unit reporting directly to Corporate Banking.

At present, there are four major business lines under WBG namely the Corporate Banking Group (CBG), Project and Structured Finance (PSF), Global Transaction Solutions (GTS) and Financial Institutions & Government (FIG).

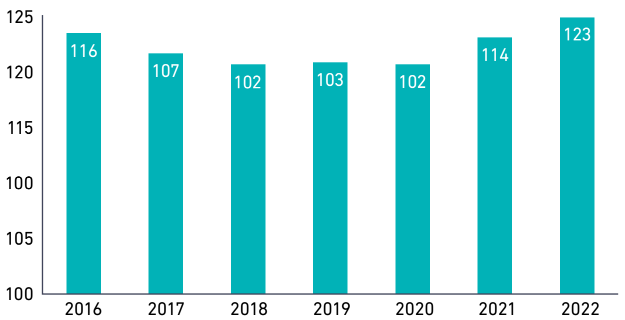
Corporate Banking Group (CBG)

As is previous years, the Corporate Banking Group drove WBG's profitability in 2022 with corporate loans comprising 76% of BSF's loan book. A higher level of corporate banking activity in the Kingdom, along with a phased resumption of Vision 2030 projects, supported growth and profitability for CBG.

In 2022, customer base increased to 6,000, of which 1,800 have active credit facilities. Total assets and customer deposits, especially non-commission bearing deposits (NCBDs), consistently followed an uptrend during the year which then translated to increase in profitability despite hurdles from increase in provisions. This trend is expected to be sustained by the build-up of pipeline business and close monitoring of facility utilization rates.

CBG Total Assets

(In SAR Billion)



With technology and customer experience increasingly shaping CBG's day-to-day engagement with its clients, average Net Promoter Score (NPS) for the year was at 54.6%.

Cross-selling, being one of the major strategic business objective of CBG, was heightened in 2022. CBG supported the sale of Retail Banking products using the Bank's Corporate Banking relationships as a platform to distribute products to staff of its Corporate customers. It also leveraged on the Treasury segment's expertise in derivatives products to expand its range of product offering and risk advisory solutions. These generated increased revenues while increasing customer satisfaction and engagement with various divisions of the Bank. Close monitoring on cross-sell efforts was instituted to ensure that CBG maximizes the benefits from this endeavor. Cross-selling income from across the Bank increased by 6% to reaching almost SAR 800.0 million to date.

Project and Structured Finance (PSF)

Project and Structured Finance (PSF) maintained BSF's position as the bank of choice for the most sophisticated large financing projects in the Kingdom and complex structured syndicated transactions with complex cash flows. It upped its performance in supporting, financing and providing financial advisory services to projects across a range of industries and sectors from local, regional to international developers. These were in addition to providing financial instruments/solutions to large corporate entities with complicated financing requirements which included restructuring or refinancing needs. To complement the foregoing, PSF provided loan agency services to more than 40 facilities across the portfolio of PSF which includes performing roles as account bank, security agent, facility agent and other roles as the financing may require.

PSF was vigorous in supporting Vision 2030 initiatives during the year. It successfully financed major infrastructure and other flagship KSA projects including the Red Sea Utilities project with ACWA Power, an industrial gas hub project in Jubail with Air Products, a US based manufacturer of industrial gases rated A/A2 by S&P, Vision Invest and Al Mutlaq group and NEOM Green Hydrogen project with both Air Products and ACWA Power. Moreover, PSF assumed key roles in initiatives of renewable energy opportunities across the Kingdom as it recently secured approvals to participate in Al Rass 700 MW solar PV IPP to be developed by ACWA Power and procured by Saudi Power Procurement Company. Meanwhile, PSF continued to collaborate with various government support programs to finance clients in new emerging sectors such as tourism and entertainment (through Tourism Development Fund and Events Investment Fund), and will continue to finance various projects initiated/ supported by the government.

The PSF Team was recognized for its contributions and achievements in the banking industry by various agencies during the year. Select deal experience credentials were as follows:

- Project Finance Deal of the Year for Jazan Integrated Gasification Power Company by GFC Media Group. BSF was a co-financial advisor and a mandated lead arranger.
- Project Finance Deal of Year for the Red Sea Development Company's Green Financing GFC Media Group. BSF was a Mandated Lead Arranger.
- Hybrid Energy Deal of the Year for Jazan Integrated Gasification Power Company by IJ Global.
- Petrochemicals Deal of the year for Sadara Chemical Project Restructuring by IJ Global.
- Social Infrastructure Deal of the Year for Schools Wave 1 by IJ Global.
- Refinancing Deal of the Year for Riyadh PP11 by IJ Global.

Global Transactions Solutions (GTS)

Trade and Supply Chain (TSC) and Liquidity & Cash Management (LCM), two business lines which were seen to have massive growth potential, were being managed under the recently revamped Global Transaction Services Unit (GTS). GTS' main objectives during the year were to take advantage of BSF's market position in Corporate Banking by tapping the trade finance requirements of the Bank's corporate clients and their Global Transactions Solutions (GTS) (Continued) supply chain. Parallel to this, its focus was geared towards delivering tailored cash management solutions to help clients make the most of their cash generated through their business activities.

Trade and Supply Chain (TSC)

TSC was the key driver for all trade finance-related business and associated activities to WBG. 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 & income tax bonds, shipping guarantees and counter guarantees. In addition, BSF's trade finance solutions encompass import / export documentary collection services, such as post finance letters of credit, avalization and bills discounting.

2022 saw the onboarding of TSC's new leadership team and beef-up its expertise with new key recruits across different disciplines within the business. With these resources in place, BSF's trade finance continued with its position as a market mover in terms of its traditional trade finance product and services offered in the market. The business line had also put focus on expanding the horizon in terms of comprehensive structured trade product offering and boosting its efforts towards FI trade and export business. These were coupled with initiatives to implement end-to-end digitization to deliver superior customer experience with higher efficiency. The development of an Integrated Corporate Portal (ICP) which was initiated during the year is seen to push this development further.

TSC built and solidified its profile in the market as the Bank of Choice for Trade and Supply Chain Solutions and these were reaffirmed by citations received from The Asian Banker survey during the year such as the Best Export Finance Bank Award and KSA Hall of Fame Trade Finance Bank Award.

(1) Bank's strategy and future plans: continued

Several initiatives were further carried out by TSC in 2022. New trade products were developed and rolled-out namely the Avalized Bills Discounting and Letter of Credit advising, negotiation and discounting for Non-BSF clients whilst efforts to market UPAS LC product and Export Negotiation/Discount business were heightened. The United Tariff Trade (UTT) was also implemented to boost revenues. Meanwhile, a partnership was forged with Fintech "Lamaa", a B2B Supply Chain Platform associated with Saudi Aramco, to offer Sharia compliant Supply Chain Finance facility in the country. Foregoing, alongside other trade products, were actively promoted through awareness sessions conducted during the year.

TSC continued to strengthen cooperation with government entities like Saudi EXIM, SIDF etc. to lift business development through collaboration. It also pursued to finalize its membership with International Trade and Forfaiting Association (ITFA) to expand its network and gain access to information on global trends in the trade business.

Major deals during the year included Letter of Credit negotiation, confirmation and discounting backed by Exim cover for ARAMCO Trading & Saudi EXIM; and Avalization BC Discounting for Tibbiyah & PHILIPS Healthcare. Ongoing initiatives on exports yielded healthy results with the 150% growth in volume whilst income of the overall trade business increased by 12% to date.

Liquidity and Cash Management (LCM)

LCM helps customers ranging from SMEs to large Corporates to sophisticated multinationals to manage their cash flow and transaction banking requirements through innovative and cost-effective solutions delivered via state-of-the art digital channels and a robust network of teams distributed across the country. LCM offers its customers a wide variety of solutions that help them make payments, manage collections and liquidity digitally with solutions such as FransiGlobal, FransiTrade, B2B, MACUG, e-Dividend, e-Payroll, Payroll Cards, Ejar and Acquiring Business (POS and E-commerce) carried out by three core business activities – Cash Management Sales, Cash Management Product Development and Cash Management Support.

LCM was repositioned as a liquidity engine for the Bank as supported by the WBG strategy to enhance its e-Commerce and POS service capabilities. BSF's POS business increased its market share and registered growth that even outpaced the market. The Bank implemented a variety of initiatives through the year that were aimed at improving the operational efficiency such as introduction of a new fee aimed at promoting increased utilization of the terminals and rationalizing the costs for the Bank, redrawing of contracts with vendors for improved pricing, revising the pricing with key customers ensuring profitability and write-off of inactive, aged terminals among others. Furthermore, to enhance the acquiring business, new agreements were established through Memorandum of Understanding signed with STC, DigitalPay and SurePay.

Growing levels of focus on the E-commerce business had yielded significant results evidenced though increased value of transactions processed by the Bank and the business continues to invest in partnerships with Payment Technical Service Providers (PTSPs), with more than eight (8) already onboarded while negotiations are underway with a few more. Meanwhile, the Bank won a deal with FlyNas, one of the largest e-commerce merchants in the Kingdom, to process their online booking.

During the course of the year, various value-added initiatives were implemented across the product range to enhance customer experience and streamline processes. With aspirations to deliver best-in-class user experience, B2B and FransiGlobal (FG) services were materially expanded keeping pace with market standards and the asks of customers. Furthermore, the Bank planned a major upgrade on FG to improve upon the services and offerings through the channel that will be rolled out in 2023. The Dividends Distribution system was enhanced and this helped the Bank land the deal to distribute the dividends of SABIC, one of the largest Petrochemical companies in the Kingdom and the region.

Overall, transactions through digital channels grew substantially in 2022 confirming the positive level of uptake of the Bank's digitization efforts.

Financial Institutions and Government (FIG)

In order to optimize the potential of these business lines, Financial Institutions (FI) and Government and Public Entities (GID) were established to be managed under a separate unit. This is to enable FI to boost its mandate that is to expand its correspondent banking network and banking relationships with FIs and NBFIs; whilst GID would be able to focus on deepening its involvement on servicing the government sector's banking and financial needs.

Financial Institutions (FI)

FI continued to maintain strong relationships with financial institutions and non-banking financial institutions both regionally and globally to whom it offered a full suite of correspondent banking services, including cash management, treasury and trade services. For year 2022, it endeavored to modify its operating and coverage model to improve efficiency and enhance offering to clients by expanding the scope of the business and service offerings. It was during the year that it has arranged its first term loan transaction amounting to USD 200.0 million which propels its momentum to become another major revenue source for WBG aside from being a consistent major contributor to the Group's trade finance volume. It also arranged the first syndicated loan for BSF generating USD 500.0 million in medium term funding at competitive pricing. Recognitions earned during the year were the Banking Operational Excellence Award from Citibank and Euro Operational Excellence Award from Commerzbank.

Government Institutions and Public Entities (GID)

WBG expanded the role of Government Institutions in 2022 to focus more on cross-selling and to be a viable source of referrals to other business lines. This has subsequently resulted to a large growth in shadow revenue on cross-selling involving GID. It conducted clean-up and regrouping exercises to be able to operate more efficiently; and enhanced its business performance monitoring via MIS dashboards to identify significant business drivers. Among its strategic objectives included focusing on customer experience and quality of service, strengthening relations with existing government entities, expanding BSF coverage in the government sector; and exploring newly established government entities.

During the year, GID had been active in establishing and fostering partnerships with government bodies in support of their Vision 2030-related initiatives. It signed several agreements and collaborated with government entities in different sectors that pour directly into the Bank's objectives and served as a competitive edge that position BSF better than other banks.

Moreover, GID was also a key contributor and participant to projects related to Vision 2030. With all these efforts and achievements, GID substantially grew its business in terms of client base, deposits, total revenues and financing referrals. In terms of customer experience, Net Promoter Score for GID in 2022 improved to 100% from 72% the previous year.

In Treasury, the Bank will aim to maintain its strength and continue to grow in line with the franchise businesses. In addition, to enhancing its expertise and market making capabilities This will be achieved by growing client sales and foreign exchange volumes in collaboration with the business line groups, as well as growing the investment book in-line with the corporate book and diversifying funding sources and investments. We have been very successful with our historical cash flow hedging activities and will continue to approach it strategically as we see the macroeconomic environment evolving. Finally, we have implemented the updated Foreign Exchange trading platform to improve our operations in that crucial area of business.

In Retail Banking, as part of the newly restructured Personal Banking Group, the Bank will leverage the newly implemented organizational structure to increase synergies between Retail and Private banking. This includes initiatives to improve client segmentation across both businesses and better utilizing our branch network to provide personalized services to all client tiers. In addition, the Bank aims to be "your banking partner". This will leverage our very strong position in affluent segments as well as driving scale by expanding into Upper mass segments that are close to our brand and DNA. To achieve this, we will invest into our brand, personalization, digital capabilities, people skills, and finalize our technology transformation.

In Private Banking, the Bank will aim to maintain its market leading position and continue to grow and protect the mutigenerational family wealth of our clients as well as become their main banking partner. To drive growth, we will focus on high net-worth and their families with special attention on the upcoming generations. We will expand our reach towards high potential clients to groom our future clientele and take advantage of higher margins. This will be enabled by increasing our strategic collaboration with Saudi Fransi Capital to offer unique opportunities for our clients as well as investing in our people and digital offerings to differentiate ourselves and continue to provide our bespoke services.

Finally, our Digital & Innovation team is working towards future-roofing our business with a vision to become the "Go-to bank for Digital" across all our stakeholders, like clients, employees, FinTech's, and regulators. We will achieve this by developing a digital culture and mindset in the organization and collaborating with business units on key strategic projects. Delivering our Open Banking and Banking as a Service propositions, FinTech Internships and Engineering Apprenticeships, a clear proposition for the FinTech community, a strengthened data science capability, and building an in-house innovation competency will enable us to cement a competitive advantage at a time of accelerating market and industry change.

These initiatives will be enabled and aligned with the growth opportunities and emerging trends planned as part of KSA's Vision 2030, an enhanced internal cross-selling framework, and reimagined digital propositions.

The outcomes of this strategy will lead the Bank to become more resilient in the face of future challenges and cement its ambition of becoming the most modern, innovative and experience-focused bank in the region.

The Bank has defined its strategic drivers around consistently delivering shareholder value, resilience in earnings and dividends, efficiency in operation, outstanding customer experience, and ensuring the bank remains a great place to work. The success of this strategy will be championed by exceptional leaders across every business unit and department, enabled by our talented people, and supported by a strong and committed Board of Directors.

(2) A description of the main scope of business of the Bank and its affiliates and a statement showing each activity and how it affects the Bank businesses and results:

The main activities of the Bank are as follows:

A. **Personal Banking –** offers individual customers through physical channels and digital platforms with their daily banking needs such as fund transfers, cash withdrawals, deposits and bill payments as well as products like demand deposit account, savings account, fixed deposit, personal finance, mortgage, debit & credit card and car lease.

B. **Wholesale Banking –** one of the largest providers of corporate banking services in the Kingdom, with a commanding market share ranked in the top 5 on all key volume and profitability matrices. WBG provides a wide range of corporate banking services to large local and international corporates, government and public sector entities, financial and non-banking financial entities as well as Medium, Small and Micro (MSME) enterprises It operates under the banner "One Client, One Bank" as the group offers integrated lending, payments, deposits, cash management and cash collection solutions.

C. **Treasury –** is responsible for managing the overall balance sheet and liquidity of the bank. Including trading, investments and capital market activities. Moreover, Treasury has a dedicated market advisory team, which caters for clients' hedging and market needs through bespoke financial products offering.

D. **Investment Banking, Asset Management and Brokerage –** It includes managing investment solutions for individuals, corporations and institutions including, portfolios and investment funds, brokerage and custody of securities, and providing investment banking services including arranging and advice.

The impact of these major activities on the Bank's size and contribution to the results is as follows:

ACTIVITY TYPE	NET INCOME BEFORE ZAKAT (IN THOUSANDS OF SAUDI RIYALS)	PERCENTAGE
Personal Banking	803,269	20.1%
Wholesale Banking	1,500,169	37.4%
Treasury	1,464,265	36.6%
Investment Banking, Asset Management and Brokerage	236,200	5.9%
Total	**4,003,903**	**100%**

The activities of major subsidiaries and their impact on the Bank's business volume and its contribution to the results are as follows:

SUBSIDIARY	ACTIVITY	NET INCOME BEFORE ZAKAT (IN THOUSANDS OF SAUDI RIYALS)	PERCENTAGE
Saudi Fransi Capital	Acts as principal and agent, and undertake, manage, arrange, advise and file in securities trading	236,200	5.90%
Saudi Fransi for Finance Leasing	Leasing and financing of vehicle assets (Cars, motorcycles, trucks) and heavy equipment and machinery, in addition to the purchase and registration of these assets	79,309	1.98%

As for Sakan Real Estate Financing Company, it is engaged in acquisition of real estate properties and land, providing finance for real estate properties and land through Ijarah and Murabaha, and carry out other investments. Saudi Fransi Insurance Agency Co. (SAFIA) is engaged in insurance brokerage services. Their contribution to the results is insignificant (less than 0.005%).

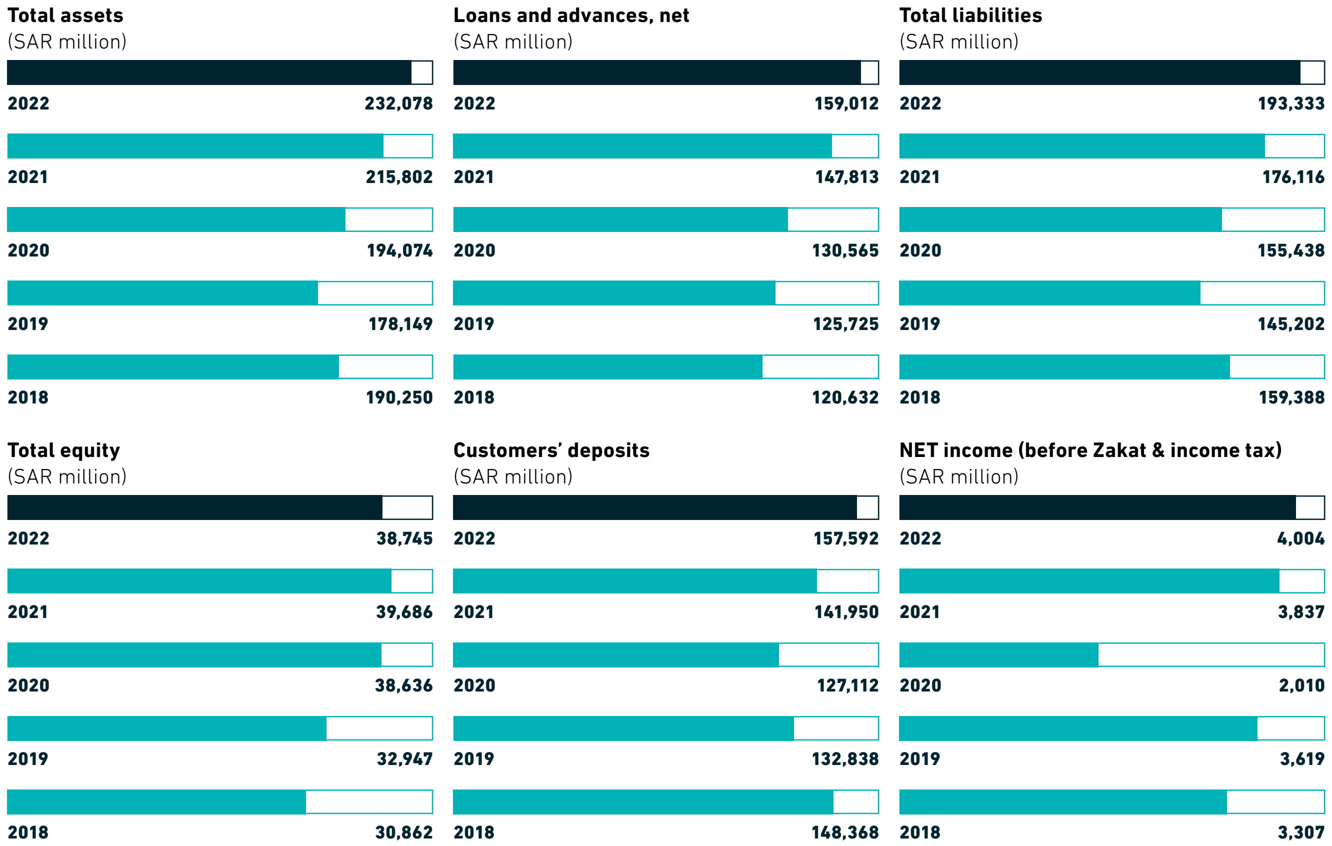
(3) Credit ratings of the Banque Saudi Fransi granted by international rating agencies:

RATINGS	STANDARD & POOR'S RATINGS SERVICES	MOODY'S INVESTORS SERVICE	FITCH RATINGS
Long-term ratings	BBB+	A2	BBB+
Short-term ratings	A-2	P-1	F2
Outlook / Review	Positive	Stable	Positive
Last published credit opinion	30/06/2022	28/11/2022	02/12/2022

(4) The Bank's assets, liabilities and financial results in the last five financial years:

(IN THOUSANDS OF SAUDI RIYALS)	2022	2021	2020	2019	2018
Total assets	232,078,119	215,802,026	194,073,584	178,148,577	190,250,277
Investments and investments in associates, net	44,527,244	43,867,936	37,688,336	31,463,474	28,381,675
Loans and advances, net	159,011,525	147,812,759	130,564,835	125,725,096	120,631,634
Total liabilities	193,332,794	176,116,356	155,437,639	145,201,859	159,388,327
Customer Deposits	157,592,320	141,950,208	127,111,644	132,837,502	148,368,004
Total equity	38,745,325	39,685,670	38,635,945	32,946,718	30,861,950
Total operating income	8,017,275	7,127,926	7,044,594	6,872,550	6,798,644
Total operating expenses	4,013,372	3,290,549	5,034,358	3,253,408	3,494,119
Share in earnings of associates, net	0	0	0	0	2,529
Net income before Zakat	4,003,903	3,837,377	2,010,236	3,619,142	3,307,054
Net special commission income	6,426,553	5,698,645	5,240,388	5,205,677	5,016,872
Fees from banking services, net	896,861	887,929	1,081,816	1,139,506	1,095,503
Impairment charge for credit losses and other financial assets, net	1,359,797	843,605	2,670,268	966,244	1,202,794
Salaries and employees related expenses	1,494,960	1,397,452	1,418,703	1,329,250	1,379,980
Number of employees	3,105	2,997	2,881	2,998	3,027

Financial indicators for the last five years:



(5) Geographical analysis of the Bank's and its affiliates' revenues:

The following table shows the income for each region (Eastern, Western, Central, Head Office, and subsidiaries) for 2022:

BANQUE SAUDI FRANSI AND ITS SUBSIDIARIES, EXCLUDING SAUDI FRANSI CAPITAL					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	1,284,605	1,235,670	2,399,114	2,647,219	7,566,608
Total Expenses (before provisions)	(197,573)	(150,245)	(248,023)	(1,843,486)	(2,439,327)
Provisions	(731,446)	(853,875)	214,032	11,712	(1,359,577)
Net income	355,586	231,550	2,365,123	815,445	3,767,704

SAUDI FRANSI CAPITAL					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	13,072	16,247	53,863	367,485	450,667
Total Expenses (before provisions)	(569)	(1,116)	(1,747)	(210,816)	(214,248)
Provisions	0	0	0	(220)	(220)
Net income	12,503	15,131	52,116	156,449	236,199

BANQUE SAUDI FRANSI GROUP					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	1,297,677	1,251,917	2,452,977	3,014,704	8,017,275
Total Expenses (before provisions)	(198,142)	(151,361)	(249,770)	(2,054,302)	(2,653,575)
Provisions	(731,446)	(853,875)	214,032	11,492	(1,359,797)
Net income before Zakat	368,089	246,681	2,417,239	971,894	4,003,903

(6) Material differences in the operational results compared to the preceding year's results, along with any expectations announced by the Bank:

(6/A) Consolidated income statement for the years ended on 31 December, 2022 and 2021:

(IN THOUSANDS OF SAUDI RIYALS)	2022	2021
Special commission income	8,307,199	6,193,711
Special commission expense	1,880,646	495,066
Net special commission income	**6,426,553**	**5,698,645**
Fee and commission income	1,423,040	1,403,396
Fee and commission expense	526,179	515,467
Net fee and commission income	**896,861**	**887,929**
Exchange income, net	474,684	336,131
Trading income, net	201,748	171,841
Dividend income	13,397	1,501
Gains on FVOCI / non-trading investments, net	3,524	27,804
Other operating income	508	4,075
Total operating income	**8,017,275**	**7,127,926**
Salaries and employee related expenses	1,494,960	1,397,452
Rent and premises related expenses	73,122	66,061
Depreciation and amortization	221,428	224,972
Other operating and general and administrative expenses	864,065	758,459
Total operating expenses before impairment charge	**2,653,575**	**2,446,944**

(IN THOUSANDS OF SAUDI RIYALS)	2022	2021
Impairment charge for expected credit losses on loans and advances, net	1,363,944	961,430
Impairment reversal for investments, financial assets and others, net	(4,147)	(117,825)
Total operating expenses, net	4,013,372	3,290,549
Net income for the year before zakat	4,003,903	3,837,377
Zakat for the year	428,773	387,500
Net income for the year after zakat	3,575,130	3,449,877
Basic and diluted earnings per share (SAR)	2.79	2.70

(6/B) Summary of financial results as follows:

(IN MILLIONS OF SAUDI RIYALS)	31-12-22	31-12-21	CHANGE	%
Net income after Zakat	3,575	3,450	125	3.62%
Net income before Zakat	4,004	3,837	167	4.35%
Total Operating income	8,017	7,128	889	12.47%
Net special commission income	6,427	5,699	728	12.77%
Assets	232,078	215,802	16,276	7.54%
Investments	44,518	43,858	660	1.50%
Loan and advances portfolio	159,012	147,813	11,199	7.58%
Customer Deposits	157,592	141,950	15,642	11.02%
Total equity	38,745	39,686	(941)	(2.37%)
Earnings per share (SAR)	2.79	2.70	0.09	3.33%

(7) The name of each affiliate, its capital, the Bank's ownership percentage, the main scope of business, the country of operation, and the country of incorporation:

COMPANY NAME	CAPITAL	EQUITY PERCENTAGE	ACTIVITY	MAIN STATE OF ITS OPERATIONS	STATE OF INCORPORATION
Saudi Fransi Capital	500 million Saudi Riyals	100	Acting as a principal and an agent, undertaking management, arranging, advising and custody in securities trading	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Fransi for Finance Leasing	500 million Saudi Riyals	100	Leasing and financing of vehicle assets (Cars, motorcycles, trucks) and heavy equipment and machinery, in addition to the purchase and registration of these assets	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Sakan Real Estate Company	500 thousand Saudi Riyals	100	Financing real estate and land through Ijarah & Murabaha, buying land and real estate, and investing on behalf of the Bank	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Fransi Insurance Agency Co.	500 thousand Saudi Riyals	100	Insurance brokerage services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

(7) The name of each affiliate, its capital, the Bank's ownership percentage, the main scope of business, the country of operation, and the country of incorporation: continued

Banque Saudi Fransi has a share in the Saudi Credit Bureau (SIMAH) of 10.9% of its capital of SAR 20 million. It also owns shares in the Saudi Financial Support Services Company (SANID) (formerly Saudi Traveler Cheques Company) of 5% of its capital of SAR 25 million. The Bank also invested SAR 1.8 million in the Saudi Financial Lease Registration Company. Moreover, Banque Saudi Fransi owns shares in Sofinco Saudi Fransi of 100% of its capital, however it has no material impact on the Group financial statements.

All of the companies listed above are existing and established in Saudi Arabia.

The Bank invested in Halalah company (incorporated in UAE), SAR 9 million and hold 10.88% shares in its capital.

In addition, the Banque Saudi Fransi Markets Co. Ltd., a limited liability company owned 100% by the Bank with authorized capital of USD 50,000, has been established in the Cayman Islands. This company is engaged in derivative trading and repo activities. The Bank also owns BSF Finance Limited company, which is a special purpose vehicle established to raise capital for Banque Saudi Fransi by the issuance of debt instruments, it is incorporated in the Cayman Islands, having a 100% share in equity (authorized capital of USD 50,000), which has no material impact on the Group financial statements. BSF Sukuk Limited has been liquidated.

The Bank has investments in other companies. It owns 27% of the capital of Banque BEMO Saudi Fransi, a joint stock company established in 2004 in Syria. It has issued share capital of SYP 8.0 billion (as of 31.12.2021). The Bank also owns 10.33% of Banque BEMO Lebanon, a company incorporated in 2003 in Lebanon, Beirut. It has issued share capital of LBP 77.8 billion (as of 31.12.2021). All legal and contractual procedures are being followed to complete the sale of Banque Saudi Fransi's share in Banque BEMO Saudi Fransi, Syria, and Banque BEMO Lebanon based on the announcement on 26/11/2011 through Tadawul; that the Board of Directors of the Banque Saudi Fransi has decided to sell its shares in Banque BEMO Saudi Fransi, Syria (27%) and its shares in Banque BEMO Lebanon (10.33%). Banque Saudi Fransi is not represented on the boards of the Banque BEMO Saudi Fransi, Syria or Banque BEMO Lebanon as of 26/11/2011, and its main partners in Banque BEMO Lebanon were informed of this decision.

The Bank also owns 8,400,000 shares in Allianz Saudi Fransi Cooperative Insurance Company (60 million shares), i.e. 14% of the company's share capital of SR 600 million.

(8) Details of shares and debt instruments issued for each affiliate Company:

A. No shares or debt instruments were issued to subsidiaries during 2022.
B. Loans provided by the Bank to its subsidiaries:

The following table shows the loans made on 31/12/2022 by Banque Saudi Fransi to its subsidiaries:

NAME OF SUBSIDIARY	(IN THOUSANDS OF SAUDI RIYALS)
Saudi Fransi Capital*	1,460,759
Saudi Fransi for Finance Leasing**	2,869,800

Saudi Fransi Capital has an overdraft facility and Saudi Fransi for Finance Leasing has a term loan facility from Banque Saudi Fransi. There is no other loan available to the subsidiaries, except for the above loans provided by Banque Saudi Fransi.

* **Details of Saudi Fransi Capital loans:**

(IN THOUSANDS OF SAUDI RIYALS)	2022	2021
Opening balance	1,784,471	1,252,710
Loan granted during the period	6,227,642	8,604,606
Repayment of loans during the period	6,551,354	8,072,845
Closing balance of loans	1,460,759	1,784,471

** **Details of loans to Saudi Fransi for Finance Leasing:**

(IN THOUSANDS OF SAUDI RIYALS)	2022	2021
Opening balance	2,075,834	1,525,000
Loan granted during the period	1,193,967	930,000
Repayment of loans during the period	400,001	379,166
Closing balance of loans	2,869,800	2,075,834

(9) Main shareholders of the Bank, and a description of any interest in a class of voting shares held by persons (other than the Bank's Directors, Senior Executives and their relatives) who have notified the Bank of their holdings, together with any change to such interests during the last fiscal year:

The table below shows the equity of the main shareholders in the Bank's shares during the fiscal year 2022:

MAIN SHAREHOLDERS IN THE CAPITAL OF THE BANK AS AT 31/12/2021							
S.	SHAREHOLDER	NUMBER OF SHARES AT THE BEGINNING OF THE YEAR	EQUITY PERCENTAGE AT THE BEGINNING OF THE YEAR	NUMBER OF SHARES AT THE END OF THE YEAR	EQUITY PERCENTAGE AT THE END OF THE YEAR	NET CHANGE	CHANGE PERCENTAGE
1	Kingdom Holding Company	195,267,861	16.199 %	195,267,861	16.199 %	0	0%
2	Rashed Abdul Rahman Al Rashed & Sons Co.	118,488,534	9.830 %	118,488,534	9.830 %	0	0%
3	General Organization for Social Insurance	151,896,241	12.601%	58,415,172	4.846%	(93,481,069)	(61.54%)
4	RAM Holding	108,482,145	8.999%	0	0.00%	(108,482,145)	(100%)

No person (other than the Bank's Directors, Senior Executives and their relatives) has notified the bank about any interest in a class of voting shares.

(10) A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the Bank or its affiliates, and any change on these interests or rights during the last fiscal year:

DESCRIPTION OF ANY INTEREST, CONTRACTUAL SECURITIES AND SUBSCRIPTION RIGHTS OF THE BOARD MEMBERS AND THEIR RELATIVES IN THE BANK'S SHARES OR DEBT INSTRUMENTS							
		BEGINNING OF THE YEAR		END OF THE YEAR			
NAME OF THOSE WHO HAVE INTEREST OR CONTRACTUAL SECURITIES OR SUBSCRIPTION RIGHTS		NUMBER OF SHARES	DEBT INSTRUMENTS	NUMBER OF SHARES	DEBT INSTRUMENTS	NET CHANGE	CHANGE PERCENTAGE
1	Mazin Al Romaih	6,000	–	6,000	–	0	0%
2	Talal Al Maiman	50,000	–	50,000	–	0	0%
3	Abdulrahman Al Rashed	312,685	–	312,685	–	0	0%
4	Relatives of Abdulrahman Al Rashed	4,789,480	–	4,689,480	–	(100,000)	(2.09)%
5	Bader Al Issa	1,000	–	1,000	–	0	0%
6	Abdullatif Al Othman	1	–	1	–	0	0%
7	Ghazi Al Rawi	1,000	–	1,000	–	0	0%
8	Khalid Al Omran	40	–	40	–	0	0 %
9	Relatives of Khalid Al Omran	19,541,352	–	19,366,352	–	(175,000)	(0.90)%
10	Rayan Fayez	223,250	–	290,010	–	66,760	29.90%
11	Khalid Al Sharif	100	–	100	–	0	0%
12	Relatives of Khalid Al Sharif	0	–	200	–	200	100%

(10) A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the Bank or its affiliates, and any change on these interests or rights during the last fiscal year: continued

DESCRIPTION OF ANY INTEREST, CONTRACTUAL SECURITIES AND SUBSCRIPTION RIGHTS OF SENIOR EXECUTIVES AND THEIR RELATIVES IN THE BANK'S SHARES OR DEBT INSTRUMENTS							
		BEGINNING OF THE YEAR		END OF THE YEAR			
NAME OF THOSE WHO HAVE INTEREST		NUMBER OF SHARES	DEBT INSTRUMENTS	NUMBER OF SHARES	DEBT INSTRUMENTS	NET CHANGE	CHANGE PERCENTAGE
1	Mohammed Al-Sheikh	0	–	18,500	–	18,500	100%
2	May Al Hoshan	0	–	507	–	507	100%
3	Zuhair Mardam	15,400	–	39,400	–	24,000	155.84%
4	Abdallah Al Shaikh	0	–	22,254	–	22,254	100%
5	Thamer Yousef	0	–	44,507	–	44,507	100%
6	Abdulaziz Al Molhem	120,967	–	165,474	–	44,507	36.79%
7	Mutasim Mufti	0	–	17,254	–	17,254	100%
8	Relatives of Mutasim Mufti	0	–	5,000	–	5,000	100%

(11) Information on any loans (payable upon request or not), a statement of the total indebtedness of the Bank and its affiliates, any amounts paid by the Bank in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount:

A. There are no loans on the Bank (loans to subsidiaries are set out in item 8 of this report).
B. Debt instruments and sukuks.

Debt Instrument
During Q4 2022, the Bank issued USD 700 million in 5 year non-convertible and unsecured senior fixed rate bonds, under its USD 4 Billion Euro Medium Term Note program which is listed on the London Stock Exchange. The bonds pay a semi-annual coupon of 5.50% in arrears and are to be used for general banking purposes.

Term Loan
The Bank also issued a privately placed USD 500 million unsecured term loan facility in December 2022 for a period of 3 years for general banking purposes. The term loan facility pays a three months coupon of SOFR + margin of 0.70% in arrears.

Tier I Sukuk
During 2020, the Bank through a Shariah compliant arrangement issued Tier 1 Sukuk (the "Sukuk"), amounting to SAR 5 billion. The issuance was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement.

The applicable profit rate is 4.5% per annum from date of issue up to 2025 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

Repayment of debt instruments:
During the year 2022, the Bank had no debt settlement.

A. There are no convertible debt instruments, contractual securities and subscription rights or similar rights issued or granted by the Bank and its subsidiaries during the fiscal year.
B. There are no converting or subscription rights under convertible debt instruments, contractual securities, notes of subscription rights or similar rights issued or granted by the Bank during the fiscal year.
C. There is no redemption, purchase or cancellation by the Bank of any redeemable debt instruments.

(12) Description of the dividend distribution policy:
Cash distribution of dividends by the Bank depends on several factors including assumptions and recommendations of the Board of Directors based on the financial position of the Bank, results of the Bank's operations, current capital adequacy and prospective financial position of the Bank and liquidity requirements in the short and medium term considering the Bank's expansion plans and projects.

The distribution of the annual net profit, after deducting all expenses and other costs, taking the necessary precautions for doubtful debts, investment losses and contingent liabilities as deemed appropriate by the Board in compliance with the provisions of the Banking Control Law, are as follows:

1 The amounts required to pay Zakat assessed on the Saudi shareholders and the tax assessed on foreign shareholders are calculated in accordance with the applicable laws and regulations of the Kingdom of Saudi Arabia. The Bank shall pay these amounts to the competent authorities. The Zakat paid on behalf of Saudi shareholders will be deducted from their share in the net profit, and the tax paid on behalf of non-Saudi shareholders will likewise be deducted from their share of the net profit.
2 A minimum of 25% of the net profits remaining after the deduction of Zakat and tax as stated above in paragraph (1), shall be transferred to the statutory reserve until the mentioned reserve is equal, at least, to the paid-up capital.
3 From the remaining profits, after the deduction of the statutory reserve, Zakat and tax, a minimum of 5% of the paid-up capital shall be allocated to Saudi and non-Saudi shareholders to be distributed prorate to the value of paid-up shares of Saudi and non-Saudi shareholders, as recommended by the Board and decided by the General Assembly. If the remaining profits accruing to any Saudi or non-Saudi shareholder is found to be insufficient to pay such dividends to the respective shareholders, such shareholders shall not have the right to demand such distribution from the following year/s' profits. Moreover, the General Assembly shall not be entitled to distribute any dividends that exceed the limit duly recommended by the Board.
4 The remaining profits after the allocation of the amounts mentioned in the aforementioned paragraphs (1), (2) & (3) shall be used as recommended by the Board and determined by the General Assembly.
5 The subscription ratio of each Saudi and non-Saudi shareholder must be maintained upon calculation of the allocations needed for the statutory reserve and other reserves from net profits (after Zakat and tax). The two shareholding groups shall contribute to those reserves as per their percentage of the capital, and their contributions will be deducted from their shares of the net profits.
6 Cash dividends shall be distributed to shareholders at the place and time determined by the Board of Directors in accordance with applicable regulations.
7 The Board may decide not to distribute cash dividends and use such dividends in the settlement of debts, obligations or commitments of shareholders to the Bank.
8 The Bank may distribute interim dividends for its shareholders semiannually or quarterly, after satisfying the necessary requirements stipulated in the Articles of Association.

Shareholders must be informed of this policy during the General Assembly meeting.

Basic and diluted earnings per share:
Basic and diluted earnings per share for the year ended 31 December 2022 are calculated on a weighted average basis by dividing the net income adjusted for Tier 1 sukuk cost for the year by 1,200 million shares after excluding treasury shares of 5.8 million shares (as of 31 December 2021 5.4 million shares).

Total dividends:
The Board of Directors has proposed a final net dividend of SAR 1,080 million (2021: SAR 1,020 million), i.e. SAR 0.90 (2021: SAR 0.85) net per share for the year, which is subject to the approval of the shareholders at the Annual General Assembly Meeting and the regulatory agencies. The Board of Directors has declared an interim net dividend of SAR 901 million (2021: SAR 780 million), i.e. SAR 0.75 (2021: SAR 0.65) net per share.

	DIVIDENDS DISTRIBUTED DURING THE YEAR 2022		PROPOSED DIVIDEND FOR	
	FINAL FOR 2021	INTERIM 2022	THE END OF 2022	TOTAL FOR 2022
Amount (in thousands of Saudi Riyals)	1,019,956	901,488	1,079,633	1,981,121
Pay-out Ratio (after Zakat)	53.67%	52.67%	57.93%	55.41%

(13) Description of any transactions between the Bank and a related party:

The Bank during its normal course of business deals with related parties. The management and the Board of Directors consider that transactions with related parties have been made on the same terms with other parties. Transactions with related parties are subject to the ratios stipulated in the Banking Control Law and the instructions issued by the Saudi Central Bank. The balances resulting from these transactions as of 31 December 2022 and 2021, which are included in the consolidated financial statements, are as follows:

(IN THOUSANDS OF SAUDI RIYALS)	2022	2021
Associates		
Investments	9,695	9,695
Due to banks and other financial institutions	8,204	8,171
Directors, Senior Management, shariah members and major shareholders' and their affiliates		
Loans and advances	11,813,189	12,586,365
Investments	957,941	1,004,953
Due from banks and other financial institutions	–	–
Other assets	17,783	–
Customers' deposits	12,112,335	4,799,882
Due to banks and other financial institutions	900,000	2,050,000
Other liabilities	6,542	7,172
Derivatives at fair value, net	(45,733)	(66,289)
Commitments and contingencies	3,224,229	2,096,059

The following table shows the income and expenses of transactions with related parties that are included in the consolidated financial statements:

(IN THOUSANDS OF SAUDI RIYALS)	2022	2021
Special commission income		
– Directors, Senior Management, shariah members and major shareholders' and their affiliates	418,808	274,800
Total special commission income	418,808	274,800
Special commission expense		
– Directors, Senior Management, shariah members and major shareholders' and their affiliates	109,197	22,417
– Associates	103	35
Total special commission expense	109,300	22,452
Fees, commission income and others, net	32,181	60,077
Directors' fees	9,513	9,186
Other general and administrative expenses	193,175	133,341

(14) Contracts and transactions made with the Bank, in which there is or there was an interest of a Board member of the Bank or a Senior Executive, or any person related to any of them:

	THE NATURE OF BUSINESS OR CONTRACT	THE AMOUNT OF BUSINESS OR CONTRACT	START DATE OF THE CONTRACT	END DATE OF THE CONTRACT	CONTRACT STATUS	NAME OF THE BOARD MEMBER, SENIOR EXECUTIVE OR ANY PERSON RELATED TO THEM
1	**National address Services** (Saudi Postal and Logistics Services (SPL))	700,000.00	04/09/2022	03/09/2023	Active	Abdulaziz Almolhem's brother Jamel Almolhem (Senior Executive of the Bank)
2	**IT Professional services** (Professionals Consultants for Technology Company LLC (AppsPro))	Total amount paid for 2022 668,542.50	Variable according to the type of service provided to the bank		Active	Bader AlSalloom's brother Abdulaziz AlSaloom (Senior Executive of the Bank)
3	**ATM Replenishment service** Saudi Financial Support Services Company (SANID)	Total amount paid for 2022 4,708,680.66	01/03/2022	28/02/2023	Active	Majda Taher* (Senior Executive of the Bank)
4	**Maintenance for Cash Depositary Machines** Saudi Financial Support Services Company (SANID)	300,000.00	01/07/2022	31/07/2023	Active	Majda Taher* (Senior Executive of the Bank)
5	**Telecom Service Provisioning** (Saudi Telecom Company (STC))	Total amount paid for 2022 34,727,090.30	25/08/2019	24/08/2023	Active	Abdulaziz Almolhem's brother Jamel Almolhem (Senior Executive of the Bank)
6	**Bulk SMS services** (Saudi Telecom Company (STC))	Total amount paid for 2022 27,520,000.00	Variable according to the type of service provided to the bank		Active	Abdulaziz Almolhem's brother Jamel Abdullah Almolhem (Senior Executive of the Bank)
7	**CCTV lease line services** (Saudi Telecom Company (STC))	11,382,356.00	01/06/2021	31/05/2026	Active	Abdulaziz Almolhem's brother Jamel Almolhem (Senior Executive of the Bank)
8	**ATM Site** (Panda Retail Company)	43,000.00 Annually	01/12/2021	30/11/2023	Active	Bader Alissa (Board of Directors member)
9	**Maintenance of Cash Counting Machines** (ABANA Enterprise Group)	Total amount paid for 2022 1,222,745.10	01/04/2015	30/04/2023	Active	Abdulrahman Alrashed's brother Abdulaziz Al Rashed (Board of Directors member)
10	**Agreement to provide data and commercial information services** (SIMAH SAUDI CREDIT BUREAU)	Total amount paid for 2022 6,011,761.00	30/07/2019	Based on the agreement between SIMAH and BSF	Active	Mohammed Al Alshikeh (Senior Executive of the Bank)
11	**Registration and Disclosure all Agreements** (SIMAH SAUDI CREDIT BUREAU)	Total amount paid for 2022 904,865.00	01/01/2022	31/12/2022	Active	Mohammed Al Alshikeh (Senior Executive of the Bank)
12	**Manpower and professional services** Al Khaleej Training and Education (SMARTLINK)	Total amount paid for 2022 7,350,000.56	01/01/2018	31/12/2022	Active	Abdulrahman Alrashed's brother Abdulaziz Al Rashed (Board of Directors member)
13	**Network and Security Privacy (Cyber) Insurance** (Walaa Cooperative Insurance Company)	3,079,738.00	01/01/2022	31/12/2022	Active	Abdulaziz Almolhem's Brother Jameel Almolhem (Senior Executive of the Bank)
14	**Various Vehicles for BSF** (Saudi Fransi Leasing)	Total amount paid for 2022 21,269.50	01/01/2022	31/12/2022	Active	Mohammed AlSheikh, Mutasim Mufti, Thamer Yousef (Senior Executives of the Bank)
15	**Credit Life and General Insurance Policies** Allianz Saudi Fransi Cooperative Insurance Company	**Total amount paid for 2022 115,513,838.86	01/07/2021	30/06/2023	Active	Bader Hamad AlSalloom (Senior Executive of the Bank)
16	**Agreement to provide IT services** (SIMAH SAUDI CREDIT BUREAU)	Total amount paid for 2022 560,681.00	20/04/2021	19/04/2024	Active	Mohammed Al Alshikeh (Senior Executive of the Bank)
17	**IT Professional services (Various resources)** (Saudi Networkers services)	Total amount paid from Jan 2022 to end of July 2022 12,242,361.30	Variable according to the type of service provided to the bank		Active	Adel Mallawi*** (Senior Executive of the Bank)

* Employee whose appointment requires obtaining the no objection of the Saudi Central Bank.
** Covering the period from 01/01/2022 to 30/06/2023.
*** Resigned from the Bank 31/07/2022.

(15) Competing Business with the Bank or with any of its activities that any member of the Board is engaging in or was engaging:

	MEMBER'S NAME	COMPETING BUSINESS NAME	NATURE OF THE COMPETING BUSINESSES	MEMBER RELATIONSHIP WITH THE COMPETING BUSINESS
1	Khalid Alsharif	The Family Office International Investment Company	Securities Business activities licensed by the Capital Market Authority	Board Member

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

STATEMENT (IN THOUSANDS OF SAUDI RIYALS)	2022 PAID	2022 DUE AMOUNT
Zakat *	858,390	412,697
General Organization for Social Insurance	115,120	–
Costs of visas and passports	590	–
Fees of labor office	3,089	–

*** Zakat:** Zakat attributable to Saudi shareholders for the year of 2022 amounted to SAR 429 million (2021: SAR 388 million).

(17) Disclosures Related to Small, Medium and Micro Enterprises:

A. Qualitative Disclosures:

Banque Saudi Fransi established an MSME unit in 2014 due to the growing importance of this sector in the Saudi economy and to facilitate providing the best financing solutions and banking services. The unit comprises of 54 employees distributed among the three main regional offices with each region managed by a coverage manager overseeing business development in his/her region and reporting progress to Head of MSME unit.

Collaboration with SME Bank

Banque Saudi Fransi and the Small and Medium Enterprises Bank signed a joint financing agreement, which aims to finance micro, small and medium enterprises to bridge the financing gap by using the existing BSF infrastructure, processes, systems and existing customer base.

The Small and Medium Enterprises Loan Guarantee Program "Kafalah"

The Bank had been actively developing the business with Kafalah program to support financing of MSME sector. It enjoys two portfolio arrangements with Kafalah (for active entities & startups) to issue Kafalah guarantees based on internal approvals.

During the year, the loan portfolio guaranteed by kafalah grew by 12% and number of customers benefiting from this program grew by 15%. Moreover, the Bank conducted several marketing Campaigns in collaboration with Kafalah to support the financing of Micro, Small and Medium enterprises in the emerging sectors such as Entertainment, Cultural, Sport and Technology sectors.

The Small and Medium Enterprises General Authority "Monshaat"

General Authority for Small and Medium Enterprises (Monsha'at) was established in 2016 to support & develop MSME sector. The Bank conducted several Financial Awareness sessions in collaboration with Monshaat as it sponsored and participated in the Global Entrepreneurship Congress (GEC) that aims to support the entrepreneurial sector and providing more financial solutions for Small and Medium sized enterprises.

On the sidelines of (GEC), BSF signed a memorandum of understanding with Saudi Arabian Airlines, geared towards financing emerging Micro, Small and Medium enterprises in the transport sector. The partnership comes within the framework of BSF's constant keenness to establish local partnerships with concerned authorities for enhancing integration and cooperation, and open new horizons to improve services to MSMEs.

Staff awareness & Training

BSF conducted several awareness workshops for Kafalah and Monsha'at with all the updated processes and with the new KAFALAH portal. Moreover, training sessions were undertaken to develop staff skills and banking know-how to enhance customer journey.

Number of training days for staff – 648.

Projects & Initiatives

1. Banque Saudi Fransi inaugurated the Small and Medium Enterprises Center in the central region. This was within the framework of BSF MSME Strategy to develop and improve our financing services to Small and Medium enterprises and as an offshoot, serve the national economy and help achieve the Kingdom's Vision 2030.
2. A point-of-sale (POS) Tawarruq financing product in collaboration with Kafalah is currently being developed.
3. Value proposition for MSME segments shall be formulated based on BSF directions.
4. Development of MSME products/programs for the suppliers of the Large Corporate Groups within BSF.
5. Identification of potential partnership with 3rd party / FinTechs for collaboration on platform/services as the Bank aims to provide clients with the latest technology for better customer experience and ease of doing business.

All initiatives are part of BSF's endeavor to support and develop the Micro, Small and Medium enterprises sector (MSMEs) to improve their contribution to GDP in line with the target of the Kingdom of Saudi Arabia for Vision 2030.

B. Quantitative Disclosures:

	ON DECEMBER 31, 2022				ON DECEMBER 31, 2021			
(IN SAUDI RIYALS)	MICRO	SMALL	MEDIUM	TOTAL	MICRO	SMALL	MEDIUM	TOTAL
Loans to MSMEs – on balance sheet (SAR millions)	140	2,568	8,772	11,480	80	3,423	11,823	15,326
Loans to MSMEs – off balance sheet (SAR millions)	159	809	1,283	2,251	164	1,029	4,169	5,362
On balance sheet loans to MSMEs as a percentage of total on balance sheet loans	0.09%	1.57%	5.37%	7.04%	0.1%	2.24%	7.75%	10.05%
Off balance sheet loans to MSMEs as a percentage of total off balance sheet loans	0.2%	1%	2%	3.2%	0.29%	1.79%	7.25%	9.33%
Number of loans (on and off-balance sheet) *	526	764	873	2,163	428	821	1,367	2,616
Number of customers (Finance Applicants) *	183	215	260	658	376	562	644	1,582
Number of loans guaranteed by the Kafalah Program (on and off-balance sheet)	5	99	51	155	4	87	44	135
Amount of loans guaranteed by the Kafalah Program (on and off-balance sheet)	13	296	111	420	6	163	204	373

- The number of financing guaranteed by the financing guarantee program for small and medium enterprises "Kafala" is the number of guarantees issued by the program.
- Total secured financing the financing guarantee program for small and medium enterprises "Kafala" is the total facilities in millions of riyals.

* The decrease in the number of loans and the number of customers in 2022 (compared to the previous year) is related to the cleaning of technical overdrafts related to POS accounts.

(18) Disclosure of details of treasury shares held by the Bank and details of the uses of these shares:

The long term incentive plan program that aligns the Bank's future performance with the individual personal success of the Bank's leadership team, key and high potential employees. The purpose of the Plan is to align the interests of the Bank's key employees with the interests of the shareholders of the Bank, enhance market competitiveness for key roles and retain key employees of the Bank. The Bank acquired treasury shares as authorized by the Board under its Long Term Incentive (LTI) plan, which will grant equity shares of the Bank to eligible employees as per LTI plan. The eligible employees will benefit from the value of the Bank shares over the vesting period. The LTI plan has been commenced on grant date. The Bank has offered eligible employees the option for equity ownership opportunities.

The total number of treasury shares outstanding as of 31 December 2022 was 5.8 million shares.

(18) Disclosure of details of treasury shares held by the Bank and details of the uses of these shares: continued

The significant features of these plans are as follows:

NATURE OF PLAN	LONG TERM INCENTIVE PLAN	LONG TERM INCENTIVE PLAN	LONG TERM INCENTIVE PLAN
Number of outstanding plans	1	1	1
Grant date	March 31, 2020	March 31, 2021	March 31, 2022
Maturity date	April 01, 2023	April 01, 2024	April 01, 2025
Grant price (SAR)	33.265	31.455	51.141
Vesting period	3 years	3 years	3 years
Vesting conditions	Employees remain in service, meets performance and service criteria	Employees remain in service, meets performance and service criteria	Employees remain in service, meets performance and service criteria
Method of settlement	Equity	Equity	Equity
Valuation model	Monte-Carlo	Monte-Carlo	Monte-Carlo
Fair value per share on grant date (SAR)	23.297	29.318	46.745

The share performance will be granted under a service condition along with market condition associated with them. The total amount of expense recognized in the consolidated financial statements in respect of the above plans for the year is SAR 26 million (2021: SAR 23.6 million).

	2022
Number of shares allocated for LTI calculation at the beginning of the year	4,162,042
Vested / forfeited during the year	(1,169,410)
Allocated during the year, net	1,241,708
Number of shares allocated for LTI calculation at the year end	4,234,340

Total number of unallocated treasury shares under LTI plan as of December 31, 2022 was 1.5 million shares (December 31, 2021: 1.2 million shares).

(19) Statement of the value of any investments made or any reserves set up for the benefit of the employees of the Bank:

The Bank is keen to encourage its employees and provides incentive programs and remuneration that enhances their confidence and loyalty to the Bank. The following is a statement of the Employee Takaful Al Ghad Program and the movement it received during 2022:

(IN THOUSANDS OF SAUDI RIYALS)	EMPLOYEE SHARE	BANK SHARE	TOTAL
Balance as at the beginning of 2022	48,052	50,507	98,559
Amount added during 2022	13,728	11,018	24,746
Amount refunded during 2022	(11,899)	(2,269)	(14,168)
Balance at the end of 2022	49,881	59,256	109,137

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

A. Penal Decisions of the Saudi Central Bank:

	2021		2022		
SUBJECT OF THE VIOLATION	NUMBER OF PENAL DECISIONS	TOTAL AMOUNT OF FINANCIAL PENALTIES (IN SAUDI RIYALS)	NUMBER OF PENAL DECISIONS	TOTAL AMOUNT OF FINANCIAL PENALTIES (IN SAUDI RIYALS)	WAYS TO TREAT AND AVOID THEM IN THE FUTURE
Violation of SAMA's supervisory instructions	8	3,469,000	13	6,658,315	The level of oversight has been raised and the necessary procedures have been put in place to ensure compliance with the instructions issued by the regulatory authorities to avoid the recurrence of these violations in the future.
Violation of SAMA's instructions for protecting customers	3	2,497,800	None	None	
Violation of SAMA's instructions regarding due diligence	1	110,000	None	None	
Violation of SAMA's instructions regarding the performance level of the ATMs and point of sale devices	None	None	None	None	
Violation of SAMA's instructions regarding due diligence in combating money laundering and financing of terrorism	1	None	1	315,000	
Total	**13**	**6,076,800**	**14**	**6,973,315**	

Note: The number of violations of SAMA's supervisory instructions for the year 2021 was reduced from 9 to 8 due to SAMA direction to withdraw one penalty according to the justifications provided by the bank later.

B. Other Penal Decisions:

PENALTY / SANCTION / PRECAUTIONS / RESTRICTION	REASONS FOR THE VIOLATION	VIOLATING BODY	WAYS TO TREAT AND AVOID THEM IN THE FUTURE
SAR 62,000 – (10 fines)	– No license – Insufficient Space	Ministry of Municipal, Rural Affairs & Housing.	We raised the level of regulation and follow-up of licenses and the procedures of the concerned authorities, and procedures have been improved to ensure complying with the instructions issued by the regulatory authorities in order to avoid violations and ensure that they are not repeated, as well as the understanding with the concerned internal authorities such as the branch management to reach solutions to these observations.
SAR 10,000 – (2 fines)	– No license	General Directorate of Civil Defense	

(21) Any inconsistency with the standards approved by the Saudi Organization for Certified Public Accountants:

These consolidated financial statements of the Group as at and for the years ended December 31, 2022 and December 31, 2021, respectively, were prepared in compliance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

(22) Auditors' reservations to the financial statements:

The auditors' report did not include any reservations to the annual financial statements.

(23) Composition of the Board of Directors and the classification of its members:

	MEMBER'S NAME	POSITION	MEMBERSHIP CLASSIFICATION
1	Mazin Al Romaih	Chairman of the Board	Non-executive
2	Talal Al Maiman	Vice Chairman of the Board	Non-executive
3	Abdulrahman Al Rashed	Member	Non-executive
4	Bader Al Issa	Member	Independent
5	Abdullatif Al Othman	Member	Independent
6	Ghazi Al Rawi	Member	Independent
7	Khalid Al Omran	Member	Independent
8	Rayan Fayez*	Member	Non-executive
9	Khalid Al Sharif	Member	Non-executive
10	Timothy Collins**	Member	Independent

* Resigned from his position as MD&CEO of the bank effective from 31/05/2022, while continuing as a member of the board.
** Resigned as of 06/10/2022.

(24) Names, qualifications and experience of the Board, Board committees' members and Executive Management:
(A) Board of Directors Members:

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
1	Mazin Al Romaih	– CEO of Future Generation Investment Company.	– Member of the Board of Capital Market Authority, 2009-2014. – Chief Executive Officer at Samba Capital & Investment Group Company 2007-2009. – General Manager of Corporate Finance Department at Capital Market Authority, 2004-2007. – Director of Mergers and Acquisitions Department – SAMBA Financial Group, 2003-2004. – Senior Manager – Gulf International Bank, 2002-2003. – Senior Associate – Merrill Lynch International Group, 1998-2002. – Senior Auditor and Consultant – Ernst & Young Law Firm, 1993-1998.	– Bachelor of Accounting and Financial Management, University of Buckingham, 1992.
2	Talal Al Maiman	– CEO of Kingdom Holding Company.	– Chairman of the Board and CEO of Kingdom Real Estate Development, 2010-2017. – CEO of Kingdom Holding Company, 1996-2016. – Director of Computer Department at Saudi Central Bank, 1986-1996. – Director of Operations and Maintenance at Ministry of Interior, 1979-1986.	– Master of Business Administration, University of Liverpool, UK, 2009. – Bachelor of Sciences in Electrical Engineering, University of Evansville Indiana, US, 1979 – Executive Management Program, Harvard University, 1986. – Diploma in Computer Science, Computer Sciences Corporation (CSC), Herndon, Virginia, 1981.
3	Abdulrahman Al Rashed	– Executive partner at Rashed Abdul Rahman Al Rashed & Sons Company.	– Member of Al Shura Council.	– Bachelor of Business Administration, Department of Finance, University of Seattle, 1985.
4	Bader Al Issa	– CEO of Assila Investment Company.	– CFO of Assila Investment Company, 2010 – 2019. – CEO – AMIAS Holding, 2008-2019. – Investment Portfolios Manager at HSBC Saudi Arabia Limited, 2006-2008. – Financial and Marketing Analyst at SABIC America, Houston, Texas, 2002-2004. – Financial Analyst at JP Morgan, London, 2001-2002.	– MBA, Rice University, 2006. – Bachelor of Economy, The University of Virginia, Virginia, 2001.
5	Abdullatif Al Othman	– Owner and CEO of Al-Othman Engineering Consultants.	– Governor and Chairman of the Board of Directors, General Authority for Investment, 2012-2016. – More than 35 years in the field of planning and managing oil and gas projects, financial management, investment, business and international relations development.	– MBA, Sloan Fellows program, Massachusetts Institute of Technology, 1998. – Bachelor of Civil Engineering, King Fahad University of Petroleum and Minerals, 1979.
6	Ghazi Al Rawi	– Founder and Chairman, Valuegate Company for Investment & Real Estate Development.	– Founder and Managing Partner, Eastgate Capital Group, 2006-2015. – Advisor, Saudi Commercial Bank, 2005-2006. – Assistant Professor, College of Engineering, King Abdulaziz University, 2004-2006. – Advisor, Capital Market Authority, 2004. – Associate, McKinsey & Company, 2003-2004.	– Ph.D. in Electrical Engineering (EE), Communications, Stanford University, 2002. – M.S. in Management Science and Engineering (MS&E), Finance and Investment, Stanford University, 2001. – M.S. in Electrical Engineering (EE), Communications, Stanford University, 1998. – B.S. in Electrical Engineering (EE), Communications, King Abdulaziz University, 1994.
7	Khalid Al Omran	– General Manager of Daily Food Company.	– Board Member at Goldman Sachs Saudi Arabia, 2018-2021. – Executive Project Manager, Banque Saudi Fransi, 2009-2010. – Business Development Manager, Almarai Company, 2009. – Business Analyst, Mckinsey & Company 2006-2009.	– Master's in Business Administration, IESE Business School, Spain, 2012. – Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006.

(24) Names, qualifications and experience of the Board, Board committees' members and Executive Management: continued

(A) Board of Directors Members: continued

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
8	Rayan Fayez	– Deputy CEO of NEOM.	– Managing Director and CEO of Banque Saudi Fransi 2018-2022. – CEO of Savola Group, 2016-2018. – Managing Director and Senior Regional Officer at JPMorgan Chase N.A, Riyadh Branch, 2013-2016 – CEO of JP Morgan Saudi Arabia Limited, 2012-2013. – CEO of Goldman Sachs, Saudi Arabia, 2009-2012. – Executive Director at Goldman Sachs International, London, 2007-2009.	– Bachelor of Science in Mechanical Engineering, Massachusetts Institute of Technology (MIT), 2001.
9	Khalid Al Sharif	– Retired.	– Head, Retail Banking Group, National Commercial Bank 2018-2020. – Head, Corporate Banking Group, National Commercial Bank 2010-2018. – Progressed in several positions in National – Commercial Bank, the latest is the Head, Retail Banking Group, 2000 – 2010. – Progressed in several positions in Riyadh Bank, the latest is the Executive Vice President – 1986 – 2000.	– Master's in Business Administration, College of Notre Dame, USA, 1985. – B.S in Business Administration, College of Notre Dame, USA, 1984.
10	Timothy Collins*	– CEO and Managing Partner, Ripplewood Advisors, LLC. – Senior Fellow and Director, Henry Becton Fellowship Program, Yale School of Management.	– CEO and Senior Managing Director, Ripplewood Holdings, LLC, 1995-2014. – Director, RHJ International, 2004-2014. – Director, Gogo, Inc., 2013. – Director, Citigroup, Inc., 2009-2012. – Director, Weather Investments S.p.A, 2008-2011. – Director, 3W Power Holdings, Ltd., 2009-2011 – Director, Commercial. International Bank of Egypt, 2006-2009. – Director, RSC Holdings, Inc., 2006-2009.	– Honorary Doctorate of Humane Letters, DePauw University, 2004. – MBA in Public & Private Management, Yale University,1982. – BA in Philosophy, DePauw University, 1978.

* Resigned as of 06/10/2022.

(B) Board Committees' Members:

(B/1) Executive Committee:

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
1	Mazin Al Romaih	– CEO of Future Generation Investment Company	– Member of the Board of Capital Market Authority, 2009-2014. – Chief Executive Officer at Samba Capital & Investment Group Company 2007-2009. – General Manager of Corporate Finance Department at Capital Market Authority, 2004-2007. – Director of Mergers and Acquisitions Department – SAMBA Financial Group, 2003-2004. – Senior Manager – Gulf International Bank, 2002-2003. – Senior Associate – Merrill Lynch International Group, 1998-2002. – Senior Auditor and Consultant – Ernst & Young Law Firm, 1993-1998.	– Bachelor of Accounting and Financial Management, University of Buckingham, 1992.
2	Abdulrahman Al Rashed	– Executive partner at Rashed Abdul Rahman Al Rashed & Sons Company.	– Member of Al Shura Council.	– Bachelor of Business Administration, Department of Finance, University of Seattle, 1985.
3	Talal Al Maiman	– CEO of Kingdom Holding Company.	– Chairman of the Board and CEO of Kingdom Real Estate Development, 2010-2017. – CEO of Kingdom Holding Company, 1996-2016. – Director of Computer Department at Saudi Central Bank, 1986-1996. – Director of Operations and Maintenance at Ministry of Interior, 1979-1986.	– Master of Business Administration, University of Liverpool, UK, 2009. – Bachelor of Sciences in Electrical Engineering, University of Evansville Indiana, US, 1979. – Executive Management Program, Harvard University, 1986. – Diploma in Computer Science, Computer Sciences Corporation (CSC), Herndon, Virginia, 1981.
4	Rayan Fayez	– Deputy CEO of NEOM.	– Managing Director and CEO of Banque Saudi Fransi 2018-2022. – CEO of Savola Group, 2016-2018. – Managing Director and Senior Regional Officer at JPMorgan Chase N.A, Riyadh Branch, 2013-2016. – CEO of JP Morgan Saudi Arabia Limited, 2012-2013. – CEO of Goldman Sachs, Saudi Arabia, 2009-2012. – Executive Director at Goldman Sachs International, London, 2007-2009.	– Bachelor of Science in Mechanical Engineering, Massachusetts Institute of Technology (MIT), 2001.

(24) Names, qualifications and experience of the Board, Board committees' members and Executive Management: continued
(B) Board Committees' Members: continued
(B/1) Executive Committee: continued

	Name	Experiences: Current Positions	Experiences: Previous Positions	Qualifications
5	Khalid Al Sharif	– Retired.	– Head, Retail Banking Group, National Commercial Bank 2018-2020. – Head, Corporate Banking Group, National Commercial Bank 2010-2018. – Progressed in several positions in National Commercial Bank, the latest is the Head, Retail Banking Group, 2000 – 2010. – Progressed in several positions in Riyadh Bank, the latest is the Executive Vice President – 1986 – 2000.	– Master's in Business Administration, College of Notre Dame, USA, 1985. – B.S in Business Administration, College of Notre Dame, USA, 1984.

(B/2) Audit Committee:

	Name	Experiences: Current Positions	Experiences: Previous Positions	Qualifications
1	Bader Al Issa	– CEO of Assila Investment Company.	– CFO of Assila Investment Company, 2010 – 2019. – CEO – AMIAS Holding, 2008-2019. – Investment Portfolios Manager at HSBC Saudi Arabia Limited, 2006-2008. – Financial and Marketing Analyst at SABIC America, Houston, Texas, 2002-2004. – Financial Analyst at JP Morgan, London, 2001-2002.	– MBA, Rice University, 2006. – Bachelor of Economy, The University of Virginia, Virginia, 2001.
2	Ghazi Al Rawi	– Founder and Chairman, Valuegate Company for Investment & Real Estate Development.	– Founder and Managing Partner, Eastgate Capital Group, 2006-2015. – Advisor, Saudi Commercial Bank, 2005-2006. – Assistant Professor, College of Engineering, King Abdulaziz University, 2004-2006. – Advisor, Capital Market Authority, 2004. – Associate, McKinsey & Company, 2003-2004.	– Ph.D. in Electrical Engineering (EE), Communications, Stanford University, 2002. – M.S. in Management Science and Engineering (MS&E), Finance and Investment, Stanford University, 2001. – M.S. in Electrical Engineering (EE), Communications, Stanford University, 1998. – B.S. in Electrical Engineering (EE), Communications, King Abdulaziz University, 1994.
3	Mamdoh Al Majed (from outside the Board)	– Managing Partner – Mamdoh Al-Majed and Faisal Al-Enzi Company Certified Public Accountants and Auditors.	– Finance Manager at Kingdom Holding Company, 2004-2010. – Financial Controller at Kingdom Holding Company, 1997-2003.	– Saudi Fellowship in Accounting and Auditing – Saudi Organization for Accountants and Auditors 1999. – Bachelor of Arts in Accounting, King Saud University, 1995.
4	Khalid Al Faddagh (from outside the Board)	– Retired.	– Chief Audit Executive (General Auditor) at Saudi Aramco, 2009-2015. – Corporate Planning at Saudi Aramco, 2007-2009. – President & CEO at Petron Corporation – Manila, Philippines, 2003-2007. – Engineering and Operation & Maintenance at Saudi Aramco, 1983-2003.	– PhD, DIC, Mechanical Eng., Imperial College – London, UK, 1983. – Master of Science, Mechanical Eng., University of Manchester (UMIST) – Manchester, UK, 1979.
5	Homood Al Tuwaijri (from outside the Board)	– Retired.	– Vice CEO for Legal and Audit at SABIC, 2008-2012. – Vice CEO for Petrochemicals at SABIC, 2004-2008. – Vice CEO for Finance at SABIC, 2002-2004.	– Master of Science in Industrial Engineering, The Georgia Institute of Technology, USA, 1983. – Bachelor of Science in Industrial Engineering, The University of Washington, USA, 1980 – Bachelor of Arts in Business Administration, The University of Washington, USA, 1980

(B/3) Nominations and Remunerations Committee:

	Name	Experiences: Current Positions	Experiences: Previous Positions	Qualifications
1	Ghazi Al Rawi	– Founder and Chairman, Valuegate Company for Investment & Real Estate Development.	– Founder and Managing Partner, Eastgate Capital Group, 2006-2015. – Advisor, National Commercial Bank, 2005-2006. – Assistant Professor, College of Engineering, King Abdulaziz University, 2004-2006. – Advisor, Capital Market Authority, 2004. – Associate, McKinsey & Company, 2003-2004.	– Ph.D. in Electrical Engineering (EE), Communications, Stanford University, 2002. – M.S. in Management Science and Engineering (MS&E), Finance and Investment, Stanford University, 2001. – M.S. in Electrical Engineering (EE), Communications, Stanford University, 1998. – B.S. in Electrical Engineering (EE), Communications, King Abdulaziz University, 1994.
2	Abdulrahman Al Rashed	– Executive partner at Rashed Abdul Rahman Al Rashed & Sons Company.	– Member of Al Shura Council.	– Bachelor of Business Administration, Department of Finance, University of Seattle, 1985.
3	Talal Al Maiman	– CEO of Kingdom Holding Company.	– Chairman of the Board and CEO of Kingdom Real Estate Development, 2010-2017. – CEO of Kingdom Holding Company, 1996-2016. – Director of Computer Department at Saudi Central Bank, 1986-1996. – Director of Operations and Maintenance at Ministry of Interior, 1979-1986.	– Master of Business Administration, University of Liverpool, UK, 2009. – Bachelor of Sciences in Electrical Engineering, University of Evansville Indiana, US, 1979. – Executive Management Program, Harvard University, 1986. – Diploma in Computer Science, Computer Sciences Corporation (CSC), Herndon, Virginia, 1981.

(24) Names, qualifications and experience of the Board, Board committees' members and Executive Management: continued

(B) Board Committees' Members: continued

(B/3) Nominations and Remunerations Committee: continued

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
4	Khalid Al Omran	– General Manager of Daily Food Company.	– Board Member at Goldman Sachs Saudi Arabia, 2018-2021. Executive Project Manager, Banque Saudi Fransi, 2009-2010. – Business Development Manager, Almarai Company, 2009. – Business Analyst, Mckinsey & Company 2006-2009.	– Master's in Business Administration, IESE Business School, Spain, 2012. – Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006.
5	Mansoor Al Mansoor (From outside the Board)	– Vice President for Finance and Operation at the King Abdullah Petroleum Studies and Research Center, 2016.	– Deputy Director General at HRDF, 2014-2016. – Vice President, HR & Admin of Arabian Pipes Company, 2006-2014.	– Ph.D. in Applied Linguistics, Ball State University, USA, 2004. – Master of Science in Human Resources, University of Central Missouri, USA, 1997.

(B/4) Board Risk Committee:

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
1	Abdullatif Al Othman	– Owner and CEO of Al-Othman Engineering Consultants.	– Governor and Chairman of the Board of Directors, General Authority for Investment, 2012-2016. – More than 35 years in the field of planning and managing oil and gas projects, financial management, investment, business and international relations development.	– MBA, Sloan Fellows program, Massachusetts Institute of Technology, 1998. – Bachelor of Civil Engineering, King Fahad University of Petroleum and Minerals, 1979.
2	Khalid Al Sharif	– Retired.	– Head, Retail Banking Group, National Commercial Bank 2018-2020. – Head, Corporate Banking Group, National Commercial Bank 2010-2018. – Progressed in several positions in National Commercial Bank, the latest is the Head, Retail Banking Group, 2000 – 2010. – Progressed in several positions in Riyadh Bank, the latest is the Executive Vice President – 1986 – 2000.	– Master's in Business Administration, College of Notre Dame, USA, 1985. – B.S in Business Administration, College of Notre Dame, USA, 1984.
3	Khalid Al Omran	– General Manager of Daily Food Company.	– Board Member at Goldman Sachs Saudi Arabia, 2018-2021. – Executive Project Manager, Banque Saudi Fransi, 2009-2010. – Business Development Manager, Almarai Company, 2009. – Business Analyst, Mckinsey & Company 2006-2009.	– Master's in Business Administration, IESE Business School, Spain, 2012. – Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006.
4	Vanessa Eastham Fisk (From outside the Board)	– Independent Member, Board Strategy Committee, The National Bank of Ras Al Khaimah. – Independent Non-Executive Director, ABC International Bank plc, Europe. – Independent Member, Board Risk Committee, Al Marai Company. – Advisory Board Member, Ila Bank, Bahrain.	– Non-Executive Director, Chair Audit & Risk Committee, Anglo Gulf Trade Bank, UAE, 2018-2020. – Independent Member, Board Risk Committee, Commercial Bank International PSC, Abu Dhabi, 2016-2019. – Independent Member, Board Credit Committee, Commercial Bank International PSC, Abu Dhabi, 2017-2018. – Wholesale Banking Managing Director & Chief Operating Officer, Standard Chartered PLC, Middle East, North Africa, Pakistan, 2010-2015. – Managing Director, Ingram Group, Middle East, 2008-2009. – Chief Operating Officer and Chief Risk Officer, Barclays Bank PLC, UAE & Middle East, 2006-2008.	– Masters Degree in Leadership Studies, Exeter University, UK, 2000. – Bachelors in Accountancy, Huddersfield Polytechnic, UK, 1990.
5	Brian Byagaba (From outside the Board)	– Head of data and technology governance, Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market (ADGM), Abu Dhabi.	– General Manager, Pattamar, Abu Dhabi, 2019 – 2022. – Senior Manager (CISO), Information Security (IS) at Commercial Bank International (CBI), Dubai, 2016-2019. – Head of Operational Risk & Information Security at Dunia Finance LLC, Dubai, 2015-2016. – Internal Audit Manager at Dunia Finance LLC, Dubai, 2014-2015. – Co-Founder & CEO at Coin It Africa Limited, Uganda, 2014-2016. – Vice President, Corporate & Investment Banking at – Barclays Africa Group, Johannesburg, 2012-2014. – Chief Internal Auditor Barclays Mauritius & Seychelles at Barclays Bank PLC, Mauritius, 2010-2012. – Associate Director, Barclays Internal Audit at Barclays Bank PLC, Uganda, 2008-2011.	– MBA, Durham University, England, 2018. – Bachelor of Commerce, Accounting, Makerere University, Uganda, 2003.

(24) Names, qualifications and experience of the Board, Board committees' members and Executive Management: continued

(B) Board Committees' Members: continued

(B/5) Environment, Social and Governance Board Committee: *

	NAME	EXPERIENCES		QUALIFICATIONS
		CURRENT POSITIONS	PREVIOUS POSITIONS	
1	Abdullatif Al Othman	– Owner and CEO of Al-Othman Engineering Consultants.	– Governor and Chairman of the Board of Directors, General Authority for Investment, 2012-2016. – More than 35 years in the field of planning and managing oil and gas projects, financial management, investment, business and international relations development.	– MBA, Sloan Fellows program, Massachusetts Institute of Technology, 1998. – Bachelor of Civil Engineering, King Fahad University of Petroleum and Minerals, 1979.
2	Bader Al Issa	– CEO of Assila Investment Company.	– CFO of Assila Investment Company, 2010 – 2019. – CEO – AMIAS Holding, 2008-2019. – Investment Portfolios Manager at HSBC Saudi Arabia Limited, 2006-2008. – Financial and Marketing Analyst at SABIC America, Houston, Texas, 2002-2004. – Financial Analyst at JP Morgan, London, 2001-2002.	– MBA, Rice University, 2006. – Bachelor of Economy, The University of Virginia, Virginia, 2001.
3	Rayan Fayez	– Deputy CEO of NEOM.	– Managing Director and CEO of Banque Saudi Fransi 2018-2022. – CEO of Savola Group, 2016-2018. – Managing Director and Senior Regional Officer at JPMorgan Chase N.A, Riyadh Branch, 2013-2016. – CEO of JP Morgan Saudi Arabia Limited, 2012-2013. – CEO of Goldman Sachs, Saudi Arabia, 2009-2012. – Executive Director at Goldman Sachs International, London, 2007-2009.	– Bachelor of Science in Mechanical Engineering, Massachusetts Institute of Technology (MIT), 2001.

* Previously Corporate Social Responsibility Committee, as of 28/06/2022 it has been transformed to be Environment, Social and Governance Board Committee.

(B/6) Board Strategy Committee:

	NAME	EXPERIENCES		QUALIFICATIONS
		CURRENT POSITIONS	PREVIOUS POSITIONS	
1	Talal Al Maiman	– CEO of Kingdom Holding Company.	– Chairman of the Board and CEO of Kingdom Real Estate Development, 2010-2017. – CEO of Kingdom Holding Company, 1996-2016. – Director of Computer Department at Saudi Central Bank, 1986-1996. – Director of Operations and Maintenance at Ministry of Interior, 1979-1986.	– Master of Business Administration, University of Liverpool, UK, 2009. – Bachelor of Sciences in Electrical Engineering, University of Evansville Indiana, US, 1979. – Executive Management Program, Harvard University, 1986. – Diploma in Computer Science, Computer Sciences Corporation (CSC), Herndon, Virginia, 1981.
2	Bader Al Issa	– CEO of Assila Investment Company.	– CFO of Assila Investment Company, 2010 – 2019. – CEO – AMIAS Holding, 2008-2019. – Investment Portfolios Manager at HSBC Saudi Arabia Limited, 2006-2008. – Financial and Marketing Analyst at SABIC America, Houston, Texas, 2002-2004. – Financial Analyst at JP Morgan, London, 2001-2002.	– MBA, Rice University, 2006. – Bachelor of Economy, The University of Virginia, Virginia, 2001.
3	Rayan Fayez	– Deputy CEO of NEOM.	– Managing Director and CEO of Banque Saudi Fransi 2018-2022. – CEO of Savola Group, 2016-2018. – Managing Director and Senior Country Officer at JPMorgan Chase N.A, Riyadh Branch, 2013-2016 – CEO of JP Morgan Saudi Arabia Limited, 2012-2013. – CEO of Goldman Sachs, Saudi Arabia, 2009-2012. – Executive Director at Goldman Sachs International, London, 2007-2009.	– Bachelor of Science in Mechanical Engineering, Massachusetts Institute of Technology (MIT), 2001.
4	Khalid Al Omran	– General Manager of Daily Food Company.	– Board Member at Goldman Sachs Saudi Arabia, 2018-2021. – Executive Project Manager, Banque Saudi Fransi, 2009-2010. – Business Development Manager, Almarai Company, 2009. – Business Analyst, Mckinsey & Company 2006-2009.	– Master's in Business Administration, IESE Business School, Spain, 2012. – Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006.

(24) Names, qualifications and experience of the Board, Board committees' members and Executive Management: continued
(B) Board Committees' Members: continued
(B/6) Board Strategy Committee: continued

		EXPERIENCES		
	NAME	CURRENT POSITIONS	PREVIOUS POSITIONS	QUALIFICATIONS
5	Timothy Collins*	– CEO and Managing Partner, Ripplewood Advisors, LLC. – Senior Fellow and Director, Henry Becton Fellowship Program, Yale School of Management.	– CEO and Senior Managing Director, Ripplewood Holdings, LLC, 1995-2014. – Director, RHJ International, 2004-2014. – Director, Gogo, Inc., 2013. – Director, Citigroup, Inc., 2009-2012. – Director, Weather Investments S.p.A, 2008-2011. – Director, 3W Power Holdings, Ltd., 2009-2011. – Director, Commercial International Bank of Egypt, 2006-2009. – Director, RSC Holdings, Inc., 2006-2009.	– Honorary Doctorate of Humane Letters, DePauw University, 2004. – MBA in Public & Private Management, Yale University, 1982. – BA in Philosophy, DePauw University, 1978.

* Resigned as of 06/10/2022.

(C) Executive Management:

	NAME	CURRENT POSITION	PREVIOUS POSITION	QUALIFICATIONS	EXPERIENCES
1	Bader Alsalloom*	Chief Executive Officer	Head of Wholesale Banking – Banque Saudi Fransi	Bachelors of Science, Finance 2004	18 years' experience in Banking sector
2	Rayan Fayez**	Managing Director and Chief Executive Officer	Chief Executive Officer of Savola Group	Bachelor of Science in Mechanical Engineering. Massachusetts Institute of Technology (MIT), 2001	21 Years of experience in several executive positions
3	Ramzy Darwish***	Chief Financial Officer	Head, Treasury group – Saudi National Bank.	Bachelors of Science in Industrial and Labor Relations – 2005.	16 years' experience in Banking sector
4	Adel Mallawi****	Chief Investment Officer	Chief Financial Officer – Banque Saudi Fransi	Bachelor of Chemistry 1993	28 Years of experience in treasury, global markets and finance
5	Majed Alsadhan	Head of Wholesale Banking	Head of Corporate Banking – Banque Saudi Fransi.	Bachelors of Accounting, King Faisal University, 2004 Masters of Accounting and Finance, Southampton university, 2007	16 years' experience in Corporate Banking sector
6	Zuhair Mardam	Chief Treasury and Investment Officer	Head of Marketing and Trading – Banque Saudi Fransi	Bachelors of Finance, Prince Sultan University, 2004	19 years' experience in treasury
7	Mohammad Al Alsheikh	Head of Personal Banking Group	Head of Branch Network for Retail Banking at Al Rajhi Bank	Bachelor of Industrial Engineering, King Saud University, 2005	16 years' experience in Islamic and Retail Banking
8	Abdulaziz Al-Molhem	Regional Director for the Eastern Region	Credit Officer of Retail Banking, Regional Director at AlAwwal Bank	Bachelor of Business Administration, Indiana State University, 1983	37 years of experience in banking sector

	NAME	CURRENT POSITION	PREVIOUS POSITION	QUALIFICATIONS	EXPERIENCES
9	Thamer Yousef	Chief Operating Officer	Head of Information Systems Department at SABB	Bachelor of Computer Engineering, King Saud University, 1994	26 years of experience in IT & Operations
10	May Alhoshan	Chief Human Capital Officer	Director of Human Resources at AlAwwal Bank	Master of Engineering Management – George Washington University, 2004	17 years of experience in Human Resources
11	Michael Cunningham	Chief Digital & Innovation Officer	Co-Founder & CEO at Clearly Executive Vice President and Head of Group Strategy & Innovation at Abu Dhabi Commercial Bank	Diploma of Business Administration, University of Durham	11 years of banking experience in banking sector
12	Abdulmohsen Al Rayes	Chief Audit Executive	Director of Internal Audit at Arab National Bank	Bachelor of Arabic Grammar, 1981	36 years of experience in the banking sector
13	Yasser Alanssari	Chief Compliance Officer	Director of Compliance Group and anti-money laundering – Gulf International Bank	Bachelors of Science 2018	11 years' experience in Compliance
14	Abdullah Al Sheikh	Head of Legal & Governance, Corporate Secretary	Head of Legal Affairs and Secretary of the Board of Directors at Samba Financial Group	LL.M, Harvard Law School, 2008	19 years of legal experience in several positions in the financial sector
15	Mutasim Mufti	Chief Risk Officer	Risk Deputy Director – Banque Saudi Fransi	Bachelors of Accounting & Finance 1991 MBA 1993	16 years' experience in Banking sector
16	Mazen Azoony*****	Acting Chief Financial Officer	Head of Financial Reporting & Accounting – Standard Chartered Bank	Bachelors of Accounting – 1996 Masters of Accounting 2009	11 years' experience in Banking sector
17	Turki AlMehaid	Head of Consumer Protection and Customer Complaints	Senior Business Analyst Private Banking Sector – Bank Saudi Fransi	Bachelors of Business Administration 2017 Masters in Business Administration 2021	16 years' experience in Banking sector

* Mr. Bader Alsallom was appointed as acting CEO on 01/06/2022, and was appointed as CEO on 06/09/2022.
** Resigned from his position as MD&CEO of the bank effective from 31/05/2022, while continuing as a member of the board.
*** Appointed as CFO on 18/12/2022.
**** Resigned on 31/07/2022.
***** Mazen Azoony last day as acting CFO 17/12/2022.

(25) Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager:

	Member's Name	Current: Name of company in which the Board member is a member of its current Board of Directors or from its Directors	Current: Inside the Kingdom/ Outside the Kingdom	Current: Legal Entity	Previous: Name of company in which the Board member is a member of its previous Board of Directors or from its Directors	Previous: Inside the Kingdom/ Outside the Kingdom	Previous: Legal Entity
1	Mazin AlRomaih	Future Generation Investment Company	Inside the Kingdom	Limited Liability Company	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company
		Dr. Sulaiman Al Habib Medical Group	Inside the Kingdom	Listed Joint Stock Company	Samba Capital & Investment Management Group	Inside the Kingdom	Joint Stock Company
		Sada Company for Investment	Inside the Kingdom	Limited Liability Company	HSBC Saudi Arabia Limited	Inside the Kingdom	Closed Joint Stock Company
		–	–	–	Al Yammamh Steel Company	Inside the Kingdom	Closed Joint Stock Company
		–	–	–	Food Concepts Ltd.	Inside the Kingdom	Limited Liability Company
		–	–	–	Alissa Holding Group	Inside the Kingdom	Closed Joint Stock Company
2	Talal Al Maiman	Kingdom Holding company	Inside the Kingdom	Listed Joint Stock Company	Savola Group	Inside the Kingdom	Listed Joint Stock Company
		Tasnee Company	Inside the Kingdom	Listed Joint Stock Company	SRMJ	Inside the Kingdom	Closed Joint Stock Company
		NAS Holding Company	Inside the Kingdom	Closed Joint Stock Company	Der' alreayah Health Company	Inside the Kingdom	Closed Joint Stock Company
		Trade Centre Company	Inside the Kingdom	Limited Liability Company	Five Capital advisors company (DIFC)	Outside the Kingdom	Private Company
		Real Estate Investment Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Kingdom School Company limited	Inside the Kingdom	Limited Liability Company	–	–	–
		Kingdom International School	Inside the Kingdom	Limited Liability Company	–	–	–
		Kingdom Investment and Development Company	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Jeddah Economic Limited Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Kingdom Real Estate Development	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Dallah Health Care Company	Inside the Kingdom	Listed Joint Stock Company	–	–	–
		Four Seasons Hotel	Inside the Kingdom	Limited Liability Company	–	–	–
		Kingdom Brokerage Reinsurance Company	Inside the Kingdom	Limited Liability Company	–	–	–

	Member's Name	Current: Name of company in which the Board member is a member of its current Board of Directors or from its Directors	Current: Inside the Kingdom/ Outside the Kingdom	Current: Legal Entity	Previous: Name of company in which the Board member is a member of its previous Board of Directors or from its Directors	Previous: Inside the Kingdom/ Outside the Kingdom	Previous: Legal Entity
3	Abdulrahman Al Rashed	Rashed Abdul Rahman Al Rashed & Sons Company	Inside the Kingdom	General Partnership	Al Yamama Investment Company	Inside the Kingdom	Closed Joint Stock Company
		Dhahran Techno Valley Company	Inside the Kingdom	Closed Joint Stock Company	Rashed Al Rashed & Sons Donaldson Company Ltd	Inside the Kingdom	Limited Liability Company
		Al Awael Investment Holding	Inside the Kingdom	Limited Liability Company	–	–	–
		UNICOIL, Universal Metal Coating Company	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Dammam Hotels Company	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Beit Al Tawazun Holding Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Company of Crystal Ice Factory	Inside the Kingdom	Limited Liability Company	–	–	–
		Rashed Development Company – RASHEDCO	Inside the Kingdom	Limited Liability Company	–	–	–
		Rashed Alrashed & Partners Commercial Investment Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Rashed Alrashed & Partners Business Development Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Rashed Alrashed & Partners Development & Real Estate Investment company	Inside the Kingdom	Limited Liability Company	–	–	–
		Ibhar Albenaa Real Estate Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Aqar & Amaar Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Alrashed Global United Investment Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Denys Arabia Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Sanad Healthcare Company	Inside the Kingdom	Limited Liability Company			
		Al–Awael Al–Asriya Contracting Company	Inside the Kingdom	Limited Liability Company			

(25) Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager: continued

		CURRENT			PREVIOUS		
	MEMBER'S NAME	NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS CURRENT BOARD OF DIRECTORS OR FROM ITS DIRECTORS	INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	LEGAL ENTITY	NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS PREVIOUS BOARD OF DIRECTORS OR FROM ITS DIRECTORS	INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	LEGAL ENTITY
4	Bader Al Issa	Savola Group	Inside the Kingdom	Listed Joint Stock Company	Assila Investments	Inside the Kingdom	Closed Joint Stock Company
		United Sugar Company	Inside the Kingdom	Closed Joint Stock Company	AMIAS Holding	Inside the Kingdom	Limited Liability Company
		Afia International Company	Inside the Kingdom	Closed Joint Stock Company	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company
		Savola Foods	Inside the Kingdom	Closed Joint Stock Company	Kinan International for Real Estate Development Company	Inside the Kingdom	Closed Joint Stock Company
		Dur Hospitality Company	Inside the Kingdom	Listed Joint Stock Company	Knowledge Economic City	Inside the Kingdom	Listed Joint Stock Company
		Panda Retail Company	Inside the Kingdom	Closed Joint Stock Company	Savola for Packaging	Inside the Kingdom	Closed Joint Stock Company
		Almarai	Inside the Kingdom	Listed Joint Stock Company	Al Aqiq for Real Estate Development	Inside the Kingdom	Closed Joint Stock Company
		–	–	–	Sukoon International Company	Inside the Kingdom	Closed Joint Stock Company
5	Abdullatif Al Othman	Al–Othman Engineering Consultants	Inside the Kingdom	Closed Joint Stock Company	Aramco Trading Company	Inside the Kingdom	Joint Stock Company
		Olayan Saudi Holding	Inside the Kingdom	Closed Joint Stock Company	Wa'ed, established by Aramco to support small and medium enterprises	Inside the Kingdom	Joint Stock Company
		Investcorp Bahrain	Outside the Kingdom	Joint Stock Company	Sadara Chemical Company, partnership between Saudi Aramco and The Dow Chemical Company	Inside the Kingdom	Joint Stock Company
		Wahed	Outside the Kingdom	Joint Stock Company	Dussur, The Saudi Industrial Investments Company	Inside the Kingdom	Joint Stock Company
		Remaiyah	Inside the Kingdom	Closed Joint Stock Company	–	–	–
6	Ghazi Al Rawi	MATARAT Holding Company	Inside the Kingdom	Closed Joint Stock Company	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company
		Riyadh Airports Company	Inside the Kingdom	Limited Liability Company	National Medical Care Company	Inside the Kingdom	Listed Joint Stock Company
		Valuegate Company for Investment & Real Estate Development	Inside the Kingdom	Limited Liability Company	Sanabil Investment	Inside the Kingdom	Closed Joint Stock Company
		Green Oasis Hotel Company	Inside the Kingdom	Limited Liability Company	Eastgate Capital Group	Outside the Kingdom	Limited Liability Company
		Ithmar Taiba Dates Company	Inside the Kingdom	Limited Liability Company	L'azurde	Inside the Kingdom	Listed Joint Stock Company
		Valuegate Investments International	Outside the Kingdom	Limited Liability Company	Tadrees Holding	Inside the Kingdom	Closed Joint Stock Company

		CURRENT			PREVIOUS		
	MEMBER'S NAME	NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS CURRENT BOARD OF DIRECTORS OR FROM ITS DIRECTORS	INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	LEGAL ENTITY	NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS PREVIOUS BOARD OF DIRECTORS OR FROM ITS DIRECTORS	INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	LEGAL ENTITY
6	Ghazi Al Rawi (continued)	Valuegate Astro SPV1	Outside the Kingdom	Limited Liability Company	SIGMA Pharmaceutical Industries	Outside the Kingdom	Closed Joint Stock Company
		Qasim Cement Company	Inside the Kingdom	Listed Joint Stock Company	Multiple Investments Company for Medical Services (Future Lab)	Inside the Kingdom	Limited Liability Company
		–	–	–	Creative Spirit Food Management Company	Inside the Kingdom	Limited Liability Company
		–	–	–	Al–Safa Company for Medicine and Medical Supplies	Inside the Kingdom	Limited Liability Company
		–	–	–	Maedat Aljood	Inside the Kingdom	Limited Liability Company
		–	–	–	Smart Health Solutions for Information Technology	Inside the Kingdom	Limited Liability Company
		–	–	–	Adaptive Spectrum & Signal Alignment, Inc	Outside the Kingdom	Closed Joint Stock Company
7	Khalid Al Omran	Daily Food Company	Inside the Kingdom	A Limited Liability Company	Goldman Sachs Saudi Arabia	Inside the Kingdom	Closed Joint Stock Company
8	Rayan Fayez	Al Ula Company for Development	Inside the Kingdom	Closed Joint Stock Company	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company
		Neom	Inside the Kingdom	Closed Joint Stock Company	Hassana Investment Company	Inside the Kingdom	Closed Joint Stock Company
		Hala Payments Company	Inside the Kingdom	Closed Joint Stock Company	Saudi Stock Exchange (Tadawul)	Inside the Kingdom	Listed Joint Stock Company
		Gulf coast development company	Inside the Kingdom	Closed Joint Stock Company	Saudi Agricultural & Livestock Investment Company (SALIC)	Inside the Kingdom	Closed Joint Stock Company
		–	–	–	Herfy for Food Services	Inside the Kingdom	Listed Joint Stock Company
		–	–	–	Almarai	Inside the Kingdom	Listed Joint Stock Company
		–	–	–	Knowledge Economic City	Inside the Kingdom	Listed Joint Stock Company
		–	–	–	Panda Retail Company	Inside the kingdom	Closed Joint Stock Company
		–	–	–	Savola for Foods	Inside the Kingdom	Closed Joint Stock Company
		–	–	–	Kinan International Real Estate Development Company	Inside the Kingdom	Closed Joint Stock Company
		–	–	–	JP Morgan Chase NA, Riyadh Branch	Inside the Kingdom	Closed Joint Stock Company

(25) Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager: continued

		CURRENT			PREVIOUS		
	MEMBER'S NAME	NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS CURRENT BOARD OF DIRECTORS OR FROM ITS DIRECTORS	INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	LEGAL ENTITY	NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS PREVIOUS BOARD OF DIRECTORS OR FROM ITS DIRECTORS	INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	LEGAL ENTITY
9	Khalid Al Sharif	The Family Office International Investment Company (TFOIIC)	Inside the Kingdom	Closed Joint Stock Company	United Electronics Company (eXtra)	Inside the Kingdom	Listed Joint Stock Company
		Rua Al Madinah Holding Company	Inside the Kingdom	Closed Joint Stock Company	Al Ahli Takaful	Inside the Kingdom	Listed Joint Stock Company
		Arabian Petroleum Supply (APSCO)	Inside the Kingdom	Closed Joint Stock Company	Turkiye Finance Katilim Bankasi	Outside the Kingdom	Closed Joint Stock Company
		–	–	–	Oryx Mutual Funds (Bahrain)	Outside the Kingdom	Investment Fund
		–	–	–	Eastgate Company (Dubai)	Outside the Kingdom	Closed Joint Stock Company
10	Timothy Collins*	Ripplewood Advisors	Outside the Kingdom	Limited Company	Working America Education Fund Board of Directors	Outside the Kingdom	Foundation
		RA Mena Holdings	Outside the Kingdom	Limited Company	Palm Hills Developments	Outside the Kingdom	Joint Stock Company
		SODIC	Outside the Kingdom	Limited Company	RHJ International	Outside the Kingdom	Closed Joint Stock Company
		EFG Hermes	Outside the Kingdom	Limited Company	Gogo, Inc.	Outside the Kingdom	Closed Joint Stock Company
		McKinsey Advisory Council	Outside the Kingdom	Limited Company	Citigroup, Inc.	Outside the Kingdom	Joint Stock Company
		AS Citadele Banka	Outside the Kingdom	Limited Company	Weather Investments SpA	Outside the Kingdom	Closed Joint Stock Company
		NEOM	Inside the Kingdom	Closed Joint Stock Company	3W Power Holdings Ltd	Outside the Kingdom	Closed Joint Stock Company
		Henry Becton Fellowship Program, Yale School of Management	Outside the Kingdom	Fund	Commercial International Bank of Egypt	Outside the Kingdom	Joint Stock Company
		New York State Common Retirement Fund	Outside the Kingdom	Foundation	RSC Holdings Inc.	Outside the Kingdom	Closed Joint Stock Company
		Yale Divinity School Advisory Board	Outside the Kingdom	Foundation	–	–	–
		Yale School of Management Advisory Board	Outside the Kingdom	Foundation	–	–	–

* Resigned as of 06/10/2022.

(26) The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting, listing the names of the attendees:

		DATE OF MEETINGS												
	MEMBER NAME	FIRST MEETING 16/02/2022	SECOND MEETING 16/03/2022	THIRD MEETING 21/04/2022	FOURTH MEETING 31/05/2022	FIFTH MEETING 28/06/2022	SIXTH MEETING 29/06/2022	SEVENTH MEETING 01/08/2022	EIGHTH MEETING 05/09/2022	NINTH MEETING 14/09/2022	TENTH MEETING 10/11/2022	ELEVENTH MEETING 12/12/2022	TOTAL	ATTENDANCE PERCENTAGE
1	Mazin Al Romaih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
2	Talal Al Maiman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
3	Abdulrahman Al Rashed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
4	Bader Al Issa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
5	Abdullatif Al Othman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
6	Ghazi Al Rawi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
7	Khalid Al Omran	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
8	Rayan Fayez	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
9	Khalid Al Sharif	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
10	Timothy Collins*	✓	✓	✓	✓	X	X	✓	✓	✓	–	–	7	78%

* Resigned as of 06/10/2022.

(27) A brief description of the competencies and duties of the committees, indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting:
The Board of Directors of Banque Saudi Fransi has formed the following six committees for a three-year period from 01/01/2022 to 31/12/2024: The Executive Committee, the Audit Committee, the Nominations and Remunerations Committee, the Board Risk Committee, the Environment, Social and Governance Board Committee and the Board Strategy Committee. These committees have powers under their own regulations. The details of these committees are as follows:

(27/A) Executive Committee:
The Committee consists of five members, presided by the Board of Directors Chairman, the members enjoy academic and administrative qualification that enable them to perform duties assigned to them. The committee held six meetings during 2022. The following are the members of the Committee and its meetings during the year:

			DATE OF MEETINGS							
	NAME	TYPE OF MEMBERSHIP	FIRST MEETING 08/02/2022	SECOND MEETING 13/04/2022	THIRD MEETING 08/06/2022	FORTH MEETING 08/09/2022	FIFTH MEETING 26/10/2022	SIXTH MEETING 06/12/2022	TOTAL	ATTENDANCE PERCENTAGE
1	Mazin Al Romaih	Chairman Non-Executive	✓	✓	✓	✓	✓	✓	6	100%
2	Abdulrahman Al Rashed	Non-Executive Member	✓	✓	✓	✓	✓	✓	6	100%
3	Talal Al Maiman	Non-Executive Member	✓	✓	✓	✓	✓	✓	6	100%
4	Rayan Fayez*	Non-Executive Member	✓	✓	✓	✓	✓	✓	6	100%
5	Khalid Al Sharif	Non-Executive Member	✓	✓	✓	✓	✓	✓	6	100%

* Resigned from his position as MD&CEO of the bank effective from 31/05/2022, while continuing as a member of the board.

The Committee's main responsibilities include but are not limited to the following:
- Approve related party transactions as per the "Delegation of Authority Manual" and the Related Party Transactions Policy:
- Approve loans and credit facilities to Banque Saudi Fransi's clients, as per the Bank's "Delegation of Authority Manual", in line with SAMA rules and regulations for granting loans and credit facilities;
- Review periodic management report activities and reports on the execution and completion of the Bank's major projects; and
- Review annual budgets and plans, and verifying material differences in the budget (if any) before submitting them to the Board for review.

(27) A brief description of the competencies and duties of the committees, indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting: continued

(27/B) Audit Committee:

The Committee consists of five independent members, is presided by an independent member of the Board and most of the members are from outside the Board. The members of the Audit Committee have academic qualifications and professional experience in auditing and risk management, including knowledge of accounting and auditing standards, ability to understand financial reports, in addition to understanding the laws and regulations issued by the competent authorities. The Audit Committee held eight meetings during 2022. The following are the members of the Committee and its meetings during the year:

			DATE OF MEETINGS									
	NAME	TYPE OF MEMBERSHIP	FIRST MEETING 02/02/2022	SECOND MEETING 02/03/2022	THIRD MEETING 19/04/2022	FORTH MEETING 25/05/2025	FIFTH MEETING 24/07/2022	SIXTH MEETING 28/08/2022	SEVENTH MEETING 27/10/2022	EIGHTH MEETING 29/11/2022	TOTAL	ATTENDANCE PERCENTAGE
1	Bader Al Issa	Chairman Independent	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
2	Ghazi Al Rawi	Independent Member	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
3	Mamdoh Al Majed	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
4	Khalid Al Faddagh	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
5	Homood Al Tuwaijri	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	✓	8	100%

The Audit Committee's members assist the Bank's Board of Directors in fulfilling its oversight responsibility relating to the following:

- Shareholders, potential shareholders, the investment community and others relating to the financial reporting process;
- The system of Internal Controls;
- The audit process;
- The Bank's financial statements;
- Related parties transactions and conflict of interests' cases; and
- The Bank's process for monitoring compliance with applicable laws and regulations and the Code of Conduct.

(27/C) Nominations and Remunerations Committee:

The Committee is composed of five members of the Board of Directors and other specialists. The Committee members enjoy academic and administrative qualifications and variety of experience, which include memberships in Nomination and Remuneration committees, in addition to other experiences that qualify the committee members to carry out their duties and responsibilities, the committee held eleven meetings during 2022. The following are the members of the Committee and its meetings during the year

			DATE OF MEETINGS												
	MEMBER NAME	TYPE OF MEMBERSHIP	FIRST MEETING 07/02/2022	SECOND MEETING 02/03/2022	THIRD MEETING 13/03/2022	FOURTH MEETING 31/03/2022	FIFTH MEETING 18/04/2022	SIXTH MEETING 19/05/2022	SEVENTH MEETING 26/05/2022	EIGHTH MEETING 07/07/2022	NINTH MEETING 06/09/2022	TENTH MEETING 07/12/2022	ELEVENTH MEETING 20/12/2022	TOTAL	ATTENDANCE PERCENTAGE
1	Ghazi Al Rawi	Chairman Independent	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
2	Talal Al Maiman	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
3	Abdul rahman Al Rashed	Non-Executive Member	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	X	9	82%
4	Khalid Al Omran	Independent Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%
5	Mansoor Al Mansoor	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	100%

Functions of the Committee include but are not limited to the following:

- Preparing a clear policy for the remunerations of the Board members, the Board committees' members and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that are linked to performance, and disclosing and ensuring the implementation of such policy;
- Evaluating practices by which compensation is paid for potential future revenues whose timing and likelihood remain uncertain;
- Making recommendations to the Board on the level and composition of remuneration of key executives of the Bank whose appointment is subject to obtaining 'No Objection by SAMA;
- Determining the bonus pool based on risk-adjusted profit of the Bank for payment of performance bonus;
- Reviewing compliance of the Remunerations and Compensation policy with the relevant rules and the principles and standards of the Financial Stability Board (FSB); and
- Determine points of strength and weakness in the Board of Directors and the Board committees through performance assessments and recommend remedies that are compatible with Banque Saudi Fransi's interests.

(27) A brief description of the competencies and duties of the committees, indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting: continued

(27/D) Board Risk Committee:

The Board Risk Committee comprises five members at present, including members of the Board of Directors and other specialists. The committee members hold experience in risk management, academic and practical qualifications that enable them to perform the committee responsibilities and take appropriate decisions, and experience in the financial and administrative affairs, the committee held five meetings during 2022. The Committee's members and meetings during the year are as follows:

	NAME	TYPE OF MEMBERSHIP	DATE OF MEETINGS: FIRST MEETING 13/02/2022	SECOND MEETING 16/5/2022	THIRD MEETING 06/09/2022	FOURTH MEETING 06/11/2022	FIFTH MEETING 05/12/2022	TOTAL	ATTENDANCE PERCENTAGE
1	Abdullatif Al Othman	Chairman Independent	✓	✓	✓	✓	✓	5	100%
2	Khalid Al Omran	Independent Member	✓	✓	✓	✓	✓	5	100%
3	Khalid AlSharif	Non-Executive Member	✓	✓	✓	✓	✓	5	100%
4	Vanessa Eastham Fisk	Member (from outside the Board)	✓	✓	✓	✓	✓	5	100%
5	Brian Byagaba	Member (from outside the Board)	✓	✓	✓	✓	✓	5	100%

The Board Risk Committee has responsibility for Executive management managing risks by providing governance oversight and strategic direction aligned with duly approved risk management framework, policies, procedures and regulatory obligations.

Major functional responsibilities of the Board Risk Committee include but are not limited to:
- Development of strategies and comprehensive policies for risk management consistent with the nature and volume of the Bank's activities, risk profile and risk tolerance (including cyber and technology risks); Efficient operation of these policies and regular review based on dynamic environment;
- Recommendation to BoD and periodic review of Risk Appetite (acceptable level of risk faced by the Bank) and monitoring with its cascade to Business Lines;
- Establish and review bank-wide risk measurement methodologies for quantifying risks; Oversight on Executive management's assessment of risks including credit, market, operational (including technology), cyber /information security, business continuity and other key risks;
- Review the adequacy of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) and Stress Testing; ensure the successful continuity of the Bank's franchise and ascertain whether management controls are in place for exceptional situations (Event Risks);
- Provide detailed reports to the board on risk exposures and the recommended measures to manage such risks;
- Review the adequacy of the Bank's risk management systems to determine and monitor the risks and mitigants;
- Review the organizational structure for risk management and providing recommendations to BoD;
- Review any issues raised by the Audit Committee on the Bank's risk management; and
- Set up a comprehensive Credit Risk Management process including formulation of the Credit Policy and recommend to the Executive Committee on matters relating to delegation of credit approving powers, prudential limits on large credit exposures, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, pricing of loans and provisioning.

(27/E) Environment, Social and Governance Board Committee: *

The Board of Directors of Banque Saudi Fransi is keen to support the largest possible segment of society and all stakeholders in all fields and to adopt ESG practices, the Board formed ESG Committee, in which consists of three members. The Committee held one meeting in 2022. The Committee's members and the meeting attendance record during 2022 are as follows:

	NAME	TYPE OF MEMBERSHIP	DATE OF MEETING: FIRST MEETING 13/11/2022	TOTAL	ATTENDANCE PERCENTAGE
1	Abdullatif Al Othman	Chairman Independent	✓	1	100%
2	Bader Al Issa	Independent Member	✓	1	100%
3	Rayan Fayez**	Non-Executive Member	✓	1	100%

* Previously Corporate Social Responsibility Committee, as of 28/06/2022 it has been transformed to be Environment, Social Governance Board Committee.
** Resigned from his position as MD&CEO of the bank effective from 31/05/2022, while continuing as a member of the board.

The tasks of Environment, Social and Governance Board Committee include but are not limited to the following:
- Review & approve ESG KPIs/Targets;
- Approve BSF's ESG programs & initiatives and ensure they are aligned with BSF strategy;
- Oversee the implementation & status of ESG KPIs/targets, programs & initiatives;
- Review the annual report related to ESG prior to Board approval and approve any other disclosures made in regards to ESG;
- Oversee/monitor ESG-related risks and opportunities; and
- Keep updated and aware of ESG developments and attend trainings when needed.

(27/F) Board Strategy Committee:

The Board Strategy Committee consists of five members of the Board of Directors, and the committee members holds academic and administrative qualifications that enable them to perform the duties assigned to them. The Committee held four meetings during 2022. The Committee's members and meetings during the year are as follow:

	NAME	TYPE OF MEMBERSHIP	DATE OF MEETINGS: FIRST MEETING 20/01/2022	SECOND MEETING 31/03/2022	THIRD MEETING 10/05/2022	FOURTH MEETING 07/09/2022	TOTAL	ATTENDANCE PERCENTAGE
1	Talal Al Maiman	Chairman Non-Executive	✓	✓	✓	✓	4	100%
2	Bader Al Issa	Independent Member	✓	✓	✓	✓	4	100%
3	Khalid Al Omran	Independent Member	✓	✓	✓	✓	4	100%
4	Rayan Fayez*	Non-Executive Member	✓	✓	✓	✓	4	100%
5	Timothy Collins**	Independent Member	✓	✓	✓	✓	4	100%

* Resigned from his position as MD&CEO of the bank effective from 31/05/2022, while continuing as a member of the board.
** Resigned as of 06/10/2022.

Major duties and responsibilities of the Board Strategy Committee include but are not limited to the following:
- Review and evaluate all recommendations from the Strategy Steering Committee against the strategic direction of the Board;
- Critique said recommendations to ensure they fit with the strategic direction of the Board;
- Review and make recommendations to the Board with respect to BSF's overall Strategy, business plan and all strategy related matters; and
- Monitor and suggest remedial action during the implementation of our 5 Year Strategy.

(28) A list of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them:

A General Assembly Meeting was held during 2022. The following is the attendance report of the meeting:

	NAME	ATTENDANCE RECORD EXTRAORDINARY GENERAL ASSEMBLY MEETING 12/06/2022
1	Mazin Al Romaih (Chairman of the Board and Executive Committee)	✓
2	Talal Al Maiman (Vice Chairman of the Board and Chairman of Board Strategy Committee)	✓
3	Abdulrahman Al Rashed	✓
4	Bader Al Issa (Chairman of the Audit Committee)	✓
5	Abdullatif Al Othman (Chairman of the Board Risk Committee, Chairman of Environment, Social and Governance Board Committee)	✓
6	Ghazi Al Rawi (Chairman of Nomination and Remuneration Committee)	✓
7	Khalid Al Omran	✓
8	Rayan Fayez	✓
9	Khalid Al Sharif	✓
10	Timothy Collins	✓
Attendance percentage		**100%**

(29) Disclosure of the remuneration of the Board members, Committee Members and Executive Management as stated in the regulations:

Members of the Board of Directors shall receive a certain amount of money as a remuneration for each member in accordance with his performance and the number of meetings he attends, as per the recommendations of the Nominations and Remuneration Committee, according to Companies Law and the laws and controls issued by the Capital Market Authority and the Saudi Central Bank and the internal Remuneration Policy of BSF, emphasizing on the absence of any differences between the approved remunerations and what has been approved by the Board of Directors based on the recommendations of the Nominations and Remuneration Committee. In regard to Executive Management remunerations, they are determined based on performance criteria and approved by the Nominations and Remuneration Committee. Remunerations and compensations of the Board of Directors, committees' members and Executive Management are as follows:

(29/A) The Board's members remunerations:

		BOARD MEMBERS REMUNERATION (IN THOUSANDS OF SAUDI RIYALS)															
		FIXED REMUNERATIONS							VARIABLE REMUNERATIONS								
		CERTAIN AMOUNT	ALLOWANCE FOR ATTENDING BOARD'S SESSIONS	TOTAL ALLOWANCE FOR ATTENDING COMMITTEES' SESSIONS	BENEFITS IN KINDS	A STATEMENT OF WHAT MEMBERS OF THE BOARD HAVE RECEIVED AS WORKERS, ADMINISTRATIVE OR AS A RETURN FOR TECHNICAL, ADMINISTRATIVE OR CONSULTING WORK	THE REMUNERATION OF THE CHAIRMAN OF THE BOARD, THE MANAGING DIRECTOR OR THE SECRETARY IF HE IS A MEMBER	TOTAL*	PERCENTAGE OF PROFITS	PERIODIC REMUNERATIONS	SHORT-TERM INCENTIVE PLANS	LONG-TERM INCENTIVE PLAN	GRANTED SHARES (THE VALUE MUST BE INSERTED)	TOTAL	LEAVING INDEMNITY	SUM TOTAL*	EXPENSES ALLOWANCES
First: Independent members:																	
1	Bader Al Issa	420	33	39	–	–	–	492	–	–	–	–	–	–	–	492	–
2	Abdullatif Al Othman	420	33	18	–	–	–	471	–	–	–	–	–	–	–	471	–
3	Ghazi Al Rawi	420	33	57	–	–	–	500	–	–	–	–	–	–	–	500	–
4	Khalid Al Omran	420	33	60	–	–	–	500	–	–	–	–	–	–	–	500	–
5	Timothy Collins**	322	21	12	–	–	–	355	–	–	–	–	–	–	–	355	–
Total		**2,002**	**153**	**186**	**–**	**–**	**–**	**2,318**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,318**	**–**
Second: Non-executive members:																	
1	Mazin Al Romaih	–	33	18	–	–	3,750	3,801	–	–	–	–	–	–	–	3,801	–
2	Talal Al Maiman	420	33	63	–	–	–	500	–	–	–	–	–	–	–	500	–
3	Abdulrahman Al Rashed	420	33	45				498								498	
4	Rayan Fayez***	420	33	33	–	–	–	486	–	–	–	–	–	–	–	486	–
5	Khalid Al Sharif	420	33	33	–	–	–	486	–	–	–	–	–	–	–	486	–
Total		**1,680**	**165**	**192**	**–**	**–**	**3,750**	**5,771**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,771**	**–**
Third: Executive members:																	
1	N/A	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

* Remunerations have been capped at 500,000SAR in line with BSF's Remuneration and Compensation Policy for Board, Board Committees and Senior Executives.
** Resigned as of 06/10/2022.
*** Resigned from his position as MD&CEO of the bank effective from 31/05/2022, while continuing as a member of the board.

(29) Disclosure of the remuneration of the Board members, Committee Members and Executive Management as stated in the regulations: continued

(29/B) Committees' members remunerations:

COMMITTEES' MEMBERS REMUNERATIONS (IN THOUSANDS OF SAUDI RIYALS)					
COMMITTEES		FIXED REMUNERATIONS (EXCEPT ATTENDING SESSIONS ALLOWANCE)	ALLOWANCE FOR ATTENDING SESSIONS	TOTAL	NOTES
Audit Committee members					
1	Bader Al Issa	–	24	24	
2	Ghazi Al Rawi	–	24	24	
3	Mamdoh Al Majed	200	24	224	
4	Khalid Al Faddagh	200	24	224	
5	Homood Al Tuwaijri	200	24	224	
Total		**600**	**120**	**720**	
Nomination and Remuneration Committee members					
1	Ghazi Al Rawi	–	33	33	
2	Talal Al Maiman	–	33	33	
3	Abdulrahman Al Rashed	–	27	27	
4	Khalid Al Omran	–	33	33	
5	Mansoor Al Mansoor	200	33	233	
Total		**200**	**159**	**359**	
Board Risk Committee members					
1	Abdullatif Al Othman	–	15	15	
2	Khalid Al Omran	–	15	15	
3	Khalid Al Sharif	–	15	15	
4	Vanessa Fisk	200	15	215	
5	Brian Byagaba	200	15	215	
Total		**400**	**75**	**475**	
Executive Committee members					
1	Mazin Al Romaih	–	18	18	
2	Abdulrahman Al Rashed	–	18	18	
3	Talal Al Maiman	–	18	18	
4	Rayan Fayez	–	18	18	
5	Khalid Al Sharif	–	18	18	
Total		**–**	**90**	**90**	
Environment, Social and Governance Board Committee members					
1	Abdullatif Al Othman	–	3	3	
2	Bader Al Issa	–	3	3	
3	Rayan Fayez	–	3	3	
Total		**–**	**9**	**9**	
Board Strategy Committee members					
1	Talal Al Maiman	–	12	12	
2	Bader Al Issa	–	12	12	
3	Rayan Fayez	–	12	12	
4	Khalid Al Omran	–	12	12	
5	Timothy Collins	–	12	12	
Total		**–**	**60**	**60**	

(29/C) Senior Executives remunerations:

REMUNERATIONS OF FIVE SENIOR EXECUTIVES, INCLUDING CEO AND CFO (IN THOUSANDS OF SAUDI RIYALS)												
FIXED REMUNERATIONS				VARIABLE REMUNERATIONS								
SALARIES	ALLOWANCES	IN-KIND BENEFITS	TOTAL	PERIODIC REMUNERATIONS	PROFITS	SHORT-TERM INCENTIVE PLANS	LONG-TERM INCENTIVE PLANS	GRANTED SHARES (INSERT THE VALUE)	TOTAL	END-OF-SERVICE AWARD	TOTAL EXECUTIVES' REMUNERATION FOR THE BOARD, IF ANY*	AGGREGATE
7,547	5,087	263	12,897	–	–	16,096	–	8,365	24,461	9,406	486	47,250

* Mr. Ryan Fayez remuneration for his membership in the Board of Directors, noting that he resigned from the position of MD&CE as of 05/31/2022, while continuing as a member of the Board of Directors.

REMUNERATIONS OF SENIOR EXECUTIVES WHOSE APPOINTMENT REQUIRES OBTAINING NO OBJECTION OF THE SAUDI CENTRAL BANK (IN THOUSANDS OF SAUDI RIYALS)												
FIXED REMUNERATIONS				VARIABLE REMUNERATIONS								
SALARIES	ALLOWANCES	IN-KIND BENEFITS	TOTAL	PERIODIC REMUNERATIONS	EARNINGS	SHORT-TERM INCENTIVE PLANS	LONG-TERM INCENTIVE PLANS	SHARES AWARDED (VALUE ENTERED)	TOTAL	INDEMNITY	TOTAL EXECUTIVES' REMUNERATION FOR THE BOARD, IF ANY*	AGGREGATE
19,653	13,238	892	33,783	–	–	31,896	–	19,120	51,016	9,406	486	94,691

* Mr. Ryan Fayez remuneration for his membership in the Board of Directors, noting that he resigned from the position of MD&CE as of 05/31/2022, while continuing as a member of the Board of Directors.

(30) Waiver of remuneration or dividends by Board members, Senior Executives or shareholders:

There are no arrangements or agreements whereby members of the Board of Directors or Senior Executives have waived any remuneration or compensation.

There are no arrangements or agreements whereby a shareholder of the Bank has waived any rights in profits.

(31) The means used by the Board of Directors to assess its performance, the performance of its committees and members and the external body, which conducted the assessment and its relationship with the Bank, if any:

On an annual basis the performance of the Board of Directors and its committees is evaluated, and the performance of each member is evaluated individually, this is done through appropriate performance indicators related to the extent to which the Bank's strategic objectives are achieved, the quality of risk management, the adequacy of internal control systems and others, in addition to assigning a specialized external party to conduct the evaluation at least once every three years.

For the year 2022, the performance of the Board of Directors members and its committees was evaluated through comprehensive assessment forms developed based on international best practices and by using key performance indicators linked to the extent to which BSF strategic objectives have been achieved, the quality of risk management, efficiency of the internal control systems, corporate governance, board and committees' structure and members experience and skills among other indicators.

The results of the evaluation and related recommendations were presented to the Board of Directors and the Nomination and Remuneration Committee, in order to identify the strengths and weaknesses to propose recommendations and solutions to enhance the effectives of the Board of Directors and its committees.

(32) Training workshops offered to the members of the Board of Directors:

The Bank shall pay adequate attention to the training and preparation of the Board members, and to develop the members skills and knowledge in the fields related to the activities of the Bank, a variety of training workshops was presented to the members of the Board of Directors on Anti-Money Laundering and Counter Terrorist Financing by one of the consultancy companies, the new companies' law, Islamic Banking, ESG.

(33) The audit committees recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them:

There are no recommendations from the Audit Committee that contradict with the decisions of the Board of Directors and the Board of Directors have not rejected any recommendations from the Audit Committee regarding the appointment, dismissal, remuneration, performance evaluation of Bank's External Auditors.

(34) Board of Directors' recommendations to change auditors:

There was no change in the Joint Auditors for FY 2022. The Board approved Ernst & Young Professional Services (EY) & KPMG Professional Services as the Joint External Auditors of the Bank to conduct the quarterly and annual audit of financial statements for FY 2022 which was the same during FY 2021 as well.

(35) Actions taken by the Board of Directors to inform its members, especially non-executives, of shareholders' proposals and observations on the Bank and its performance:

The Board is keen to enable shareholders to exercise their rights and submit their comments and inquiries during the General Assembly meetings. These comments and inquiries shall be recorded in the minutes of the meeting. The Bank also allocates means of communication dedicated for shareholders (telephone, postal address, e-mail) through which comments and inquiries of shareholders, if any, are received and then submitted to Board members at the first subsequent meeting of the Board of Directors, and this is included in the minutes of the meeting.

(36) Declarations of the Board of Directors:

The Board of Directors of the Banque Saudi Fransi declares the following:

A. Proper books of account have been maintained;
B. The system of internal control is sound in design and has been effectively implemented; and
C. There are no significant doubts concerning the Bank's ability to continue its activity.

Transactions with the related parties and the information concerning any contracts or acts in which the Bank is a party, or in which there is a material interest to the Chairman and members of the Board of Directors of the Bank, the Chief Executive Officer, the Chief Financial Officer or any person directly related to any of them, have been disclosed in Disclosure No. (37) on transactions with related parties in the consolidated financial statements, and Articles (13) and (14) of this report.

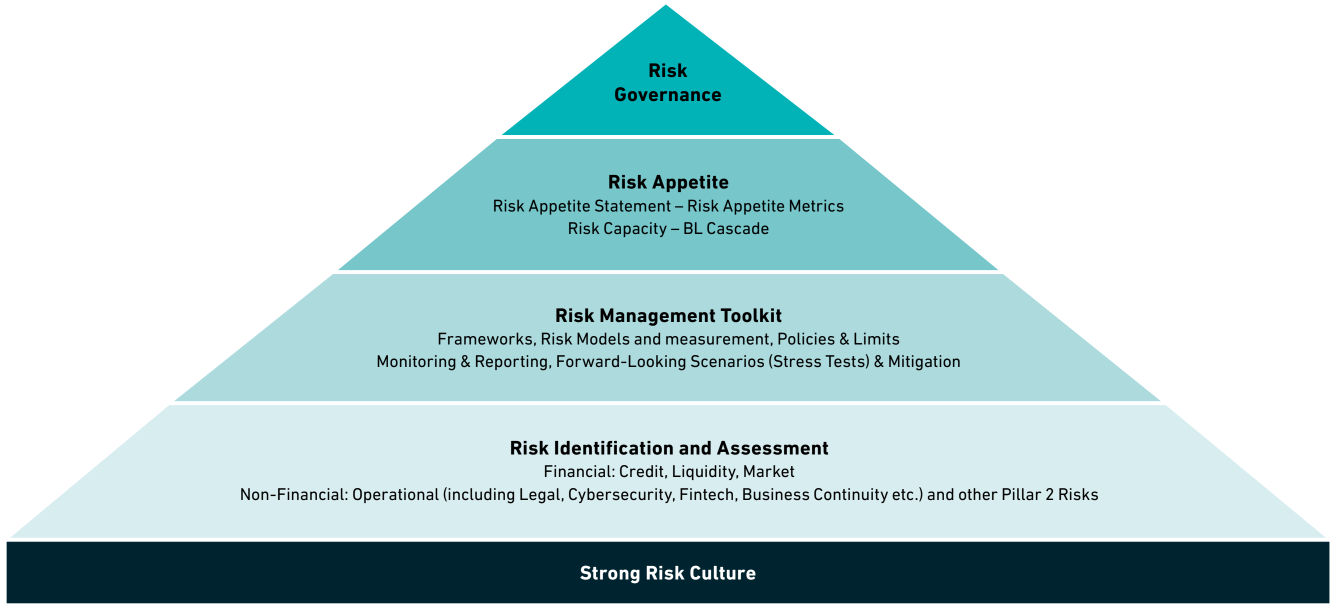
(37) Risk Management:

Effective risk management is fundamental to the success and resilience of the Bank and key to the Bank's overall long-term strategy. BSF has a strong, disciplined risk culture where managing risk is a responsibility shared between the three lines of defense: Business Lines and Functions, Risk Management Group and Group Audit.

Risk Management Framework

The primary goal of risk management is to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholder value. The Risk Management Framework articulates the foundation for achieving these goals.

The framework is evolutionary to meet the challenges of external/global environment, demanding regulatory standards and best practices, risks brought about by customer competitiveness and financial innovations and resilience in the face of global event risk uncertainties e.g. Supply shocks and inflation, higher global interest environment and credit spreads, global slowdowns through Black Swan events like pandemic or war.



Risk Management Principles

BSF's Risk Management Principles can be summarized as:

Balancing Risk and Reward: Business and risk decisions are consistent with strategies and Risk Appetite.
Material Risk Identification: Understanding, identification, quantification for all material risks (Financial, Non-Financial and event risks), supported by a strong analytical toolset for Risk Management.
Pro-active: Emerging risks and potential vulnerabilities are proactively identified and managed.
Shared Accountability: Strong Risk Governance with 3 Lines of Defense and a top driven and accountable shared Risk Culture where every employee is responsible for managing risks and controls.
Resilience: Being prepared operationally and financially to respond to adverse events.
Brand Franchise protection: Processes in line with Bank's Risk Appetite and policy principles with a customer centric business and Risk decision-making.
Controls: A robust control environment to protect the stakeholders.

Risk Governance

Effective risk management begins with effective risk governance. The Bank has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced executive management team. Its Risk Management framework is predicated on the 3 Lines of Defense model:

The First Line of Defense (Business lines and functions) incur and owns the risks, ensure that risks generated are identified, assessed, managed with the Risk Appetite and Product policies, in compliance with relevant limits.

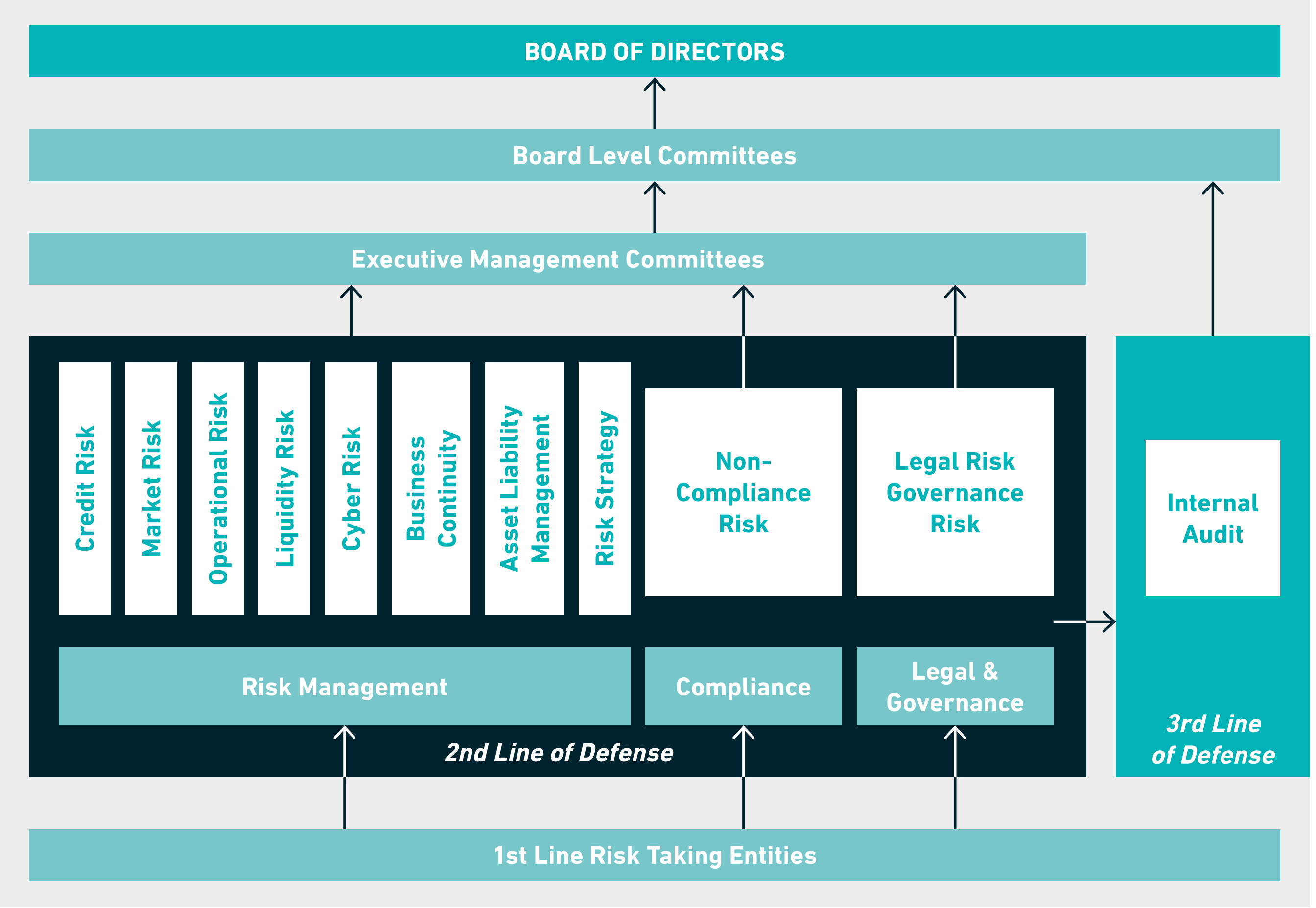
The Second Line of Defense (Risk Management, Compliance and Legal) to establish Risk Appetite, limits, measurement models, frameworks, policies, and assurance practice in accordance with the Risk Management principles, best practices and Regulatory requirements.

The Third Line of Defense (Audit) provides enterprise-wide independent, objective assurance over the design and operation of the Bank's internal control, risk management and governance processes.

A strong Risk Culture aligns all employees to be risk owners, accountable for owing and managing reputational and operational risks.

(37) Risk Management: continued

Risk Governance Structure



In this context, the Board and its Committees have ultimate responsibility for the Bank's business, strategy and financial soundness, as well as its management and compliance obligations.

The Risk Committee of the Board of Directors is responsible for advising the Board on the Bank's overall current and emerging risks; appropriateness of appetite & thresholds including adherence to the same; overseeing senior management's implementation of the Risk Management Framework; reporting on the state of risk culture; and overseeing the adequate functioning of the risk management function.

Over the course of this year a consistent functional comprehensive Risk Taxonomy has been developed, with a Risk Management Committee integrating the Non-Financial Risks in its fold. Considering the functional charters of the Board Committees a matrix of reporting has been created from the Management Committees. This Governance streamlining ensures a seamless comprehensive oversight of all key risks / contingencies facing the Bank by Executive Management and the Board Committees, without being constrained by the Board Committees' structure & charters, in line with global best practices.

(38) Information on any risks facing the Bank (operational, financing, or market related) and the policy of managing and monitoring these risks:

A. Risk Appetite, Capital Planning and Regulations:

The Risk Appetite Statement is reviewed and renewed by the Board of Directors annually, or on significant changes to business strategy. It encapsulates the quantum and type of risks that the Bank is willing to accept within its risk capacity to achieve its Strategic Risk Objectives and Business Plan. Its objective is to provide the Bank's management and business lines with guidance regarding the risk profile that the Bank targets and is prepared to accept. The Risk Appetite articulates the Bank's tolerance for risk across a wide range of parameters, which include solvency and capital adequacy, liquidity and funding, credit quality and provisioning, credit concentration, market risk, operational risk, people risk and the investment portfolio. The limits have been established considering adequate buffers vis-à-vis regulatory thresholds, where applicable.

The Bank comprehensively revised its Risk Appetite Framework for 2022 & necessary Regulatory led changes are planned for 2023. In the process, its coverage of Risk Appetite and business line cascades for Corporate and Retail with improvements in risk based segmental and country limits have been incorporated. The focus is on meaningful representation of change in regulatory requirements, changing thresholds in line with business growth and Risk Capacity (e.g. Increase in Credit RWA thresholds to accommodate Budgeted growth) and ease of monitoring and decision making.

The Risk Management Group monitors adherence to the approved Risk Appetite Statement. Deviations, if any, from the acceptable tolerance bands are escalated for further action by Senior Management, with corrective actions initiated. At quarterly intervals, the Executive Committee of the Board and the Board Risk Committee review the actual position of the risk indicators vis-à-vis the laid down parameters.

The Risk Appetite Framework is closely integrated with and actively used for Capital Planning, Stress Testing and will ensure compliance with the new Recovery Plan of BSF in 2023, where the Solvency and Liquidity Metrics are actively used to estimate the impact of Event Risks and decide on the effectiveness of various Mitigating Actions.

Capital Planning: Increased sophistication of the Annual and Semi-Annual Stress Testing scenarios, a Medium-Term Capital Plan incorporating Business Growth strategy, asset quality and concentration, Funding pattern and non-financial risks with of Mitigations Actions gives the Bank preparedness to plan its strategy and franchise under any market conditions and is favorably reviewed by SAMA. In addition, a key focus area in Q1 2023 is the development of comprehensive Recovery Plan as per the new SIFI Law, giving the Bank a nuanced understanding of the extremely rare sequence of events and a wider range of feasible Recovery Actions relating to Solvency, liquidity and controls that will obviate these tail outcomes.

Regulatory Initiatives: Basel III Reforms Capital Computations come in effect from January 2023, for which the Bank is deeply committed to its transversal program across Credit, Market and Operation Risks through integration of SAS and Finastra modules to its critical Core Banking Solution providing a seamless data and Computational interface. QIS has been conducted and Basel III Regulatory have been integrated into all aspects of capital projections.

B. Credit Risk Management:

The Bank's credit portfolio is managed in accordance with the recently enhanced Credit Policy and Risk Appetite, which together provide the qualitative and quantitative guidelines, with particular emphasis on avoiding undue concentrations or aggregations of risk.

The Bank's Credit Policy (Wholesale and Retail) underwent a comprehensive upgrade incorporating industry good practices, latest regulatory guidelines (e.g. Large Exposures, Related Party and Management of Problem Loans) and business stakeholder expectations. The Risk Rating Standards were developed to enhance guidance on aspects related to Risk Rating, a critical element of the lifecycle management of credit processes.

The credit granting and approval process is performed through credit committees with different levels of credit approval delegation, and the Credit Risk Department being entrusted with the responsibility of providing independent risk opinions on the credit requests emanating from the business lines.

The decision making in the credit committees of the Bank is aided by internal credit rating models developed and maintained for different segments of the banking book and subject to re-validation at periodical intervals. It may be specifically mentioned that the Corporate and SME models were newly re-developed to higher standards for better decision-making and risk measurement.

Focus areas: There are a number of notable initiatives currently in progress which will provide significant improvements in Credit processes and competitiveness in near future. As a forward guidance, the following can be mentioned:

- Corporate Credit Transformation (CCT) initiatives have been launched to revitalize an efficient and seamless wholesale credit process and long-term management of cost of credit.
- The Early Warning Signals (EWS) framework, a SAMA driven initiative, has now being integrated into the Bank's systems through a workflow and Analytical tool for efficient operationalization in pro-active Credit decision making. It is planned to be in full operation by 2023 Q1.
- Risk Management verticals are in the final stages of Basel III Reforms implementation projects to implement the new Rules to be in effect in 2023, as mentioned in previous section.

(38) Information on any risks facing the Bank (operational, financing, or market related) and the policy of managing and monitoring these risks: continued

C. Market Risk Management:

Concerning Market Risk monitoring, the Bank has clearly defined policies and procedures related to market risk activities, as well as a comprehensive set of market risk limits (together with loss alerts) for the trading book which are reviewed at least annually, and independently monitored on a daily basis by a dedicated Market Risk department.

In order to monitor the market risk in the trading book, the Bank applies on a daily basis a VAR methodology based on historical rates evolutions observed in the market, and also performs daily stress testing in order to estimate the potential economic loss based on a defined set of significant changes in market conditions (i.e. extreme adverse market movements). The FRTB initiatives are in place as part of the Basel III Reforms initiatives in 2023 and live.

D. Operational Risk Management:

The Operational Risk Management in the bank is positioned to function as a second line of defense within an established Operational Risk Framework and a set of standardized Operational Risk Procedures. Operational Risk Management's philosophy is focused on enhancing the risk culture across the Bank in alignment with the Bank's Risk Appetite, Risk Capacity and Strategic plans. Operational Risk Management engages closely with business lines, support units and other control functions to ensure a comprehensive and continuous alignment with the Operational Risk Framework through the continuous risk and control assessments that are carried out throughout the year. Risk champions are identified and appointed within each functional domain to ensure implementation of prescribed operational risk practices.

Operational Risk Management's scope is primarily composed of Operational Risk Profiles, Risk-Control-Self-Assessments (RCSA), Key Risk Indicators (KRIs), Operational and Technology Incidents Risk Management, Regulatory and Management reporting, stress testing, ICAAP related calculations & reporting for Operational Risk, Insurance Risk Management, Loss Data Management, New Products & Services Risk Management, and Policies/procedures reviews.

All critical Operational Risk activities are carried out by Operational Risk Management teams, working in collaboration with designated risk champions, representing their specific functional domains.

Loss & Incident Management covers all reported incidents including technology risk related as well. A comprehensive framework is in place to ensure capturing of all critical incidents including near-misses. A detailed Root Cause Analysis ensures identification of major operational gaps/risks and implementation of action plans to prevent recurring of such incidents. Operational losses are duly identified, recorded and reported as per regulatory requirements.

Operational Risk Management is an integral part of New Products & Services (NPS) Committee. Operational Risk Management participates as a member of the risk assessment team. Operational Risk Management also assesses technology risk, as well as insurance risk and outsourcing risk from an operational risk perspective and provides advice on proposed process/system changes as well. Operational Risk is a member of the Policies and Procedure Review Committee. A Comprehensive Risk Profiling framework (Risk Register, RCSA, KRIs) is managed, monitored and reported by Operational Risk Management.

The scope of Risk Management Committee is not limited to operational risk, it is extended to cover risk areas like Business Continuity, Corporate Information Security, Outsourcing Risk, New Products & Services People Risk and Insurance risk. The RMC meeting is a prime source for appraising members on material risks, major losses, critical incidents, top internal/external operational risks, with escalation to the Board Risk Committee as appropriate.

A broader scope of Risk Management takes into consideration financial risks, operational risks, and strategic risks via prompting an enhanced risk culture across the Bank where all members share the responsibility of identifying risks and actively participating in the risk management process. A project for Operational Risk Assessment has been initiated in 2022 to develop an updated Risk Register. In addition, during 2022 we have re-vamped our Key Risk Indicators (KRIs).

Furthermore, the Bank is ready for transition to Operational risk Capital/Risk Weighted Assets computations by preparing to switch to Modified Standardized Approach under Basel 3 Reforms.

D. Business Continuity Management:

Business Continuity Management (BCM) aims to implement a robust arrangement for BSF operations resilience with effective response procedures, and provides the baseline for resiliency practices including Incident, crisis and communication plan management, in cooperation of BCM stakeholders and designated team.

BCM Program is sponsored by the Board and managed through one of the Management committees which is the Risk Committee that directs, monitors and ensures BCM lifecycle implementation. In 2022 Business Continuity division has enhanced and leveraged the organization capability with regard of ensuring continuous services in case of major incidents or crisis that disrupting Banque Saudi Fransi normal operations.

Several projects have been implemented covering aspects of technical and power infrastructure, recovery sites, planning, testing and exercising. An annual exercise to run critical systems from our Jeddah Disaster Recovery site was undertaken in October 2022. Current BSF disaster recovery center hosts mission critical and critical systems and applications that are necessary to sustain the organization important functions. In addition, BSF has 4 regional recovery sites hosting more than 350 desks for resuming office critical daily functions. During 2022 BSF-BCM was Certified ISO-22301.

E. International Financial Reporting Standards (IFRS):

Since January 2018, the Bank adopted International Financial Reporting Standard 9 (IFRS 9), a forward-looking expected credit loss (ECL) approach for Credit Provisioning. Since the Provisions based on the ECL are associated with the probability of default and loss given default, over the next 12 months and if there has been a significant increase in credit risk since origination, over the life of the asset, in 2021 SAMA initiated a finer Staging Criteria, which was duly adopted.

- Further, now that the Bank's input processes are automated and policies are well established, a number of improvements were made since 2021 in the estimation of the Risk Components on the IFRS9 technology platform processes and in analytics, thus ensuring precision in IFRS 9 ECL estimates and SAMA's fit-for-purpose requirements.
- The current year's improvements in Analytics include internal Wholesale and Retail LGD Models and their term structures and Retail Macroeconomic Models. Wholesale Macroeconomic Models, Risk Rating models, validation & monitoring had already been developed meeting SAMA requirements. It is expected that with a full suite of models and Policies and Processes to ensure close alignment to SAMA IFRS9 guidelines, BSF will be in a position to ensure precision Provision estimation and a very nuanced Capital Planning and Stress Testing going forward, with a positive impact on decision making.

F. Corporate Information Security Division:

In its continuous pursuit for excellence, BSF Board of Directors recognize cyber Security as strategic enabler to accomplish corporate mission and achieve business goals, and hence, treat cyber Security as high priority. BSF and its Board of Directors are firmly committed to maintain high standards of Cyber Security over its assets and information. The Vision of Cyber security is "Protect BSF data and reputation by providing a secure and resilient digital banking environment and security posture which is in compliance with local and international cybersecurity standards and regulations".

The components of Cyber Security include the following:

- **Cybersecurity Leadership:** Cybersecurity in BSF is an independent entity under Risk Management Group and managed by Senior Level Executive – Chief Information Security Officer (CISO) who is responsible for establishing and maintaining the enterprise vision, strategy, and program on cybersecurity. The BSF Cybersecurity Governance Committee consisting of Group Heads from all relevant Groups who support the overall cybersecurity governance in BSF. Cybersecurity inputs are also provided to Management & Board committees.
- **BSF Cybersecurity Strategy:** BSF Board of Directors have approved the four years Cyber Security Strategy which is in aligned with the Bank's strategic objectives, business requirements, future state aspirations, emerging technologies and also encompasses the requirements of regulations.
- **Policy, procedure, baseline and standards:** BSF Corporate Information Security continuously strives to maintain the highest standards in cyber security and hence have established, approved and implemented Cyber security policies, procedures, baselines and standards to ensure alignment with industry best practices and national and international security standards and regulation.
- **Cyber Security Governance Function:** BSF Corporate Information Security Division is staffed with qualified resources to fulfill the cyber security responsibilities. Ensuring that detailed security standards and procedures are established, delivering risk-based cyber security solutions that address people, process and technology and cyber security solutions in a business context. BSF has also adopted strategy to attract and retain the best talents in Cyber Security and has implemented training programs that are designed to rapidly accelerate the development of core skills and to provide paths for specialized development of advanced cyber security expertise.
- **Security Awareness program for staff and customers:** BSF Corporate Information Security Division adopts multi-channel approach for awareness dispersion. The program encompasses and explains proper rules of behavior for the safe and secure use of information and systems for staff and customers.

(38) Information on any risks facing the Bank (operational, financing, or market related) and the policy of managing and monitoring these risks: continued

F. Corporate Information Security Division: continued

- **Risk Management Framework:** BSF Corporate Information Security Division adopts a risk-based approach to manage Cyber Security risk to detect, analyze, evaluate, communicate and mitigate cyber security risk.
- **Continuous Compliance program:** BSF Corporate information Security Division maintains a continuous compliance status against Payment Card Industry Data Security Standard (PCI DSS) certification – the rigorous data security standards that BSF applies in protecting customers' information, reducing credit card fraud and thereby enhancing customer confidence. Corporate Information Security has also robust methodologies to ensure compliance with mandates of SAMA Cyber security Framework and also mandates from National Cybersecurity Authority.
- **24/7 Cyber Security Monitoring:** BSF Corporate Information Security is maintaining a Security Operations Center (SOC) where security-related data from enterprise information systems is monitored, assessed and actioned. The security operations center (SOC) is responsible for monitoring and analyzing the security posture of banks critical assets on a 24/7 basis.
- **Digital forensic and incident response:** BSF Corporate Information Security has a matured security incident management process for managing security incident and conducting drills for Incident Management. Procedure to challenge existing controls with real life attacks in order to measure their resilience and effectiveness are performed.
- **Threat Hunting:** BSF Corporate Information Security has established a Threat hunting function, which uses a mixture of forensics capabilities and threat intelligence to track down possible attacks attempts.
- **The Information Security Committee:** BSF Corporate Information Security is a member in Banking Committee on Information Security (BCIS), this committee is managed by SAMA for exchanging information, risk, alert and expertise in information security across banks and with SAMA.

(39) Results of the annual review of the effectiveness of the internal control procedures of the Bank and the opinion of the Audit Committee with respect to the adequacy of Bank's internal control system:

A. Internal Control Framework (ICF):

In view of the importance of the internal controls environment, the Board of Directors has taken responsibility for ensuring that the essential policies in the Bank are designed to provide effective internal controls to manage risks within the defined risk appetite. Accordingly, it has adopted an integrated framework for internal controls to provide a reasonable assurance on the effectiveness and efficiency of controls within the Bank.

In addition, the Bank has established an Internal Control Policy, which is intended to strengthen the governance of Internal Control processes and operations in accordance with the systems and controls framework set-out in the Bank's Corporate Governance Manual approved by the Board and guidelines on Internal Control issued by the Saudi Central Bank (SAMA). This policy sets out key internal control objectives and principles for BSF as well as duties of the Board, the Board's Audit Committee, the Board Risk Committee, Executive Management and related management committees, Risk Management, Compliance, Internal Audit and other functions of BSF. The policy also sets the role of the External Auditors within the parameters of BSF control framework.

The Board and its Committees are independent from Management, and the Board is responsible for providing oversight for the development and performance of internal controls. The Bank staff, Senior Executive and Board of Directors and its committees demonstrate a commitment to integrity and ethical values. The Board approves and oversees the implementation of the bank's overall risk strategy including risk appetite, risk tolerance and policies relating to risk management, compliance, compensation, code of conduct, related party transactions and corporate governance.

The Executive Management at Banque Saudi Fransi is responsible for validating the application and reviewing the effectiveness of the internal control environment, in line with the directives of the Saudi Central Bank (SAMA) and as specified in the internal control framework approved by the Board of Directors. The Internal Control Framework (ICF) is based on the model of "Three Lines of Defense" in the Management and Control of risks. It defines the roles and responsibilities of the Board of Directors and Board committees to support in the process of monitoring and mitigating risks associated with strategy, financial performance, technology, asset and liability management, credit, operations, legal affairs, organizational affairs and information security. The Bank has set up a number of management-level committees to assist the CEO and Senior Management in monitoring and oversight of critical banking activities and effective implementation of internal controls.

All Bank divisions continue to exert their best efforts to improve the effectiveness and efficiency of the internal controls environment through regular reviews, integrated procedures aligned to policies and committed corrective action plans in order to avoid and correct any control deficiencies. The Bank's Risk Management function is designed to identify, manage, monitor and control; any significant risks that would prevent BSF from meeting its business objectives and encompasses the full spectrum of risks – both internal and external. Risks covered include credit risk, liquidity risk, market risk, operational risk, information security and IT risk.

Executive Managers – Heads of Groups/Departments (the first line of defense), are assigned the responsibility of supervising the implementation process of the corrective action plans related to the identified gaps as reported by control functions (the second line of defense) such as Compliance and Risk Management. Internal Audit (the third line of defense) provides a reasonable assurance, based on the highest level of independence and objectivity, on the effectiveness of governance, risk management and internal controls. Moreover, the Board of Directors, through the Board Audit Committee are provided with periodic reports that clarify the level of effectiveness of the internal control environment.

B. Internal Audit Group (IAG):

The responsibilities of the "Internal Audit Group" are established and defined by the Board Audit Committee, whose role is based on adding value to improve the Bank's operations and providing independent and objective assurance to Executive Management and the Board of Directors through the Board Audit Committee. In addition, IAG provides advisory services to all Banking functions and has adopted a Quality Assurance & Improvement Program (QAIP) that monitors and enhances all activities within the Internal Audit Group.

To ensure Internal Audit's independence, the Chief Audit Executive is nominated by the Board Audit Committee and assigned by the Board of Directors to manage the Internal Audit Group, reporting functionally to the Board Audit Committee, and administratively to the Chief Executive Officer (CEO). The Internal Audit Group has full and unrestricted access to all the Bank's systems, records, physical assets and to employees. Internal Audit is subject to strict responsibility for the protection and confidentiality of records and information.

C. Compliance Group (CPG):

Undoubtedly, the principles of compliance and combating financial crimes are attracting more attention from international, regional and local legislative and supervisory bodies in many countries. The prominence role of Compliance function has been recognized by internal and external stakeholders; such as, shareholders, Board of Directors, senior management, employees as well as customers. The objective is to enhance transparency, improve rigor and reduce non-compliance risks which ultimately benefit customers, protect the reputation of institution and enhance compliance with supervisory & regulatory standards across the bank.

In Banque Saudi Fransi, the Compliance Group plays an essential role in achieving the Bank's vision, mission, goals and values by applying the utmost due diligence of compliance principals and fundamentals in all works' tasks and activities related to the Bank, customers and employees. Compliance forms an integral part of Banque Saudi Fransi culture, by urging to adhere to high ethical and professional behavior standards, as well as contributing to raise awareness of compliance among Bank's employees, taking into account the values and principles of Banque Saudi Fransi and the Kingdom's vision 2030.

Being a 2nd Line of Defense (LoD) function, Compliance group has a key role and is an effective contributor in achieving the strategic mission and objectives of the Bank. Significant emphasis had been placed to further support the financial technologies for banking operations and simultaneously enhance the overall Compliance Program (i.e. Compliance framework, processes, tools and skill set) to implement the guidelines, regulations, and rules received from the regulatory bodies throughout the year. This is achieved by close monitoring of the 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 contribute to an effective and efficient internal control framework within the Bank. The integrity, accuracy and transparency are the fundamental pillars of our framework, to not only reduce the financial crimes and Anti-money laundering & fraud risks, but also to meet and exceed the level of compliance, soundness of financial transactions, and implementation of the regulatory requirements, principles and initiatives of the Saudi Central Bank and the regulatory bodies in the Kingdom.

Anti-Money Laundering and Terrorist Financing & Suspicious Transactions

Banque Saudi Fransi is firmly committed to encourage highest standards in combating money laundering and terrorist financing activities. Banque Saudi Fransi is also committed to identify money laundering and terrorist financing transactions with high level of transparency and compliance with the applicable laws, rules and guidelines issued either by Saudi Central Bank (SAMA), and the relevant international organizations.

Additionally, Banque Saudi Fransi has implemented a program to combat money laundering and terrorist financing to prevent the use of the bank's branches, trade finance centers, Banque Saudi Fransi products in general and its affiliates as channels of illegal activities in connection with money laundering and terrorist financing and other financial crimes activities.

This program is ensuring compliance with global requirements, including the Financial Action Task Force (FATF) recommendations, local laws as well as Saudi Central Bank (SAMA), and other regulatory requirements to prevent illegal transactions or activities.

Banque Saudi Fransi has established robust AML & CTF policies and procedures grounded on local and global practices to combat and prevent any criminal activities. The subject policies and proper controls covering such as Know Your Customer (KYC), monitoring customer transactions, sanction, training and awareness, monitoring suspicious activities & reporting procedures, and independent stress-testing. Banque Saudi Fransi proudly acknowledge the adherence of regulatory and supervisory requirements in our daily work, and show aspects of utmost care to strengthen the good and distinguished relationship with the regulatory and supervisory authorities in the Kingdom. Compliance function's mission is to continuously promote and enhance a robust compliance culture in the Bank that encourages ethical conduct with full commitment to compliance with the regulatory laws, rules and guidelines in the Kingdom of Saudi Arabia.

(39) Results of the annual review of the effectiveness of the internal control procedures of the Bank and the opinion of the Audit Committee with respect to the adequacy of Bank's internal control system: continued

D. Risk Management Group (RMG):

The key function of the Risk Management Group is to manage financial and non-financial risk and to effectively oversee internal control at the Bank level, thus contributing to the Bank's strategic directions, which includes identifying, reducing, controlling and reporting all types of risks.

In this regard, the Risk Management Group works closely with all the Bank's internal stakeholders to ensure an appropriate control system that operates effectively and continuously. The Bank uses sound internal controls to manage range of operational and financial risk from both external forces and its own activities. Based on the nature of the continuous development of banking services, the Risk Management Group continuously seeks to close gaps, address risks and strengthen the internal control systems.

E. Results of reviewing the effectiveness of internal controls:

The Audit Committee's mandate includes oversight responsibilities relating to the system of internal controls of the Bank, which includes examining interim and annual financial statements and recommending them for board approval, in addition, the committee performs other roles related to the activities of internal audit and compliance which fall within the committee scope as per the approved charter.

The Audit Committee reviews, on quarterly basis, reports related to the Bank's internal control, issued by the Internal Audit and Compliance Groups. Moreover, meetings are conducted with the Bank's Group heads, through Internal Audit, to discuss matters relating to their Groups' performance, outstanding audit observations and the current progress in applying agreed corrective action plans. In addition, the results of any newly published and/or amended regulations issued by the Saudi Central Bank (SAMA) and other regulatory bodies, key amendments to the accounting policies and International Financial Reporting Standards (IFRS) are also discussed during Audit Committee meetings, either with the Bank's officials and/or with the external auditors, to ensure their implementation. Additionally, the Audit Committee updates the Board of Directors on a quarterly basis, on the effectiveness and efficiency of the Bank's internal controls and controls adopted to remedy any outstanding issues.

Based on the aforementioned, the current control environment and the annual reviews on the efficiency and effectiveness of control tools, the Audit Committee believes that the controls and procedures that constitute the current Internal Control Framework are "sufficient". The Internal Control Framework is continuously monitored and updated in order to manage any changes or developments that may affect the control environment.

(40) Principles applied by the Bank in the area of corporate governance:

The Bank-in general-complies with all regulations and instructions issued by regulatory authorities on governance, such as the key principles of governance in financial institutions operating in the Kingdom of Saudi Arabia issued by the Saudi Central Bank, the Corporate Governance Regulations issued by the Capital Markets Authority, and the Companies Law issued by the Ministry of Commerce. The Bank shall update the Articles of Association of the Bank, the regulations of the Board and its committees, and the Governance Manual, as well as its policies and procedures in accordance with these regulations and any updates or instructions issued in respect of governance.

In addition, to embody the highest standards of Corporate Governance BSF introduced Environmental and Social Affairs Division, in line with the Bank's values and with the aim of protecting the rights of all stakeholders, BSF is aware of its business activities impact and it employed a long-term mind set to include ESG factors into its activities. Further, BSF started ESG disclosure and highlighting our achievements to assure our shareholders and stakeholders our commitment to this journey.

(41) Ethical principles and professional foundations of the Banque Saudi Fransi:

The Principles of Conduct and Business Ethics document of Banque Saudi Fransi has been updated to comply with SAMA's Instructions issued No. 67/72203 related to the principles of conduct and business ethics in financial institutions that aim to enhance job discipline, integrity, transparency, objectivity, efficiency, loyalty and effectiveness in the behavior of financial institutions employees.

This document includes the principles that govern the work process, which employees representing the bank, whether directly or indirectly, must adhere to, including but not limited to the following:

First: Code of Conduct and Professional Ethics:

- Commitment to the official working hours, integrity, good manners in personal dealings.
- Combating financial and administrative corruption crimes and the employees' duties to accomplish that.
- Dealing with conflict of interest such as giving and receiving gifts, working for others and personal investment.
- Maintaining Confidentiality and Mechanisms for Disclosure of Information.
- Reporting Actual or Potential Violations.
- Safe and Contraband-Free Workplace
- Fair dealings.
- Protection of Bank Assets.
- Validity of Financial Records and Reports.
- Compliance with Laws, Regulations, Directives and Internal Policies within Banque Saudi Fransi.
- Commitment to perform the daily tasks and missions.
- Not to deal with any unaccredited third party for marketing or bring in clients or handing over documents related to transfers or opening customer accounts.
- Not managing clients' accounts on their behalf without obtaining the prior written approval of the Business Sector Department and the Human Resources Group in the bank.
- The employee is not allowed to open a commercial account with the bank.
- The employee's not carrying out his own banking operations.
- The employee undertakes to abide by the instructions and laws of cyber security and to work with the internal cyber security policies.

Second: Acceptable Use Policies of Computer, E-mail and Internet Services:

Includes an extract of the cyber security acceptable use policy where all Banque Saudi Fransi users are responsible for complying with the cyber security policies, standards and procedures, including the acceptable use policy, unacceptable uses, and control and monitoring standards.

It is the responsibility of the directors of the concerned departments or the director of the Information Security Department, in consultation with the Human Resources Group and the Regulatory Control Service, to assess non-compliance with these policies. Violations of these policies will be thoroughly examined and action will be taken based on the degree and seriousness of the violation.

Third: Consequences of failure to adhere to the principles of conduct and work ethics:

It is the responsibility of the Board of Director is to ensure the implementation of its Code of Conduct and Professional Ethics and to monitor and control any violations thereof. If the Bank employees do not adhere to these principles, the necessary measures will be taken and penalties shall be imposed in accordance with the internal work regulations and penalties of Banque Saudi Fransi.

(42) Details of the Bank's social contributions:

Details of the bank's social contributions:

BSF is a viable player in the Saudi society, where our commitment to operating with integrity and providing innovative ideas are central elements to our culture and are reflected across our businesses. We are a key enabler in creating good jobs, supporting local communities and, ultimately, securing the future of individuals and families across the Kingdom.

BSF thrives to expand the role of corporate social responsibility to maintain a sustainability mindset. This is showcased via the bank's strategy of pledging to achieve UNDP's Sustainable Development Goals (SDGs), issuing the Sustainability Excellence report that manifests BSF ESG framework, and aligning objectives and achievements to Saudi Vision 2030. This stance is reinforced by the bank's commitment to advance the development of environmental, social, and governance projects, and to contribute in supporting social and charitable activities and programs.

During 2022, the bank engaged with a wide range of activities to support the local community in facing the hardship of the global pandemic. This is while continuing to aid those in need, and supporting charities that aim at elevating the lives of challenged individuals and families.

BSF participation in 2022:

PROGRAM NAME
Iftar Sayim Campaign in collaboration with National CSR center
Universities Student visits to the bank in collaboration with Al Nahda nonprofit organization
Sponsorship of educational labs for Madac non-profitable academy
Ehsan platform donation
Autism center donation

Government related initiatives:

Real Estate Development Fund "REDF"

- Banque Saudi Fransi signed a guarantees program agreement with Real Estate Development Fund "REDF" to finance the fund's beneficiaries from real estate developers for the purpose of enhancing the supply of housing units.

Saudi Industrial Development Fund "SIDF"

- Banque Saudi Fransi signed a guarantees program agreement with Saudi Industrial Development Fund "SIDF" to finance the fund's beneficiaries from companies working in the industrial, energy and logistics targeted sectors by the fund to support.

Cultural Development Fund "CDF"

- Under the previous agreement signed with cultural development Fund "CDF" and in collaboration with KAFALAH program, Banque Saudi Fransi signed a financing agreement with Myrcott Media Company to support the company financing its new projects including their recent agreement with Netflix, this agreement is the first of its kind in financing the cultural sector.

(42) Details of the Bank's social contributions: continued
Details of the bank's social contributions: continued
Government related initiatives: continued

Tourism Development Fund "TDF"
- Under the previous agreement signed with Tourism Development Fund "TDF" and in collaboration with Saudi Fransi Capital, Banque Saudi Fransi signed a financing agreement with TDF and Red Sea Markets Company to finance once of its new tourism projects in Aseer Region. The project is managed under a private fund established and managed by SFC and the fund is financed by TDF, BSF and the company.

National Center for Privatization "NCP"
- Banque Saudi Fransi signed an MoU with the National center of Privatization "NCP" to collaborate in the PPP and privatizations programs lead by the Saudi vision 2030.

Off plan Sales and Rent Committee "WAFI"
- Banque Saudi Fransi signed an agreement with Off plan Sales and Rent Committee "WAFI", this agreement aims to provide real estate developers with financial and credit services to increase housing units to support achieving Housing Program KPIs, which is one of the Vision Realization Programs.

Wadi Makkah Companies
- Banque Saudi Fransi signed a collaboration agreement with Wadi Makkah Companies, the digital arm of Umm Al-Qura University, this agreement aims to provide the companies with BSF financial services, to host the companies accounts and to collaborate in digital field.

Umm Al-Qura University University
- Banque Saudi Fransi signed two collaboration agreements with Umm Al-Qura University, the largest university in the Kingdom, this agreement aims to provide the university with BSF financial services, to host the university accounts and to launch a professional supervision program to develop the university's outputs with BSF academy.

(43) Communication with shareholders:

In accordance with the instructions issued by the regulatory and supervisory authorities, the Bank is keen to ensure that shareholders fully exercise their rights and urges them to actively participate and submit their inquiries during the General Assembly meetings. A telephone number and e-mail are also posted on the Bank's home page to receive inquiries from shareholders. The Bank also publishes any significant developments of the Bank through the Tadawul website, in accordance with the instructions issued in this regard. The Bank's representatives continuously participate in meetings and conferences with investors and shareholders.

(44) Number of company's requests of shareholders records, including dates and reasons:

	SHARE BOOK DATE	REQUEST REASONS
1	03/01/2022	Other
2	10/01/2022	Other
3	17/01/2022	Other
4	24/01/2022	Other
5	31/01/2022	Other
6	07/02/2022	Other
7	16/02/2022	Other
8	24/02/2022	Other
9	03/03/2022	Other
10	08/03/2022	Other
11	17/03/2022	Other
12	31/03/2022	Other
13	04/04/2022	Other
14	05/04/2022	Other
15	12/04/2022	Other
16	19/04/2022	Other
17	25/04/2022	Other
18	09/05/2022	Other
19	16/05/2022	Other
20	23/05/2022	Other
21	30/05/2022	Other
22	06/06/2022	Other
23	12/06/2022	General Assembly
24	13/06/2022	Other
25	14/06/2022	Dividends file
26	20/06/2022	Other
27	27/06/2022	Other
28	29/06/2022	Other
29	30/06/2022	Other
30	18/07/2022	Other
31	25/07/2022	Dividends file
32	28/07/2022	Other
33	08/08/2022	Other
34	22/08/2022	Other
35	29/08/2022	Other
36	05/09/2022	Other
37	12/09/2022	Other
38	19/09/2022	Other
39	03/10/2022	Other
40	10/10/2022	Other
41	31/10/2022	Other
42	07/11/2022	Other
43	01/12/2022	Other
44	29/12/2022	Other

In conclusion, the Board of Directors of the Banque Saudi Fransi expresses its sincere thanks and appreciation to the Custodian of the Two Holy Mosques, His Highness the Crown Prince and to our rational government. We extend our thanking to the Ministry of Finance, the Ministry of Commerce, the Saudi Central Bank and the Capital Market Authority for their continuous help and support towards raising the level of banking services. We also thank our valued shareholders and customers of the Bank for their trust, which is respected and appreciated. The Board of Directors also thanks all employees of the Bank for their sincere efforts.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANQUE SAUDI FRANSI
(A SAUDI JOINT STOCK COMPANY)

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

KEY AUDIT MATTER | **HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER**

Expected credit loss allowance against loans and Advances

As at 31 December 2022, the gross loans and advances of the Group were SAR 164 billion against which an expected credit loss ("ECL") allowance of SAR 5 billion was maintained.

We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include:

1. Categorization of loans and advances into Stage 1, 2 and 3 based on the identification of:
   (a) exposures with a significant increase in credit risk ("SICR") since their origination; and
   (b) individually impaired / defaulted exposures.

In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next 12 months unless there has been a significant increase in credit risk since origination or default, in which case the allowance is based on the ECL expected to arise over the life of the loans and advances. The Group has applied additional judgments to identify and estimate the likelihood of borrowers that may have experienced SICR.

2. Assumptions used in the ECL model for determining the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including but not limited to assessment of financial condition of counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages.

3. The need to apply overlays using expert credit judgment to reflect all relevant risk factors that might not be captured by the ECL model.

Application of these judgments and estimates, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2022.

Refer to the summary of significant accounting policy note 3 (H) for the impairment of financial assets; note 2 (e) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to ECL losses on financial assets and the impairment assessment methodology used by the Group; note 7 which contains the disclosure of impairment against loans and advances; and note 33 (c) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.

How our audit addressed the key audit matter:

- We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy, and model methodology.
- We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of International Financial reporting Standards (9) ("IFRS 9").
- We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant Information Technology ("IT") general and application controls) over;
  - the ECL model, including governance over the model, and any model updates during the year, including approval of credit and impairment committee of key inputs, assumptions and management overlays, if any;
  - the classification of loans and advances into stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures;
  - the IT systems and applications underpinning the ECL model; and
  - the integrity of data inputs into the ECL model.
- For a sample of customers, we assessed:
  - the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information. We assessed that these were consistent with the ratings used as input in the ECL model;
  - management's computations for ECL; and
  - for selected loans and advances, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment.
- We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio.
- We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise.
- We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions.
- We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2022.
- Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and assumptions used in management overlays.

We assessed the adequacy of disclosures in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE SHAREHOLDERS OF BANQUE SAUDI FRANSI
(A SAUDI JOINT STOCK COMPANY)

Report on the audit of the consolidated financial statements continued

Key audit matters continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of derivative financial instruments	
As at 31 December 2022, the positive and negative fair value of derivatives that are non-traded in the active market (i.e. unquoted) held by the Group amounted around SAR 6.6 billion and SAR 7.4 billion, respectively. The Group has entered into various derivative transactions, including commission rate swaps, commission rate futures and options, forward foreign exchange contracts, currency options and others. The valuation of these derivative contracts are subjective as it takes into account a number of assumptions and model calibrations, which often involve the exercise of judgment by management. The majority of these derivatives are held for trading. However, the Group utilizes certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in case of hedge ineffectiveness, impact the hedge accounting as well. We considered this as a key audit matter, as there is complexity and subjectivity involved in determining the valuation in general and, in certain cases, due to the use of complex modeling techniques and valuation inputs that are not market observable. *Refer to the basis of preparation note 2 (e) to the consolidated financial statements which sets out the critical accounting judgments, estimates and assumptions regarding fair value measurement; the summary of significant accounting policies note 3 (J) for the accounting policy relating to derivative financial instruments and hedge accounting; and note 11 which discloses the derivative positions as at the reporting date.*	– We assessed the design and implementation, and tested the operating effectiveness, of the key controls over management's process for valuation of derivatives and hedge accounting, including the testing of relevant automated controls covering the fair valuation process for derivatives. – We selected a sample of derivatives and: • Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations; • Assessed the appropriateness of relevant key inputs to the valuation models; • Involved our specialists to assist us to perform independent valuations of the derivatives and compared the result with management's valuation; and • Assessed the hedge effectiveness performed by the Group and the related hedge accounting; and We assessed the adequacy of disclosures in the consolidated financial statements.

Other Information included in the Bank's Annual Report

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

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

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

Responsibilities of Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022 AND 2021

SAR '000	NOTES	2022	2021
ASSETS			
Cash and balances with SAMA	4	**11,325,586**	9,795,068
Due from banks and other financial institutions, net	5	**4,795,111**	5,323,964
Investments, net	6	**44,517,549**	43,858,241
Positive fair value of derivatives	11	**6,582,980**	4,061,987
Loans and advances, net	7	**159,011,525**	147,812,759
Investment in associate, net	8	**9,695**	9,695
Property, equipment and right of use assets, net	9	**1,739,307**	1,585,763
Other real estate, net		**342,050**	384,181
Other assets, net	10	**3,754,316**	2,970,368
Total assets		**232,078,119**	215,802,026
LIABILITIES AND EQUITY			
Liabilities			
Due to SAMA	12	**8,004,403**	10,868,499
Due to banks and other financial institutions	13	**8,766,039**	12,985,358
Customers' deposits	14	**157,592,320**	141,950,208
Negative fair value of derivatives	11	**7,383,707**	3,246,098
Debt securities and term loans	15	**4,515,254**	–
Other liabilities	16	**7,071,071**	7,066,193
Total liabilities		**193,332,794**	176,116,356
Equity			
Share capital	17	**12,053,572**	12,053,572
Statutory reserve	18	**12,053,572**	12,053,572
General reserve	18	**982,857**	982,857
Other reserves	19	**(2,090,067)**	228,707
Retained earnings		**9,768,005**	8,398,887
Proposed dividend	28	**1,079,633**	1,019,956
Treasury shares	38	**(102,247)**	(51,881)
Equity attributable to the shareholders of the Bank		**33,745,325**	34,685,670
Tier 1 Sukuk	20	**5,000,000**	5,000,000
Total equity		**38,745,325**	39,685,670
Total liabilities and equity		**232,078,119**	215,802,026

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

SAR '000	NOTES	2022	2021
Special commission income	22	**8,307,199**	6,193,711
Special commission expense	22	**1,880,646**	495,066
Net special commission income		**6,426,553**	5,698,645
Fee and commission income	23	**1,423,040**	1,403,396
Fee and commission expense	23	**526,179**	515,467
Net fee and commission income		**896,861**	887,929
Exchange income, net		**474,684**	336,131
Trading income, net	24	**201,748**	171,841
Dividend income		**13,397**	1,501
Gains on FVOCI/non-trading investments, net		**3,524**	27,804
Other operating income	25	**508**	4,075
Total operating income		**8,017,275**	7,127,926
Salaries and employee related expenses	31	**1,494,960**	1,397,452
Rent and premises related expenses		**73,122**	66,061
Depreciation and amortization	9	**221,428**	224,972
Other operating and general and administrative expenses	26	**864,065**	758,459
Total operating expenses before impairment charge		**2,653,575**	2,446,944
Impairment charge for expected credit losses on loans and advances, net	7d	**1,363,944**	961,430
Impairment reversal for investments, financial assets and others, net	7e	**(4,147)**	(117,825)
Total operating expenses, net		**4,013,372**	3,290,549
Net income for the year before Zakat		**4,003,903**	3,837,377
Zakat for the year	29	**428,773**	387,500
Net income for the year		**3,575,130**	3,449,877
Basic and diluted earnings per share (SAR)	27	**2.79**	2.70

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

SAR '000	NOTES	2022	2021
Net income for the year		**3,575,130**	3,449,877
Other comprehensive income/(loss):			
Items that cannot be recycled back to consolidated statement of income in subsequent periods			
Movement in Equity instruments at fair value through other comprehensive income			
Net change in the fair value	19	**(107,100)**	12,210
Actuarial gain on defined benefit plans	19	**9,349**	2,003
Items that can be recycled back to consolidated statement of income in subsequent periods			
Debt instruments at fair value through other comprehensive income			
Net change in the fair value	19	**(750,554)**	(168,049)
Net change in ECL	19	**3,207**	5,381
Income transferred to consolidated statement of income	19	**(3,524)**	(20,574)
Cash flow hedge			
Net change in the fair value	19	**(1,372,295)**	(102,476)
Income transferred to consolidated statement of income	19	**(97,857)**	(687,903)
Total other comprehensive loss for the year		**(2,318,774)**	(959,408)
Total comprehensive income for the year		**1,256,356**	2,490,469

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

						OTHER RESERVES							
SAR '000	NOTES	SHARE CAPITAL	STATUTORY RESERVE	GENERAL RESERVE	RETAINED EARNINGS	FVOCI	ACTUARIAL GAIN/ (LOSS) ON DEFINED BENEFIT PLANS	CASH FLOW HEDGE	PROPOSED DIVIDEND	TREASURY SHARES	TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS	TIER 1 SUKUK	TOTAL EQUITY
2022													
Balance at the beginning of the year		**12,053,572**	**12,053,572**	**982,857**	**8,398,887**	**7,712**	**1,731**	**219,264**	**1,019,956**	**(51,881)**	**34,685,670**	**5,000,000**	**39,685,670**
Net income for the year		–	–	–	**3,575,130**	–	–	–	–	–	**3,575,130**	–	**3,575,130**
Net change in the fair value	19	–	–	–	–	**(854,447)**	–	**(1,372,295)**	–	–	**(2,226,742)**	–	**(2,226,742)**
Actuarial gain		–	–	–	–	–	**9,349**	–	–	–	**9,349**	–	**9,349**
Net amount transferred to consolidated statement of income	19	–	–	–	–	**(3,524)**	–	**(97,857)**	–	–	**(101,381)**	–	**(101,381)**
Total comprehensive income for the year		–	–	–	**3,575,130**	**(857,971)**	**9,349**	**(1,470,152)**	–	–	**1,256,356**	–	**1,256,356**
Final dividend paid for 2021	28	–	–	–	–	–	–	–	**(1,019,956)**	–	**(1,019,956)**	–	**(1,019,956)**
Interim dividend paid for 2022	28	–	–	–	**(901,488)**	–	–	–	–	–	**(901,488)**	–	**(901,488)**
Proposed final dividend 2022	28	–	–	–	**(1,079,633)**	–	–	–	**1,079,633**	–	–	–	–
Tier 1 Sukuk related cost		–	–	–	**(224,891)**	–	–	–	–	–	**(224,891)**	–	**(224,891)**
Net change in treasury shares	38	–	–	–	–	–	–	–	–	**(50,366)**	**(50,366)**	–	**(50,366)**
Balance at the end of the year		**12,053,572**	**12,053,572**	**982,857**	**9,768,005**	**(850,259)**	**11,080**	**(1,250,888)**	**1,079,633**	**(102,247)**	**33,745,325**	**5,000,000**	**38,745,325**
2021													
Balance at the beginning of the year		12,053,572	12,053,572	982,857	7,433,263	178,744	(272)	1,009,643	–	(75,434)	33,635,945	5,000,000	38,635,945
Net income for the year		–	–	–	3,449,877	–	–	–	–	–	3,449,877	–	3,449,877
Net change in the fair value	19	–	–	–	–	(150,458)	–	(102,476)	–	–	(252,934)	–	(252,934)
Actuarial gain		–	–	–	–	–	2,003	–	–	–	2,003	–	2,003
Net amount transferred to consolidated statement of income	19	–	–	–	–	(20,574)	–	(687,903)	–	–	(708,477)	–	(708,477)
Total comprehensive income for the year		–	–	–	3,449,877	(171,032)	2,003	(790,379)	–	–	2,490,469	–	2,490,469
Final dividend paid for 2020	28	–	–	–	(479,979)	–	–	–	–	–	(479,979)	–	(479,979)
Interim dividend paid for 2021	28	–	–	–	(779,966)	–	–	–	–	–	(779,966)	–	(779,966)
Proposed final dividend 2021	28	–	–	–	(1,019,956)	–	–	–	1,019,956	–	–	–	–
Tier 1 Sukuk related cost		–	–	–	(204,352)	–	–	–	–	–	(204,352)	–	(204,352)
Net change in treasury shares	38	–	–	–	–	–	–	–	–	23,553	23,553	–	23,553
Balance at the end of the year		12,053,572	12,053,572	982,857	8,398,887	7,712	1,731	219,264	1,019,956	(51,881)	34,685,670	5,000,000	39,685,670

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

SAR '000	NOTE	2022	2021
OPERATING ACTIVITIES			
Net income for the year before zakat		**4,003,903**	3,837,377
Adjustments to reconcile net income before zakat to net cash generated from/(used in) operating activities:			
Accretion of discounts/(premium) on investments not held as FVSI, net		**209,980**	202,202
Gains on FVOCI		**(3,524)**	(27,804)
Depreciation and amortization	9	**221,428**	224,972
Loss on disposal of property, equipment and right of use assets, net		**37**	2,217
Impairment charge for credit losses, net	7d	**1,548,321**	1,021,349
Impairment reversal for investments, financial assets and others, net	7e	**(4,147)**	(117,825)
Long term incentive scheme provision		**26,053**	23,553
Reversal of provision for other real estate		**(9,356)**	–
Operating income before changes in operating assets and liabilities		**5,992,695**	5,166,041
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA	4	**(474,922)**	(725,941)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**(955,928)**	(200,000)
Investments held as FVSI, trading		**141,251**	(65,392)
Loans and advances		**(12,668,781)**	(18,448,406)
Other assets		**(4,723,199)**	1,525,374
Net increase/(decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		**(7,209,758)**	7,200,643
Customers' deposits		**15,642,112**	14,838,564
Other liabilities		**4,680,851**	(1,037,632)
		424,321	8,253,251
Zakat paid		**(858,390)**	(402,655)
Net cash (used in)/generated from operating activities		**(434,069)**	7,850,596
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment not held as FVSI		**7,902,341**	4,376,658
Purchase of investments not held as FVSI		**(9,741,926)**	(10,850,345)
Purchase of property and equipment	9	**(342,333)**	(259,857)
Proceeds from sale of property and equipment		**690**	936
Net cash used in investing activities		**(2,181,228)**	(6,732,608)
FINANCING ACTIVITIES			
Issuance of debt securities and term loans	15	**4,500,000**	–
Dividends paid	28	**(1,921,444)**	(1,259,945)
Payment of lease liability		**(101,322)**	(35,996)
Tier 1 sukuk related cost		**(224,891)**	(204,352)
Purchase of treasury shares		**(66,231)**	–
Net cash from/(used in) financing activities		**2,186,112**	(1,500,293)
Decrease in cash and cash equivalents		**(429,185)**	(382,305)
Cash and cash equivalents at the beginning of the year		**6,227,104**	6,609,409
Cash and cash equivalents at the end of the year	30	**5,797,919**	6,227,104
Special commission received during the year		**7,507,523**	5,888,722
Special commission paid during the year		**1,310,093**	529,761
Supplemental non-cash information			
RoU assets		**70,614**	77,738
Lease liability		**24,254**	31,568
Net changes in fair value and transfers to consolidated statement of income	19	**(2,318,774)**	(959,408)

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. General
Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 04, 1977). The Bank formally commenced its activities on Muharram 01, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 04, 1410H (corresponding to September 05, 1989), through its 82 branches (2021: 85 branches) in the Kingdom of Saudi Arabia, employing 3,105 people (2021: 2,997 people).

The objective of the Bank is to provide a full range of banking services, including Islamic products, which are approved and supervised by an independent Shariah Board. The Bank's Head Office is located at King Saud Road, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

The consolidated financial statements of the Bank comprise the financial statement of Banque Saudi Fransi and its wholly owned subsidiaries (collectively referred to as the "Group"). The Bank owns Saudi Fransi Capital (having 100% share in equity) which is engaged in brokerage, asset management and corporate finance business. The Bank also owns Saudi Fransi Insurance Agency (SAFIA), Saudi Fransi for Finance Leasing and Sofinco Saudi Fransi having 100% share in equity in each of these subsidiaries. The Bank owns 100% (95% direct ownership and 5% indirect ownership through its subsidiary) share in Sakan Real Estate Financing. These subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Bank also formed subsidiaries, BSF Markets Limited and BSF Finance Limited registered in Cayman Islands having 100% share in equity in each of these subsidiaries. The objective of BSF Markets Limited is derivative trading and Repo activities. BSF Finance Limited is a special purpose vehicle established to raise capital for Banque Saudi Fransi by the issuance of debt instruments.

The Bank has investment in an associate and owns 27% shareholding in Banque BEMO Saudi Fransi, incorporated in Syria.

2. Basis of preparation
a) Statement of compliance

These consolidated financial statements of the Group as at and for the year ended December 31, 2022 was prepared in compliance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, financial instruments held at Fair Value through Statement of Income (FVSI), Fair Value through Other Comprehensive Income (FVOCI) investments, liabilities for cash-settled-share based payments and defined benefit obligations. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise adjusted to record changes in fair value attributable to the risks that are being hedged.

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

c) Going concern

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

d) Functional and presentation currency

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

e) Critical accounting judgments, estimates and assumptions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2. Basis of preparation continued

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

(i) Expected credit losses ("ECL") on financial assets

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

1. The selection of an estimation technique or modeling methodology, covering below key judgments and assumptions:
   - The Bank's internal credit grading model, which assigns Probability of Default (PD) to the individual grades
   - The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
   - The segmentation of financial assets when their ECL is assessed on a collective basis
   - Development of ECL models, including the various formulas, and
   - Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

ii) Fair value measurement (note 36)

iii) Impairment of FVOCI equity and debt investments (note 33)

iv) Classification of investments at amortized cost (note 6)

v) Determination of control over investees

vi) Depreciation and amortization

vii) Defined benefit plan

viii) Government grant (note 12)

3. Summary of significant accounting policies

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

3.1 Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2021. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 01, 2022 replacing, amending or adding to the corresponding accounting policies set out in 2021 annual consolidated financial statements.

New standards, interpretations and amendments to accounting standards adopted by the Group

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

STANDARD, INTERPRETATION, AMENDMENTS	DESCRIPTION	EFFECTIVE DATE
Amendment to IFRS 16, "Leases" COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after June 01, 2022
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, "Business combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, "Property and equipment" prohibit a company from deducting from the cost of property and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in statement of income. Amendments to IAS 37, "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, "First-time Adoption of IFRS", IFRS 9, "Financial instruments", IAS 41, "Agriculture" and the Illustrative Examples accompanying IFRS 16, "Leases".	Annual periods beginning on or after January 01, 2022

New Standards not yet effective

STANDARD, INTERPRETATION, AMENDMENTS	DESCRIPTION	EFFECTIVE DATE
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, "Presentation of financial statements", clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than January 01, 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Summary of significant accounting policies continued

STANDARD, INTERPRETATION, AMENDMENTS	DESCRIPTION	EFFECTIVE DATE
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 01, 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023
IFRS 17, "Insurance contracts", as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/ effective date deferred indefinitely

3.2 Accounting policies

A. Basis of consolidation

The consolidated financial statements comprises of the financial statements of the Bank and its subsidiaries (the Group) i.e. Saudi Fransi Capital, Saudi Fransi Insurance Agency, Saudi Fransi for Finance Leasing, Sakan real estate financing, Sofinco Saudi Fransi, BSF Markets Limited and BSF Finance Limited. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other voting holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights granted by equity instruments such as shares

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interests
- derecognizes the cumulative translation differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Balances between the Bank and its subsidiaries including any income and expenses arising from intra-group transactions are eliminated in preparing these consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(i) List of significant subsidiaries

The table below provides details of the major subsidiaries of the Group:

NAME OF THE SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	OWNERSHIP INTEREST 2022	2021
Saudi Fransi Capital	KSA	100%	100%
Saudi Fransi for Finance Leasing	KSA	100%	100%

Apart from the above subsidiaries, the Bank also owns Saudi Fransi Insurance Agency, Sakan Real Estate Financing, Sofinco Saudi Fransi, BSF Markets Limited and BSF Finance Limited having 100% share in equity. BSF Markets Limited and BSF Finance Limited are incorporated in the Cayman Islands. Sofinco Saudi Fransi, Saudi Fransi Insurance Agency and Sakan Real Estate Financing have no material impact on the Group financial statements.

All subsidiaries are 100% owned by the Group hence no non-controlling interest is recognized in these consolidated financial statements.

(ii) Significant restriction

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate.

B. Investment in associates

Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting.

An associate is an entity in which the Bank has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture.

Investments in associates are carried in the statement of financial position at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments. The Bank's shares of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Bank's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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3. Summary of significant accounting policies continued

The statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains on transactions are eliminated to the extent of the Group's interest in the investee. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Group's share of profit of an associate is shown on the face of the statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "share of profit of an associate" in the statement of income.

When the Bank ceases to equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset.

C. Classification of financial assets

On initial recognition, a financial asset is classified into following categories: amortized cost, FVOCI or FVSI.

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVSI:
– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Asset at Fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVSI:
– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in consolidated statement of income.

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

Financial asset at Fair value through statement of income (FVSI)

All other financial assets are classified at FVSI.

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

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

Business model assessment

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

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

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:
– contingent events that would change the amount and timing of cash flows;
– leverage features;
– repayment and extension terms;
– terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
– features that modify consideration of the time value of money e.g. periodical reset of interest rates.

Designation at FVSI

At initial recognition, the Bank has designated certain financial assets at FVSI.

Reclassification

Reclassification of financial assets is warranted when business model for managing financial assets is changed.

The following are not considered to be changes in business model:
– A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
– A temporary disappearance of a particular market for financial assets; or
– A transfer of financial assets between parts of the Company's assets with different business models.

Conditions for reclassification of financial assets

Reclassifications are expected to be infrequent. Such changes must be determined by the Bank's senior management and approved by the Board Executive Committee as a result of external or internal changes and must be significant to Bank's operations and demonstrable to external parties. Accordingly, a change in Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when the Bank acquires, disposes of or terminates a business line.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Summary of significant accounting policies continued

Timing of reclassification of financial assets

If the Bank reclassifies financial assets, it is required to apply the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in reclassification. On reclassification, all previously recognized gains, losses (including impairment gains or losses) or profits are not restated. A change in the objective of the Bank's business model must be affected before the reclassification date.

Financial assets reclassification impact

FROM	TO	REQUIREMENT
Amortized Cost	FVSI	Measure fair value at reclassification date and recognize difference between fair value and Amortized Cost in statement of income
FVSI	Amortized Cost	Fair value at the reclassification date becomes the new gross carrying amount
Amortized Cost	FVOCI	Measure fair value at reclassification date and recognize any difference in OCI
FVOCI	Amortized Cost	Cumulative gain or loss previously recognized in OCI is removed from equity and applied against the fair value of the financial asset at the reclassification date
FVSI	FVOCI	Asset continues to be measured at fair value but subsequent gains and losses are recognized in OCI rather than statement of income
FVOCI	FVSI	Asset continues to be recognized at fair value and the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to statement of income

D. Classification of financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in consolidated statement of income.

E. Offsetting financial instruments

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

Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

F. Derecognition

Financial assets

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

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

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

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, as the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

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

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

The Bank securitizes various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitization vehicles and in the Bank transferring substantially all of the risks and rewards of ownership. The securitization vehicles in turn issue securities to investors. Interests in the securitized financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognized as investment securities and carried at FVOCI. Gains or losses on securitization are recorded in other revenue.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire.

G. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset using the original effective commission rate of the asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in consolidated statement of income. For floating-rate financial assets, the original effective commission rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs of fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in consolidated statement of income. For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Summary of significant accounting policies continued

H. Impairment

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVSI:
- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued;
- loan commitments issued;
- bank balances;
- related party balances; and
- letter of credit.

Equity instruments are not subject to impairment under IFRS 9.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- 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 Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as "Stage1" financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as "Stage 2 financial instruments". Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired.

Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as "Stage 3 financial instruments".

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

When discounting future cash flows, the following discount rates are used:
- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring lease receivables;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets

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

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets including lease receivable carried at amortized cost, debt financial assets carried at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:
- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments, letter of credit and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loan and debts securities are written off (either partially or fully) when there is no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognized when the cash is received and are included in "Impairment charge for expected credit losses on loans and advances, net" in the consolidated statement of income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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3. Summary of significant accounting policies continued

I. Financial guarantees, letter of credits and loan commitments

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

"Financial guarantees" are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

The premium received is recognized in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

"Loan commitments and letter of credits" are firm commitments under which, over the duration of the commitments, the Bank is required to provide credit under pre-specified terms and conditions Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL is recorded.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured as follows:
- at the higher of this amortized amount and the amount of loss allowance; and

The Bank has issued no loan commitments that are measured at FVSI. For other loan commitments:
- the Bank recognizes loss allowance (Refer note 7 "Impairment Disclosures").

J. Derivatives financial instruments and hedge accounting

Derivative financial instruments including forward foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, and currency and commission rate options (both written and purchased) are measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

The Bank is using IAS-39 for Hedge Accounting.

The treatment of changes in their fair value depends on their classification into the following categories:

(i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in net trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

(ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:
- the host contract is not an asset in the scope of IFRS 9;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(iii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency, and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Bank applies hedge accounting for transactions that meet specific criteria.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognized firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting.

A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in "Net trading income". For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognized immediately in the consolidated statement of income together with change in the fair value of the hedged item attributable to the hedged risk under non-trading gains/losses in the consolidated statement of income.

For hedged items measured at amortized cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective commission rate method, (the hedge item is also fair-valued). If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statement of income.

Micro fair value hedges

A fair value hedge relationship is a "Micro fair value hedge" when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a micro fair value hedge relationship include fixed rate corporate and small business loans, fixed rate debt instruments at FVOCI and fixed rate issued long-term deposits. These hedge relationships are assessed for prospective and retrospective hedge effectiveness on a monthly basis. If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively.

If the relationship does not meet the hedge effectiveness criteria, the Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortized cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortized over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

For fair value hedge relationships where the hedged item is not measured at amortized cost, such as debt instruments at FVOCI, changes in fair value that were recorded in the income statement whilst hedge accounting was in place are amortized in a similar way to amortized cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the income statement to OCI. There were no such instances in either the current year or in the comparative year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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3. Summary of significant accounting policies continued

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognized asset or a liability or a highly probable forecast transaction that could affect the consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognized directly in other comprehensive income and the ineffective portion, if any, is recognized in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognized in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged item affects the consolidated statement of income. However, if the Bank expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time such asset or liability is recognized the associated gains or losses that had previously been recognized directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

When the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Bank revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in other comprehensive income from the period when the hedge was effective is transferred from equity to consolidated statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the consolidated statement of income, the net cumulative gain or loss recognized in "other comprehensive income" is transferred immediately to the consolidated statement of income for the period.

K. Foreign currencies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot rates prevailing at transaction dates. Monetary assets and liabilities at year-end denominated in foreign currencies are translated into Saudi Arabian Riyals at rates of exchange prevailing at the reporting date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest rate and payments during the year, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year.

All differences arising on non-trading activities are taken to other non-operating income in the consolidated statement of income, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in foreign entity.

Foreign currency differences arising from the translation of the following items are recognized in OCI:
- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI; and
- qualifying cash flow hedges to the extent that the hedge is effective.

As at the reporting date, the assets and liabilities of foreign operations are translated into Saudi Arabian Riyals at the rate of exchange as at the statement of financial position date, and their consolidated statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of income.

L. Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. When substantially all the risks and rewards of ownership remain with the Bank. These assets are continued to measure in accordance with related accounting policies for investments held as FVSI, FVOCI and other investments held at amortized cost. The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in "Due to SAMA" or "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective yield basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the statement of financial position, as the Bank does not obtain control over the assets. Amounts paid under these agreements are included in "Cash and balances with SAMA", "Due from banks and other financial institutions" or "Loans and advances", as appropriate. The difference between purchase and resale price is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

M. Settlement and trade date accounting

All regular way purchases and sales of financial assets are recognized and derecognized in the consolidated statement of financial position on the settlement date i.e. the date on which the asset is acquired from or delivered to the counter party. The Bank accounts for any change in fair value which is recognized from the trade date.

Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or follow convention in the market place.

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

N. Fair value measurement

The Group measures financial instruments, such as, derivatives and equity instruments and non-financial assets such as investment properties, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principle or, in its absence, the most advantageous market to which the Group has access at that date. The Fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses the valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Summary of significant accounting policies continued

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

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Market Risk Department, which is independent of front office management and reports to the Chief Risk Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:
- verification of observable pricing;
- calibration of model valuations;
- a review and approval process for new models and changes to models involving Risk Division

To dynamically address valuation issues, within the Market Risk Committee, which is held every quarter, a Valuation Sub-Committee may be held to review and determine by consensus adjustments of valuation methodologies at the request of the Market Risk Committee members.

The Market Risk Committee comprises of Chief Executive Officer, the Chief Financial Officer, the Chief Treasurer & Investment Officer, the Head of Institutional Banking Group, the Chief Risk Officer and the Head of Market Risk.

O. Deposits, debt securities issued and subordinated liabilities

When the Bank designates a financial liability as at FVSI, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve.

On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:
- the expected changes in the fair value of the liability related to changes in the credit risk; with
- the impact on profit or loss of expected changes in fair value of the related instruments.

P. Tier 1 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgment as certain clauses of the Offering Circular require interpretation. The Group classifies Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to sukuk holders are limited in number and scope and very difficult to exercise.

The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

Q. Dividend

A provision is made for the amount of dividend declared, being appropriately authorized and no longer at the discretion of the Bank, on or before the end of the reporting period but not distributed at the end of the reporting period.

R. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Freehold land is not depreciated. Changes in the expected useful life are accounted for by changing the period or method, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. On-going repairs and maintenance are expensed as incurred.

The cost of other property and equipment is depreciated and amortized on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Leasehold improvements	Over the lease period or economic life whichever is shorter
Furniture, equipment and vehicles	4 to 10 years
Software program and automation project	3 to 12 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Software (Intangible Assets)

Intangible assets comprise of internally developed software and externally acquired software's. Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets where the following criteria are met:
- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits. Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized (straight line) from the point at which the asset is ready for use.

S. Other real estate

The Bank, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estate are considered as assets held for sale and are initially stated at the lower of net realizable value of due loans and advances and the current fair value of the related properties, less any costs to sell (if material). No depreciation is charged on such real estate. Rental income from other real estate is recognized in the consolidated statement of income.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the consolidated statement of income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognized in the consolidated statement of income. Gains or losses on disposal are recognized in the consolidated statement of income.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at fair value. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Summary of significant accounting policies continued

T. Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions for liabilities and charges

The Bank receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

U. Accounting for leases

Right of Use Asset (RoU)/Lease Liabilities

On initial recognition, at inception of the contract, the Bank shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the group and the group can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

The Bank applies the cost model, and measures right of use assets at cost:
- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability for lease modifications.

Generally, the RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. These would need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

After the commencement date, Bank measures the lease liability by:
- increasing the carrying amount to reflect interest on the lease liability
- reducing the carrying amount to reflect the lease payments made and;
- re-measuring the carrying amount to reflect any re-assessment or lease modification

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

V. Cash and cash equivalents

For the purpose of the statement of cash flows, "cash and cash equivalents" include notes and coins on hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

W. End of service benefits

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation conducted by an independent actuary, taking into account the provision of the Saudi Arabian Labor Law.

Net obligation, with respect to end of service benefits, to the Bank is reviewed by using a projected unit credit method. Actuarial gains and losses (Re-measurements) are recognized in full in the period in which they occur in other comprehensive income. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Bank recognizes the following changes in the net defined benefit obligation under "salaries and employee related expenses" in the consolidated statement of income.
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

The assumptions used to calculate the scheme obligations include assumptions such as expected future salaries growth, expected employee resignation rates, and discount rate to discount the future cash flows.

X. Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Y. Treasury shares and share based payment to employee

These are recorded at cost and presented as a deduction from the equity as adjusted for any transaction cost, and gains or losses on sale of such shares. Subsequent to their acquisition, these are carried at the amount equal to consideration paid. Any gains or losses on disposal of such shares are reflected under equity and are not recognized in the consolidated statement of income.

These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its employee share-based payment plans.

The Bank has adopted the equity-settled share based payments to employees. The Bank recognizes a cost/expense over the vesting period and a corresponding entry to equity and measurement is based on the grant-date fair value of the equity instruments granted. Market and non-vesting conditions are reflected in the initial measurement of fair value with no subsequent true-up if the conditions are not satisfied.

Z. Zakat

Zakat

The Group is subject to Zakat in accordance with the regulations of ZATCA (Zakat, Tax & Customs Authority). Zakat expense is charged to the consolidated statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Value Added tax ("VAT")

The Bank collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Bank and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

AA. Investment management, brokerage and corporate finance services

The Bank offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors. The Bank's share of investment in these funds is included in the investments and fees earned are disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Summary of significant accounting policies continued

AB. Islamic banking products

In addition to the conventional banking products, the Bank offers its customers certain non-commission based banking products, which are approved by its Shariah Board, as follows:

High level definitions of non-commission based banking products

i) **Murabaha** is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.
ii) **Mudarabah** is an agreement between the Bank and a customer whereby the Bank invests in a specific transaction. The Bank is called "rabb-ul-mal" while the management and work is exclusive responsibility of the customer who is called "mudarib". The profit is shared as per the terms of the agreement but the loss is borne by the Bank.
iii) **Istisna'a** is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.
iv) **Ijarah** is an agreement whereby the Bank, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.
v) **Musharaka** is an agreement between the Bank and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.
vi) **Tawaraq** is a form of Murabaha transactions where the Bank purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

These non-commission based banking products are included in "loans and advances" and are in conformity with the related accounting policies described in these consolidated financial statements.

AC. Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognized in consolidated statement of income on a systematic basis over the periods in which the Bank recognizes as expenses the related costs for which the grant is intended to compensate. The grant income is only recognized when the ultimate beneficiary is the Bank. Where the customer is the ultimate beneficiary, the Bank only records the respective receivable and payable amounts.

AD. Revenue/expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or the amortized cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and royalty/reward points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. Transaction costs include fees and commission paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

All fees paid or received between parties to the contract (e.g. between a lender and a borrower) that are included in the calculation of the effective interest rate (EIR) are amortized over the expected life of the financial instrument, unless they relate to a shorter period. The shorter period is used when the variable to which the fees, transaction costs, premiums or discounts relate is repriced to market rates before the expected maturity of the financial instrument. For financial instruments measured at FVSI, fees are recognized in consolidated statement of income in full when the instrument is initially recognized.

Measurement of amortized cost and special commission income and expense

The "amortized cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The "gross carrying amount of a financial asset" is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

AE. Fees and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the special commission income/expense as applicable.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed and performance obligations are achieved as point-in-time. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

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

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services.

The Group has concluded that revenue from rendering of various services related to Share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for fee services related to credit card, the Bank recognizes revenue over the period of time.

Brokerage income

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

Asset management fees

Asset management fees are recognized based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based"), or a percentage of capital deployed/raised subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group's efforts to transfer the services for that period. As asset management fees are not subject to claw backs, the management does not expect any significant reversal of revenue previously recognized.

This fee compensates and contributes to single performance obligations, the Group's obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Summary of significant accounting policies continued

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognized when services are determined as complete in accordance with the underlying agreement based on performance obligations being met, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of the performance obligation (i.e., monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

Underwriting fees

Underwriting fees are recognized when the Group has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee

Custody fee is received upfront and amortized over the period of the service (deferred income).

AF. Customer Loyalty Program

The Bank offers customer loyalty program (reward points/air miles herein referred to as "reward points"), which allows card members to earn points that can be redeemed for certain Partner outlets. The Bank allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand alone selling price. The amount of revenue allocated to reward points is deferred and released to the income statement when reward points are redeemed.

The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

AG. Exchange income/(loss)

Exchange income/loss is recognized as discussed in foreign currencies policy above.

AH. Trading income/(loss)

Net income from other financial instruments at FVSI relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVSI.

Results arising from trading activities include all gains and losses from changes in fair values, related special commission income or expense including dividends for financial assets and financial liabilities held for trading and foreign exchange differences. This includes any ineffectiveness recorded in hedging transactions.

AI. Dividend income

Dividend income is recognized when the right to receive income is established. Dividends are reflected as a component of net trading income, net income from FVSI financial instruments or other operating income based on the underlying classification of the equity instrument.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

4. Cash and balances with SAMA

SAR '000	2022	2021
Cash on hand	**973,736**	1,023,141
Statutory deposit	**9,166,850**	8,691,928
Money market placements	**1,185,000**	79,999
Total	**11,325,586**	9,795,068

Cash and balances with SAMA include Islamic related products of SAR Nil million (2021: SAR Nil million).

In accordance with the Banking Control Law and regulations issued by Saudi Central Bank (SAMA), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its deposit liabilities calculated on monthly averages at the end of reporting period. The statutory deposits with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents.

5. Due from banks and other financial institutions, net

SAR '000	2022	2021
Current accounts	**2,795,573**	3,798,508
Money market placements	**2,001,842**	1,525,636
	4,797,415	5,324,144
Less: impairment	**(2,304)**	(180)
Total	**4,795,111**	5,323,964

The credit quality of due from banks and other financial institutions is managed using reputable external credit rating agencies.

Due from banks and other financial institutions include Islamic related products of SAR Nil million (2021: SAR Nil million).

The following table shows the gross carrying amount of the due from banks and other financial institutions.

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2022	**5,316,259**	**7,885**	**–**	**5,324,144**
Transfer from 12-month ECL	**–**	**–**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**–**	**–**	**–**	**–**
Net change for the year	**(562,079)**	**35,350**	**–**	**(526,729)**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2022	**4,754,180**	**43,235**	**–**	**4,797,415**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2021	4,017,172	10,264	–	4,027,436
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	1,299,087	(2,379)	–	1,296,708
Write-offs	–	–	–	–
Balance as at December 31, 2021	5,316,259	7,885	–	5,324,144

The following table shows reconciliations from the opening to the closing balance of impairment on due from banks and other financial institutions.

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2022	**114**	**66**		**180**
Transfer from 12-month ECL	**–**	**–**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**–**	**–**	**–**	**–**
Net charge/(reversal) for the year	**239**	**1,885**	**–**	**2,124**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2022	**353**	**1,951**	**–**	**2,304**

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5. Due from banks and other financial institutions, net continued

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2021	379	60	–	439
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge/(reversal) for the year	(265)	6	–	(259)
Write-offs	–	–	–	–
Balance as at December 31, 2021	114	66	–	180

6. Investments, net

a) Investment securities are classified as follows:

SAR '000	2022	2021
Investment at amortized cost – gross	26,051,032	28,711,856
Less: impairment	(7,895)	(6,410)
Investment at amortized cost, net	26,043,137	28,705,446
Investments at FVOCI – Debt instruments	18,085,275	14,604,493
Investments at FVOCI – Equity/other investments	320,393	338,307
Total FVOCI	18,405,668	14,942,800
Investment at FVSI – Debt instruments and equity	68,744	209,995
Total	44,517,549	43,858,241

b) Investments held at fair value through statement of income (FVSI)

Investments by type of securities

SAR '000	DOMESTIC 2022	DOMESTIC 2021	INTERNATIONAL 2022	INTERNATIONAL 2021	TOTAL 2022	TOTAL 2021
Fixed-rate securities	60,459	144,385	3,800	11,102	64,259	155,487
Floating-rate securities	–	54,508	–	–	–	54,508
Equities	4,485	–	–	–	4,485	–
Total	64,944	198,893	3,800	11,102	68,744	209,995

The analysis of the composition of investments is as follows:

SAR '000	2022 QUOTED	2022 UNQUOTED	2022 TOTAL	2021 QUOTED	2021 UNQUOTED	2021 TOTAL
Fixed-rate securities	64,259	–	64,259	155,487	–	155,487
Floating-rate securities	–	–	–	54,508	–	54,508
Equities	4,485	–	4,485	–	–	–
Total	68,744	–	68,744	209,995	–	209,995

c) Investments held at fair value through other comprehensive income

Investments by type of securities

SAR '000	DOMESTIC 2022	DOMESTIC 2021	INTERNATIONAL 2022	INTERNATIONAL 2021	TOTAL 2022	TOTAL 2021
Fixed-rate securities	8,893,525	7,760,291	4,915,935	2,847,479	13,809,460	10,607,770
Floating-rate securities	3,204,689	3,604,681	1,071,126	392,042	4,275,815	3,996,723
Equities	310,162	328,041	10,231	10,266	320,393	338,307
Total	12,408,376	11,693,013	5,997,292	3,249,787	18,405,668	14,942,800

The analysis of the composition of investments is as follows:

SAR '000	2022 QUOTED	2022 UNQUOTED	2022 TOTAL	2021 QUOTED	2021 UNQUOTED	2021 TOTAL
Fixed-rate securities	13,447,995	361,465	13,809,460	10,210,484	397,286	10,607,770
Floating-rate securities	1,763,143	2,512,672	4,275,815	1,216,401	2,780,322	3,996,723
Equities	110,040	210,353	320,393	217,140	121,167	338,307
Investments at FVOCI, net	15,321,178	3,084,490	18,405,668	11,644,025	3,298,775	14,942,800

The following table shows the type of assets:

SAR '000	DOMESTIC 2022	DOMESTIC 2021	INTERNATIONAL 2022	INTERNATIONAL 2021	TOTAL 2022	TOTAL 2021
Debt instruments	12,098,214	11,364,972	5,987,061	3,239,521	18,085,275	14,604,493
Equity investments	310,162	328,041	10,231	10,266	320,393	338,307
Total	12,408,376	11,693,013	5,997,292	3,249,787	18,405,668	14,942,800

The Group designated investments disclosed in the above table as equity securities at FVOCI on initial recognition. The FVOCI designation was made because the equity investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale and there are no plans to dispose of these investments in the short or medium term. This designation is irrevocable.

d) Investments held at amortized cost

Investments by type of securities

SAR '000	DOMESTIC 2022	DOMESTIC 2021	INTERNATIONAL 2022	INTERNATIONAL 2021	TOTAL 2022	TOTAL 2021
Fixed-rate securities	20,686,727	24,939,934	–	–	20,686,727	24,939,934
Floating-rate securities	4,778,807	3,072,632	–	–	4,778,807	3,072,632
Other	577,603	692,880	–	–	577,603	692,880
Total	26,043,137	28,705,446	–	–	26,043,137	28,705,446

The analysis of the composition of investments is as follows:

SAR '000	2022 QUOTED	2022 UNQUOTED	2022 TOTAL	2021 QUOTED	2021 UNQUOTED	2021 TOTAL
Fixed-rate securities	17,942,612	2,744,115	20,686,727	20,957,194	3,982,740	24,939,934
Floating-rate securities	4,549,325	229,482	4,778,807	3,072,632	–	3,072,632
Other	–	577,603	577,603	–	692,880	692,880
Investments held at amortized cost, net	22,491,937	3,551,200	26,043,137	24,029,826	4,675,620	28,705,446

e) The reconciliations from the opening to the closing balance of gross carrying value of Debt instrument

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt instrument investments				
Balance at January 01	43,316,349	–	–	43,316,349
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Transfer from lifetime ECL credit impaired	–	–	–	–
Net change for the year	819,958	–	–	819,958
Write-offs	–	–	–	–
Balance as at December 31, 2022	44,136,307	–	–	44,136,307

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6. Investments, net continued

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt instrument investments				
Balance at January 01	37,328,462	–	–	37,328,462
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Transfer from lifetime ECL credit impaired	–	–	–	–
Net change for the year	5,987,887	–	–	5,987,887
Write-offs	–	–	–	–
Balance as at December 31, 2021	43,316,349	–	–	43,316,349

Amortized cost

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**28,711,856**	–	–	**28,711,856**
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	**(2,660,824)**	–	–	**(2,660,824)**
Write-offs	–	–	–	–
Balance as at December 31, 2022	**26,051,032**	–	–	**26,051,032**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	25,807,423	–	–	25,807,423
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	2,904,433	–	–	2,904,433
Write-offs	–	–	–	–
Balance as at December 31, 2021	28,711,856	–	–	28,711,856

FVOCI – Debt instruments

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**14,604,493**	–	–	**14,604,493**
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	**3,480,782**	–	–	**3,480,782**
Write-offs	–	–	–	–
Balance as at December 31, 2022	**18,085,275**	–	–	**18,085,275**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	11,521,039	–	–	11,521,039
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	3,083,454	–	–	3,083,454
Write-offs	–	–	–	–
Balance as at December 31, 2021	14,604,493	–	–	14,604,493

f) The reconciliations from the opening to the closing balance of ECL on Debt instruments:

An analysis of changes is loss allowance for Debt instruments is as follows:

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**20,730**	–	–	**20,730**
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Transfer from lifetime ECL credit impaired	–	–	–	–
Net charge for the year	**4,692**	–	–	**4,692**
Write-offs	–	–	–	–
Balance as at December 31, 2022	**25,422**	–	–	**25,422**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	15,392	–	–	15,392
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Transfer from lifetime ECL credit impaired	–	–	–	–
Net charge for the year	5,338	–	–	5,338
Write-offs	–	–	–	–
Balance as at December 31, 2021	20,730	–	–	20,730

An analysis of changes in loss allowance by each class of Debt instruments is as follows:

Amortized cost

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**6,410**	–	–	**6,410**
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge for the year	**1,485**	–	–	**1,485**
Write-offs	–	–	–	–
Balance as at December 31, 2022	**7,895**	–	–	**7,895**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	6,543	–	–	6,543
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net reversal for the year	(133)	–	–	(133)
Write-offs	–	–	–	–
Balance as at December 31, 2021	6,410	–	–	6,410

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6. Investments, net continued

FVOCI

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**14,320**	**–**	**–**	**14,320**
Transfer from 12-month ECL	**–**	**–**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**–**	**–**	**–**	**–**
Net charge for the year	**3,207**	**–**	**–**	**3,207**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2022	**17,527**	**–**	**–**	**17,527**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	8,849	–	–	8,849
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge for the year	5,471	–	–	5,471
Write-offs	–	–	–	–
Balance as at December 31, 2021	14,320	–	–	14,320

The provision balance of FVOCI is accounted under other reserve – FVOCI.

g) Investments by type of securities

SAR '000	DOMESTIC 2022	2021	INTERNATIONAL 2022	2021	TOTAL 2022	2021
Fixed-rate securities	**29,644,789**	32,847,243	**4,919,735**	2,858,580	**34,564,524**	35,705,823
Floating-rate securities	**7,984,412**	6,732,119	**1,071,126**	392,042	**9,055,538**	7,124,161
Equities	**314,647**	328,041	**10,231**	10,266	**324,878**	338,307
Other	**580,504**	696,360	**–**	–	**580,504**	696,360
Allowance for impairment	**(7,895)**	(6,410)	**–**	–	**(7,895)**	(6,410)
Total	**38,516,457**	40,597,353	**6,001,092**	3,260,888	**44,517,549**	43,858,241

h) The analysis of the composition of investments is as follows:

SAR '000	2022 QUOTED	UNQUOTED	TOTAL	2021 QUOTED	UNQUOTED	TOTAL
Fixed-rate securities	**31,456,330**	**3,108,194**	**34,564,524**	31,367,357	4,338,466	35,705,823
Floating-rate securities	**6,312,870**	**2,742,668**	**9,055,538**	4,343,838	2,780,323	7,124,161
Equities	**114,525**	**210,353**	**324,878**	217,140	121,167	338,307
Other	**–**	**580,504**	**580,504**	–	696,360	696,360
	37,883,725	**6,641,719**	**44,525,444**	35,928,335	7,936,316	43,864,651
Allowance for impairment	**(1,866)**	**(6,029)**	**(7,895)**	(2,145)	(4,265)	(6,410)
Total	**37,881,859**	**6,635,690**	**44,517,549**	35,926,190	7,932,051	43,858,241

i) The analysis of investments by counterparty is as follows:

SAR '000	2022	2021
Government and quasi government	**30,286,351**	33,112,811
Corporate	**6,519,826**	5,762,206
Banks and other financial institutions	**7,711,372**	4,983,224
Total	**44,517,549**	43,858,241

j) Shariah based investments:

Investment securities designated as at FVOCI:

SAR '000	2022	2021
Debt instruments		
Sukuk	**8,753,366**	8,724,129
Total	**8,753,366**	8,724,129

Investments held at amortized cost:

SAR '000	2022	2021
Debt instruments		
Sukuk	**20,491,497**	22,098,362
Other	**580,504**	696,360
Allowance for impairment	**(7,473)**	(5,868)
Total	**21,064,528**	22,788,854

Trading Investment securities include Islamic related products of SAR 64 million (2021: SAR 200 million).

7. Loans and advances, net

a) Loans and advances are classified as follows:

Held at Amortized cost

SAR '000	2022 OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
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 amortized cost, net	**129,498,420**	**568,024**	**28,945,081**	**159,011,525**

SAR '000	2021 OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
Performing loans and advances – gross	121,282,954	527,408	26,876,972	148,687,334
Non performing loans and advances, net	3,685,252	34,509	138,488	3,858,249
Total loans and advances	124,968,206	561,917	27,015,460	152,545,583
Allowance for impairment	(4,380,256)	(61,999)	(290,569)	(4,732,824)
Loans and advances held at amortized cost, net	120,587,950	499,918	26,724,891	147,812,759

An unwinding modification loss of SAR 171 million (2021: SAR 245 million) is included as part of loan and advances.

The above includes Shariah based loans and advances as below:

SAR '000	2022	2021
Overdraft & Commercial Loans		
Tawaraq	**63,226,625**	56,786,694
Murabaha	**19,639,867**	18,908,432
Others	**5,268,270**	5,783,117
Allowance for impairment	**(1,782,243)**	(2,375,731)
Total	**86,352,519**	79,102,512

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7. Loans and advances, net continued

SAR '000	2022	2021
Credit Card & Consumer Loans		
Tawaraq	**16,097,452**	15,475,397
Murabaha	**8,156,378**	7,414,854
Others	**4,858,388**	3,929,535
Allowance for impairment	**(257,491)**	(281,872)
Total	**28,854,727**	26,537,914

b) The reconciliations from the opening to the closing balance of gross carrying value of Loans and advances
An analysis of changes in gross carrying value for Loans and Advances is, as follows:

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**134,589,045**	**14,022,436**	**3,934,102**	**152,545,583**
Transfer from 12-month ECL	**(3,307,476)**	**3,141,115**	**166,361**	**–**
Transfer from lifetime ECL not credit impaired	**2,174,569**	**(4,490,566)**	**2,315,997**	**–**
Transfer from Lifetime ECL credit impaired	**20,875**	**884,010**	**(904,885)**	**–**
Net change for the year	**14,071,441**	**(1,371,356)**	**47,002**	**12,747,087**
Write-offs	**–**	**–**	**(1,280,603)**	**(1,280,603)**
Balance as at December 31, 2022	**147,548,454**	**12,185,639**	**4,277,974**	**164,012,067**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	118,827,712	12,444,159	3,985,974	135,257,845
Transfer from 12-month ECL	(5,282,320)	5,152,199	130,121	–
Transfer from lifetime ECL not credit impaired	2,225,405	(3,019,047)	793,642	–
Transfer from Lifetime ECL credit impaired	69,680	61,043	(130,723)	–
Net change for the year	18,748,568	(615,918)	136,623	18,269,273
Write-offs	–	–	(981,535)	(981,535)
Balance as at December 31, 2021	134,589,045	14,022,436	3,934,102	152,545,583

An analysis of changes in gross carrying value by each class of financial instrument is, as follows:

Overdraft & Commercial Loans

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**107,440,769**	**13,792,995**	**3,734,442**	**124,968,206**
Transfer from 12-month ECL	**(3,065,920)**	**2,966,997**	**98,923**	**–**
Transfer from lifetime ECL not credit impaired	**2,069,087**	**(4,355,728)**	**2,286,641**	**–**
Transfer from Lifetime ECL credit impaired	**15**	**878,382**	**(878,397)**	**–**
Net change for the year	**11,749,854**	**(1,349,649)**	**(1,515)**	**10,398,690**
Write-offs	**–**	**–**	**(1,171,867)**	**(1,171,867)**
Balance as at December 31, 2022	**118,193,805**	**11,932,997**	**4,068,227**	**134,195,029**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	96,155,315	12,185,330	3,712,490	112,053,135
Transfer from 12-month ECL	(5,015,357)	4,987,075	28,282	–
Transfer from lifetime ECL not credit impaired	2,143,794	(2,911,540)	767,746	–
Transfer from Lifetime ECL credit impaired	18,159	50,853	(69,012)	–
Net change for the year	14,138,858	(518,723)	133,728	13,753,863
Write-offs	–	–	(838,792)	(838,792)
Balance as at December 31, 2021	107,440,769	13,792,995	3,734,442	124,968,206

Credit Cards

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**479,227**	**43,508**	**39,182**	**561,917**
Transfer from 12-month ECL	**(19,485)**	**9,520**	**9,965**	**–**
Transfer from lifetime ECL not credit impaired	**25,545**	**(34,916)**	**9,371**	**–**
Transfer from Lifetime ECL credit impaired	**2,371**	**731**	**(3,102)**	**–**
Net change for the year	**74,477**	**110**	**3,796**	**78,383**
Write-offs	**–**	**–**	**(33,478)**	**(33,478)**
Balance as at December 31, 2022	**562,135**	**18,953**	**25,734**	**606,822**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	415,084	20,390	60,962	496,436
Transfer from 12-month ECL	(43,746)	30,151	13,595	–
Transfer from lifetime ECL not credit impaired	5,379	(10,432)	5,053	–
Transfer from Lifetime ECL credit impaired	3,160	2,247	(5,407)	–
Net change for the year	99,350	1,152	(6,792)	93,710
Write-offs	–	–	(28,229)	(28,229)
Balance as at December 31, 2021	479,227	43,508	39,182	561,917

Consumer Loans

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**26,669,049**	**185,933**	**160,478**	**27,015,460**
Transfer from 12-month ECL	**(222,071)**	**164,598**	**57,473**	**–**
Transfer from lifetime ECL not credit impaired	**79,937**	**(99,922)**	**19,985**	**–**
Transfer from Lifetime ECL credit impaired	**18,489**	**4,897**	**(23,386)**	**–**
Net change for the year	**2,247,110**	**(21,817)**	**44,721**	**2,270,014**
Write-offs	**–**	**–**	**(75,258)**	**(75,258)**
Balance as at December 31, 2022	**28,792,514**	**233,689**	**184,013**	**29,210,216**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	22,257,313	238,439	212,522	22,708,274
Transfer from 12-month ECL	(223,217)	134,973	88,244	–
Transfer from lifetime ECL not credit impaired	76,232	(97,075)	20,843	–
Transfer from Lifetime ECL credit impaired	48,361	7,943	(56,304)	–
Net change for the year	4,510,360	(98,347)	9,687	4,421,700
Write-offs	–	–	(114,514)	(114,514)
Balance as at December 31, 2021	26,669,049	185,933	160,478	27,015,460

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7. Loans and advances, net continued

c) Movement in allowance for impairment of credit losses are classified as follows:

An analysis of changes in loss allowance for Loans and Advances is, as follows:

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**526,450**	**1,828,983**	**2,377,391**	**4,732,824**
Transfer from 12-month ECL	**(19,274)**	**16,816**	**2,458**	**–**
Transfer from lifetime ECL not credit impaired	**51,113**	**(740,238)**	**689,125**	**–**
Transfer from Lifetime ECL credit impaired	**11,445**	**422,939**	**(434,384)**	**–**
Net charge/(reversal) for the year	**(148,529)**	**271,171**	**1,425,679**	**1,548,321**
Write-offs	**–**	**–**	**(1,280,603)**	**(1,280,603)**
Balance as at December 31, 2022	**421,205**	**1,799,671**	**2,779,666**	**5,000,542**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	579,357	1,375,529	2,738,124	4,693,010
Transfer from 12-month ECL	(44,426)	41,237	3,189	–
Transfer from lifetime ECL not credit impaired	52,085	(151,723)	99,638	–
Transfer from Lifetime ECL credit impaired	35,490	31,225	(66,715)	–
Net charge/(reversal) for the year	(96,056)	532,715	584,690	1,021,349
Write-offs	–	–	(981,535)	(981,535)
Balance as at December 31, 2021	526,450	1,828,983	2,377,391	4,732,824

An analysis of changes in loss allowance by each class of financial instrument is, as follows:

Overdraft & Commercial Loans

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**345,680**	**1,796,224**	**2,238,352**	**4,380,256**
Transfer from 12-month ECL	**(14,824)**	**13,938**	**886**	**–**
Transfer from lifetime ECL not credit impaired	**36,243**	**(720,300)**	**684,057**	**–**
Transfer from Lifetime ECL credit impaired	**4**	**419,742**	**(419,746)**	**–**
Net charge/(reversal) for the year	**(97,759)**	**249,697**	**1,336,282**	**1,488,220**
Write-offs	**–**	**–**	**(1,171,867)**	**(1,171,867)**
Balance as at December 31, 2022	**269,344**	**1,759,301**	**2,667,964**	**4,696,609**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	426,939	1,360,194	2,490,288	4,277,421
Transfer from 12-month ECL	(36,572)	36,023	549	–
Transfer from lifetime ECL not credit impaired	47,665	(144,549)	96,884	–
Transfer from Lifetime ECL credit impaired	5,818	25,217	(31,035)	–
Net charge/(reversal) for the year	(98,170)	519,339	520,458	941,627
Write-offs	–	–	(838,792)	(838,792)
Balance as at December 31, 2021	345,680	1,796,224	2,238,352	4,380,256

Credit Cards

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**15,354**	**14,072**	**32,573**	**61,999**
Transfer from 12-month ECL	**(1,794)**	**751**	**1,043**	**–**
Transfer from lifetime ECL not credit impaired	**7,891**	**(11,325)**	**3,434**	**–**
Transfer from Lifetime ECL credit impaired	**1,342**	**449**	**(1,791)**	**–**
Net charge/(reversal) for the year	**(7,576)**	**547**	**17,306**	**10,277**
Write-offs	**–**	**–**	**(33,478)**	**(33,478)**
Balance as at December 31, 2022	**15,217**	**4,494**	**19,087**	**38,798**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	19,057	5,141	60,926	85,124
Transfer from 12-month ECL	(5,163)	3,429	1,734	–
Transfer from lifetime ECL not credit impaired	1,508	(3,495)	1,987	–
Transfer from Lifetime ECL credit impaired	1,855	1,304	(3,159)	–
Net charge/(reversal) for the year	(1,903)	7,693	(686)	5,104
Write-offs	–	–	(28,229)	(28,229)
Balance as at December 31, 2021	15,354	14,072	32,573	61,999

Consumer Loans

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**165,416**	**18,687**	**106,466**	**290,569**
Transfer from 12-month ECL	**(2,656)**	**2,127**	**529**	**–**
Transfer from lifetime ECL not credit impaired	**6,979**	**(8,613)**	**1,634**	**–**
Transfer from Lifetime ECL credit impaired	**10,099**	**2,748**	**(12,847)**	**–**
Net charge/(reversal) for the year	**(43,194)**	**20,927**	**72,091**	**49,824**
Write-offs	**–**	**–**	**(75,258)**	**(75,258)**
Balance as at December 31, 2022	**136,644**	**35,876**	**92,615**	**265,135**

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	133,361	10,194	186,910	330,465
Transfer from 12-month ECL	(2,691)	1,785	906	–
Transfer from lifetime ECL not credit impaired	2,912	(3,679)	767	–
Transfer from Lifetime ECL credit impaired	27,817	4,704	(32,521)	–
Net charge/(reversal) for the year	4,017	5,683	64,918	74,618
Write-offs	–	–	(114,514)	(114,514)
Balance as at December 31, 2021	165,416	18,687	106,466	290,569

d) The movement in the allowance for impairment charge for expected credit on loans and advances losses for the year ended December 31, is as follows:

SAR '000	NOTE	2022	2021
Impairment charge for expected credit losses on loans and advances, net	7c	**1,548,321**	1,021,349
Recoveries of written off loans, net		**(184,377)**	(59,919)
Total charge for the year		**1,363,944**	961,430

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7. Loans and advances, net continued

e) The movement in the allowance for impairment reversal for investments financial assets and others for the year ended December 31, is as follows:

SAR '000	NOTE	2022	2021
Impairment charge/(reversal) on due from banks, net	5	2,124	(259)
Impairment reversal on off statement of financial position, net	16	(10,645)	(122,592)
Impairment charge/(reversal) on amortized cost, net	6 (f)	1,485	(133)
Impairment charge on FVOCI, net	6 (f)	3,207	5,471
Impairment reversal on other assets, net		(318)	(312)
Total reversal for the year		(4,147)	(117,825)

f) Loans and advances include finance lease receivables (Ijarah products), which are analyzed as follows:

SAR '000	2022	2021
Gross receivable from finance leases		
Less than 1 year	2,083,481	1,249,837
1 to 5 years	4,834,588	4,277,701
More than 5 years	3,513,461	4,268,246
Unearned future finance income on finance lease	(925,514)	(673,385)
Net receivable from finance leases	9,506,016	9,122,399
Allowance for impairment	(176,553)	(140,303)
Total	9,329,463	8,982,096

8. Investment in associate, net

SAR '000	2022	2021
Balance at January 01	9,695	9,695
Share of earnings	–	–
Allowance for impairment	–	–
Balance as at December 31	9,695	9,695

Investment in associate represents 27% shareholding (2021: 27%) in the Banque BEMO Saudi Fransi incorporated in Syria.

The Bank's share of Banque Bemo Saudi Fransi – Syria financial statements:

	BANQUE BEMO SAUDI FRANSI – SYRIA	
SAR '000	2022	2021
Total assets	636,471	442,312
Total liabilities	534,629	369,586
Total equity	101,842	72,726
Total income	59,202	65,095
Total expenses	39,141	21,090

9. Property, equipment and right of use assets, net

Property and equipment

SAR '000	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	FURNITURE, EQUIPMENT & VEHICLES	COMPUTER AND SOFTWARE	TOTAL
Cost					
Balance as at January 01, 2021	765,236	590,535	458,676	1,410,038	3,224,485
Additions during the year	6,382	11,534	179,416	62,525	259,857
Disposals and retirements	(84,032)	(505,602)	(312,645)	(789,587)	(1,691,866)
Balance as at December 31, 2021	687,586	96,467	325,447	682,976	1,792,476
Additions during the year	38,157	15,115	17,918	271,143	342,333
Disposals and retirements	–	(731)	(3,737)	(2,882)	(7,350)
Balance as at December 31, 2022	725,743	110,851	339,628	951,237	2,127,459
Accumulated depreciation and impairment losses					
Balance as at January 01, 2021	385,796	559,931	512,981	967,043	2,425,751
Depreciation and amortization charge	25,145	16,291	23,209	82,589	147,234
Disposals and retirements	(83,998)	(505,637)	(312,915)	(786,163)	(1,688,713)
Balance as at December 31, 2021	326,943	70,585	223,275	263,469	884,272
Depreciation and amortization charge	25,250	9,305	18,486	97,773	150,814
Disposals and retirements	–	(731)	(3,041)	(2,851)	(6,623)
Balance as at December 31, 2022	352,193	79,159	238,720	358,391	1,028,463
Net book value					
As at December 31, 2022	373,550	31,692	100,908	592,846	1,098,996
As at December 31, 2021	360,643	25,882	102,172	419,507	908,204

Property and equipment as at December 31, 2022 include work in progress amounting to SAR 308 million (2021: SAR 153 million). Computer and software include software having a net book value of SAR 553 million (2021: SAR 387 million).

Right-of-use assets

	2022		
SAR '000	LAND & BUILDING	FURNITURE, EQUIPMENT & VEHICLES	TOTAL
Balance at January 01	674,757	2,802	677,559
Additions during the year	44,419	3,776	48,195
Disposals and retirements	(14,239)	(590)	(14,829)
Depreciation and amortization	(66,721)	(3,893)	(70,614)
Balance as at December 31, 2022	638,216	2,095	640,311

	2021		
SAR '000	LAND & BUILDING	FURNITURE, EQUIPMENT & VEHICLES	TOTAL
Balance at January 01	639,049	2,387	641,436
Additions during the year	113,472	9,971	123,443
Disposals and retirements	(3,822)	(5,760)	(9,582)
Depreciation and amortization	(73,942)	(3,796)	(77,738)
Balance as at December 31, 2021	674,757	2,802	677,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

9. Property, equipment and right of use assets, net continued

The following table shows the net book value of property, equipment and right of use assets:

SAR '000	2022	2021
Net book value		
Property and equipment	**1,098,996**	908,204
Right-of-use assets	**640,311**	677,559
Total	**1,739,307**	1,585,763

The following table shows depreciation and amortization of property, equipment and right of use assets:

SAR '000	2022	2021
Depreciation and amortization		
Property and equipment	**150,814**	147,234
Right-of-use assets	**70,614**	77,738
Total	**221,428**	224,972

10. Other assets

SAR '000	2022	2021
Accounts receivable	**1,122,840**	1,726,991
Collateral posted on derivatives and repo margin	**2,375,976**	1,032,661
Others	**255,500**	210,716
Total	**3,754,316**	2,970,368

The Group maintains an ECL provision amounting to SAR 0.2 million (2021: SAR 0.5 million) for the exposure related to other assets.

11. Derivatives

In the ordinary course of business, the Bank utilizes the following derivative financial instruments for both trading and hedging purposes:

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging principal. For currency rate swaps, fixed and floating commission payments and principal are exchanged in different currencies.

b) Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over the counter market. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

c) Forward rate agreements

Forward rate agreements are individually negotiated commission rate contracts that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

d) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Held for trading purposes

Most of the Bank'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 favorable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from price differentials between markets or products. The Bank also holds structured derivative which are fully back to back in accordance with the Bank's risk management strategy.

Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and the management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange and commission rates to reduce its exposure to currency and commission rate risks to an acceptable level as determined by the Board of Directors in accordance with the guidelines issued by SAMA.

The Board of Directors have established the levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors have also established the level of commission rate risk by setting commission rate sensitivity limits. Commission rate exposure in terms of the sensitivity is reviewed on a periodic basis and hedging strategies are used to reduce the exposure within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to currency and commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency rate swaps to hedge against currency risks. In addition, the Bank uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures.

The Bank also uses commission 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 instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Cash flow hedges

The Bank is exposed to variability in future special commission income cash flows on non-trading assets and liabilities which bear variable commission rate. The Bank uses commission rate swaps as cash flow hedges of these commission rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and commission rate risks which are hedged with cross currency commission rate swaps. Below is the schedule indicating as at December 31, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

SAR '000	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	OVER 5 YEARS
2022				
Cash inflows (assets)	**689,797**	**937,354**	**208,509**	**–**
Cash out flows (liabilities)	**(1,309,297)**	**(1,428,521)**	**(251,929)**	**–**
Net cash outflow	**(619,500)**	**(491,167)**	**(43,420)**	**–**
2021				
Cash inflows (assets)	742,908	753,956	270,062	–
Cash out flows (liabilities)	(259,835)	(631,925)	(336,039)	–
Net cash inflow/(outflow)	483,073	122,031	(65,977)	–

The net gain/(loss) on cash flow hedges transferred to the consolidated statement of income during the year was as follows:

SAR '000	2022	2021
Special commission income	**733,587**	961,485
Special commission expense	**(635,730)**	(273,582)
Net gain on cash flow hedges transferred to consolidated statement of income	**97,857**	687,903

The following tables show the positive and negative fair values of derivative financial instruments held, together with their notional amounts analyzed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk. The net hedging gain resulted from loans and advances amounting to SAR 99 million (2021: SAR 643 million) and investments amounting to SAR (1) million (2021: SAR 45 million).

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11. Derivatives continued

DERIVATIVE FINANCIAL INSTRUMENTS SAR '000	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT TOTAL	NOTIONAL AMOUNTS BY TERM TO MATURITY: WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	MONTHLY AVERAGE
2022								
Held for trading								
Commission rate swaps	**6,134,158**	**5,859,651**	**207,931,197**	**12,288,359**	**30,552,758**	**112,962,911**	**52,127,169**	**233,759,207**
Commission rate futures and options	**229,298**	**229,298**	**25,127,912**	**102,300**	**9,118,574**	**12,121,175**	**3,785,863**	**29,230,996**
Forward foreign exchange contracts & currency swaps	**110,907**	**81,096**	**25,157,176**	**13,006,942**	**6,353,579**	**5,195,635**	**601,020**	**26,924,339**
Currency options	**20,568**	**20,568**	**1,905,281**	**811,468**	**345,937**	**747,876**	**–**	**1,129,089**
Others	**37,039**	**37,039**	**1,262,606**	**560,861**	**701,745**	**–**	**–**	**1,073,008**
Held as fair value hedges								
Commission rate swaps	**20,638**	**43,146**	**4,130,063**	**–**	**–**	**2,907,563**	**1,222,500**	**906,687**
Held as cash flow hedges								
Commission rate swaps	**30,372**	**1,112,909**	**25,570,000**	**1,486,000**	**1,440,000**	**22,644,000**	**–**	**25,688,854**
Total	**6,582,980**	**7,383,707**	**291,084,235**	**28,255,930**	**48,512,593**	**156,579,160**	**57,736,552**	**318,712,180**

DERIVATIVE FINANCIAL INSTRUMENTS SAR '000	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT TOTAL	NOTIONAL AMOUNTS BY TERM TO MATURITY: WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	MONTHLY AVERAGE
2021								
Held for trading								
Commission rate swaps	2,941,054	2,768,256	205,917,331	3,417,756	32,832,595	118,474,705	51,192,275	202,126,013
Commission rate futures and options	318,802	318,802	28,278,081	494,475	2,042,040	24,741,566	1,000,000	31,347,232
Forward foreign exchange contracts & currency swaps	155,750	51,587	29,313,456	12,613,751	8,802,438	5,564,984	2,332,283	31,683,176
Currency options	7,749	7,749	699,392	230,614	387,188	81,590	–	253,241
Others	4,446	4,446	133,527	21,040	112,487	–	–	46,592
Held as fair value hedges								
Commission rate swaps	1,269	6	142,500	–	37,500	75,000	30,000	51,250
Held as cash flow hedges								
Commission rate swaps	632,917	95,252	27,519,500	3,375,000	6,942,000	17,202,500	–	28,495,250
Total	4,061,987	3,246,098	292,003,787	20,152,636	51,156,248	166,140,345	54,554,558	294,002,754

Derivative portfolio include Shariah based derivatives with notional amount of SAR 27,387 million (2021: SAR 21,647 million).

The following table shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value.

SAR '000 DESCRIPTION OF HEDGED ITEMS	FAIR VALUE	HEDGE INCEPTION VALUE	RISK	HEDGING INSTRUMENT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
2022						
Floating commission rate investments	**1,348,945**	**1,392,000**	**Cash flow**	**Commission rate swap**	**1,678**	**44,733**
Floating commission rate loans	**23,138,518**	**24,178,000**	**Cash flow**	**Commission rate swap**	**28,694**	**1,068,176**
Fixed commission rate investments	**1,508,996**	**1,505,063**	**Fair value**	**Commission rate swap**	**20,638**	**16,705**
Fixed commission rate debt securities	**2,499,559**	**2,625,000**	**Fair value**	**Commission rate swap**	**–**	**26,441**
2021						
Floating commission rate investments	1,254,239	1,242,000	Cash flow	Commission rate swap	19,574	7,335
Floating commission rate loans	26,802,926	26,277,500	Cash flow	Commission rate swap	613,343	87,917
Fixed commission rate investments	143,763	142,500	Fair value	Commission rate swap	1,269	6

The Bank has posted SAR 2,081 million (2021: SAR 1,033 million) and received SAR 1,052 million (2021: SAR 464 million) collaterals under Credit Support Annex (CSA) agreements and European Market Infrastructure Regulation (EMIR).

The Bank does not have ineffective portion of hedges that have been transferred to consolidated statement of income during 2022 & 2021.

The Bank has calculated the Credit Valuation Adjustment (CVA) based on an internal model to derive the difference between the risk-free portfolio and the true portfolio value that takes into account the possibility of a counterparty's default. CVA represents the market value of the counterparty credit risk. CVA is an adjustment to the fair value (or price) of derivative instruments to account for counterparty credit risk (CCR). Thus, CVA is viewed as the price of CCR. This price depends on counterparty credit spreads as well as on the market risk factors that drive derivatives' values and, therefore, exposure. The impact on the CVA is not material in nature to the consolidated financial statements.

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the counter party.

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC derivatives contracts are traded on exchanges and cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

12. Due to SAMA

SAR '000	2022	2021
Current accounts	**19,134**	13,046
Repo	**–**	2,999,549
Deposit	**3,557,904**	–
Government grant	**4,591,880**	8,146,759
Modification impact, net	**(164,515)**	(290,855)
Total	**8,004,403**	10,868,499

The table below shows a summary of government grant along with the maturity dates:

DATE OF RECEIPT	2022 FINAL MATURITY DATE	2022 PRINCIPAL AMOUNT (SAR '000)
Sep 30, 2020	**Jan 04, 2024**	**1,448,255**
Mar 29, 2020	**Mar 29, 2023**	**525,127**
May 11, 2020	**Feb 11, 2025**	**785,000**
May 21, 2020	**Feb 20, 2025**	**869,000**
Jul 16, 2020	**Apr 16, 2025**	**489,403**
Mar 29, 2020	**Dec 29, 2024**	**474,873**
Dec 25, 2020	**Mar 30, 2023**	**222**
Total		**4,591,880**

DATE OF RECEIPT	2021 FINAL MATURITY DATE	2021 PRINCIPAL AMOUNT (SAR '000)
Sep 06, 2021	Apr 03, 2022	3,500,000
Jun 22, 2021	Jun 22, 2022	27,000
Jul 15, 2021	Jul 17, 2022	12,000
Sep 30, 2020	Jan 04, 2024	1,448,255
Mar 29, 2020	Mar 29, 2023	525,127
May 11, 2020	Feb 11, 2025	785,000
May 21, 2020	Feb 20, 2025	869,000
Jul 16, 2020	Apr 16, 2025	489,403
Mar 29, 2020	Dec 29, 2024	474,873
Dec 25, 2020	Mar 30, 2023	16,101
Total		8,146,759

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13. Due to banks and other financial institutions

SAR '000	2022	2021
Current accounts	243,553	481,425
Money market deposits	8,522,486	12,503,933
Total	**8,766,039**	12,985,358

Due to banks and other financial institutions include Islamic related products of SAR Nil million (2021: SAR 1,050 million).

14. Customers' deposits

SAR '000	2022	2021
Demand	91,181,332	88,999,785
Saving	1,053,846	905,762
Time	60,275,249	46,066,480
Other	5,081,893	5,978,181
Total	**157,592,320**	141,950,208

Other customers' deposits include SAR 3,322 million (2021: SAR 3,442 million) related to margins held for irrevocable commitments.

Time deposits include Shariah approved customer deposits as below:

SAR '000	2022	2021
Murabaha and other islamic deposit	28,648,099	16,656,350
Total	**28,648,099**	16,656,350

Customers' deposits include foreign currency deposits as follows:

SAR '000	2022	2021
Demand	9,628,628	9,823,782
Saving	41,279	34,923
Time	11,559,890	13,530,907
Other	2,151,305	2,436,834
Total	**23,381,102**	25,826,446

Foreign currency deposits mainly include deposits in USD amounting to SAR 18,788 million (2021: SAR 21,191 million).

15. Debt securities and term loans

During Q4 2022, the Bank issued USD 700 million in 5 year non-convertible and unsecured senior fixed rate bonds, under its USD 4 Billion Euro Medium Term Note program which is listed on the London Stock Exchange. The bonds pay a semi-annual coupon of 5.50% in arrears and are to be used for general banking purposes. In addition, the Bank also issued a privately placed USD 500 million unsecured term loan facility in December 2022 for a period of 3 years for general banking purposes. The term loan facility pays a three months coupon of SOFR + margin of 0.70% in arrears.

16. Other liabilities

SAR '000	2022	2021
Accounts payable and accrued expenses	3,153,507	3,356,750
Collateral received on derivatives	1,051,516	463,502
Settlement of zakat liability for prior years	241,707	725,121
Lease liability	719,119	755,869
ECL provision on off statement of financial position	277,634	288,279
Others	1,627,588	1,476,672
Total	**7,071,071**	7,066,193

17. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 1,205 million shares of SAR 10 each (December 31, 2021: 1,205 million shares of SAR 10 each).

The ownership of the Bank's share capital is as follows:

SAR '000	2022 (%)	2021 (%)	2022	2021
Saudi shareholders	100	100	12,053,572	12,053,572
Total	**100**	100	**12,053,572**	12,053,572

18. Statutory and general reserve

In accordance with Saudi Arabian Banking Control Law and the By-Laws of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, the Bank has reached the required limits and no further transfers are required from the net income for the year ended December 31, 2022 (2021: SAR Nil). The statutory reserve is not available for distribution.

The Bank had appropriated SAR 983 million to general reserve from retained earnings in the prior years.

19. Other reserves

SAR '000	CASH FLOW HEDGES	FVOCI INVESTMENTS	ACTUARIAL GAINS/(LOSSES) ON DEFINED BENEFIT PLANS	TOTAL
2022				
Balance at January 01	219,264	7,712	1,731	228,707
Net change in fair value	(1,372,295)	(857,654)	–	(2,229,949)
Transfer to consolidated statement of income	(97,857)	(3,524)	–	(101,381)
Impairment charge for expected credit losses	–	3,207	–	3,207
Actuarial gain on defined benefit plans	–	–	9,349	9,349
Net movement during the year	(1,470,152)	(857,971)	9,349	(2,318,774)
Balance as at December 31, 2022	(1,250,888)	(850,259)	11,080	(2,090,067)
2021				
Balance at January 01	1,009,643	178,744	(272)	1,188,115
Net change in fair value	(102,476)	(155,839)	–	(258,315)
Transfer to consolidated statement of income	(687,903)	(20,574)	–	(708,477)
Impairment charge for expected credit losses		5,381		5,381
Actuarial gain on defined benefit plans	–	–	2,003	2,003
Net movement during the year	(790,379)	(171,032)	2,003	(959,408)
Balance as at December 31, 2021	219,264	7,712	1,731	228,707

Other reserves represent the net unrealized revaluation gains/(losses) of cash flow hedges, FVOCI and actuarial gains/losses on defined benefit plans. These reserves are not available for distribution.

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20. Tier 1 Sukuk

During 2020, the Bank through a Shariah compliant arrangement issued Tier 1 Sukuk (the "Sukuk"), amounting to SAR 5 billion. The issuance was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement.

The applicable profit rate is 4.5% per annum from date of issue up to 2025 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

21. Commitments and contingencies

a) Legal proceedings

As at December 31, 2022, there were 102 (2021: 80) legal proceedings outstanding against the Bank. The Bank has made adequate provision against these legal cases. The related legal advice indicates that it is unlikely that any significant loss will arise. As at December 31, 2022, the Bank maintains a legal provision amounting to SAR 23 million (2021: SAR 23 million) for legal proceedings outstanding against the Bank.

b) Capital commitments

As at December 31, 2022 the Bank had capital commitments of SAR 39 million (2021: SAR 47 million) in respect of property and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit, which represent irrecoverable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorizations 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 Bank 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.

i) The contractual maturity structure for the Bank's commitments and contingencies is as follows:

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
2022					
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**
Irrevocable commitments to extend credit	**2,536,884**	**476,324**	**5,415,064**	**3,015,393**	**11,443,665**
Total	**23,011,405**	**20,869,431**	**16,708,085**	**3,257,728**	**63,846,649**
2021					
Letters of credit	7,870,612	2,230,834	1,082,264	–	11,183,710
Letters of guarantee	11,085,736	17,226,429	7,945,081	420,292	36,677,538
Acceptances	1,540,238	439,632	41,155	–	2,021,025
Irrevocable commitments to extend credit	1,500,000	1,909,855	3,118,384	1,059,250	7,587,489
Total	21,996,586	21,806,750	12,186,884	1,479,542	57,469,762

The outstanding unused portion of non-firm commitments which can be revoked unilaterally at any time by the Bank was SAR 63,570 million (2021: SAR 73,355 million).

Commitment and contingencies balance related to Shariah based products were SAR 8,007 million (2021: SAR 6,682 million).

ii) The analysis of commitments and contingencies by counterparty is as follows:

SAR '000	2022	2021
Government and quasi government	**–**	7,649
Corporate	**58,084,541**	50,348,557
Banks and other financial institutions	**5,747,406**	7,076,992
Other	**14,702**	36,564
Total	**63,846,649**	57,469,762

iii) The following table shows the CCF (credit conversion factor) adjusted credit exposure amount of off statement of financial position items:

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**28,257,723**	**2,178,077**	**474,244**	**30,910,044**
Transfer from 12-month ECL	**(946,020)**	**925,650**	**20,370**	**–**
Transfer from lifetime ECL not credit impaired	**392,709**	**(526,669)**	**133,960**	**–**
Transfer from lifetime ECL credit impaired	**–**	**686**	**(686)**	**–**
Net change for the year	**4,234,163**	**(251,894)**	**(71,208)**	**3,911,061**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2022	**31,938,575**	**2,325,850**	**556,680**	**34,821,105**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	31,040,764	1,520,215	937,803	33,498,782
Transfer from 12-month ECL	(1,497,755)	1,494,068	3,687	–
Transfer from lifetime ECL not credit impaired	625,572	(644,630)	19,058	–
Transfer from lifetime ECL credit impaired	–	(3,344)	3,344	–
Net change for the year	(1,910,858)	(188,232)	(489,648)	(2,588,738)
Write-offs	–	–	–	–
Balance as at December 31, 2021	28,257,723	2,178,077	474,244	30,910,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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21. Commitments and contingencies continued
iv) Movement of ECL provision on off statement of financial position:

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	17,261	15,093	255,925	288,279
Transfer from 12-month ECL	(337)	335	2	–
Transfer from lifetime ECL not credit impaired	1,302	(2,090)	788	–
Net reversal for the year	(4,169)	(881)	(5,595)	(10,645)
Write-offs	–	–	–	–
Balance as at December 31, 2022	14,057	12,457	251,120	277,634

	DECEMBER 31, 2021			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	25,569	11,027	374,275	410,871
Transfer from 12-month ECL	(1,056)	1,056	–	–
Transfer from lifetime ECL not credit impaired	258	(386)	128	–
Net charge/(reversal) for the year	(7,510)	3,396	(118,478)	(122,592)
Write-offs	–	–	–	–
Balance as at December 31, 2021	17,261	15,093	255,925	288,279

d) Assets pledged

Securities pledged under repurchase agreements with other banks are government bonds. Other non-government bonds are also pledged under repurchase agreements. Assets pledged as collateral with other financial institutions for security are as follows:

	2022		2021	
SAR '000	ASSETS	RELATED LIABILITIES	ASSETS	RELATED LIABILITIES
FVOCI	9,190,112	8,411,716	5,430,664	5,414,146
Amortized Cost	–	–	–	–
Total	9,190,112	8,411,716	5,430,664	5,414,146

22. Special commission income and expense

SAR '000	2022	2021
Special commission income		
Investments		
– FVOCI	420,560	274,296
– Amortized Cost	626,449	562,188
	1,047,009	836,484
Loans and advances		
– Overdraft and Commercial Loans	5,777,196	3,983,250
– Consumer Loans and Credit Cards	1,361,203	1,354,191
	7,138,399	5,337,441
Due from SAMA, banks and other financial institutions	121,791	19,786
Total	8,307,199	6,193,711
Special commission expense		
Due to SAMA, banks and other financial institutions	370,564	41,766
Customers' deposits	1,504,411	453,300
Debt securities and term loans	5,671	–
Total	1,880,646	495,066
Net special commission income	6,426,553	5,698,645

Fee amortization of SAR 291 million (2021: SAR 325 million) has been included in Special commission income being integral part of the effective interest rate on financial assets.

Net Special commission income related to Islamic related products were SAR 2,498 million (2021: SAR 1,873 million).

23. Fees and commission income, net

SAR '000	2022	2021
Fees and commission income		
– Share trading, brokerage, fund management and corporate finance	392,843	499,046
– Trade finance	417,900	378,020
– Card products	426,912	368,783
– Other banking services	185,385	157,547
Total fees and commission income	1,423,040	1,403,396
Fees and commission expense		
– Share trading and brokerage	78,604	119,053
– Card products	416,163	367,051
– Other banking services	31,412	29,363
Total fees and commission expense	526,179	515,467
Fees and commission income, net	896,861	887,929

Unamortized balance of commission received in advance SAR 593 million (2021: SAR 568 million) out of which loan processing fees will be recognized in special commission income.

24. Trading income, net

SAR '000	2022	2021
Derivatives, net	200,823	162,393
Securities, net	925	9,448
Total	201,748	171,841

25. Other operating income

SAR '000	2022	2021
Gains on disposal of property and equipment	166	926
Other	342	3,149
Total	508	4,075

26. Other operating and general and administrative expenses

SAR '000	2022	2021
Non-claimable tax and penalties	83,380	150,396
Repair & maintenance, utilities and IT cost	270,108	225,534
Insurance and legal cost	112,996	63,397
Professional and consultancy fees	141,428	118,169
Communication, publication and advertisement charges	146,925	116,339
Stationery and supplies	10,948	11,297
Travel and entertainment	15,374	6,919
Others and other operating expenses	82,906	66,408
Total	864,065	758,459

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26. Other operating and general and administrative expenses continued

Auditor's remuneration

SAR '000	2022	2021
Audit fee and other certification of the Bank	5,935	4,285
Audit fee and other certification of the subsidiaries	774	724
Total	6,709	5,009

27. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2022 and 2021 are calculated on a weighted average basis by dividing the net income adjusted for Tier I Sukuk costs for the year by 1,200 million shares after excluding treasury shares consisting of 5.8 million shares as of December 31, 2022 (December 31, 2021: 5.4 million shares).

28. Interim and final net dividend

The Board of Directors have proposed final net dividend of SAR 1,080 million (2021: SAR 1,020 million) i.e. SAR 0.90 (2021: SAR 0.85) net per share for the year which is subject to the approval of the shareholders at the Annual General Assembly Meeting and the regulatory agencies. The Board of Directors has declared interim net dividend of SAR 901 million (2021: SAR 780 million) i.e. SAR 0.75 (2021: SAR 0.65) net per share.

SAR '000	2022
Interim net dividend 2022	901,488
Final proposed net dividend 2022	1,079,633
Total	1,981,121

SAR '000	2021
Final net dividend 2020	479,979
Interim net dividend 2021	779,966
Final proposed net dividend 2021	1,019,956
Total	2,279,901

29. Zakat

The dividends are paid to the Saudi shareholders after deduction of Zakat as follows:

Saudi shareholders

Zakat attributable to Saudi Shareholders for the year amounted to SAR 429 million (2021: SAR 388 million) which is deducted from their share of dividend.

Zakat Settlement

The Bank has calculated Zakat accruals for the year 2022 based on the new Zakat rules for financing activities in accordance with MR 2215 dated March 14, 2019 corresponding to Rajab 07, 1440H.

As a major event, in the year 2018, the Bank reached a settlement agreement with ZATCA, to settle the Zakat Liability amounting to SAR 1,510.67 million for previous years and until the end of the financial year 2017. The settlement agreement requires the Bank to settle 20% of the agreed Zakat Liability in 2018 and the remaining to be settled over the period of five years, accordingly the Bank has adjusted Zakat for the previous years and until the end of financial year 2017, through its Retained Earnings. The Bank has settled SAR 1,269 million up to December 31, 2022.

As a result of the settlement agreement, the Bank has agreed to withdraw all of the previous appeals which were filed with the competent authority with respect to Zakat.

Zakat Reconciliation

SAR '000	2022	2021
Zakat provision for the current year	412,697	430,772
Shortage or (excess) provision for the prior years	16,076	(43,272)
Zakat charge for the current year	428,773	387,500

30. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

SAR '000	2022	2021
Cash and balances with SAMA excluding statutory deposit (note 4)	2,158,736	1,103,140
Due from banks and other financial institutions with a maturity of three months or less from the date of acquisition	3,639,183	5,123,964
Total	5,797,919	6,227,104

Due from banks and other financial institutions maturing after three months from the date of acquisition were SAR 1,156 million (2021: SAR 200 million).

31. Employees compensation practices

SAR '000 CATEGORIES OF EMPLOYEES	2022 NUMBER OF EMPLOYEES	FIXED COMPENSATION	VARIABLE COMPENSATION	TOTAL COMPENSATION	FORMS OF PAYMENT
Senior executives requiring SAMA no objection	13	33,625	31,896	65,521	Cash
Employees engaged in risk taking activities	392	231,133	112,592	343,725	Cash
Employees engaged in control functions	435	148,146	23,986	172,132	Cash
Other employees	2,265	528,733	99,272	628,005	Cash
Total	3,105	941,637	267,746	1,209,383	

SAR '000 CATEGORIES OF EMPLOYEES	2021 NUMBER OF EMPLOYEES	FIXED COMPENSATION	VARIABLE COMPENSATION	TOTAL COMPENSATION	FORMS OF PAYMENT
Senior executives requiring SAMA no objection	15	36,287	25,134	61,421	Cash
Employees engaged in risk taking activities	419	224,319	103,807	328,126	Cash
Employees engaged in control functions	393	128,263	23,135	151,398	Cash
Other employees	2,170	435,461	91,719	527,180	Cash
Total	2,997	824,330	243,795	1,068,125	

Number of employees represents only the closing balance.

SAR '000	2022	2021
Total compensation	1,209,383	1,068,125
Other employee related costs	285,577	329,327
Total salaries and employee related costs	1,494,960	1,397,452

The above table includes deferred variable compensation of SAR 23.6 million (2021: SAR 19.6 million).

Senior executives:

This comprises senior management having responsibility and authority for formulating strategies, directing and controlling the activities of the Bank including Chief Executive Officer.

Employees engaged in risk taking activities:

This comprises managerial staff within the business lines (Corporate, Retail, Treasury and Investment banking and Brokerage), who are responsible for executing and implementing the business strategy on behalf of the Bank. This includes those involved in recommending and evaluating credit limits and credit worthiness, pricing of loans, undertaking and executing business proposals, treasury dealing activities, investment management and brokerage services.

Employees engaged in control functions:

This refers to employees working in divisions that are not involved in risk taking activities but engaged in review functions (Risk Management, Compliance, Corporate Governance, Legal, Internal Audit, Finance and Accounting). These functions are fully independent from risk taking units.

Other employees:

This includes all other employees of the Bank, excluding those already reported under the above categories.

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31. Employees compensation practices continued

Governance of Compensation

The Board of Directors of the Bank, through the Nomination and Compensation Committee (NCCOM) is responsible for the overall design and oversight of the compensation and performance management system.

NCCOM: Terms of Reference

a) Overseeing the compensation system's design and operation on behalf of the Board of Directors;
b) Preparing the Compensation Policy and placing it before the Board for approval;
c) Periodically reviewing the Compensation Policy on its own or when advised by the Board, and making recommendations to the Board for amending/updating the Policy;
d) Periodically evaluating the adequacy and effectiveness of the Compensation Policy to ensure that its stated objectives are achieved;
e) Evaluating practices by which compensation is paid for potential future revenues whose timing and likelihood remain uncertain;
f) Making recommendations to the Board on the level and composition of remuneration of key executives of the Bank. The key executives for this purpose will include all those executives whose appointment is subject to no objection by SAMA;
g) Determination of bonus pool based on risk-adjusted profit of the Bank for payment of performance bonus;
h) Reviewing compliance of the Compensation Policy with these Rules and the FSB principles and Standards;
i) Performing any other related tasks to comply with the regulatory requirements.
j) Considering the suitability of candidates for membership of the Board in accordance with the By-Laws of the Bank and approved policies and standards;
k) Undertaking an annual review of the requirement of suitable skills and qualifications for the membership of the Board;
l) Recommending to the Board criteria for the composition of the Board and its Committees, including the number of Board members, and independence of directors;
m) Conducting an annual evaluation of the independent status of each candidate proposed for election at the General Assembly meeting and reporting the results of such evaluation to the Board;
n) Satisfying itself to the Board and its committees, as applicable, are in compliance with all regulatory requirements, including its composition;
o) Assisting the Board in reviewing the adequacy of the succession planning process and oversee its implementation;
p) Reviewing the performance and making recommendations to the Board regarding the compensation of the Senior Management of the Bank;
q) Reviewing and assessing the adequacy of this Charter every three years and submitting this Charter and any amendments to the Board for approval;
r) Conducting self-evaluation to assess the Committee's contribution and effectiveness in fulfilling its mandate and present it to the Board every three years.

Incentives Oversight Committee (IOC): Terms of Reference

a) The IOC ensures that all incentive plans are properly balanced for risk and reflective of the Bank's compensation philosophy, policy, strategic objectives and incentive system as determined by the NRC and business unit goals;
b) The IOC is responsible for making recommendations to the NRC on all changes to the existing incentive plans in the Bank as well as the addition or removal of any incentive plan. The Board is ultimately responsible for the approval of all incentive plans in the Bank which will be based on the recommendation of the NRC;
c) The IOC is responsible for establishing the processes for incentive plan administration and payments; and
d) The IOC monitors incentive plan results against a set defined KPI's on a quarterly basis and alerts management in case of potential disconnects between performance results and planned incentive payments.

Salient Features of the Banks Compensation Policy

The Bank utilizes 4 key Reward Principles which are aligned to the Bank's overall strategic direction. The 4 Rewards Principles underpin the design and execution of the Bank's compensation policy and practices:

1st Reward Principle: Pay for Performance:

The Bank's policy ensures, through fixed and variable forms of compensation, the recognition of high performance and the differentiation between varying levels of performance at the Bank's different levels: individual, group/division and bank-wide, based on the seniority of the role within the Bank, whilst also ensuring the independency of the control functions.

2nd Reward Principle: Flexibility:

The Bank's compensation policy is flexible enough in order to facilitate an internal job market, and flexible enough in order to cater to the evolving requirements of the Bank in an evolving banking industry.

3rd Reward Principle: Competitiveness:

The Bank monitors market trends closely and reviews its compensation against a selected peer group of banks. This is to ensure that the Bank remains able to attract, engage and retain the required talent.

4th Reward Principle: Risk Alignment:

The Bank's compensation policy ensures that the correct risk mitigation measures are applied, such as variable compensation deferral and clawback arrangements, as appropriate.

General description

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation conducted by an independent actuary, taking into accounts the provision of the Saudi Arabian Labor Law. The actuarial gains/losses for the year ended December 31, 2022, are not material to the consolidated financial statements taken as a whole.

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

SAR '000	2022	2021
Defined benefit obligation at the beginning of the year	**507,694**	504,044
Current service cost charge for the year	**49,596**	50,921
Interest cost	**13,771**	12,229
Benefits paid	**(61,997)**	(57,497)
Unrecognized actuarial gain	**(9,349)**	(2,003)
Defined benefit obligation at the end of the year	**499,715**	507,694

SAR '000	2022	2021
Charge for the year		
Current service cost	**49,596**	50,921
Interest cost	**13,771**	12,229
Total	**63,367**	63,150

PRINCIPAL ACTUARIAL ASSUMPTIONS (IN RESPECT OF THE EMPLOYEE BENEFIT SCHEME)	2022	2021
Discount rate	**5.3% p.a**	2.9% p.a
Expected rate of salary increase	**5.0% p.a**	3.0% p.a
Normal retirement age	**58 years**	58 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2022 and 2021 to the discount rate, salary escalation rate, withdrawal assumptions and mortality rates.

SAR '000	2022	2021
Discount rate – decrease by 0.5%	**524,715**	518,509
Future salary growth – increase by 0.5%	**524,522**	518,317
Retirement age – increase by one year	**498,992**	494,484

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit liability as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions are correlated. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Bank makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its employees. The total amount expensed during the year in respect of this plan was SAR 57 million (2021 SAR 53 million).

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31. Employees compensation practices continued

Expected maturity analysis of discounted defined benefit obligation for the end of service plan is as follows:

SAR '000	2022	2021
Below 1 year	44,510	57,558
Above 1 year	455,205	450,136
Total	**499,715**	507,694

32. Operating segments

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between operating segments are approved by the management as per agreed terms and are reported according to the Bank's internal transfer pricing policy. These terms are in line with normal commercial terms and conditions. The revenue from external parties report to the Board is measured in a manner consistent with that in the consolidated statement of income.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss. The Bank's primary business is conducted in the Kingdom of Saudi Arabia.

a) The Bank's reportable segments under IFRS 8 are as follows:

Retail Banking – incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, consumer loans, certain forex products and auto leasing.

Corporate Banking – incorporates corporate and medium establishment customers' demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

Treasury – incorporates treasury services, trading activities, investment securities, money market, Bank's funding operations and derivative products.

Investment banking and brokerage – Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investments products, corporate finance and international and local shares brokerage services and insurance.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit as included in the internal management reports that are reviewed by chief decision maker. Segment profit is used to measure performance, as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The Bank's total assets and liabilities as at December 31, 2022 and 2021, its total operating income and expenses and its net income attributable to equity holders of the Bank for the years then ended by operating segments, are as follows:

SAR '000	RETAIL BANKING	CORPORATE BANKING	TREASURY	INVESTMENT BANKING AND BROKERAGE	TOTAL
2022					
Total assets	38,411,305	122,840,810	68,634,685	2,191,319	232,078,119
Loans and advances, net	37,047,708	120,539,784	–	1,424,033	159,011,525
Total liabilities	78,542,043	81,980,544	31,204,920	1,605,287	193,332,794
Customers' deposits	77,321,225	80,271,095	–	–	157,592,320
Total operating income	2,256,868	3,543,948	1,765,791	450,668	8,017,275
Total operating expenses before impairment charge	1,459,660	673,774	305,893	214,248	2,653,575
Impairment charges for financial assets, net	(6,061)	1,370,005	(4,367)	220	1,359,797
Net income for the year before zakat	803,269	1,500,169	1,464,265	236,200	4,003,903
Net special commission income	2,058,847	3,080,134	1,167,044	120,528	6,426,553
Fees and commission income, net	123,895	458,727	–	314,239	896,861
Exchange income, net	53,799	4,736	416,149	–	474,684
Trading income, net	20,170	–	179,890	1,688	201,748
Inter-segment revenue	1,273,626	662,119	(1,935,745)	–	–
Depreciation and amortization	157,774	38,566	21,949	3,139	221,428
2021					
Total assets	34,195,496	114,226,146	65,296,420	2,083,964	215,802,026
Loans and advances, net	33,005,031	113,041,486	–	1,766,242	147,812,759
Total liabilities	81,535,610	62,773,053	29,663,189	2,144,504	176,116,356
Customers' deposits	80,467,252	61,482,956	–	–	141,950,208
Total operating income	1,865,864	2,944,021	1,858,687	459,354	7,127,926
Total operating expenses before impairment charge	1,301,986	675,021	268,555	201,382	2,446,944
Impairment charges for financial assets, net	34,715	807,130	1,669	91	843,605
Net income for the year before zakat	529,163	1,461,870	1,588,463	257,881	3,837,377
Net special commission income	1,703,999	2,578,495	1,336,791	79,360	5,698,645
Fees and commission income, net	124,230	361,246	22,460	379,993	887,929
Exchange income, net	37,637	4,259	294,235	–	336,131
Trading income, net	–	–	171,841	–	171,841
Inter-segment revenue	827,817	539,270	(1,367,087)	–	–
Depreciation and amortization	158,214	40,567	22,534	3,657	224,972

b) The Bank's credit exposure by operating segments is as follows:

SAR '000	RETAIL BANKING	CORPORATE BANKING	TREASURY	INVESTMENT BANKING AND BROKERAGE	TOTAL
2022					
Statement of financial position assets	37,113,373	121,124,736	58,478,330	1,969,291	218,685,730
Commitments and contingencies	338,924	34,482,181	–	–	34,821,105
Derivatives	–	–	3,979,804	–	3,979,804
2021					
Statement of financial position assets	33,071,142	113,737,847	57,003,301	1,964,296	205,776,586
Commitments and contingencies	284,514	30,625,530	–	–	30,910,044
Derivatives	–	–	5,658,140	–	5,658,140

Credit exposure comprises the carrying value of statement of financial position assets excluding cash, property and equipment, positive fair value of derivative, other assets & other real estate. The credit equivalent value of commitments, contingencies and derivatives are included in credit exposure.

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33. Financial Risk Management

Credit Risk

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Committee, which has the responsibility to monitor the overall risk process within the Bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Bank manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause 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 statement of financial position financial instruments, such as loan commitments.

The Bank assesses the probability of default of counterparties using internal rating tools with an overlay of credit assessment, where necessary. In addition, the Bank also uses external ratings from major rating agencies where available.

The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank's risk management policies are designed to identify, to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Bank 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, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk. The Bank's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation, and to control the level of credit risk taken, the Bank 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 geographic 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 relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank 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 business. It also takes collateral/security when appropriate. The Bank 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 adequacy of the allowance for impairment losses.

The Bank regularly reviews its risk management policies and systems to reflect changes in market conditions and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. For analysis of investments by counterparty and the details of the composition of investments, and loans and advances, refer to notes 6 and 7, respectively. Information on credit risk relating to derivative instruments is provided in note 11 and for commitments and contingencies in note 21. The information on Banks maximum credit exposure by business segment is given in note 32.

The Bank's internal credit rating grades:

RATING GRADE	DESCRIPTION	PD-RANGE	MID-POINT
Performing			
A+	Exceptional	0-0.02%	0.0030%
A	Excellent	0-0.02%	0.0100%
B+	Very Good	0.02%-0.04%	0.0221%
B	Good	0.04%-0.08%	0.0585%
C+	Very Satisfactory	0.08%-0.16%	0.1464%
C	Satisfactory	0.16%-0.32%	0.3047%
C-	Fairly Satisfactory	0.32%-0.64%	0.5333%
D+	Pass	0.64%-0.85%	0.8059%
D	Mediocre	0.85%-1.28%	1.2213%
D-	Very Mediocre	1.28%-2.56%	2.1793%
E+	Weak	2.56%-5.12%	4.8860%
E	Special Mention	5.12%-15.0%	10.9544%
E-	Special Mention	15.0%-40.0%	24.8933%
Non-Performing			
F	Standard	100.00%	100.00%
Z	Doubtful	100.00%	100.00%
Y	Loss	100.00%	100.00%

Geographical concentration

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure of derivatives is as follows:

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	973,736	–	–	–	–	973,736
Balances with SAMA	10,351,850	–	–	–	–	10,351,850
Due from banks and other financial institutions						
Current account	–	149,564	590,263	2,034,945	18,797	2,793,569
Money market placements	406,064	845,337	750,141	–	–	2,001,542
Investments, net						
Held as FVSI	64,944	3,800	–	–	–	68,744
FVOCI	12,408,375	4,221,850	1,111,275	664,168	–	18,405,668
Investments held at amortized cost	26,043,137	–	–	–	–	26,043,137
Investment in associate	–	9,695	–	–	–	9,695
Positive fair value of derivatives						
Held for trading	1,353,005	6,273	4,966,797	205,895	–	6,531,970
Held as fair value hedges	–	–	20,638	–	–	20,638
Held as cash flow hedges	1,169	2,445	25,070	1,688	–	30,372
Loans and advances, net						
Overdraft and commercial loans	127,868,564	1,629,856	–	–	–	129,498,420
Credit cards	568,017	7	–	–	–	568,024
Consumer loans	28,945,081	–	–	–	–	28,945,081
Property, equipment and right of use assets, net	1,739,307	–	–	–	–	1,739,307
Other assets and other real estate	2,075,012	11,433	1,663,221	346,700	–	4,096,366
Total assets	212,798,261	6,880,260	9,127,405	3,253,396	18,797	232,078,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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33. Financial Risk Management continued

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2022						
Liabilities						
Due to SAMA, banks and other financial institutions						
Current accounts	19,133	203,812	19,870	12,943	6,929	262,687
Money market deposits	8,892,899	7,956	5,998,339	–	1,608,561	16,507,755
Customers' deposits						
Demand	91,020,097	69,091	4,835	28	87,281	91,181,332
Time	60,275,249	–	–	–	–	60,275,249
Saving	1,053,846	–	–	–	–	1,053,846
Other	5,076,923	–	73	–	4,897	5,081,893
Negative fair value of derivatives						
Held for trading	1,077,631	290,487	4,461,507	398,027	–	6,227,652
Held as fair value hedges	–	–	43,146	–	–	43,146
Held as cash flow hedges	286,697	–	716,682	109,530	–	1,112,909
Debt securities and term loans	–	1,876,094	–	2,639,160	–	4,515,254
Other liabilities	6,021,365	13,355	1,014,155	22,196	–	7,071,071
Total liabilities	173,723,840	2,460,795	12,258,607	3,181,884	1,707,668	193,332,794
Commitments and contingencies						
Letters of credit	8,155,349	198,137	281,792	–	1,159,141	9,794,419
Letters of guarantee	36,144,811	564,833	3,191,224	230,352	64,712	40,195,932
Acceptances	2,412,480	153	–	–	–	2,412,633
Irrevocable commitments to extend credit	11,158,028	285,637	–	–	–	11,443,665
Total	57,870,668	1,048,760	3,473,016	230,352	1,223,853	63,846,649
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	1,901,057	166,954	1,778,010	133,783	–	3,979,804
Total	1,901,057	166,954	1,778,010	133,783	–	3,979,804
Commitments and contingencies exposure						
Letters of credit	3,089,264	39,628	56,358	–	231,828	3,417,078
Letters of guarantee	22,102,191	311,967	1,632,067	115,176	41,373	24,202,774
Acceptances	2,412,480	153	–	–	–	2,412,633
Irrevocable commitments to extend credit	4,731,493	57,127	–	–	–	4,788,620
Total	32,335,428	408,875	1,688,425	115,176	273,201	34,821,105

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2021						
Assets						
Cash and balances with SAMA						
Cash in hand	1,023,141	–	–	–	–	1,023,141
Balances with SAMA	8,771,927	–	–	–	–	8,771,927
Due from banks and other financial institutions						
Current account	–	136,716	860,963	2,755,891	44,810	3,798,380
Money market placements	400,619	–	375,000	749,965	–	1,525,584
Investments, net						
Held as FVSI	198,893	11,102	–	–	–	209,995
FVOCI	11,693,013	2,952,058	143,031	–	154,698	14,942,800
Investments held at amortized cost	28,705,446	–	–	–	–	28,705,446
Investment in associate	–	9,695	–	–	–	9,695
Positive fair value of derivatives						
Held for trading	304,165	417,988	2,610,732	882	94,034	3,427,801
Held as fair value hedges	–	–	1,269	–	–	1,269
Held as cash flow hedges	90,353	14,616	480,191	–	47,757	632,917
Loans and advances, net						
Overdraft and commercial loans	118,992,074	1,595,876	–	–	–	120,587,950
Credit cards	499,908	–	–	–	10	499,918
Consumer loans	26,724,891	–	–	–	–	26,724,891
Property, equipment and right of use assets, net	1,585,763	–	–	–	–	1,585,763
Other assets and other real estate	2,322,451	1	960,200	–	71,897	3,354,549
Total assets	201,312,644	5,138,052	5,431,386	3,506,738	413,206	215,802,026

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33. Financial Risk Management continued

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2021						
Liabilities						
Due to SAMA, banks and other financial institutions						
Current accounts	13,046	157,681	251,615	68,177	3,952	494,471
Money market deposits	16,293,083	1,147,381	4,389,481	–	1,529,441	23,359,386
Customers' deposits						
Demand	88,801,313	69,709	12,667	28	116,068	88,999,785
Time	45,803,980	262,500	–	–	–	46,066,480
Saving	905,762	–	–	–	–	905,762
Other	5,973,145	920	73	–	4,043	5,978,181
Negative fair value of derivatives						
Held for trading	1,452,045	18,011	1,609,331	–	71,453	3,150,840
Held as fair value hedges	–	–	6	–	–	6
Held as cash flow hedges	37,853	–	48,659	–	8,740	95,252
Other liabilities	6,683,511	11,483	342,515	–	28,684	7,066,193
Total liabilities	165,963,738	1,667,685	6,654,347	68,205	1,762,381	176,116,356
Commitments and contingencies						
Letters of credit	9,307,526	4,922	119,674	–	1,751,588	11,183,710
Letters of guarantee	32,505,136	436,169	3,414,418	245,759	76,056	36,677,538
Acceptances	1,525,174	1,127	126,623	130,763	237,338	2,021,025
Irrevocable commitments to extend credit	7,316,602	270,887	–	–	–	7,587,489
Total	50,654,438	713,105	3,660,715	376,522	2,064,982	57,469,762
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	2,088,705	689,398	2,433,467	2,660	443,910	5,658,140
Total	2,088,705	689,398	2,433,467	2,660	443,910	5,658,140
Commitments and contingencies exposure						
Letters of credit	3,969,987	778	23,935	–	350,318	4,345,018
Letters of guarantee	19,586,126	252,478	1,755,383	127,210	52,016	21,773,213
Acceptances	1,525,174	1,127	126,623	130,763	237,338	2,021,025
Irrevocable commitments to extend credit	2,641,977	128,811	–	–	–	2,770,788
Total	27,723,264	383,194	1,905,941	257,973	639,672	30,910,044

b) The distributions by geographical concentration of impaired loans and advances and impairment for credit losses are as follows:

SAR '000	SAUDI ARABIA 2022	SAUDI ARABIA 2021
Non performing loans and advances, net		
Overdraft & Commercial Loans	**4,038,589**	3,685,252
Credit Cards	**20,175**	34,509
Consumer Loans	**111,160**	138,488
Total	**4,169,924**	3,858,249
Lifetime ECL credit impaired		
Overdraft & Commercial Loans	**2,667,964**	2,238,352
Credit Cards	**19,087**	32,573
Consumer Loans	**92,615**	106,466
Total	**2,779,666**	2,377,391

c) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

1. Due from banks and other financial institutions

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Investment grade	**4,753,267**	**–**	**–**	**4,753,267**
Non-investment grade	**913**	**43,235**	**–**	**44,148**
Unrated	**–**	**–**	**–**	**–**
Carrying amount	**4,754,180**	**43,235**	**–**	**4,797,415**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Investment grade	5,314,471	–	–	5,314,471
Non-investment grade	164	7,885	–	8,049
Unrated	1,624	–	–	1,624
Carrying amount	5,316,259	7,885	–	5,324,144

2. Loans and advances to customers at amortized cost

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost				
Very strong quality including sovereign (A+ to B)	**29,551,867**	**27**	**–**	**29,551,894**
Good quality (C+ to C)	**45,062,080**	**791,152**	**3,742**	**45,856,974**
Satisfactory quality (C- to E+)	**43,579,858**	**5,831,672**	**10,592**	**49,422,122**
Unrated (consumer loans and credit cards)	**29,354,173**	**216,589**	**15,980**	**29,586,742**
Special mention (E to E-)	**476**	**5,346,199**	**77,736**	**5,424,411**
Impaired	**–**	**–**	**4,169,924**	**4,169,924**
Carrying amount	**147,548,454**	**12,185,639**	**4,277,974**	**164,012,067**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost				
Very strong quality including sovereign (A+ to B)	23,029,172	600	–	23,029,772
Good quality (C+ to C)	40,385,634	670,174	3,282	41,059,090
Satisfactory quality (C- to E+)	44,025,963	6,271,171	27,497	50,324,631
Unrated (consumer loans and credit cards)	27,146,983	207,926	21,161	27,376,070
Special mention (E to E-)	1,293	6,872,565	23,913	6,897,771
Impaired	–	–	3,858,249	3,858,249
Carrying amount	134,589,045	14,022,436	3,934,102	152,545,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

33. Financial Risk Management continued

The following table sets out information about the credit quality of Loans and advances to customers at amortized cost on a product basis.

I) Overdraft & Commercial Loans

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Overdraft & Commercial Loans				
Very strong quality including sovereign (A+ to B)	29,551,867	27	–	29,551,894
Good quality (C+ to C)	45,062,080	791,152	3,742	45,856,974
Satisfactory quality (C- to E+)	43,579,858	5,831,672	10,592	49,422,122
Special mention (E to E-)	–	5,310,146	15,304	5,325,450
Impaired	–	–	4,038,589	4,038,589
Carrying amount	118,193,805	11,932,997	4,068,227	134,195,029

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Overdraft & Commercial Loans				
Very strong quality including sovereign (A+ to B)	23,029,172	600	–	23,029,772
Good quality (C+ to C)	40,385,634	670,174	3,282	41,059,090
Satisfactory quality (C- to E+)	44,025,963	6,271,171	27,497	50,324,631
Special mention (E to E-)	–	6,851,050	18,411	6,869,461
Impaired	–	–	3,685,252	3,685,252
Carrying amount	107,440,769	13,792,995	3,734,442	124,968,206

II) Credit Cards

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Credit Cards				
Unrated	562,074	16,430	3,046	581,550
Special mention	61	2,523	2,513	5,097
Impaired	–	–	20,175	20,175
Carrying amount	562,135	18,953	25,734	606,822

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Credit Cards				
Unrated	478,933	39,876	3,422	522,231
Special mention	294	3,632	1,251	5,177
Impaired	–	–	34,509	34,509
Carrying amount	479,227	43,508	39,182	561,917

III) Consumer Loans

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Consumer Loans				
Unrated	28,792,099	200,159	12,934	29,005,192
Special mention (E to E-)	415	33,530	59,919	93,864
Impaired	–	–	111,160	111,160
Carrying amount	28,792,514	233,689	184,013	29,210,216

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Consumer Loans				
Unrated	26,668,050	168,050	17,739	26,853,839
Special mention (E to E-)	999	17,883	4,251	23,133
Impaired	–	–	138,488	138,488
Carrying amount	26,669,049	185,933	160,478	27,015,460

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Good quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Facilities require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

Special mention: Facilities require close attention of management due to deterioration in the borrowers' financial condition. However, repayment is currently protected.

3. Investments

Amortized cost

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at amortized cost				
Investment grade	22,493,803	–	–	22,493,803
Unrated	3,557,229	–	–	3,557,229
Carrying amount	26,051,032	–	–	26,051,032

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at amortized cost				
Investment grade	24,031,972	–	–	24,031,972
Unrated	4,679,884	–	–	4,679,884
Carrying amount	28,711,856	–	–	28,711,856

FVOCI

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at FVOCI				
Investment grade	14,851,201	–	–	14,851,201
Unrated	3,234,074	–	–	3,234,074
Carrying amount	18,085,275	–	–	18,085,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

33. Financial Risk Management continued

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at FVOCI				
Investment grade	10,927,717	–	–	10,927,717
Unrated	3,676,776	–	–	3,676,776
Carrying amount	14,604,493	–	–	14,604,493

Investment grade refers to the external credit ratings of debt instruments with low default risk (from AAA to BBB-).

4. Commitment and contingencies

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	**8,861,093**	**923**	**2,732**	**8,864,748**
Good quality (C+ to C)	**10,758,375**	**115,622**	**–**	**10,873,997**
Satisfactory quality (C- to E+)	**12,319,106**	**1,410,318**	**2,404**	**13,731,828**
Special mention (E to E-)	**–**	**798,988**	**13,336**	**812,324**
Impaired	**–**	**–**	**538,208**	**538,208**
Carrying amount	**31,938,574**	**2,325,851**	**556,680**	**34,821,105**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	7,774,217	–	–	7,774,217
Good quality (C+ to C)	9,045,300	83,160	–	9,128,460
Satisfactory quality (C- to E+)	11,438,206	1,202,373	3,536	12,644,115
Special mention (E to E-)	–	892,544	1,994	894,538
Impaired	–	–	468,714	468,714
Carrying amount	28,257,723	2,178,077	474,244	30,910,044

The following table sets out the credit analysis for trading financial assets measured at FVSI.

SAR '000	2022	2021
Investment securities		
Investment grade	**68,744**	209,995
Total carrying amount	**68,744**	209,995

d) Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- defining an absolute threshold rating for stage 2 assets
- days past due count
- slippage in rating notches

The Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Bank records an allowance for the Lifetime ECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modeling, the PD is determined to have increased significantly.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Such qualitative indicators include forbearance, covenant breaches and deterioration in credit quality of guarantors.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves use of the following data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

33. Financial Risk Management continued

CORPORATE EXPOSURES	RETAIL EXPOSURES	ALL EXPOSURES
– Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes – Data from credit reference agencies, press articles, changes in external credit ratings – Quoted bond and credit default swap (CDS) prices for the borrower where available – Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	– Internally collected data and customer behavior – e.g. utilization of credit card facilities – Affordability metrics – External data from credit reference agencies including industry-standard credit scores	– Payment record – this includes overdue status as well as a range of variables about payment ratios – Utilization of the granted limit – Requests for and granting of forbearance – Existing and forecast changes in business, financial and economic conditions

i) Generating the term structure of PD

Credit Risk grades mapped to probabilities, Credit transition probabilities and Macroeconomic inputs determine the term structure of Probability of Default. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information derived from external credit reference agencies is also used.

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

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. Forward looking predictions of key macro-economic indicators e.g. GDP growth, inflation, unemployment or CDS spreads are translated analytically into the impact on Risk Factors, especially PD. For most of corporate portfolio exposures, key macro-economic indicators include: Government debt to GDP ratio, expectation of stock market return/volatility and interest rate forecast. While for retail portfolio, key macro-economic indicators include: unemployment rate, export of goods and services and banking claims on private sector.

Based on advice from the Bank's Classification and Impairment Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

ii) Definition of "Default"

The Bank considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In exceptional cases, this criteria may be rebutted based on reasonable and supportable information (e.g. administrative oversight, delay in receipt of receivables from entities with strong credit standing) after following a rigorous review and governance process.

In assessing whether a borrower is in default. The Bank considers indicators that are:
- qualitative e.g. breaches of covenant;
- quantitative e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

iii) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

The Bank computes the gross carrying amounts using Cash flows for both the pre-modified Terms and post-modification terms with original Interest Rate as EIR. If the difference in the gross carrying amounts is more than the set threshold, the asset will be de-recognized and will be re-recognized as POCI (assuming that the modification is being undertaken in connection with forbearance or a defaulted exposure).

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- rating as at reporting date and the modified terms;
- rating at initial origination and the original contract terms

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect special commission income and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL in case of assets with significant increase in credit risk.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as "forbearance activities" to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms may include granting concession in interest rate and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank's special department for distressed assets continues to monitor the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognized.

The table below includes Stage 2 and 3 corporate financial assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Bank.

SAR '000	2022
Amortized cost of financial assets modified during the period	138,128
Net modification loss	(5,469)

The table below shows the gross carrying amount of previously modified corporate financial assets for which loss allowance has changed to 12 month ECL measurement during the period:

DECEMBER 31, 2022 SAR '000	POST AND PRE MODIFICATION GROSS AMOUNT	 ECL
Facilities that have cured and now measured as 12 months ECL (stage 1)	–	–
Facilities that reverted to (Stage 2 and 3) Life-Time ECL having once cured	–	–

Forbearance in retail financial assets does not have a material bearing on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

33. Financial Risk Management continued

iv) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

This is assessed by defining an absolute threshold rating for stage 2 assets, days past due count, slippage in rating notches and qualitative measures specific to each exposure class, which is enshrined in the Board approved Staging Policy.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due though technical rebuttals on a case by case basis is possible exceptionally. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

v) Incorporation of forward looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly by its view on the future evolving macroeconomic environment. Based on advice from Classification and Impairment Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and losses. The values of macroeconomic variables under the three scenarios employed in ECL computation for the corporate portfolio are presented below. The other portfolios constitute a relatively smaller share of the ECL allowance.

ECONOMIC INDICATORS	2022	2021
General government debt to GDP ratio	**Upside 23.32** **Base case 23.75** **Downside 30.87**	Upside 40.78 Base case 45.19 Downside 64.83
Tadawul All Share Index	**Upside 11,337** **Base case 11,144** **Downside 10,305**	Upside 11,744 Base case 10,880 Downside 8,097
Government Bond Yields 1 Year	**Upside 3.29** **Base case 3.21** **Downside 1.71**	Upside 1.48 Base case 1.37 Downside 0.82

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years. The Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

	FORECAST CALENDAR YEARS USED IN 2022 ECL MODEL			FORECAST CALENDAR YEARS USED IN 2021 ECL MODEL		
ECONOMIC INDICATORS	2023	2024	2025	2022	2023	2024
General government debt to GDP ratio	**23.75**	**23.28**	**23.14**	45.19	47.97	49.46
Tadawul All Share Index	**11,144**	**11,580**	**11,768**	10,880	11,293	11,516
Government Bond Yields 1 Year	**3.21**	**2.88**	**2.86**	1.37	2.08	3.03

The table below shows the ECL computed under each of the three different economic scenarios employed for credit provisioning under IFRS 9:

SAR '000	DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	DEBT INSTRUMENT AT AC	DEBT INSTRUMENT AT FVOCI	LOANS AND ADVANCES	OFF STATEMENT OF FINANCIAL POSITION	TOTAL
2022						
Most likely (base case)	**2,304**	**7,895**	**17,527**	**4,988,245**	**277,557**	**5,293,528**
More optimistic (upside)	**2,304**	**7,895**	**17,527**	**4,980,411**	**277,497**	**5,285,634**
More pessimistic (downside)	**2,304**	**7,895**	**17,527**	**5,037,071**	**277,874**	**5,342,671**
Closing provision	**2,304**	**7,895**	**17,527**	**5,000,542**	**277,634**	**5,305,902**
2021						
Most likely (base case)	180	6,410	14,320	4,720,530	287,797	5,029,237
More optimistic (upside)	180	6,410	14,320	4,705,411	287,143	5,013,464
More pessimistic (downside)	180	6,410	14,320	4,776,739	290,058	5,087,707
Closing provision	180	6,410	14,320	4,732,824	288,279	5,042,013

ECL is calculated as the probability-weighted amount after application of 40%, 30% and 30% weights to the outcome of Base Case, Upside and Downside scenarios respectively.

vi) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
a. probability of default (PD);
b. loss given default (LGD);
c. exposure at default (EAD).

These parameters are generally derived from internally developed statistical models, regulatory inputs (e.g. in case of LGD) and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on analytical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These analytical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PD's are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. The estimates are also sensitive to forward looking macroeconomic information.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts or Regulatory guidelines. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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33. Financial Risk Management continued

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options for indeterminate maturity products) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits. Cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Sensitivity of ECL allowance:

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the year end:

ASSUMPTIONS SENSITIZED SAR '000	ECL IMPACT (2022)
Macro-economic factors:	
Increase in Debt to GDP by 15%	71,804
Decrease in TADAWUL STOCK INDEX by 15%	54,685
Scenario weightages:	
Base scenario sensitized by +/- 5% with corresponding change in downside	2,457
Base scenario increase by +/- 5% with corresponding change in upside	395

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The Banking sector is subject to regular review to ensure that exposures within a particular Bank remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

Aging of loans and advances (past due but not impaired)

SAR '000	DECEMBER 31, 2022 OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
From 1 day to 30 days	3,381,331	8,502	557,774	3,947,607
From 31 days to 90 days	607,004	7,024	161,280	775,308
From 91 days to 180 days	5,520	–	–	5,520
More than 180 days	122,152	–	–	122,152
Loans and advances held at amortized cost, net	**4,116,007**	**15,526**	**719,054**	**4,850,587**

SAR '000	DECEMBER 31, 2021 OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
From 1 day to 30 days	135,828	33,464	405,305	574,597
From 31 days to 90 days	76,125	11,154	122,983	210,262
From 91 days to 180 days	72,573	–	–	72,573
More than 180 days	519,832	–	–	519,832
Loans and advances held at amortized cost, net	804,358	44,618	528,288	1,377,264

In exceptional cases financial assets past due more than 90 days are considered performing based on reasonable and supportable information (e.g. administrative oversight, delay in receipt of receivables from entities with strong credit standing) after following a rigorous review and governance process.

e) Economic sector risk concentrations for the loans and advances and allowance for impairment losses are as follows:

SAR '000	PERFORMING	NON PERFORMING, NET	ALLOWANCE FOR IMPAIRMENT LOSSES	LOANS AND ADVANCES, NET
2022				
Government and quasi Government	–	–	–	–
Banks and other financial institutions	1,580,868	–	(3,971)	1,576,897
Agriculture and fishing	3,038,352	11	(39,249)	2,999,114
Manufacturing	18,979,754	1,611,487	(1,257,700)	19,333,541
Mining and quarrying	4,590,966	–	(6,973)	4,583,993
Electricity, water, gas and health services	13,991,157	21,665	(17,963)	13,994,859
Building and construction	17,359,469	798,582	(1,377,850)	16,780,201
Commerce	29,228,621	562,494	(735,176)	29,055,939
Transportation and communication	6,054,357	3,887	(13,268)	6,044,976
Services	19,822,168	853,425	(1,032,060)	19,643,533
Consumer loans and credit cards	29,685,704	131,335	(303,934)	29,513,105
Others	15,510,727	187,038	(212,398)	15,485,367
Total	**159,842,143**	**4,169,924**	**(5,000,542)**	**159,011,525**
2021				
Government and quasi Government	–	–	–	–
Banks and other financial institutions	1,615,089	–	(14,115)	1,600,974
Agriculture and fishing	3,236,755	77,926	(71,610)	3,243,071
Manufacturing	21,796,439	991,961	(1,000,512)	21,787,888
Mining and quarrying	1,726,171	–	(3,372)	1,722,799
Electricity, water, gas and health services	14,324,551	21,665	(25,018)	14,321,198
Building and construction	12,688,556	793,812	(1,291,248)	12,191,120
Commerce	26,846,763	1,461,085	(1,231,673)	27,076,175
Transportation and communication	5,696,043	3,637	(13,402)	5,686,278
Services	19,617,933	56,390	(479,564)	19,194,759
Consumer loans and credit cards	27,404,380	172,997	(352,568)	27,224,809
Others	13,734,654	278,776	(249,742)	13,763,688
Total	148,687,334	3,858,249	(4,732,824)	147,812,759

f) Collateral

The Bank in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in loans and advances. These collaterals mostly include time, demand, other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

33. Financial Risk Management continued

The amount of collateral held as security for loans that are credit-impaired as at December 31, are as follows:

SAR '000	2022	2021
Collateral coverage – less than 50%	3,501,447	2,284,157
Collateral coverage – 51 to 70%	–	181,371
Collateral coverage – more than 70%	668,477	1,392,721
Total	4,169,924	3,858,249

34. 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, Foreign Exchange rates and Equity prices. The Bank classifies Market Risk exposures into either Trading or non-trading or Banking Book.

Market Risk within Trading & Banking Book is managed and monitored using various indicators such as Value at Risk, Stress Testing and Sensitivities analysis.

a) Market Risk – Trading book

The Board has set limits for the acceptable level of risks in managing the Trading Book. In order to manage the Market Risk in Trading Book, the Bank applies on a daily basis a VaR methodology in order to assess the Market Risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Bank 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.

The VaR that the Bank measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of 99% confidence level depicts that within a one-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days. A specific process of daily VaR back testing is performed to identify any exception.

The 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 however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Bank 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 the Bank's ALM and Market Risk committees for their review.

The Bank's VaR related information for the year ended December 31, 2022 and 2021 are follows:

SAR '000	FOREIGN EXCHANGE RATE	SPECIAL COMMISSION RATE RISK	OVERALL TRADING
2022			
VaR as at December 31, 2022	58	5,728	5,747
Average VaR for 2022	210	6,116	6,048
Maximum VaR for 2022	555	10,876	10,007
Minimum VaR for 2022	8	1,571	1,571
2021			
VaR as at December 31, 2021	14	1,607	1,605
Average VaR for 2021	115	2,114	2,125
Maximum VaR for 2021	623	4,664	4,691
Minimum VaR for 2021	8	1,190	1,162

Overall Trading VaR incorporates compensation effect of positions coming from realized P&L in foreign currencies.

b) Market risk non-trading book

Market risk on non-trading book mainly arises from the special commission rate, foreign currency exposures and equity price changes.

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Board has established special commission rate gap limits for stipulated periods. The Bank monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Bank's consolidated statement of income or equity. The sensitivity of the special commission income is the effect of the assumed changes in special commission rates with a lowest level at 0%, on the net special commission income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at December 31, 2022 and 2021, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges as at December 31, 2022 and 2021 for the effect of assumed changes in special commission rate. The sensitivity of equity is analyzed by maturity of the asset or swap. All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in SAR thousands.

	DECEMBER 31, 2022						
		SENSITIVITY OF SPECIAL COMMISSION INCOME	SENSITIVITY OF EQUITY				
SAR '000 CURRENCY	BPS CHANGE		6 MONTHS OR LESS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
USD	+100	60,692	(948)	(5,212)	(62,245)	(19,281)	(87,686)
	-100	(60,692)	948	5,212	62,245	19,281	87,686
SAR	+100	658,920	(11,875)	(54,377)	(320,844)	(177,303)	(564,399)
	-100	(658,543)	11,875	54,377	320,844	177,303	564,399

	DECEMBER 31, 2021						
		SENSITIVITY OF SPECIAL COMMISSION INCOME	SENSITIVITY OF EQUITY				
SAR '000 CURRENCY	BPS CHANGE		6 MONTHS OR LESS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
USD	+100	45,078	(635)	(2,869)	(60,499)	(7,577)	(71,580)
	-100	(47,337)	635	2,869	60,499	7,577	71,580
SAR	+100	531,820	(11,761)	(38,632)	(414,016)	(197,020)	(661,429)
	-100	(540,605)	11,761	38,632	414,016	197,020	661,429

Special commission rate sensitivity of assets, liabilities and derivatives

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Board sets limits on the level of mismatch of special commission rate re-pricing that may be undertaken, which is monitored daily by the Bank's Treasury.

The following table summarizes the Bank's exposure to special commission rate risks. Included in the table are the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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34. Market Risk continued

The Bank is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets, liabilities, and derivative instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	973,736	973,736
Balances with SAMA	1,185,000	–	–	–	9,166,850	10,351,850
Due from banks and other financial institutions						
Current account	–	–	–	–	2,793,569	2,793,569
Money market placements	2,001,542	–	–	–	–	2,001,542
Investments, net						
Held as FVSI	3,800	–	–	60,459	4,485	68,744
Held as FVOCI, net	2,424,346	3,439,160	10,094,217	2,127,552	320,393	18,405,668
Held at amortized cost, net	4,940,711	5,563,342	9,332,581	6,206,503	–	26,043,137
Investment in associate	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	4,444,308	441,845	339,564	1,186,585	119,668	6,531,970
Held as fair value hedges	20,638	–	–	–	–	20,638
Held as cash flow hedges	25,331	–	5,041	–	–	30,372
Loans and advances, net						
Credit cards and consumer loans	625,255	739,556	13,140,213	14,999,963	8,118	29,513,105
Overdraft and commercial loans	84,844,212	40,256,643	2,113,860	789	2,282,916	129,498,420
Property, equipment and right of use assets, net	–	–	–	–	1,739,307	1,739,307
Other assets and other real estate	–	–	–	–	4,096,366	4,096,366
Total assets	**100,515,143**	**50,440,546**	**35,025,476**	**24,581,851**	**21,515,103**	**232,078,119**

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2022						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	262,687	262,687
Money market deposits	4,947,449	6,225,310	907,631	–	4,427,365	16,507,755
Customers' deposits						
Demand	10,060,318	–	–	–	81,121,014	91,181,332
Saving	1,053,846	–	–	–	–	1,053,846
Time	48,526,479	11,484,544	264,226	–	–	60,275,249
Other	–	–	–	–	5,081,893	5,081,893
Negative fair value of derivatives						
Held for trading	67,572	303,998	3,095,877	2,674,043	86,162	6,227,652
Held as fair value hedges	16,705	–	26,441	–	–	43,146
Held as cash flow hedges	–	15,924	1,096,985	–	–	1,112,909
Debt securities and term loans	1,876,094	2,639,160	–	–	–	4,515,254
Other liabilities	–	–	–	–	7,071,071	7,071,071
Total equity	–	–	–	–	38,745,325	38,745,325
Total liabilities and equity	**66,548,463**	**20,668,936**	**5,391,160**	**2,674,043**	**136,795,517**	**232,078,119**
Commission rate sensitivity						
– On statement of financial position	33,966,680	29,771,610	29,634,316	21,907,808	(115,280,414)	–
Commission rate sensitivity						
– Off statement of financial position	(15,544,463)	(8,660,265)	26,016,178	(1,811,450)	–	–
Total commission rate sensitivity gap	**18,422,217**	**21,111,345**	**55,650,494**	**20,096,358**	**(115,280,414)**	**–**
Cumulative commission rate sensitivity gap	**18,422,217**	**39,533,562**	**95,184,056**	**115,280,414**	**–**	**–**

SAR '000	WITHIN 3 MONTHS	3–12 MONTHS	1–5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2021						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	1,023,141	1,023,141
Balances with SAMA	79,999	–	–	–	8,691,928	8,771,927
Due from banks and other financial institutions						
Current account	–	–	–	–	3,798,380	3,798,380
Money market placements	1,325,295	200,289	–	–	–	1,525,584
Investments, net						
Held as FVSI	7,155	59,476	3,877	139,487	–	209,995
Held as FVOCI, net	1,140,465	3,171,327	8,763,041	1,529,660	338,307	14,942,800
Held at amortized cost, net	2,060,623	7,517,227	14,892,093	4,235,503	–	28,705,446
Investment in associate	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	528,332	201,535	1,491,575	1,057,216	149,143	3,427,801
Held as fair value hedges	91	–	1,178	–	–	1,269
Held as cash flow hedges	103,847	168,282	360,788	–	–	632,917
Loans and advances, net						
Credit cards and consumer loans	470,602	604,714	12,391,808	13,689,341	68,344	27,224,809
Overdraft and commercial loans	75,129,826	40,117,453	3,810,193	873	1,529,605	120,587,950
Property, equipment and right of use assets, net	–	–	–	–	1,585,763	1,585,763
Other assets and other real estate	–	–	–	–	3,354,549	3,354,549
Total assets	80,846,235	52,040,303	41,714,553	20,652,080	20,548,855	215,802,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

34. Market Risk continued

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2021						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	494,471	494,471
Money market deposits	13,103,852	2,399,629	–	–	7,855,905	23,359,386
Customers' deposits						
Demand	11,123,369	–	–	–	77,876,416	88,999,785
Saving	905,762	–	–	–	–	905,762
Time	36,476,373	9,426,989	163,118	–	–	46,066,480
Other	–	–	–	–	5,978,181	5,978,181
Negative fair value of derivatives						
Held for trading	948,399	350,366	971,606	835,489	44,980	3,150,840
Held as fair value hedges	6	–	–	–	–	6
Held as cash flow hedges	–	–	95,252	–	–	95,252
Other liabilities	–	–	–	–	7,066,193	7,066,193
Total equity	–	–	–	–	39,685,670	39,685,670
Total liabilities and equity	62,557,761	12,176,984	1,229,976	835,489	139,001,816	215,802,026
Commission rate sensitivity – On statement of financial position	18,288,474	39,863,319	40,484,577	19,816,591	(118,452,961)	–
Commission rate sensitivity – Off statement of financial position	(21,795,045)	5,105,485	16,574,062	115,498	–	–
Total commission rate sensitivity gap	(3,506,571)	44,968,804	57,058,639	19,932,089	(118,452,961)	–
Cumulative commission rate sensitivity gap	(3,506,571)	41,462,233	98,520,872	118,452,961	–	–

The off statement of financial position gap represents the net notional amounts of these financial instruments, which are used to manage the special commission rate risk.

The effective special commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

ii) Currency Risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Bank has a significant exposure as at December 31, 2022 and 2021 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of commission rate swaps used as cash flow hedges). A positive effect shows a potential increase in the consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in the consolidated statement of income or equity.

	2022			2021		
SAR '000 CURRENCY EXPOSURES	CHANGE IN CURRENCY RATE IN %	EFFECT ON NET INCOME	EFFECT ON EQUITY	CHANGE IN CURRENCY RATE IN %	EFFECT ON NET INCOME	EFFECT ON EQUITY
USD	+5	(1,874)	–	+5	38,166	–
EUR	-3	(84)	–	–3	(122)	–

There is no material impact on equity and net income due to change in other foreign currencies.

iii) Currency Position

The Bank manages exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. At the end of the year, the Bank had the following significant net exposures denominated in foreign currencies:

SAR '000	2022 LONG/(SHORT)	2021 LONG/(SHORT)
US Dollar	(56,250)	780,584
Euro	2,813	4,083
Pound Sterling	20,271	(590)
Other	32,774	18,949
Total	(392)	803,026

iv) Equity Price Risk

Equity price risk refers to the risk of decrease in fair values of equities in the Bank's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

The effect on the Bank's equity investments held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant is as follows:

	2022		2021	
SAR '000 MARKET INDICES	CHANGE IN EQUITY PRICE %	EFFECT ON MARKET VALUE	CHANGE IN EQUITY PRICE %	EFFECT ON MARKET VALUE
Tadawul	+5	5,726	+5	10,857
Tadawul	-5	(5,726)	-5	(10,857)

There is no material impact on market value due to change in prices of listed international securities.

35. Liquidity Risk

Liquidity risk is the risk that the Bank 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 unavailable immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents, and readily marketable securities.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Bank and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with the Banking Control Law and the Regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total customers' demand deposits, and 4% of due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), saving deposits, time deposits, margins of letters of credit and guarantee, excluding all type of repo deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, Saudi Government securities or assets which can be converted into cash within a period not exceeding 30 days. The Bank can also raise additional funds through repo facilities available with SAMA against its holding of Saudi Government securities.

a) Maturity analysis of assets and liabilities

The following table summarizes the maturity profile of the Bank's assets and liabilities. The expected maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the final contractual maturity date and do not take into account the effective maturities as indicated by the Bank's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained. For presentation purposes all demand, saving and other deposit balances have been shown in no fixed maturity.

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35. Liquidity Risk continued

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	973,736	973,736
Balances with SAMA	1,185,000	–	–	–	9,166,850	10,351,850
Due from banks and other financial institutions						
Current account	–	–	–	–	2,793,569	2,793,569
Money market placements	836,950	308,514	856,078	–	–	2,001,542
Investments, net						
Held as FVSI	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 amortized cost, net	1,749,354	5,333,861	12,523,937	6,435,985	–	26,043,137
Investment in associate	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
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
Loans and advances, net						
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
Property, equipment and right of use assets, net	–	–	–	–	1,739,307	1,739,307
Other assets and other real estate	–	–	–	–	4,096,366	4,096,366
Total assets	26,169,111	36,739,889	85,492,564	63,270,334	20,406,221	232,078,119

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2022						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	262,687	262,687
Money market deposits	5,472,651	6,225,457	4,809,647	–	–	16,507,755
Customers' deposits						
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
Negative fair value of derivatives						
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
Debt securities and term loans	–	–	4,515,254	–	–	4,515,254
Other liabilities	34,577	293,980	268,228	395,500	6,078,786	7,071,071
Total equity	–	–	–	–	38,745,325	38,745,325
Total liabilities and equity	54,168,391	15,440,351	16,978,956	3,086,552	142,403,869	232,078,119

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2021						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	1,023,141	1,023,141
Balances with SAMA	79,999	–	–	–	8,691,928	8,771,927
Due from banks and other financial institutions						
Current account	–	–	–	–	3,798,380	3,798,380
Money market placements	1,325,295	200,289	–	–	–	1,525,584
Investments, net						
Held as FVSI	7,155	59,476	3,877	139,487	–	209,995
Held as FVOCI, net	38,116	669,834	11,480,285	2,416,258	338,307	14,942,800
Held at amortized cost, net	2,060,623	4,444,596	17,964,725	4,235,502	–	28,705,446
Investment in associate	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	98,238	211,110	1,926,297	1,192,156	–	3,427,801
Held as fair value hedges	–	91	1,178	–	–	1,269
Held as cash flow hedges	103,847	168,282	360,788	–	–	632,917
Loans and advances, net						
Credit cards and consumer loans	212,560	583,648	12,441,931	13,577,000	409,670	27,224,809
Overdraft and commercial loans	15,198,689	30,187,471	37,842,018	36,489,202	870,570	120,587,950
Property, equipment and right of use assets, net	–	–	–	–	1,585,763	1,585,763
Other assets and other real estate	–	–	–	–	3,354,549	3,354,549
Total assets	19,124,522	36,524,797	82,021,099	58,049,605	20,082,003	215,802,026

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2021						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	494,471	494,471
Money market deposits	13,103,851	5,828,850	4,426,685	–	–	23,359,386
Customers' deposits						
Demand	–	–	–	–	88,999,785	88,999,785
Saving	–	–	–	–	905,762	905,762
Time	35,737,606	4,236,790	6,092,084	–	–	46,066,480
Other	–	–	–	–	5,978,181	5,978,181
Negative fair value of derivatives						
Held for trading	63,207	190,714	1,782,829	1,114,090	–	3,150,840
Held as fair value hedges	–	–	–	6	–	6
Held as cash flow hedges	–	–	95,252	–	–	95,252
Other liabilities	274,784	317,798	616,571	271,837	5,585,203	7,066,193
Total equity	–	–	–	–	39,685,670	39,685,670
Total liabilities and equity	49,179,448	10,574,152	13,013,421	1,385,933	141,649,072	215,802,026

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection, loans and advances to banks, and loans and advances to customers. The cumulative maturities of commitments & contingencies are given in note 21 (c-i) of the consolidated financial statements.

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35. Liquidity Risk continued

b) Analysis of financial liabilities by remaining undiscounted contractual maturities

The following table summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2022 and 2021 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2022						
Due to SAMA, banks and other financial institutions						
Current accounts	**–**	**–**	**–**	**–**	**262,687**	**262,687**
Money market deposits	**5,543,790**	**6,400,004**	**4,881,797**	**–**	**–**	**16,825,591**
Customers' deposits						
Demand	**–**	**–**	**–**	**–**	**91,181,332**	**91,181,332**
Saving	**–**	**–**	**–**	**–**	**1,053,846**	**1,053,846**
Time	**49,001,337**	**8,871,513**	**3,158,015**	**–**	**–**	**61,030,865**
Other	**–**	**–**	**–**	**–**	**5,081,893**	**5,081,893**
Debt securities and term loans	**22,930**	**144,375**	**5,077,500**	**–**	**–**	**5,244,805**
Total	**54,568,057**	**15,415,892**	**13,117,312**	**–**	**97,579,758**	**180,681,019**
2021						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	494,471	494,471
Money market deposits	13,110,740	5,834,521	4,426,685	–	–	23,371,946
Customers' deposits						
Demand	–	–	–	–	88,999,785	88,999,785
Saving	–	–	–	–	905,762	905,762
Time	35,781,262	4,267,681	6,122,090	–	–	46,171,033
Other	–	–	–	–	5,978,181	5,978,181
Total	48,892,002	10,102,202	10,548,775	–	96,378,199	165,921,178

36. Fair values of financial assets and liabilities

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

– in the accessible principal market for the asset or liability, or
– in the absence of a principal market, in the most advantages accessible market for the asset or liability

The fair values of on statement of financial position financial instruments are not significantly different from their carrying amounts included in the consolidated financial statements.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank uses widely recognized valuation models for determining the fair value of common and simpler financial instruments.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values aims also to reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate.

Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Market Risk Department, which is independent of Front Office management and reports to the Chief Risk Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

– verification of observable pricing;
– re-performance of model valuations;
– a review and approval process for new models and changes to models involving Risk Division;
– back-testing of models against observed market transactions and analysis and investigation of significant daily valuation movements

When third party information, such as broker quotes or pricing services, is used to measure fair value, Market Risk Department assesses and documents the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

– verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
– understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
– when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
– if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes

Any significant valuation issue is reported at a regular frequency (in addition to whenever deemed necessary) to the Banks Market Risk Committee in order to take appropriate actions accordingly.

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging) or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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36. Fair values of financial assets and liabilities continued

SAR '000	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2022				
Financial assets				
Derivative financial instruments	**–**	**6,582,980**	**–**	**6,582,980**
Financial investments designated at FVSI				
– Fixed rate securities	**3,800**	**60,459**	**–**	**64,259**
– Equity	**4,485**	**–**	**–**	**4,485**
Total	**8,285**	**60,459**	**–**	**68,744**
Financial investments at FVOCI				
– Fixed rate securities	**11,724,170**	**2,085,290**	**–**	**13,809,460**
– Floating rate securities	**1,183,819**	**3,091,996**	**–**	**4,275,815**
– Equity	**110,040**	**–**	**210,353**	**320,393**
Total	**13,018,029**	**5,177,286**	**210,353**	**18,405,668**
Total	**13,026,314**	**11,820,725**	**210,353**	**25,057,392**
Financial Liabilities				
Derivative financial instruments negative fair value	**–**	**7,383,707**	**–**	**7,383,707**
Total	**–**	**7,383,707**	**–**	**7,383,707**
2021				
Financial assets				
Derivative financial instruments	–	4,061,987	–	4,061,987
Financial investments designated at FVSI				
– Fixed rate securities	16,000	139,487	–	155,487
– Floating rate securities	–	54,508	–	54,508
Total	16,000	193,995	–	209,995
Financial investments at FVOCI				
– Fixed rate securities	8,212,669	2,395,101	–	10,607,770
– Floating rate securities	286,497	3,710,226	–	3,996,723
– Equity	217,140	–	121,167	338,307
Total	8,716,306	6,105,327	121,167	14,942,800
Total	8,732,306	10,361,309	121,167	19,214,782
Financial Liabilities				
Derivative financial instruments negative fair value	–	3,246,098	–	3,246,098
Total	–	3,246,098	–	3,246,098

During the year, there have been no transfers in between level 1, level 2 and level 3.

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

Financial investments classified as FVOCI

SAR '000	2022	2021
Balance at the beginning of the year	**121,167**	25,080
Transfer from level 2	**–**	–
Additions during the year	**90,413**	105,177
Change in the value	**(1,227)**	(9,090)
Balance at the end of the year	**210,353**	121,167

Level 3 investment instruments include private equity portfolio of SAR 91 million (2021: SAR 16 million) which has been valued at cost as their market value is not significantly different from the carrying values. The remaining level 3 portfolio of SAR 119 million (2021: SAR 105 million) invested in funds which were valued based on the valuation techniques using their latest financial statements. The acquisition value of those funds was SAR 121 million (2021: SAR 107 million).

The fair values of on-statement of financial position financial instruments, except for loans and advances and financial instruments held at amortized cost are not significantly different from the carrying values included in the consolidated financial statements. The fair values of commission bearing customers' deposits, debt securities, due from and due to banks which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

The estimated fair values of the investments held at amortized cost are based on quoted market prices when available or pricing models when used in case of bonds. Consequently, differences can arise between carrying values and fair value estimates. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique.

Derivative products valued using a valuation technique with market observable inputs are mainly commission rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and commission rate curves. Other investments in level 2 are valued based on market observable date including broker rates etc.

The fair values of investments held at amortized cost are SAR 25,217 million (2021: SAR 28,808 million) against carrying value of SAR 26,043 million (2021: SAR 28,705 million).

The Bank uses the discounted cash flow method using current yield curve to arrive at the fair value of loans and advances (level 3 instruments) after adjusting internal credit spread which is SAR 160,823 million (2021: SAR 151,172 million). The carrying values of those loans and advances are SAR 159,012 million (2021: SAR 147,813 million).

The value obtained from the relevant valuation model may differ, with the transaction price of a financial instrument. The difference between the transaction price and the model value commonly referred to as "day one profit and loss". It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the consolidated statement of income without reversal of deferred day one profits and losses.

37. Related party transactions and balances

In the ordinary course of its activities, the Bank transacts business with related parties. In the opinion of the management and the Board, the related party transactions are carried out on group's internal pricing framework. The related party transactions are governed by limits set by the Banking Control Law and Regulations issued by SAMA.

a) The balances as at December 31, 2022 and 2021 resulting from such transactions included in the consolidated financial statements are as follows:

SAR '000	2022	2021
Associates		
Investments	**9,695**	9,695
Due to banks and other financial institutions	**8,204**	8,171
Directors, senior management, shariah members and major shareholders' and their affiliates		
Loans and advances	**11,813,189**	12,586,365
Investments	**957,941**	1,004,953
Due from banks and other financial institutions	**–**	–
Other assets	**17,783**	–
Customers' deposits	**12,112,335**	4,799,882
Due to banks and other financial institutions	**900,000**	2,050,000
Other liabilities	**6,542**	7,172
Derivatives at fair value, net	**(45,733)**	(66,289)
Commitments and contingencies	**3,224,229**	2,096,059

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37. Related party transactions and balances continued

b) Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

SAR '000	2022	2021
Special commission income		
– Directors, senior management, shariah members and major shareholders' and their affiliates	**418,808**	274,800
Total Special commission income	**418,808**	274,800
Special commission expense		
– Directors, senior management, shariah members and major shareholders' and their affiliates	**109,197**	22,417
– Associates	**103**	35
Total Special commission expense	**109,300**	22,452
Fees, commission income and others, net	**32,181**	60,077
Directors' fees	**9,513**	9,186
Other general and administrative expenses	**193,175**	133,341

c) The credit exposure of related party balances by stage analysis

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Directors, senior management, shariah members and major shareholders' and their affiliates				
Loans and advances	**11,487,671**	**325,518**	**–**	**11,813,189**
Investments	**957,941**	**–**	**–**	**957,941**
Commitments and contingencies	**3,173,128**	**51,101**	**–**	**3,224,229**

SAR '000	DECEMBER 31, 2021 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Directors, senior management, shariah members and major shareholders' and their affiliates				
Loans and advances	12,345,535	240,830	–	12,586,365
Investments	1,004,953	–	–	1,004,953
Commitments and contingencies	2,033,019	63,040	–	2,096,059

As at December 31, 2022, the bank maintains a ECL provision amounting to SAR 84 million (2021: SAR 27million) for related party exposure

The below table shows the total amount of salaries and employee related benefits to the Bank's senior management personnel are as follows:

SAR '000	2022	2021
Short term benefit	**56,793**	53,909
Long term benefit (deferral bonus)	**8,729**	7,512
Long term incentive plan	**16,750**	16,750
Termination benefit	**9,406**	–
Total	**91,678**	78,171

The senior management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

38. Treasury Shares

The long term incentive plan program that aligns the Bank's future performance with the individual personal success of the Bank's leadership team, key and high potential employees. The purpose of the Plan is to align the interests of the Bank's key employees with the interests of the shareholders of the Bank, enhance market competitiveness for key roles and retain key employees of the Bank. The Bank acquired treasury shares as authorized by the Board under its Long Term Incentive (LTI) plan, which will grant equity shares of the Bank to eligible employees as per LTI plan. The eligible employees will benefit from the value of the Bank shares over the vesting period. The LTI plan has been commenced on grant date. The Bank has offered eligible employees the option for equity ownership opportunities.

The significant features of these plans are as follows:

NATURE OF PLAN	LONG TERM INCENTIVE PLAN	LONG TERM INCENTIVE PLAN	LONG TERM INCENTIVE PLAN
Number of outstanding plan	1	1	1
Grant date	March 31, 2020	March 31, 2021	March 31, 2022
Maturity date	April 01, 2023	April 01, 2024	April 01, 2025
Grant price – SAR	33.265	31.455	51.141
Vesting period	3 years	3 years	3 years
Vesting conditions	Employees remain in service, meets performance and service criteria	Employees remain in service, meets performance and service criteria	Employees remain in service, meets performance and service criteria
Method of settlement	Equity	Equity	Equity
Valuation model	Monte-Carlo	Monte-Carlo	Monte-Carlo
Fair value per share on grant date-SAR	23.297	29.318	46.745

The share performance will be granted under a service condition along with market condition associated with them. The total amount of expense recognized in these consolidated financial statements in respect of the above plans for the year is SAR 26 million (2021: SAR 23.6 million).

	2022	2021
Number of shares allocated for LTI calculation at the beginning of the year	**4,162,042**	3,580,788
Vested/forfeited during the year	**(1,169,410)**	(1,222,920)
Allocated during the year, net	**1,241,708**	1,804,174
Number of shares allocated for LTI calculation at the year end	**4,234,340**	4,162,042

Total number of unallocated treasury shares under LTI plan as of December 31, 2022 was 1.5 million shares (December 31, 2021: 1.2 million shares).

39. Capital risk management

The Bank actively manages its capital base to cover the risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision including the framework and guidance regarding the implementation of capital reforms under Basel III ("Basel III Accord") which has been adopted by the Bank's regulator, SAMA. The Basel III capital ratios measure 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. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to risk-weighted assets ("RWA") at or above agreed minimum level.

40. Capital Adequacy

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

SAMA through its Circular Number 391000029731 dated Rabi Al-Awwal 15, 1439H (December 03, 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2020 and 2021 effective from March 31, 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

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40. Capital Adequacy continued
The RWAs, total capital and related ratios as at December 31, 2022 and 2021 are calculated using the framework and the methodologies defined under the Basel III framework.

SAR '000	2022	2021
Credit Risk RWA	**199,328,125**	185,159,270
Operational Risk RWA	**13,681,882**	13,224,774
Market Risk RWA	**1,662,442**	3,835,772
Total RWA	**214,672,449**	202,219,816
Tier I Capital	**40,571,463**	40,329,281
Tier II Capital	**2,200,323**	2,314,491
Total Tier I & II Capital	**42,771,786**	42,643,772
Capital Adequacy Ratio %		
Tier I ratio	**18.90%**	19.94%
Tier I + Tier II ratio	**19.92%**	21.09%

41. Investment management, brokerage and corporate finance services
The Bank offers investment services to its customers through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors as well as brokerage services. Income from the subsidiaries is included in the consolidated statement of income under fees and commission income, net. Determining whether the Bank controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Bank in the Fund (comprising of its investments, any carried profit and expected management fees) and the investors' rights to remove the Fund Manager.

As a result of the above assessment, the Bank has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds. However, the Bank's share of these funds is included in the FVOCI investments and fees earned are disclosed under related party transactions.

The Bank through its subsidiary offers investment management services to its customers, which include management of certain investment funds in consultation with professional investment advisors, having net asset value of SAR 26,727 million (2021: SAR 26,416 million). These include certain Islamic mutual funds with total assets under management of SAR 1,671 million (2021: SAR 2,171 million).

42. IBOR Transition (Interest Rate Benchmark Reforms)
Management is running a project on the Bank's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and is considering changes to systems, processes, risk management and valuation models as well as accounting implications (if any). The Bank has complied with the regulatory deadline of December 31, 2022 for the LIBOR transition and is now offering products based on the new benchmarks.

The Group is also exposed to the effects of USD LIBOR reform on its financial assets and liabilities. As at December 31, 2022, the carrying value of non-derivative financial assets using LIBOR as benchmark rates amounted to SAR 3,953 million.

43. Climate Related Risk
The relevance and urgency of climate change, and its associated financial impact, have rapidly risen up companies' agendas over the past few years due to the increasingly prevalent risks over the short, medium, and long-term horizons. Addressing and mitigating climate change is a complex challenge, and one in which the banking sector will play a central role.

The banking sector will be increasingly impacted by climate risk through accelerating stakeholder expectations, regulatory development, and market pressures. Banks are exposed to climate-related risks through their lending and investment activities, which can be susceptible to heightened climate-sensitive sectors and assets.

Therefore, it is vital that BSF fully identify, assess and manage its climate-related risks and their impact on the Bank's principal risk categories, such as credit risk, reputational risk, and liquidity risk. BSF will achieve this by categorizing the crucial physical and transitional risks that may impact the business.

Physical risks
Physical risks are weather events and longer-term shifts in climate that are driven by climate change. These can be acute events, such as hurricanes, floods, wildfires, or chronic changes that result in sea level rise, increased ambient temperatures, and desertification. The nature, severity, and timing of extreme weather events are uncertain, but globally we are seeing a surge in their frequency and the impact on economies is becoming increasingly evident. Physical risks may impact a business through damage to property, stranded assets, and supply chain disruption.

Transitional risks
As countries commit to transitioning to a low-carbon economy around the globe, there are significant financial risks associated with this shift, which can depend on the nature, speed, uptake and significance of changes imposed. Transition risks can include accelerating regulatory expectations, technology advancements, reputational damage and market risks.

Although climate change presents challenges to BSF and the broader banking sector, there are also significant opportunities for the Bank to capitalize upon. The transition to a low-carbon economy will require new products and services (such as green and climate bonds), increased resource efficiency will lead to cost savings and access to new markets.

BSF will extend its comprehensive risk management processes to embed climate-related risks within its core procedures. As part of future climate risks assessments, BSF will consider the following to measure, manage and monitor climate-related risks within the business:
– The key sectors and areas of business that will be impacted by climate change
– Associating and estimating the financial impact of the identified risks
– Possible mitigation measures the Bank can implement

BSF recognizes this is an evolving subject and will require the Bank to work holistically to contribute to its complexity. A better fundamental understanding of these risks will allow the Bank to make more informed financial decisions and engage with stakeholders more effectively on the topic.

44. Comparative figures
Certain prior period figures have been reclassified to conform to the current period's presentation, which are not material in nature to the consolidated financial statements.

The following table shows the reclassification in the consolidated statement of income:

SAR '000	PREVIOUSLY PRESENTED AS AT DECEMBER 31, 2021	RECLASSIFICATION IMPACT	RECLASSIFIED BALANCE AS AT DECEMBER 31, 2021
Fee and commission income	1,728,595	(325,199)	1,403,396
Special Commission income	5,868,512	325,199	6,193,711
Other operating income	63,994	(59,919)	4,075
Impairment charge for expected credit losses on loans and advances, net	1,021,349	(59,919)	961,430

Fee and commission income of SAR 325 million has been reclassified to special commission income, being an integral part of the effective interest rate in financial assets.

Recoveries of written off loans of SAR 60 million have been reclassified from other operating income to impairment charge for expected credit losses on loans and advances.

45. Board of Directors approval
The consolidated financial statements were approved by the Board of Directors on February 09, 2023 corresponding to Rajab 18, 1444H.

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