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BANQUE SAUDI FRANSI ANNUAL REPORT 2021

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.

البنك السعودي الفرنسي
Banque Saudi Fransi

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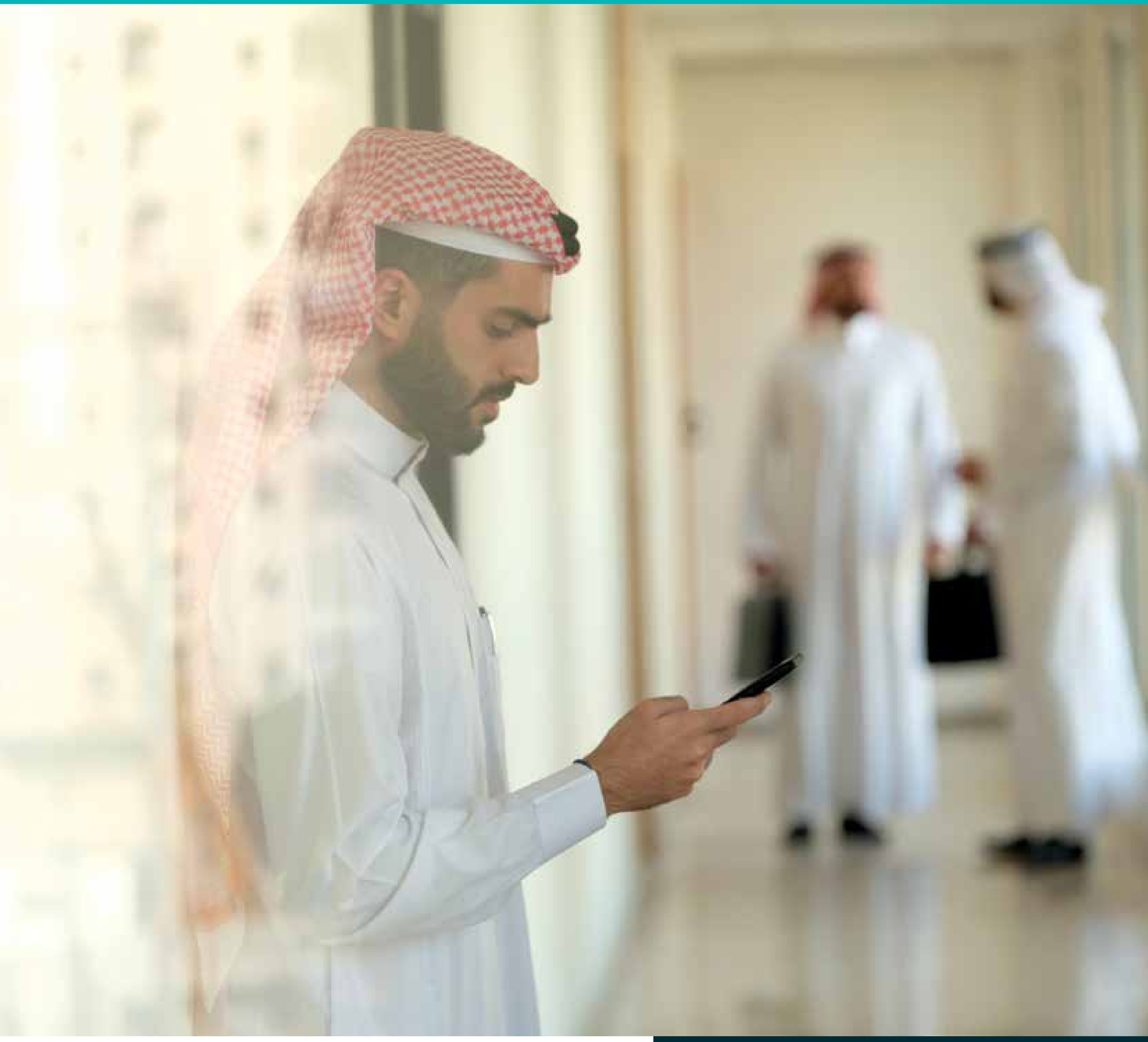
STRATEGIC REPORT

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:
2,997

Branches:
85

Customer Deposits (SAR):
142.0 bn

Loans and Advances (SAR):
147.8 bn

Retail customers:
1.1 million

Total assets (SAR)
215.8 bn

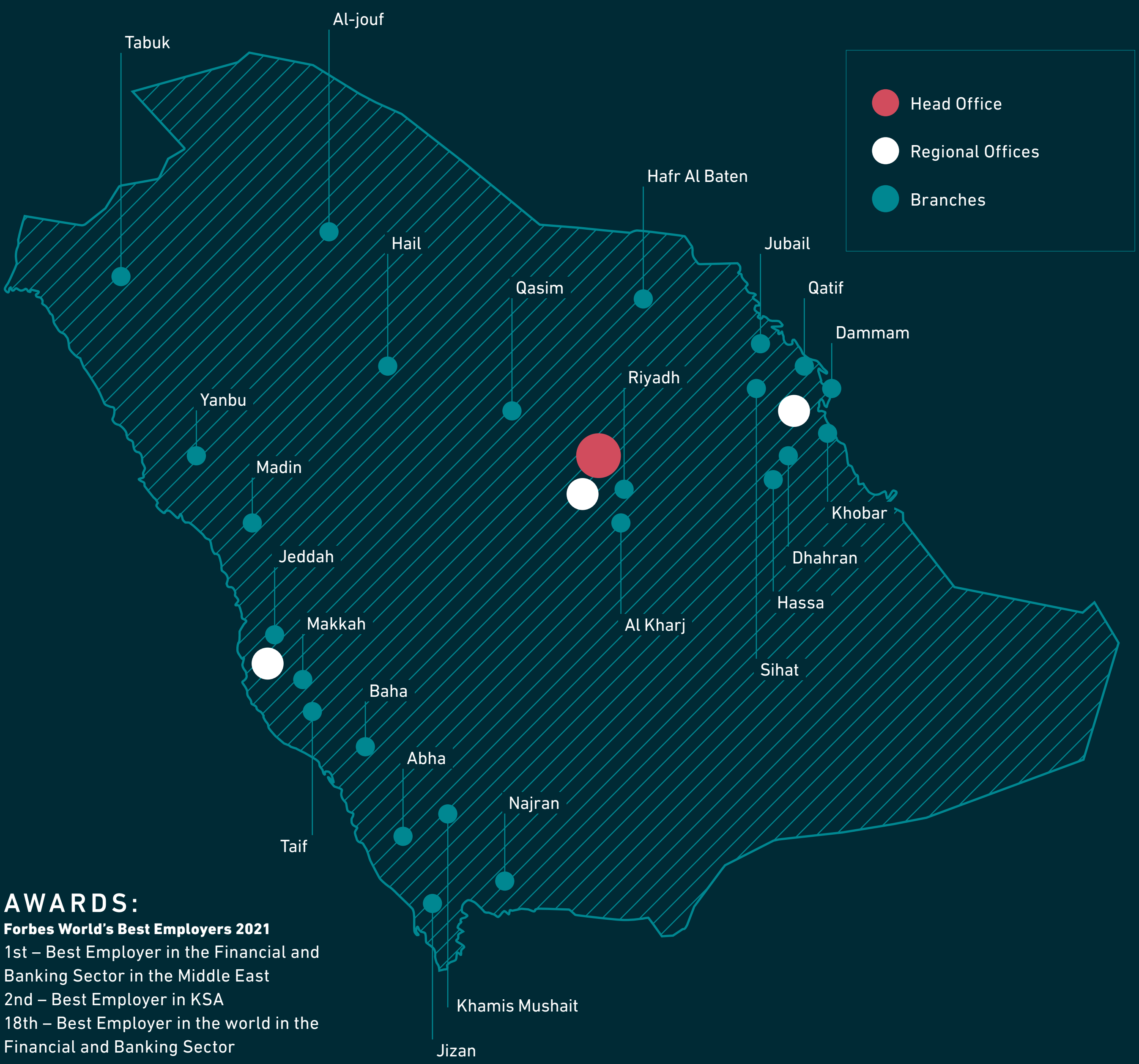
Total Operating Income (SAR):
7.188 bn

RATINGS:

S&P: BBB+

Moody's: A1

Fitch: BBB+



AWARDS:

Forbes World's Best Employers 2021
1st – Best Employer in the Financial and Banking Sector in the Middle East
2nd – Best Employer in KSA
18th – Best Employer in the world in the Financial and Banking Sector

Corporate Governance Index Excellence Award for the second time in a row

Wholesale Banking Group

- Best Trade Bank in KSA – The Asian Banker Survey
- Euro Operational Excellence – JP Morgan Bank USA
- Operational Excellence Award – Wells Fargo
- Best Trade Finance Bank in Saudi Arabia – The Asian Banker and Global Business Outlook
- Structured Finance Deal Of The Year for Ma'aden Waad Al Shamal Phosphate

Saudi Fransi Capital

- Best Investment Bank in Saudi Arabia – MEA Finance Award
- Best REIT Management Firm – MEA Finance Award
- Best Investment Bank – EMEA Finance Middle East Banking Award
- Best Equity House – EMEA Finance Middle East Banking Award
- Al Qasr GCC Real Estate & Construction Equity Trading Fund – Refinitiv Lipper Fund Award
- Best Sukuk Deal of the Year and Best Public Sector Deal of the Year for the Saudi Real Estate Refinance Company sukuk transaction – Capital Markets Saudi Arabia Award

Saudi Fransi Leasing

- Fastest Growing Leasing Finance Company for Year in Saudi Arabia – Global Business Outlook
- Best Luxury Finance Performance for Year 2021 – Award by Mohamed Yousuf Naghi

During another year of strong performance and results, BSF continued to demonstrate resilience in the face of market challenges, strengthen the bonds of trust with our customers and partners, and develop and deliver refined services and solutions across our operations. Across our core business and subsidiaries, this year saw a wide variety of strategic and operational highlights and achievements.

- Completed the first phase of a 3-year Core Banking transformation programme to become the most modern, innovative and customer-centric bank in the region
- Launched the latest version of Finastra's treasury management solution to enhance, automate and standardise the Bank's treasury and trading operations
- Acted as Lead arranger on first SAR denominated green financing for The Red Sea Company (TRSDC) for SAR 14.12 billion financing
- Implemented Release 2.1 of the Core Banking System
- Launched the Digital Engineering Apprenticeship Programme in partnership with AstroLabs
- Launched the Refinitiv Electronic Trading Platform to future-proof Foreign Exchange online automatic trading business
- Signed a credit Insurance policy agreement with the Saudi Export-Import Bank (Saudi EXIM)
- Transformed the Institutional Banking Group into the Wholesale Banking Group with a bold new strategy

- Created Personal Banking Group (PBG) by integrating Retail Banking and Private Banking to improve operational effectiveness and customer experience
- Supported customer engagement by publishing guidelines clarifying and encouraging usage of digital banking channels from home
- Supported our communities by donating SAR 12mn to the Health Endowment Fund and SAR 7.2mn to the Social Charity Fund
- Advised on SAR 27.27 billion financing for the Jazan Integrated Gas and Power Company (JIGPC)
- Retail Banking's JANA loyalty programme partnered with popular travel and hospitality reward programmes Emirates Skywards, IHG and Marriott Bonvoy
- GMG launched Non-Deliverable Forward and US Treasury Bond futures

BSF BY THE NUMBERS:

Loans and Advances:

SAR 147.8 billion

2021	147,812,759
2020	130,564,835
2019	125,725,096

Non interest-bearing deposits:

SAR 95.0 billion

2021	94,977,966
2020	85,916,302
2019	72,766,739

Total Operating Income:

SAR 7.188 billion

2021	7,187,845
2020	7,044,594
2019	6,872,550

Non interest bearing deposits % of total:

67%

2021	67%
2020	68%
2019	55%

Net Income after Zakat and Income Tax:

SAR 3.450 billion

2021	3,449,877
2020	1,546,211
2019	3,114,966

Net interest margin:

2.85%

2021	2.85%
2020	2.97%
2019	3.04%

Cost-to-Income Ratio:

34.0%

2021	34.0%
2020	33.6%
2019	33.3%

Tier 1 Capital Ratio:

19.94%

2021	19.94%
2020	20.56%
2019	18.32%

After the unprecedented trials and challenges of 2020, when the bank moved swiftly to protect its employees, took tough decisions, supported its customers and ensured business continuity, 2021 saw a return to something akin to normality – in the global economy, in Saudi Arabia, and in our business.

The oil price stabilized; companies returned to growth and expansion mode; stability returned to the labour market (albeit with some major changes to the way we all work); and this return to normalized trading was reflected in a strong performance by the Kingdom's stock exchange: the Tadawul saw a 30% increase in valuation in the year. The Purchasing Managers Index (PMI), an important gauge of business sentiment, occupied positive territory throughout 2021, in contrast to its negative reading through 2020.

These factors have led the IMF to revise upwards its outlook for Saudi GDP over the next two years, predicting growth of 7.6% – one of the highest rates in the world.

The performance of BSF in 2021 mirrored this return to normality, most strikingly in the 123% increase in our reported net income. This increase is primarily a reflection of the dialling back of the Covid-related provisions we took in 2020, but it also paints a picture of a more benign trading environment, and of a return to normality for Saudi business and society.

BSF has always enjoyed a partnership relationship with its clients, its stakeholders, and with the Kingdom. This is embodied in one of the bank's core values: "Us before Me".

Through the dark days of the pandemic, this partnership approach was manifested in the support given by our regulators and by the Saudi Central Bank to the financial sector, support that – quite rightly – has been moderating throughout 2021. The partnership approach was also demonstrated in 2021 in the way that the bank rapidly adapted to new ways of working for our people and our customers, and by the role we played in returning to a normalized business environment, returning to business-as-usual and helping our customers to do the same.

BSF is a systemically important bank in the Kingdom, with 1.1 million customers and more than 2,600 colleagues. This status means that we hold a responsibility to society that we take very seriously indeed. This is reflected in our ongoing striving to make our business more sustainable, to help our customers as they transition to a net-zero economy, and to play our full part in delivering the goals of Vision 2030.

Covid has impacted many societal norms, and nowhere is this truer than in the workplace. The world moved rapidly from an "in-office" culture to a remote working culture. Given the multi-layered changes taking place in Saudi Arabia, its youthful population and its aspirations, it is incumbent on a responsible employer to embrace these changes in order to be relevant and attractive to future employees.

This cultural preference for partnership over the individual, this belief that the whole is greater than the sum of the parts, is one of the many reasons that I am proud to chair the Board of Directors of BSF. It truly is the bank where 'Us before Me' is lived every day by every one of us.

As we reflect on the business in 2021, we can take pride and satisfaction from the bank's performance, and from the burgeoning partnerships we are privileged to enjoy with our customers, our regulators, our people, and with the people and the government of Saudi Arabia.

We look forward with great optimism to 2022 and beyond, secure that Banque Saudi Fransi has the right people, the right management team, the right strategy and the right values to continue to drive our success.

> It truly is the bank where 'Us before Me' is lived every day by every one of us."

MAZIN AL ROMAIH
CHAIRMAN

The Covid pandemic of 2020 delivered some of the most challenging times any of us can remember. Thankfully, we are now able to look back upon 2021, and without a doubt, call it a year of recovery. The macro-economic data tells the story unambiguously.

The return to more normalized economic activity around the world helped the price of oil to regain its equilibrium, showing an increase of 51% from the end of 2020 to the end of 2021. While the world is rapidly transitioning towards alternative sources of energy (and of course Saudi Arabia is a leader in this endeavour), we are only at the start of the journey, and in the near term the price of oil will remain the most important driver of the Saudi economy.

A Year of Recovery

The recovery in the oil price was matched by a recovery of sentiment among corporates and the public sector in the region. Appetite for credit returned, growth plans that had been shelved by the pandemic were re-launched, and the infrastructure and mega-projects associated with Vision 2030 regained their impetus. This return to growth was underscored by the respected Purchasing Managers Index (PMI) moving from a negative measure in H1 2020 to a positive reading in 2021.

The authorities have begun to unwind some of the emergency measures they put in place to fend off the worst impact of Covid: the Private Sector Financing Support Programme (PSFSP), which enabled many small and medium-sized companies to continue to trade through the pandemic, was gradually reduced and was fully ended in March 2022. This has meant a return to normalised levels of returns for SME lending. SAMA also provided profit-free funding to provide liquidity in 2020. This was still in place in 2021, but the programme began to mature last year, and maturities will continue into 2022. Together, the PSFSP and the liquidity programme will serve to balance extraneous income drivers for all banks.

A Strong and Positive Performance

The 2021 performance of Banque Saudi Fransi reflects these macro drivers: while we reported an increase of 123% in net income, this was largely driven by the reduction in impairments, and is therefore a reflection of the changed mood in the broader economy. However, behind this straightforward result lie a host of strong achievements and reasons for optimism.

In addition to the renewed activity of our corporate clients, the bank's strategy to grow our share of the retail market continued to be executed, in particular our mortgage book which grew by 28% year-on-year.

Corporate loan growth saw a very healthy 12% increase in 2021. In addition to the macro factors outlined above, this strong performance can be attributed to the professionalism of our people and the excellent relations we enjoy with our customers, factors of which I am immensely proud.

“With the return to more normalized trading in 2021, the bank was able to focus once again on delivering the strategy that has been in place since 2018, to become the most modern, innovative and experience focused bank in the region.”

RAYAN FAYEZ
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

While the operating environment in 2021 was a benign one, it was not without its challenges. The rates environment remained pressured, and over the year we saw SAIBOR decline by thirty-seven basis points. Between the start of the pandemic and the end of 2021, base rates fell by more than one percentage point – a dramatic move that materially impacted bank profitability throughout the Kingdom.

And this was a driver of another factor that we must acknowledge: the Saudi banking market is intensely competitive, and a low rates environment only serves to increase this competition. The fact that BSF was able to deliver such a strong 2021 performance in the face of these major headwinds tells me that our strategy is bearing fruit, that our people are among the best in the market, and that our customers prize the added value that BSF brings to all relationships.

BSF welcomes competition, because we are confident in our strategy, our people, our leadership and the strength of our brand.

The trust placed in us by our customers also lies behind the 13% rise in deposits that BSF saw over the year. Complementing this increase in liabilities, prudent management of investments saw the value of investments rise by 16% during 2021 as the bank increased fixed rate bond holdings in the corporate and financial sectors. The investment portfolio remains of high quality, with a significant portion being Saudi Government and investment grade.

What makes this strong performance in both lending and liabilities even more commendable is the fact that it took place amid a highly challenging rates environment, leading our net interest margin to decrease by 12 basis points to 2.85%, and while this was supported by an improved cost of funding, it remains the case that the operating environment was not entirely benign.

With the recovery from Covid and the return to growth, however, has come a more positive rates outlook. Rates are being raised around the world in response to inflationary pressures, and Saudi is no exception. The banking sector profits amid rising rates, and BSF is well positioned to benefit from any rate rise in 2022 and beyond.

The bank's control of cost was evident in the full year results. While operating expenses increased by four percent in 2021, this was largely attributable to the tripling of VAT from 5% to 15%. Notwithstanding this new cost pressure, the strong income performance meant that the bank's cost to income ratio increased only modestly to 34.0% from 33.6% in 2020.

Strategy Execution

With the return to more normalized trading in 2021, the bank was able to focus once again on delivering the strategy that has been in place since 2018, to become the most modern, innovative and experience focused bank in the region.

BSF achieved positive momentum on six of its seven strategic targets, including efficiency, return on assets, shareholder return, resilience and customer experience.

And while the operating environment in 2021 provided more tailwinds than headwinds, this is still a noteworthy achievement after the disruption of 2020, and I salute all my colleagues throughout the business for their role in continuing to drive the strategy.

A Personal Note

This will be my final message as CEO for a BSF Annual Report. After five years in the role, I will be moving on to another sector. It has been an absolute privilege to have led the bank, to have participated in its success, to have worked with such a gifted and committed group of colleagues, and to have played a small part in building what I believe is the best bank in the Kingdom.

However, I will remain on the Board as a non-Executive Director of the bank, and I look forward to contributing to the continued advancement and progress of Banque Saudi Fransi in 2022 and for many years ahead.

"It has been an absolute privilege to have led the bank, to have participated in its success, to have worked with such a gifted and committed group of colleagues, and to have played a small part in building what I believe is the best bank in the Kingdom."

Throughout another volatile year, as nations around the world witnessed uneven recoveries in the face of continued challenges and disruptions caused by the COVID-19 pandemic, energy prices rose significantly and consumer confidence returned, supporting a solid rebound in the Saudi Arabia, as the Kingdom continued to invest and progress towards its Vision 2030.

The Global Economy in 2021

The global economy staged a sharp recovery from a year of COVID-19 disruption, with global growth estimated at 5.8% in 2021 from a contraction of 3.1% in 2020, making it the fastest pace of growth in nearly three decades[1]. This robust growth was largely driven by significant and sustained fiscal support, continued accommodative monetary policy, and strong pent-up demand on improved mobility, as COVID-related restrictions were gradually eased. Although subsequent COVID-19 variants led a number of countries to reimpose restrictions, mobility and thereby economic activity broadly picked up the pace and continued to normalise during 2021 as these restrictions were less severe than those seen in 2020 at the onset of the pandemic.

Energy prices also rebounded sharply, as Brent crude oil averaged at USD 71 per barrel[2] in 2021, up from USD 42 per barrel in 2020, an increase of 69% year-on-year. These rising prices reflect the growth in global oil demand, which outpaced growth in oil production, resulting in falling global oil inventories throughout the year. Global oil demand recovered sharply as business activities and mobility improved through much of 2021, further aided by strong support from loose fiscal and monetary policies globally. Meanwhile, the overall oil production increase remained constrained, despite the reversal of voluntary cut in oil production by Saudi Arabia during 1Q 2021 and OPEC member countries' increasing production.

The Saudi Economy in 2021

Saudi Arabia's real GDP grew at 2.9%[3] for 2021, recording a sharp recovery from a contraction of 4.1% in 2020. This recovery was driven by the rise in Non-Oil GDP, estimated at 4.8%, while Oil GDP declined on account of a voluntary cut in production implemented by Saudi Arabia in 1Q 2021. However, a reversal of the latter coupled with further increased production under the agreement by OPEC members country in June provided a strong boost to Oil GDP during 2H 2021. Overall, Saudi Arabia's oil production is estimated to have shrunk by 1.4% to 9.1 million barrels per day in 2021, resulting in an estimated slight contraction in Oil GDP during the year.

Estimated global growth in 2021

5.8%

Saudi Arabia's real GDP growth in 2021

2.9%

1 IMF World Economic Outlook, January 2022
2 U.S. Energy Information Administration estimate
3 Saudi Ministry of Finance estimates in 2022 budget

High-frequency data indicates robust non-oil recovery momentum, which continued throughout 2021, with strong activity in the private sector. Saudi non-oil PMI shows recovery in economic activity even surpassed pre-pandemic levels in certain months, reflecting improved demand. This appears to be consequence of pent-up demand, as economic activity and mobility across sectors gradually normalised following a year of COVID-related restrictions. While subsequent COVID-19 waves and new variants continued to limit this recovery, particularly as participation in religious pilgrims for Umrah and Hajj remained constrained in 2021, private sector recovery momentum was largely sustained. This was also reflected in 9M 2021 expenditure GDP, which showed a strong recovery in private consumption up 9.7% year-on-year. Meanwhile, cement demand, also reflective of a robust consumption, reached the highest level in the last four years at 53.4 million tons in 2021, while the Industrial Manufacturing index sustained its growth during the latter half of 2021.

However, this strong pick-up in the pace of economic activity and the rally in commodities globally through 2021 led to a build-up of inflationary pressures in the economy. Although the headline inflation slightly slowed to an average of 3.1% year-on-year in 2021 from 3.4% last year, as the base effect of VAT faded away, it recorded an accelerating trend in the previous five consecutive months. Even on a month-to-month basis, inflation increased sharply with eight months of readings higher than 0.15% per month during 2021.

The country's fiscal position significantly improved during the year, thanks to rising oil prices coupled with higher oil production and continued implementation of measures to improve fiscal spending efficiency. The Kingdom's budget deficit for 2021 was estimated at SAR 85 billion[4] (USD 22.7 billion, 2.7% of GDP), the lowest deficit recorded in the last seven years, and narrowing from 11.1% of GDP at SAR 294 billion in 2020.

Saudi Arabia's Non-Oil GDP

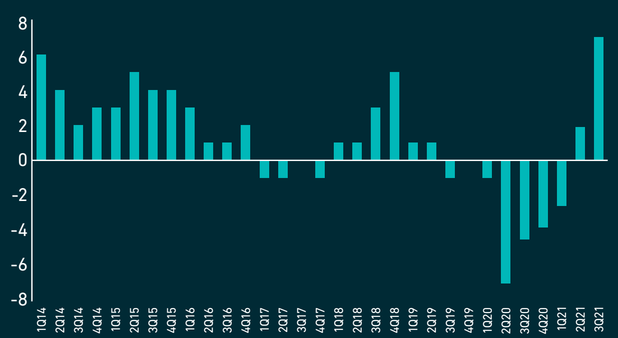
4.8%

Saudi Arabia's headline inflation average

3.1%

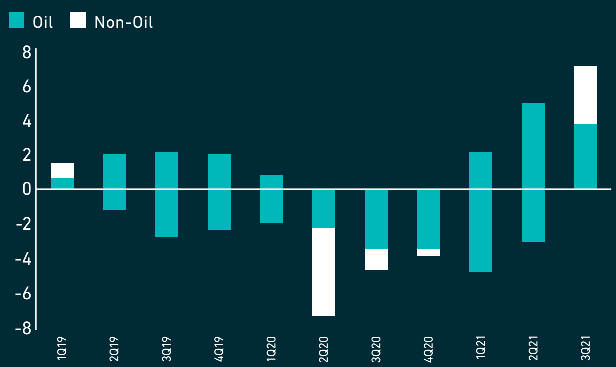
4 Saudi Ministry of Finance estimates in 2022 budget

Growth recovers sharply in Q3
Real GDP growth Y/Y



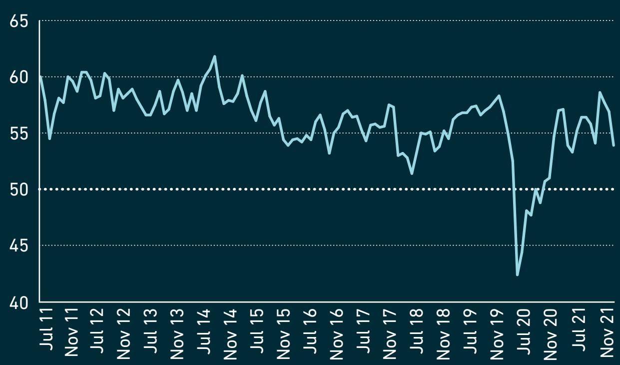
Source: GASTAT

Driven by growth in oil GDP, first time in over two years
Y/Y weighted percentage growth



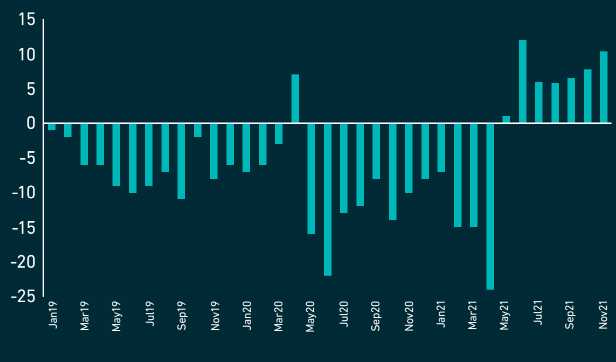
Source: GASTAT

Non-oil activity shows a sharp recovery in 2021
Markit KSA Non Oil PMI Index



Source: IHS Markit

The industrial production index recovers to a two year high
Industrial production index Y/Y % change



Source: GASTAT

Meanwhile, financial sector liquidity remained adequate, and the banking sector was well capitalised throughout the recovery in 2021. The Saudi banks' regulatory capital to risk-weighted assets and regulatory Tier-1 capital to risk-weighted assets stood at 19.9% and 18.2%, respectively, by 2021-end, slightly lower from 20.3% and 18.7% at the end of 2020. Banks' loan quality also showed no signs of stress, with the ratio of non-performing loans (NPLs) to total loans improving slightly to 1.9% in 4Q 2021, down from 2.2% in 4Q 2020. However, in this regard, SAMA did extend the deferred payment programme until 1Q 2022 to continue supporting private sector lending for SMEs impacted by the pandemic.

Ample liquidity within the Kingdom's banks and robust private sector lending growth in 2021 provided strong support to overall growth dynamics. Lending to the private sector by Saudi banks recorded strong growth of 15.4%[5] year-on-year, with the total stock of loans granted at SAR 2,034 billion (USD 542 billion) in December 2021, up from SAR 1,755 billion (USD 468 billion) in December last year. Meanwhile, total deposits increased to SAR 2,104 billion (USD 561 billion) from SAR 1,942 billion (USD 518 billion) one year earlier, thus the loan-to-deposit ratio rose to 96.7% in December 2021, up from 90.7% in same period last year.

Lastly, indicative of adequate liquidity within the banking sector, Saudi banks increased their holding of domestic bonds by 9.7% to SAR 481 billion (USD 128 billion) through to December 2021.

The Tadawul All Share Index (TASI) ended the year at 11,282 points, a 14-year high, representing a gain of 29.8% for the year. The total market capitalisation reached SAR 10,009 billion (USD 2,669 billion) as of the end of 2021, up 9.97% from year-end 2020. While TASI gained throughout the year, thanks to sustained momentum of recovering economic activity, it declined in the 4Q 2021 on rising concerns of the re-emergence of COVID-19 infections and uncertainties around global central banks tightening monetary policies. Media and Entertainment was the best performing sector, with a gain of 127.6% during the year, followed by Software & Services at 103.3%.

2022 Outlook

Global economic growth is expected to moderate to 4.4%[6] in 2022, from a robust uptick of 5.9% in 2021. The drop in growth estimates reflects disruptions from the new COVID-19 variant, earlier than expected tightening by the US FED, continued supply chain bottlenecks, and the slowdown in China's real estate. However, the IMF sees rising inflationary pressure due to supply chain disruptions and rising energy prices as a key risk to the global outlook, which could warrant a faster pace of tightening by central banks. This is in addition to risks of rising geopolitical tensions and the re-emergence of COVID-19 variants leading to a prolonged pandemic-related economic disruption.

However, unlike other economies globally, strong recovery momentum should deliver robust growth outlook for Saudi Arabia in 2022. Although forecasts for the Kingdom's real GDP growth remain slightly conservative at 4.8% (IMF) and 4.9% (World Bank), the Saudi Ministry of Finance expects growth at a much faster pace of 7.4% in 2022. This robust growth is seen to be driven by higher Oil GDP coupled with continued recovery in the non-oil economy.

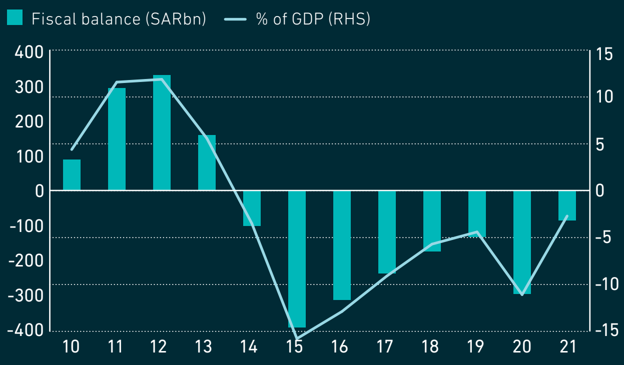
Saudi Arabia's oil production is up 10.6% year-on-year as of December 2021, with OPEC members committed to further increasing production during 1Q 2022, boosting Oil GDP from a low base in 2021. Meanwhile, non-oil sectors would benefit from improved consumer sentiment thanks to higher oil prices and continued recovery from COVID-related restrictions; social distancing measures were only lifted in 4Q 2021, and the decision to open mosques at full capacity should lead to more religious participation in 2022. Moreover, the investment backdrop is also positively geared, through increased spending by the state-owned entities, as the Saudi budget for 2022 outlines plans for investments of SAR 12.4 trillion up to 2030, led by the National Investment Strategy, the Shareek Program and the Public Investment Fund.

Regarding the budget for 2022, the government projects a surplus of SAR 90 billion (USD 24 billion, 2.5% of GDP) in 2022, driven by a mix of higher revenues and spending cuts. While tax revenues are expected to decline by 4% year-on-year, higher revenue estimates for 2022 are primarily driven by higher oil revenues as a result of increased production and higher oil prices. However, the government pressed further with the spending retrenchment by envisaging an 18% cut in development expenditure to near a 16-year low and a 4% drop in current spending. The latter is mainly driven by a 60% cut in "Grants" and a 20% decrease in the purchase of Goods and Services.

The budgeted surplus also supports a strong growth outlook, as the government plans to utilise the surplus in supporting the PIF and development funds to accelerate the implementation of key projects, in addition to bolstering government reserves with SAMA, which are projected to rise to SAR 350 billion in 2022. Meanwhile, a stable nominal public debt level of SAR 938 billion likely means an improved private investment backdrop, as new domestic debt issuance by the government is only expected to refinance maturing debts.

5 SAMA
6 IMF World Economic Outlook January 2022

Budget deficit narrowed to a seven year low
Fiscal Balance in SARbn and as % of GDP on RHS



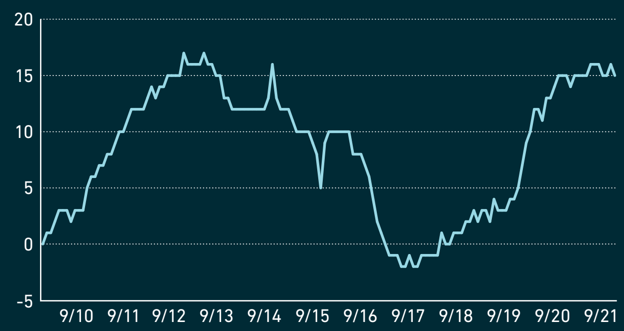
Source: GASTAT

Development expenditure cut down to a 15-year low as investment burden shifts on PIF

Development expenditure in SARmn

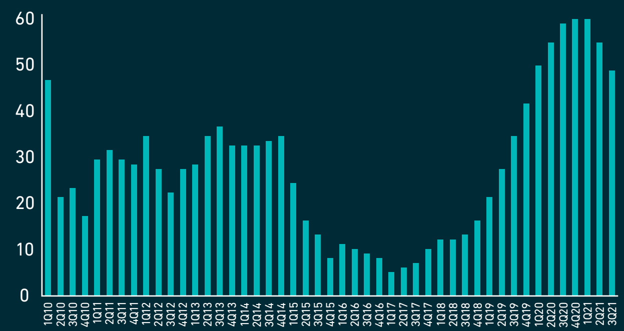
Source: GASTAT

Leading growth remains robust
Private sector lending Y/Y % change



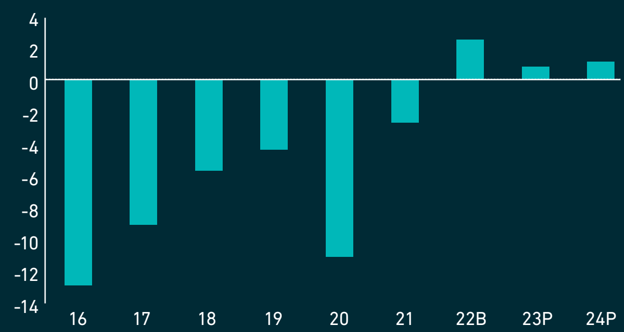
Source: SAMA

While retail estate lending had been growing at a much faster pace
Retail Real Estate loans Y/Y % change



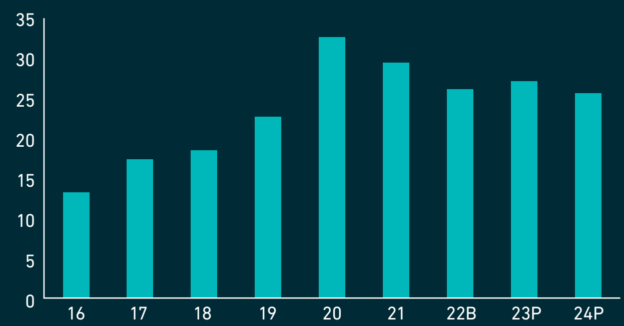
Source: SAMA

The fiscal position is expected to markedly improve
Fiscal balance as % of GDP



Source: Ministry of Finance

Which should help lower debt levels
Public debt as % of GDP



Source: Ministry of Finance

BSF recorded significant improvement in financial performance for the year, reflecting the rapid economic rebound from the challenging economic landscape resulting from the COVID-19 pandemic in 2020.

The Bank reported 123% year-on-year growth in net income to SAR 3,450 million for 2021, as provisions normalised. Growth was further aided by operating income growth of 2% year-on-year to SAR 7,188 million, on 3% growth in interest income and a 1% improvement in non-interest income.

Total assets amounted to SAR 215.8 billion as of 31 December 2021, an increase of 11% from the end of the previous year, principally due to lending growth and higher investments. Total customers' deposits increased by 12% across both interest-bearing and non-interest-bearing deposits.

Income Statement Highlights

SAR (MN)	2021	2020	Δ%
Net interest income	**5,373**	5,240	+3%
Non-interest income	**1,814**	1,804	+1%
Operating income	**7,188**	7,045	+2%
Operating expenses	**(2,447)**	(2,364)	+4%
Impairment charge	**(904)**	(2,670)	-66%
Total operating expenses	**3,350**	5,034	-33%
Net income before zakat & income tax	**3,837**	2,010	+91%
Zakat & income tax charge	**(388)**	(464)	-16%
Net income after zakat & income tax	**3,450**	1,546	+123%

NIM	**2.85%**	2.97%	-15bps
Cost to income ratio	**34.0%**	33.6%	+0.5ppts
Cost of risk	**0.71%**	2.07%	-136bps
EPS	**2.70**	1.24	+118%
ROAE	**8.8%**	4.5%	+433bps
ROAA	**1.66%**	0.80%	+87bps

Net income after zakat and income tax for 2021 improved 123% year-on-year to SAR 3,450 million, from 2% growth in operating income and a 66% reduction in the impairment charge. This was partly offset by increased operating expenses.

Total operating income grew 2% year-on-year to reach SAR 7,188 million for 2021. Net interest income grew 3% to SAR 5,373 million from 8% year-on-year growth in average earning assets, partly offset by a moderate margin contraction of 15 basis points, to 2.85%. This margin compression resulted from lower asset yields from the lower rate environment and increased competition, partly offset by improved funding costs. Non-interest income grew 1% to SAR 1,814 million, with higher capital markets and lending income partly offset by lower exchange income and a one-off other operating income during 2020.

Operating expenses increased by 4% year-on-year to SAR 2,447 million for 2021, due to an increase in the VAT rate in Saudi Arabia to 15% from 5%. However, this only resulted in a modest increase in the cost-income ratio of 0.4 percentage points year-on-year to 34% for 2021. This cost discipline is a strong positive sign, as the Bank and the Kingdom emerged from COVID-19.

The most meaningful impact on results was the decline in BSF's impairment charge to SAR 904 million for 2021, compared with SAR 2,670 million in 2020. This 66% reduction was driven by credit quality normalisation, following elevated impairment charges during 2020 related to COVID-19 and improvements made to the provision coverage of non-performing loans.

The Board of Directors is confident that this realignment of the Bank's credit profile is measured and reflective of the new operating environment in the Kingdom. Consequently, the Bank proposed a final dividend for the year of SAR 1.0 billion, which, together with the interim dividend already paid, takes the dividend for 2021 to SAR 1.8 billion. This represents a dividend per share of SAR 1.50 at a 52% payout ratio of earnings.

Balance Sheet Highlights

SAR (MN)	2021	2020	Δ%
Cash & SAMA balances	**9,795**	10,548	-7%
Due from banks	**5,324**	4,027	+32%
Investments	**43,858**	37,679	+16%
Loans & advances	**147,813**	130,565	+13%
Other assets	**9,012**	11,255	-20%
Total assets	**215,802**	194,074	+11%
Due to banks	**23,854**	16,792	+42%
Customers' deposits	**141,950**	127,112	+12%
Other liabilities	**10,312**	11,534	-11%
Total liabilities	**176,116**	155,438	+13%
Share capital	**12,054**	12,054	+0%
Statutory & General reserve	**13,036**	13,036	+0%
Retained earnings	**8,399**	7,433	+13%
Other	**1,197**	1,113	+8%
Equity attributable to shareholders	**34,686**	33,636	+3%
Tier 1 Sukuk	**5,000**	5,000	+0%
Total equity	**39,686**	38,636	+3%
NPL Ratio	**2.53%**	2.78%	-26bps
NPL Coverage Ratio	**122.7%**	124.6%	-1.9ppts
T1 Ratio	**19.94%**	20.56%	-62bps
CAR	**21.09%**	21.57%	-48bps
LCR	**179%**	199%	-20.1ppts
Leverage ratio	**15.9%**	16.5%	-64bps
NSFR	**118%**	122%	-4.0ppts
LTD SAMA regulatory ratio	**86.9%**	82.3%	+4.6ppts

The more favourable market conditions of 2021, taken against the highly stressed conditions of 2020, meant that total assets as of 31 December 2021 amounted to SAR 215,802 million, an increase of 11% from 31 December 2020. Loans and advances rose 13% year-on-year to SAR 147,813 million, predominantly driven by 19% growth in consumer lending, aided by 28% mortgage growth and 12% commercial lending growth during the period. Strong growth of 16% in investments further contributed to balance sheet expansion.

The total capital adequacy ratio stood at 21.09% and the Tier 1 ratio at 19.94% as of 31 December 2021; this is broadly stable relative to the previous year-end, and comfortably above regulatory minimum requirement.

Customers' deposits increased by 12% during 2021 to SAR 141,950 million. Growth was registered in both non-interest-bearing deposits and interest-bearing deposits of 11% and 14%, respectively. Deposit growth closely matched the strong lending growth during the year, which maintained the SAMA regulatory loan to deposit ratio at a comfortable level of 86.9%. The Bank's strong liquidity position was further evidenced by a healthy liquidity coverage ratio of 179% and net stable funding ratio at 118%.

The non-performing loans ratio was 2.53% as of 31 December 2021, a 26-basis-point moderation during the year, resulting from lower non-performing loan formation in the commercial book and from lending growth. Following a significant improvement in the provision coverage of non-performing loans during 2020, this was relatively stable during 2021 at 122.7%.

Operating Segments Highlights

Retail

SAR (MN)	2021	2020	Δ%
Net interest income	**1,582**	1,562	+1%
Non-interest income	**341**	249	+37%
Operating income	**1,923**	1,811	+6%
Operating expenses	**(1,302)**	(1,202)	+8%
Impairment charge	**(92)**	(271)	-66%
Net income before zakat & income tax	**529**	337	+57%
Cost to Income ratio	**67.7%**	66.4%	+0.2%
Total assets	**34,195**	29,086	+18%
Retail loans	**33,005**	27,915	+18%
Total liabilities	**81,536**	74,967	+9%
Retail deposits	**80,467**	74,389	+8%

Retail continued to see the benefits of the Bank's strategic focus on growing the segment. Retail net income before zakat and income tax for 2021 grew 57% year-on-year to SAR 529 million, due to 6% growth in operating income to SAR 1,923 million and a lower impairment charge. Total retail assets rose by 18% during 2021 to SAR 34,195 million from 18% growth in retail lending. Total liabilities increased by 9% to SAR 81,536 million, mainly from 8% growth in customers' deposits.

Operating Segments Highlights

Corporate

SAR (MN)	2021	2020	Δ%
Net interest income	**2,375**	2,273	+4%
Non-interest income	**571**	653	-13%
Operating income	**2,946**	2,926	+1%
Operating expenses	**(675)**	(634)	+7%
Impairment charge	**(810)**	(2,397)	-66%
Net income before zakat & income tax	**1,462**	(104)	-1503%
Cost to Income ratio	**22.9%**	21.7%	+6.5%
Total assets	**114,226**	102,507	+11%
Corporate loans (including SFC)	**114,808**	102,650	+12%
Total liabilities	**62,773**	54,368	+15%
Corporate deposits	**61,483**	52,723	+17%

Corporate, which comprises more than 75% of the Bank's loan book, reported a solid performance in 2021 with SAR 1,566 million growth year-on-year in net income before zakat and income tax to SAR 1,462 million. This resulted from a 66% decline in impairment charges on stable operating income of SAR 2,946 million. Total assets for the corporate segment grew 11% in 2021 to SAR 114,226 million from a 12% increase in loans and advances. Corporate liabilities increased by 15% year-on-year from 17% deposits growth.

Operating Segments Highlights

Treasury

SAR (MN)	2021	2020	Δ%
Net interest income	**1,337**	1,356	-1%
Non-interest income	**522**	590	-11%
Operating income	**1,859**	1,946	-4%
Operating expenses	**(269)**	(305)	-12%
Impairment charge	**(2)**	3	-155%
Net income before zakat & income tax	**1,588**	1,644	-3%
Cost to Income ratio	**14.4%**	15.7%	-9.2%
Total assets	**65,296**	61,050	+7%
Investments	**43,858**	37,679	+16%
Total liabilities	**29,663**	24,681	+20%

Treasury reported a 3% year-on-year decline in net income before zakat and income tax to SAR 1,588 million for 2021. Operating income dropped by 4% year-on-year to SAR 1,859 million on lower net fee and other income, and due to one-off income in the prior year. Treasury assets and liabilities rose by 7% and 20%, respectively, during 2021.

Operating Segments Highlights

Investment Banking and Brokerage

SAR (MN)	2021	2020	Δ%
Net interest income	**79**	49	+60%
Non-interest income	**380**	312	+22%
Operating income	**459**	362	+27%
Operating expenses	**(201)**	(223)	-10%
Impairment charge	**(0)**	(5)	-98%
Net income before zakat & income tax	**258**	133	+94%
Cost to Income ratio	**43.8%**	61.7%	-11.7%
Total assets	**2,084**	1,431	+46%
Total liabilities	**2,145**	1,422	+51%
Assets Under Management (AUM)	**18,423**	10,935	+68%
Brokerage value	**246,685**	203,341	+21%

The Investment Banking and Brokerage segment registered a 94% year-on-year increase in net income before zakat and income tax to SAR 258 million for 2021, due to improved brokerage and asset management fees driving 27% total operating income growth year-on-year. This income growth, in turn, was driven by a 68% increase in assets under management and a 21% rise in brokerage values traded, partly reflective of favourable capital markets conditions.

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'

Global Markets Group

Personal Group

Private

Retail

Subsidiaries

Saudi Fransi Capital

Saudi Fransi For Finance and Leasing

Allianz Saudi Fransi

OUR SUPPORT TEAM

Finance

HR

Legal

Risk

Internal Audit

Compliance

Operations, IT, Premises and Procurement

Strategy and Digital, Customer Experience, Change and Marketing

OUR OUTPUTS

Economy
Operating Profit

2021 4,741

2020 4,681

People
Employee Net Promoter Score

2021 23

2020 23

Customers
Net Promoter Score

2021 65.9%

2020 64.9%

Investors
Total Shareholder Return

2021 53.9%

2020 -13.8%

OUR STRATEGY

Solidify our leadership position in Corporate Banking

Scale up in Retail Banking

Optimise our leading position in Private Banking

Reinforce our continued growth of Global Markets

Our enablers

Modernise our Technology & IT platforms

Boost digitalisation

Lead in customer experience

Improve organisational effectiveness

Brand

Nurture a positive environment and culture for our people

Harmonise risk with our business aspiration

Ensure successful delivery of our strategy

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 a client-centred strategy that was developed to ensure strong, sustainable and balanced financial performance, underpinned by a commitment to putting customers at the heart of everything the Bank does. In 2021, driven primarily by the unprecedented developments in the macroeconomic environment, the Bank underwent a comprehensive strategy re-assessment. This led to the realignment of the strategic goals and extension of the planning horizon from 2023 to 2025.

STRATEGIC RE-ASSESSMENT

Throughout this year, BSF maintained its unwavering focus on delivering the Bank's five-year strategy for 2023, which was launched in early 2019 and re-assessed during 2021.

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)
- COVID-19 macroeconomic impact and monetary policy in the short to medium term
- An analysis of Global banking trends and potential opportunities (i.e. digital, new business models, FinTech developments)

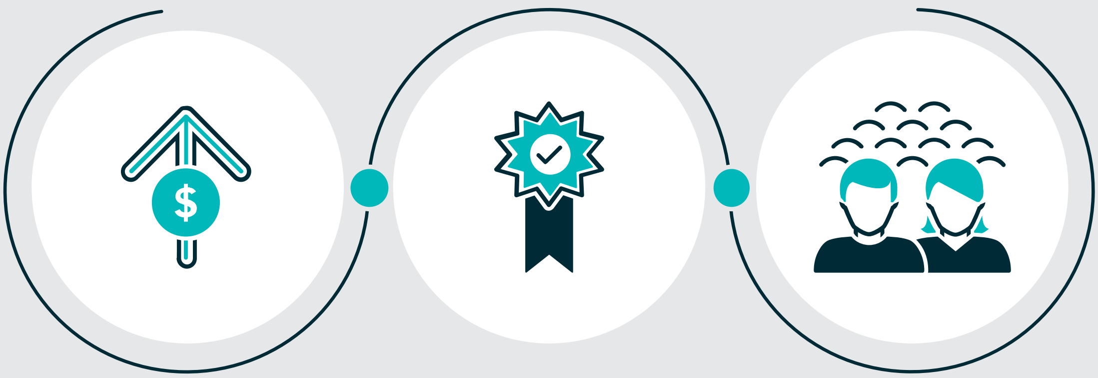
OUR AMBITION

The 'LEAP' programme 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:

Based on Board interviews and Board Strategy Committee



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

KPIs

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

DRIVER #1 – SHAREHOLDER DARLING

KPI #1
Total shareholder return (TSR)
53.9%

KPI #2
Return on average equity (ROAE)
9.8%

DRIVER #2 – RESILIENCE

KPI #3
Basic earnings per share (EPS)
SAR 2.70

KPI #4
Dividend per share (DPS)
SAR 1.49

DRIVER #3 – EFFICIENCY

KPI #5
Cost-to-income Ratio (CIR)
33.6%

DRIVER #4 – BEST CX

KPI #6
Net Promoter Score (NPS)
+1%

DRIVER #5 – BEST PLACE TO WORK

KPI #7
Employee Net Promoter Score (ENPS)
+0%

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 capitalise on emerging high-value sectors and prioritising 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 maximising 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

Capitalise 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 organisational structure will increase synergies between Retail and Private banking. This includes initiatives to improve client segmentation across both businesses and better utilising the branch network to provide more personalised 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, personalisation, digital capabilities, people skills, and finalise its technology transformation.

New Ventures

Future-proof the business and support the digital transformation of the Bank by establishing new ventures and developing leading in-house digital capabilities.

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.

SAUDI VISION 2030

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

Additionally, as part of the continuous improvement efforts, the Bank implemented several organisational changes to enhance operational synergies and better equip business lines and support functions to provide the possible best services. These include:

1. **Transferring Private Banking Division to within the Retail Banking Group**
2. **Renaming the Retail Banking Group to Personal Banking Group**
3. **Renaming of the Institutional Banking Group to Wholesale Banking Group**
4. **Creating the Business Management Division under the Wholesale Banking Group**
5. **Redistributing the Front Office Support function between Corporate Banking and Business Management Divisions**
6. **Moving Financial Institutions from Global Transaction Solutions to Corporate Banking Group**
7. **Creating an Advisory Division, reporting directly to the Chief Audit Executive**
8. **Creating a Demand Management Division under the Chief Operating Officer**
9. **Centralising the Customer Experience Unit under the Strategy & Digital Group**

This strategy will result in a more resilient bank in the face of future challenges, and cement BSF's 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 talented people, and supported by a strong and committed Board of Directors.

Banque Saudi Fransi delivered a strong operational performance across the Group during an award-winning year, overcoming continued market disruptions and volatility to drive strategic progress, accelerate its digital transformation, and continue to provide innovative products and exceptional service to customers across Wholesale, Retail, Global Markets and its subsidiaries.

About Wholesale Banking Group

BSF's Wholesale Banking Group serves a large and loyal base of public sector organisations, corporates and MSMEs by providing a diverse range of leading banking and investment solutions through an approach tailored to each client's individual needs.

Strategic Highlights 2021

Growth of CBG's Asset Book

+11%

Increase in Cross-sell Across the Bank

+22%

Rise in POS Terminals

+79%

Financial Highlights 2021

Net Income (SAR)

1,462m

Operating Income (SAR)

2,946m

Corporate loans (SAR)

114,808m

Corporate Deposits (SAR)

61,483m

WHOLESALE BANKING GROUP

With a new strategy and structure, the Wholesale Banking Group drove significant growth across its Divisions in 2021. A focus on cross-selling, digitisation and MSMEs, along with the development of a wide range of new products and the award-winning financing of significant projects, helped to solidify BSF as a corporate banking heavyweight.

BSF's Wholesale Banking Group (WBG), formerly the Institutional Banking Group, is one of the largest providers of corporate banking services in the Kingdom, with a commanding market share ranked in the top five on all key volume and profitability matrices. WBG coverage consists of large local and international corporate, government and public sector entities, financial and non-banking financial entities, as well as Medium, Small and Micro Entities (MSMEs).

In 2021, WBG launched a bold new strategy designed to:

- Rebalance its portfolio to focus on low-risk, higher revenue sectors with strong growth and low to flat NPLs.
- Leverage its industry-leading Advisory capabilities.
- Empower relationship managers with digital capabilities to create enterprise value and interact more efficiently with customers.
- Enhance product/solution offerings to increase its agility in meeting and exceeding customer expectations and generating more fee income.
- Invest in efficient and agile infrastructure, platforms, innovation and data capabilities, in order to support growth and adapt to industry and regulatory changes.

Overall, 2021 was a successful year for the Group, with close to 8,700 client visits and a number of large transactions, such as SAR 27.7 billion financing for the Jazan Integrated Gas and Power Company and SAR 14.12 billion financing for The Red Sea Company.

The Group also helped BSF to win several prestigious awards, including 'Best Trade Bank in KSA' from The Asian Banker Survey, Euro Operational Excellence' from JP Morgan and the 'Operational Excellence Award' from Wells Fargo.

In addition to renaming the Group, this year WBG launched a new structure that better aligns with the BSF's Bank-wide strategy, in order to increase its relentless focus on enhancing sustainable customer offerings to meet evolving needs. The below table indicate the new WBG structure and the scope of each Division.

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 Agency Management
- Structured & Project Finance
- Debt Advisory

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

Business Management Division
- Business Performance, Market Analytics
- Budgeting and Strategy
- Business Development
- Business Governance

Islamic Banking Group
- Shariah Affairs/Secretary Unit
- Research and Development Unit
- Admin, Reporting and MIS Unit

WHOLESALE BANKING GROUP CONTINUED

Corporate Banking Group

The Corporate Banking Group (CBG) was a significant contributor to BSF's profitability in 2021, with corporate loans comprising 82% 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 dramatic growth and profitability for the CBG.

At the end of 2021, BSF Wholesale Banking had more than 3,400 corporate customers, with 1,600 of them holding active loans. CBG's net income before zakat and income tax was SAR 1.46 billion on operating income of SAR 2.95 billion, an outstanding rebound after posting a loss of SAR 104.17 million in 2020.

Overall, a 103% decrease in impairments during the year drove greater profitability in the corporate segment. This reduction was driven by credit quality normalisation following elevated impairment charges during 2020 related to COVID-19 and improvements made to the provision coverage of non-performing loans.

Total assets of the corporate banking segment amounted to SAR 114.23 billion in 2021, an 11% increase compared to SAR 102.51 billion in 2020. Net loans and advances to BSF's corporate customers totalled SAR 114.81 billion at the end of 2021, up 12% from SAR 102.65 billion in 2020. Customers' deposits attributable to the corporate banking segment amounted to SAR 61.48 billion in 2021, a 17% increase from SAR 52.72 billion in 2020.

With technology and customer experience increasingly shaping CBG's day-to-day engagement with its clients, the Group continued to innovate to support their changing needs. Customer experience ranked high within the CBG in 2021, with an average Net Promoter Score (NPS) for the year of 63.7%, up from 54.6% in 2020.

Furthermore, the Group engaged with the Risk Management Group on the Corporate Credit Transformation (CCT) initiative to streamline the credit approval process, reimagined the Corporate Banking digital offering through investing in the new Integrated Corporate Portal (ICP) and customised Microsoft Dynamics' CRM as the unified tool facilitating client discussions on offers, products and pricing for relationship managers.

MSME Expansion

Large corporates with annual sales in excess of SAR 200 million continue to comprise the bulk of CBG's customer base. The Group has around 1,500 large corporate customers, who are supported by the Bank's market-leading solutions and services, including debt financing, trade finance, project finance, syndicated finance and real estate finance.

In order to provide greater balance and reach a wider spectrum of organisations across the Kingdom, CBG has made it a strategic priority to expand the scale and scope of its Micro, Small and Medium Enterprises (MSMEs) business, comprising companies with annual sales of SAR 200 million or below. During 2021, significant steps were taken to engage and attract companies in this critical segment.

This strategy included offering packaged, programme-based lending products tailored to MSMEs, as well as working closely with the Saudi Industrial Development Fund's Kafalah Programme, the General Authority for Small and Medium Enterprises (Monsha'at), and the Saudi Central Bank's SAMA Support Programmes.

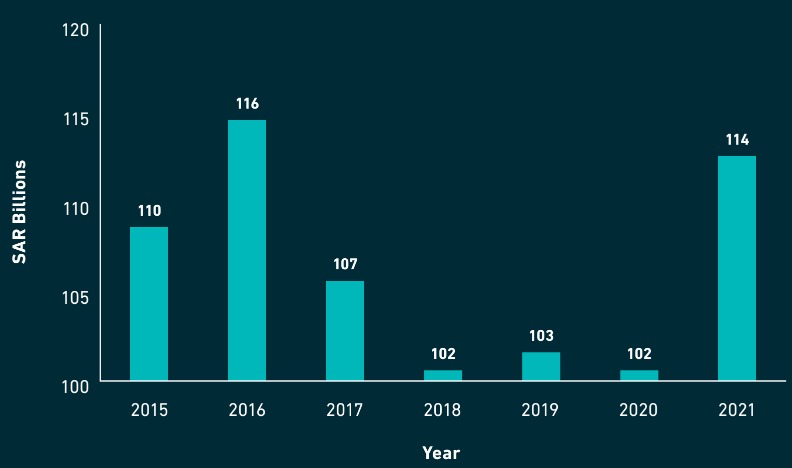
Corporate customers

3,400

Net income before zakat and income tax

SAR 2.95bn

CBG TOTAL ASSETS



As of the end of 2021, BSF served more than 40,000 MSMEs, with loans and advances totalling SAR 15.3 billion and deposits reaching SAR 14.6 billion.

Innovation and Cross-Selling

BSF is committed to constantly innovating and upgrading its range of products and services across different business lines. The Bank's priority is to ensure its customers have access to the industry-leading products and service efficiency, by applying the latest knowledge and technologies.

In addition, through its commercial action plan, the Bank aims to make its offerings available to the widest possible cross section of customers, through coordinated and integrated cross-selling. This generates increased revenues while increasing customer satisfaction and engagement with various divisions of the Bank.

The CBG supports the sale of Retail Banking products using the Bank's Corporate Banking relationships as a platform to distribute products to staff of Corporate Banking customers. The Bank also leverages its Treasury segment's expertise in derivatives products to expand its range of products, risk advisory solutions and pursue cross-selling activities through business lines and subsidiaries.

During 2021, cross-selling across the Bank increased by 22% to reach SAR 708 million.

Financial Institutions

In 2021, CBG's Financial Institutions (FI) Department achieved an impressive growth of 30% in trade finance volume, as well as a growth of 54% in average NCBDs. In the future, the Department plans to enhance its operating model and expand its scope of activity to become more active in Cash Management, Trade Finance and Loan Market.

Government Institutions

The CBG's Government Institutions Department (GID) was restructured in 2021, with a new operating model. The revised model expanded the role of GID to focus more on cross-selling and referrals to other business lines. The result was a growth of 32% in revenue and an outstanding 560% growth in shadow revenue due to cross-selling.

Additionally, as part of the Vision Realisation Programme (VRP), GID launched guarantee programmes with two separate government entities, and signed agreements with another five government entities. Going forward, GID will continue to activate government programmes and look to expand its offerings to include credit facilities.

In addition to general banking services, BSF participates in joint lending programmes with Saudi Government funds and agencies, including the Kafala Programme with the Saudi Industrial Development Fund, the Agricultural Development Fund, the Tourism Development Fund, the Cultural Development Fund, as well as the 'MinFin Programme' with the Ministry of Finance, SAMA and other banks in the Kingdom.

Operating income

SAR 2.95bn

Total assets

SAR 114.23bn

CBG CROSS-SELLING

WHOLESALE BANKING GROUP CONTINUED

Project & Structured Finance Division

A leader in project and structured finance in the Kingdom, having participated in over SAR 100 billion in project finance debt facilities to date, BSF offers a wide range of related services, including debt financial advisory, project and infrastructure finance, acquisition and leverage finance, real estate, corporate finance and syndicated loan agency management.

With a market-leading reputation and track record, BSF has participated as arranger or co-arranger in virtually every major syndicated lending transaction in the Kingdom in the past decade, and is also active on the regional and international syndicated lending market.

At the end of 2021, total outstanding transactions exceeded SAR 28 billion, while Operating Income for the Division for the year was SAR 496 million.

During 2021, BSF arranged and participated in deals with an aggregate value of more than SAR 9 billion across a number of different sectors, including infrastructure, real estate, tourism, power, water and mining. These deals included debt refinancing deals for, amongst others, Red Sea Gateway Terminal Company, a Ma'aden subsidiary, and telecommunications player, Zain KSA.

In 2022, the Bank will focus on continuing to play its part in the build out of the Saudi infrastructure and towards the growth and development of the Saudi economy in line with Vision 2030, in advising, structuring, arranging and lending roles. Moreover, BSF is focused on and has redoubled its efforts in supporting ESG-compliant green financing in the Kingdom.

Operating income

SAR 496m

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

SAR 9bn

Middle East Awards – 2021 Winners

- Maaden Waad AlShemal Phosphate Company (MWSPC) refinancing – by Bonds, Loans & Sukuk Awards Middle East.
- Zain KSA refinancing – by Bonds, Loans & Sukuk Awards Middle East.
- Red Sea Gateway Terminal Company refinancing – by Bonds, Loans & Sukuk Awards Middle East.

Global Transactions Solutions

Global Transaction Solutions (GTS) provides the Bank's customers with Transaction Banking and Trade Finance & Supply Chain financing solutions, differentiated by robust Customer service and customized solutions, through its Liquidity & Cash Management (LCM) and Trade & Supply Chain (TSC) departments.

GTS Division went through a strategic re-org exercise in 2021 positioning itself to pursue an aggressive growth strategy. As a part of the re-org, GTS welcomed a new leadership team – Head of GTS, Head of LCM and Head of TSC and added a few key recruits across different disciplines setting it up well for the future.

LCM Department witnessed significant growth in transactions in 2021 across its product portfolio – PoS portfolio of the Bank grew by 79% in 2021 to ~76,000 terminals outpacing the market which grew by 40.5%, transactions over digital channels grew by 83% YoY. LCM launched SoftPoS solution in 2021, an App that converts the merchant's Android Smartphone into a PoS terminal capable of accepting contactless payments, to support MSMEs and Retail businesses.

TSC Department had a strong 2021, improving its market share in the LC Issuance business to 16.1% in 2021 compared to 15.3% in 2020. Overall, the Bank retained its market position (4th) in terms of contingent assets with a market share of 13%. Based on its overall performance and client feedback, TSC was recognized as the "Best Trade Finance Bank in Saudi Arabia" by The Asian Banker and Global Business Outlook for 2021.

GTS launched the ambitious Integrated Corporate Portal ICP) Program in 2021 slated for delivery in 2023. Combined with the implementation of the state-of-the-art Core Banking System, the ICP Program will bring to the Bank's customers a world class service delivered completely digitally.

Islamic Banking Division

WBG's Islamic Banking Division (IBD) enjoyed another year of progress in 2021. Significant achievements took place in the areas of product development, in cooperation with other BSF Divisions and Departments. At the same time, IBD ensured Shariah compliance across relevant products and services, while supporting the Bank's Muslim clientele. In 2021, the Division posted an operating income (after operating expenses) of SAR 2,700 million, an improvement of 0.03% from SAR 2,699 million in 2020.

Following the direction of the Shariah Governance Framework, a new organisational structure for IBD was proposed. This involves segregating the tasks of Business and Operations, in order to prevent any contradiction of responsibilities or conflicts of interests.

A number of Shariah banking products were launched or developed during the year, including two new Auto Lease products, three new funds with Saudi Fransi Capital (Data Centre Fund, Sukuk Fund, Equity Fund) and six new products with the RBG (Buy Now Pay Later Murabaha Agreement, Self-Construction Agreement, Islamic Development Bank & JANA Rewards Programme (Adhahi), Multi-Currency Low-Limit Credit Card, Corporate Credit Card, BSF Lifestyle Islamic Credit Card). The Division is also working with Group Strategy to develop a digital mobile app to help Retail Banking clients increase their savings and improve financial awareness.

As well, IBD held four successful Shariah Committee meetings and organised an external shariah audit visit, working within the travel restrictions due to COVID-19. Furthermore, IBD worked with the BSF Training Academy and HR to provide continuous education and training programmes to key internal stakeholders, including the Board, the Shariah Committee and employees involved with Shariah finance matters. This is to ensure that all Departments/units associated with the Shariah governance framework of the Bank are sufficiently exposed to current developments in Shariah finance.

In 2022, IBD will focus primarily on monitoring and controlling the application of the Shariah Governance Framework by BLs, as well as fulfilling Saudi Central Bank requirements. It will also continue to qualify a second batch of new Shariah Committee Members through the 'Al Qudwa Al Hasna' programme, after the success of the first batch. Further, the Division will work to increase BSF employee and client awareness about Islamic Banking and products.

Wholesale Banking Group in 2022

The wholesale Banking Group aspires to deliver the NextGen Corporate bank by:

1. Optimize talent and resource allocation
2. Healthy loan book growth & fee income enhancement
3. Continue to grow in line with the market trends
4. Identify the megaprojects value chain & capitalize on the opportunities
5. Digitize and deliver an improved customer experience

PERSONAL BANKING GROUP

As the banking sector returned to a sense of normalcy in the middle of the COVID-19 pandemic, BSF's Retail Banking Group (RBG) adapted to the complexities of the new normal. Despite a saturated and competitive retail market, RBG experienced double-digit growth in income, largely because of its aggressive sales strategy.

Net Income (SAR)

412.6m

Retail Banking

The Retail Banking Group's (RBG) net income before zakat and income tax for 2021 grew 57% year-on-year to SAR 529 million, due to a 6% growth in operating income to SAR 1.92 billion and lower impairment charges. The Group's operating revenue improved largely because of balance sheet growth, increases in card interchange fees, expansion of digital and branch services, and better forex profits.

Overall, RBG captured 100,424 new customers, a 26% increase from 2020. The Group also moved closer to its strategic objective of becoming number one in Net Promoter Scores (NPS) in the Kingdom. For the Group as a whole, NPS was 65.9%, up 1% from 2020. The NPS for branches increased to 77.3% in 2021, a 5.6% jump from the previous year. Direct Sales achieved an NPS of 70.5%, up from 67.6% in 2020. As well, the Priority Segment's NPS was 35.6% in 2021, down slightly from 36.2% the previous year.

NPS

	2021
Branch	77.3%
Direct Sales	70.5%

Double-Digit Growth in Consumer Assets

The retail assets market was highly competitive and oversaturated in 2021, with price wars dominated by large banks, making it difficult for other banks to compete head on. Thus, RBG focused on attracting customers from other banks through salary transfers and loan buyouts. This strategy paid off in 2021 with an 18% growth in retail lending to SAR 33 billion.

Total liabilities increased by 9% to SAR 81.54 billion, due largely to an 8% growth in customers' deposits. Personal loans sales grew 11.8% to reach the SAR 5 billion mark in 2021. Further, new credit cardholders shot up 61.1% amid an aggressive environment focused on fee waivers, supported by the launch of more than seven new products to further complete BSF's credit card offerings.

Home loans portfolio experienced 27.9% growth, cementing its position as the largest contributor to consumer assets. Sales on home loans contracted 13%, however, due to Real Estate Development Fund issues in Q2, coupled with challenges in new loan origination system implemented towards end of the year.

Continuing the NCBD Uptrend

RBG reached SAR 42.3 billion of NCBDs in 2021, achieving 7.5% growth from SAR 39.3 billion in 2020, at the same time outperforming the market trend for growth of 4.9%. This increase in deposits is attributed to the acquisition of more than 5,600 new clients in the affluent segment, a 74% increase over 2020, as well as the improvement of segment allocation which allowed for the upgrade of approximately 8,000 clients from lower-tier segments.

Enhancing Digital Channels

As the COVID-19 pandemic accelerated the consumer adoption of digital transactions, RBG focused on improving its digital platforms by adding new features and streamlining customer journeys. This included creating shortcuts on the mobile app to frequently used services, as well as reducing screen navigation and required user clicks.

The Group also launched on-the-spot delivery of "My Currencies" and "My Space" prepaid cards, issuing them instantly on its mobile and internet banking platforms. Further, the Bank integrated an Instant Payment System into its digital channels to allow customers to send transfers promptly across local banks 24/7. Overall, the share of digital transactions remained steady in 2021 at 91%, while digital penetration increased from 69% in 2020 to 74% in 2021.

New JANA Loyalty Programme Partnerships

To boost interaction and build more value with its JANA loyalty programme, RBG partnered with popular travel and hospitality reward programmes Emirates Skywards, IHG and Marriott Bonvoy to further expand member redemption options and extend brand visibility.

The Group also rebuilt the user interface and customer journey on the JANA website to enhance customer experience in the platform. At the end of 2021, BSF had 323,895 JANA members, a 26.4% increase from 2020.

Optimising Customer Touchpoints
With the aim of improving network cost efficiency, RBG merged two branches in the Western Region with nearby branches, without affecting the quality of customer service. The Bank also reduced the number of female sections from five to two, as it combined branch activities and centralised operations. Further, it reduced ATM locations from 472 to 466, helping to reduce costs.

At the same time, RBG took steps to improve customer touchpoints by providing more self-service options to minimise the need to visit branches. This included the installation of 75 self-serve machines across the Kingdom, which offer services such as printing detailed account statements, or replacing, renewing or issuing new Mada cards.

2022 Focus
In 2022, RBG will aggressively pursue greater market share by expanding product offerings, improving customer journeys and targeting untapped segments such as working women, university students and young families.

Initiatives in the works include a buy-now-pay-later product, preparing the mortgage business for anticipated high demand of off-plan properties, promoting non-salary transfers, the launch and scale of digital remittances, as well as the launch of a number of new credit cards, including corporate cards.

The Group will leverage advanced analytics to obtain deeper customer insights and support growing customer value. Operationally, it will aim to further enhance sales productivity in both branch and direct sales by optimising human capital.

Private Banking

In 2021, BSF integrated its Private Banking Group (PBG) with the RBG to create the Personal Banking Group, as part of the Bank's continuous measures to improve operational effectiveness and customer experience. It was an outstanding year for the PBG, with the Group surpassing its Net Income budget by 16.9%, or SAR 35.1 million. Total Operating Income was SAR 252.7 million, an increase of 22.9% from 2020.

NCBDs jumped by 26.4%,from SAR 15.1 billion to SAR 19.1 billion. Due to low interest rates, the Group focused heavily on loans, increasing their volume by 17.6%, from SAR 5.2 billion to SAR 6.1 billion. Moreover, a large amount of term deposits was diverted to Saudi Fransi Capital (SFC) products, while total closed deals was SAR 3.8 billion DPM (Discretionary Portfolio Management) and SAR 920 million of Third Party and Private Equity products.

In terms of customer experience, the PBG achieved 81.3% satisfaction, the highest score of all business lines for the Bank, and one of the highest in the private banking sector across the Kingdom.

2022 Focus
In 2022, the PBG will focus on a number of strategic pillars to enhance its value proposition and customer retention. This includes developing unique investment offerings and enhancing relationship management and sales effectiveness through digital solutions. As well the Group will enhance service to affluent customers, with the aim of extending their portfolios to grow revenue.

About Personal Banking Group

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

Strategic Highlights 2021

Increase in New RBG Customers
26%

Loyalty Programme Customers
323k+

Increase in RBG Digital Penetration
+5%

Financial Highlights 2021

Net Income (SAR)
412.6m

Operating Income (SAR)
509.3m

Revenues (SAR)
1,766.8m

Loans (SAR)
30.8bn

Deposits (SAR)
80.4bn

GLOBAL MARKETS GROUP

Global Markets Group continued to create value for BSF and its customers, contributing a significant share of the Bank's Net Income for the year while accelerating digitalisation and product diversification. Strong financial management and customer service helped the Group to flourish despite interest rate volatility and broader market challenges.

Loan growth

13%

Investment growth

16%

In 2021, Global Markets Group delivered a strong performance, largely derived through successful optimisation of its balance sheet, containing and monitoring funding costs by improving the deposit mix, and diversifying sources of funding. The group also continued to support the banks client base by providing bespoke hedging solutions

Despite a loan growth of 13% and an investment growth of 16%, funding costs have continued to trend lower. This has been supported by 11% growth in NIB deposits and broader access to wholesale funding.

The Global Markets Group's significant contribution to the Bank's bottom line was supported by its investment book reforms and the unique position it holds in the local derivatives market. This helped the Bank to continue to support its client base, despite volatile interest rates and a challenging business environment.

Overall, the change in macroeconomic conditions increased customers' appetite to hedge their commodity, interest rate and foreign exchange exposures. Rate volatility and expectations of tighter monetary policy helped to significantly increase linear and non-linear derivative sales.

The Group emerged stronger from the challenges of the COVID-19 pandemic, which expedited its efforts to digitise and improve its online banking infrastructure. On the digital front, the new Refinitiv Electronic Foreign Exchange Trading (ET) Platform for Corporate Banking customers was launched, allowing the booking of FX transactions using FransiGlobal.

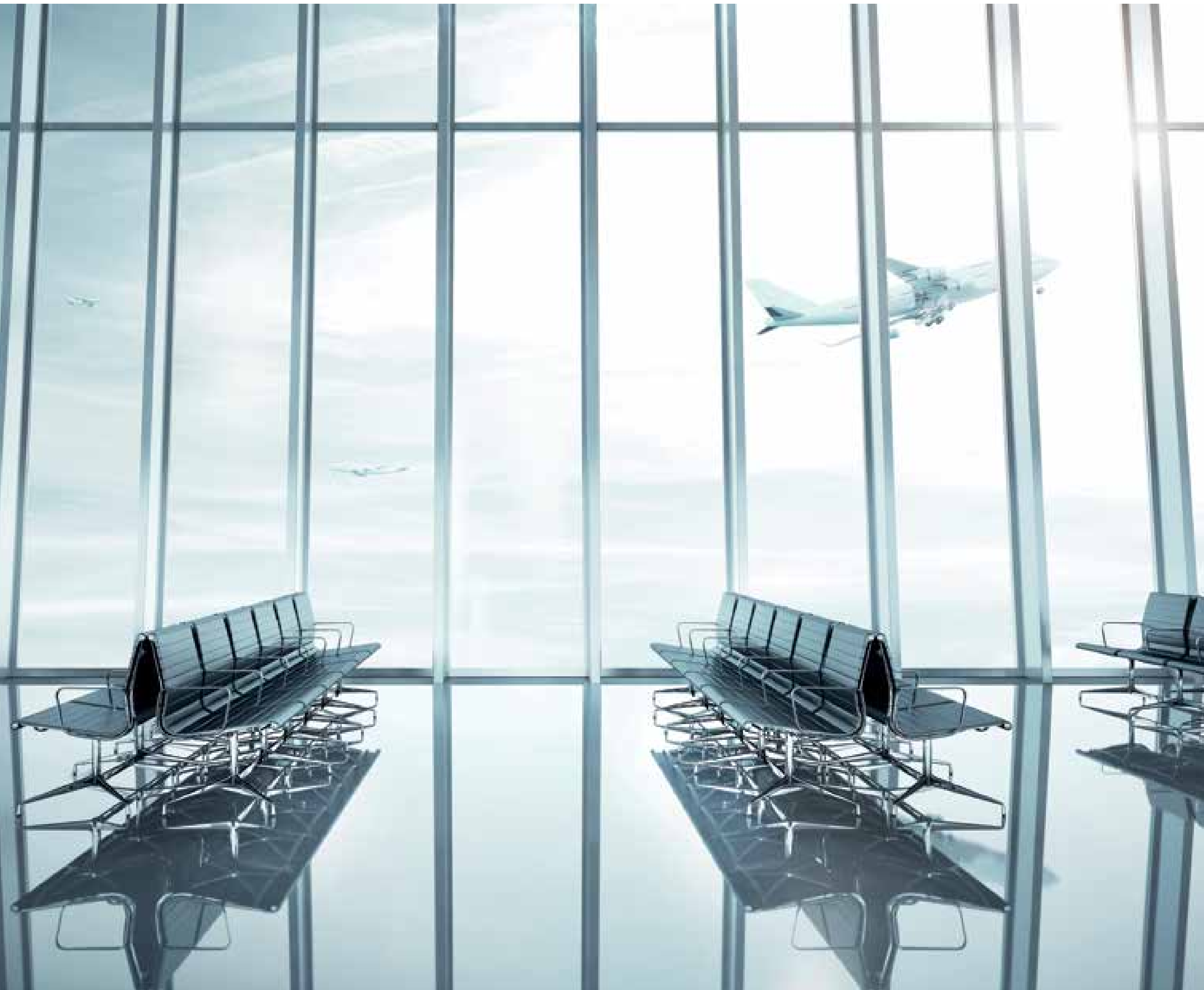
2022 Focus

In the year ahead, Global Markets Group has established clear strategic initiatives to grow sales, expand investments and further diversify sources of funding. The Group aims to grow its FX business through digitalisation and advising customers on how to hedge their market exposures. Global Markets Group will also continue optimising its balance sheet and further diversify its investments and sources of funding.

About Global Markets Group

BSF's Global Markets Group manages the interest rate, liquidity and FX risks of the bank. It also provides clients with foreign exchange, interest rate and commodities hedging solutions.

> "The Group emerged stronger from the challenges of the COVID-19 pandemic, which expedited its efforts to digitise and improve its online banking infrastructure."



SAUDI FRANSI CAPITAL

Saudi Fransi Capital's achievements in 2021 stemmed from an ability to rapidly adapt to pandemic-induced challenges, such as taking care of staff health and wellbeing, adopting the right technologies, and arranging alternative work environments. Achievements in these areas led to high performance in existing activities and successful entries into new ventures.

Throughout a year of market challenges, Saudi Fransi Capital remained in growth mode. Operating revenue increased to SAR 426.15 million (up 12% from SAR 380.07 million in 2020) and net income (before zakat and income tax) to SAR 257.88 million (up 68% from SAR 153.27 million in 2020). Across Investment Banking, Asset Management and Securities Brokerage, Saudi Fransi Capital demonstrated to the market what is possible in the Kingdom through landmark deals and innovative new investment products.

Saudi Fransi Capital places the utmost priority on the client's journey and experience, which increasingly takes place in the digital realm. In light of this, Saudi Fransi Capital is undergoing a comprehensive digital transformation. This involves overhauling the investors' initial digital touchpoints, including the website, mobile applications, and trading platforms. Saudi Fransi Capital also seeks to upgrade all backend architecture, with the goal of making each client's experience as seamless as possible.

Investment Banking

The Investment Banking business registered a strong 2021 by continuing to provide industry-leading services to its clients, particularly in equity and debt capital markets. Reflecting this focus, it upheld the top spot in the Equity Capital Markets ranking in Saudi Arabia, with 33 deals valued at SAR 28.8 billion since inception, excluding Saudi Aramco's IPO.

Investment Banking successfully completed eight blockbuster transactions in 2021. The first three IPOs of the year recorded a collective orderbook of SAR 103.4 billion, driven by local and global investors. In addition to co-underwriting the Nayifat Finance IPO, Investment Banking solely advised Emaar The Economic City on the SAR 2.8 billion capital increase through debt conversion, executed a SAR 479 million Accelerated Book Building transaction in the main market, and participated in raising a SAR 6 billion sukuk issuance for Saudi Real Estate Refinance Company. As well, it supported Aramco's USD 6 billion inaugural multi-tranche sukuk issuance, amongst a number of other large deals.

Asset Management

Saudi Fransi Capital reached historic highs in both its assets under management and firm profitability for 2021, recording high, double-digit growth in both. It launched the Saudi Data Centre Fund I, the Kingdom's first private fund initiative of its kind, raising SAR 1.5 billion to build, own, and operate six data centres. It also participated in several innovative private equity placements in the United States, in areas such as agritech, space launch, and sustainable homebuilding.

Further, Saudi Fransi Capital divested two of its American multi-city, last-mile logistics portfolios in a combined sale exceeding USD 400 million (SAR 1.5 billion). To date, it has invested in more than 25 assets and portfolios across the United States and Europe with approximate asset values in excess of USD 2.9 billion.

In 2022, Saudi Fransi Capital looks forward to delivering on its performance targets for its investors. Priorities include executing its data centre strategy as it moves into the construction and development phase, as well as continued expansion of its two listed Real Estate Investment Trusts. A number of important launches are in the works, including a domestic and regional venture capital programme, a development initiative in the tourism and hospitality space, and an Islamic fixed income strategy.

Securities Brokerage

In 2021, Saudi Fransi Capital expanded its institutional sales trading product offering to include niche services, such as bulk liquidation and bulk purchasing. It also significantly expanded its fixed income offering by providing clients with investable fixed income ideas.

The Brokerage expanded its research coverage into new areas such as Insurance, Healthcare, Food & Beverages, Information Technology and Mining. It also published multiple pre-IPO research pieces to facilitate the participation of institutional investors in the Saudi equity market.

Another significant accomplishment included the continued expansion of its international client base, adding liquidity to the Kingdom's capital markets. Further, Saudi Fransi Capital delivered the first liquidity plan in the Saudi market for a new listing on the Saudi Parallel Market, Nomu. It also executed special deals as part of the Accelerated Book Building transaction, totalling around SAR 475 million.

Moving ahead into 2022, the Brokerage is evaluating the possibility of expanding its custody business, and introducing Securities Borrowing and Lending, which will facilitate short selling. It is also working to become a liquidity manager for a direct listing into the Saudi equity market, an expected next step for a pioneer known for providing innovative services in the Kingdom's capital markets.

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 FOR FINANCE AND LEASING

2021 was a profitable and award-winning year for Saudi Fransi For Finance and Leasing (SFL), as it continued to focus on financing luxury, high-value vehicle brands to affluent and high-salaried customers employed in government, semi-government and large private institutions. Improving customer experience and delivering exceptional after-sales service to all SFL customers paid off with high, double-digit growth in sales and expanded market share.

SFL booked new sales worth SAR 1.97 billion, reporting 84% growth compared to SAR 1.07 billion in 2020, when it reported only 1% growth. Net profit was SAR 116.5 million 2021, a 10% improvement compared to SAR 105.5 million in 2020. The cost-to-income ratio was reduced from 30% to 28%. As well, the non-performing lease ratio improved by a percentage point, from 1.77% in 2020 to 0.73% in 2021.

SFL fought hard to keep and grow its market share, despite tight competition and limited availability of vehicle inventory. Its gross portfolio expanded by 31%, recording a balance of SAR 3.4 billion, compared to SAR 2.6 billion in 2020, when the gross portfolio grew only 3%. SFL also increased its market share in the total auto finance industry (Banks and Non-Banks) to 7.1%, up from 6.3% in 2021. As well it expanded its market share among Non-Banking Financial Institutions by four percentage points to 24%, up from 20% in 2021.

Overall, SFL doubled its shareholder satisfaction, increasing the growth in shareholder equity from 7% in 2020 to 15% in 2021. The year ended with total shareholder equity of SAR 909.7 million, compared to SAR 788.5 million in 2020.

SFL's achievements did not go unnoticed in 2021, earning it important accolades. Global Business Outlook named SFL the "Fastest Growing Leasing Finance Company of the Year in Saudi Arabia". As well, Mohamed Yousuf Naghi Motors Co. recognised SFL for the "Best Luxury Finance Performance for Year 2021".

Looking ahead to 2022, SFL is up for a challenge in the year ahead, forecasting continued limitations and shortage of inventory. However, it holds a positive outlook for the Kingdom's economy, with improved consumer confidence and a pickup in consumer spending in the SME and Corporate segment.

2022 will be a year of accelerating digital transformation for SFL, with focus and investment in digitising and improving its digital footprint in the market. Through digital transformation, it will expand its innovative range of automotive financing products, and further advance its value proposition of trusted auto financing solutions for its customers across the Kingdom.

About Saudi Fransi For Finance and Leasing

Licensed by the Saudi Arabian Monetary Authority (SAMA), Saudi Fransi For Finance and Leasing is a leading provider of lease financing services in the Kingdom. It provides Shari'ah-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.

ALLIANZ SAUDI FRANSI

2021 was a triumphant year for Allianz Saudi Fransi (ASF), with a return to profitability when most insurance companies globally recorded losses. Boosting customer confidence and launching a new consumer-facing app helped to fulfil its strategy of becoming a market leader in insurance in Saudi Arabia.

Reflecting a strong rebound in its business and market, ASF reported a net profit of SAR 17.4 million for the year 2021, compared to a net loss of SAR 17.6 million before surplus, zakat and income tax in 2020.

The company's strategic focus this year was to regain the confidence of its customers and employees following the impact of the COVID-19 pandemic. Customer experience was streamlined with the launch of the MyAllianz app, which is part of the company's ongoing drive to enhance efficiency and engage customers using technology.

As well, ASF participated as the official insurance partner of the ABB FIA Formula E World Championship and presenting partner of the Allianz E-Village, a race day festival of exploration, technology and innovation. This partnership increased brand exposure on a national and regional level, solidifying ASF's reputation as one of the world's largest automotive insurers. The new visit visa programme in the Kingdom also helped to increase ASF's customer base.

A greater emphasis was placed on employee satisfaction in 2021. Initiatives included ensuring that all employees had a Personal Development Plan, regardless of seniority and tackling a number of internal obstacles which resulted in higher employee satisfaction and an increase in productivity across the company. ASF also emphasised inclusive meritocracy, empowering employees to collaborate and take the initiative to be part of something bigger and better.

ASF looks forward to profitable growth continuing in 2022. Its focus is to further ease business transactions with our corporate and individual customers by providing solutions that best match their needs. As well, it is aggressively pursuing increased market share to solidify its position as one of the Kingdom's strongest insurance partners.

About Allianz Saudi Fransi

Allianz Saudi Fransi Cooperative Insurance Company (ASF) provides comprehensive insurance solutions in all lines of business, such as motor, health, savings, protection, property and casualty for individual and corporate customers. Combining the global experience of the Allianz Group, which is today the world's most valuable insurance brand, and the local know-how of Banque Saudi Fransi, ASF provides its customers with best-in-class products and customer service, unmatched risk calculation and management.

TECHNOLOGY AND OPERATIONS

In 2021, BSF's Technology and Operations Group (TOG) continued to deliver on the Bank's five-year strategy through collaboration and technological transformation, positioning the Bank to become the most innovative in the region. The Group was able to drive enhanced efficiency, cost optimisation and productivity through multiple digital initiatives, with the Core Banking System (CBS) programme serving as the flagship transformation project for the Group.

The substantial progress achieved this year on BSF's CBS programme has established a strong technical foundation and architecture for the future success of the Bank. Using state-of-the-art solutions and practices, the upgrades will serve to reduce maintenance requirements and complexity. In the long term, BSF will be able to quickly and reliably add new functionality and products to address rapidly evolving customer needs. A new, robust, open, modular infrastructure will make it easier to incorporate innovative technologies and add capabilities.

The TOG continues to set up and support a smooth and lean collaboration model among the business lines and the IT function, in order to deliver a best-in-class customer experience and satisfaction. In close collaboration with the business, the TOG will initiate two new key digital projects, with a new retail digital omnichannel platform and the transformation of the corporate portal, further paving the digital transformation journey of the Bank.

2021 Achievements

Despite the challenges and setbacks posed by COVID-19 starting in 2020, the TOG was able to deliver on its commitment to enhancing the customer experience through greater digitalisation, modernisation and operational excellence.

The year was marked by the successful release of the updated CBS programme, a landmark milestone in the journey to achieving BSF's strategic vision of becoming the most modern, innovative and experience-focused Bank in the region. With a focus on Retail Loan and Card Origination, Release 2.1 went live just ten months after the first release for Retail Loan Servicing in December 2020, thereby preserving the strong momentum of programme delivery in 2021.

The CBS served as an engine for a seamless transition from the old system to the new BaNCS platform while delivering exceptional value to BSF's customers and employees through key improvements:

- **Faster time-to-market:** An accelerated time-to-market for the key products with close to 60% reduction in time to new card launch.
- **Enhanced customer experience through customer centricity:** A unified and best-in-class banking experience for BSF's customers, allowing for faster and real-time disbursal of loans and customisable loans and credit card product offerings.
- **Enhanced data accuracy, integrity and quality:** Single-source of truth for front- and back-end processes, impacting both the front-end customer and user interfaces and back-end core processing engine.
- **Increased automation and enhanced productivity:** Through straight-through-processing, CBS drives a significant reduction in manual processing tasks by 20-30% and reduces the occurrence of incidents by over 70%.
- **New vision for architecture:** Simplification and consolidation of application architecture landscape, with a reduction in the number of applications by over 50% due to higher decommissioning and consolidation of applications (initially 150+ applications).
- Increased digitalisation: Digital transformation driven by the introduction of the integrated corporate portal and retail omnichannel.

Supporting Stakeholders

The CBS is a key enabler of the technological transformation journey that started in 2019, driving systemic change at the Bank through modernising the existing architectural landscape. With an increase in the digitalisation of banking solutions, the Group ensured that BSF continues to be well-positioned in the banking landscape, by delivering the best-in-class experience for all customers.

> Despite the challenges and setbacks posed by COVID-19 starting in 2020, the TOG was able to deliver on its commitment to enhancing the customer experience through greater digitalisation, modernisation and operational excellence.”

The TOG focuses on driving greater technology transformation and adoption by overhauling the legacy architecture and replacing it with BaNCS, a modern technology solution. BaNCS, introduced by CBS, would replace the largely undocumented and fragmented legacy architecture of 150+ applications with architectural simplification and consolidation. The simplification of the IT landscape will help reduce the business lines' overall risk exposure and contribute to the strong culture of risk management within the Bank.

The TOG sees the people at BSF as key contributors to successful technology adoption. The strategy for technology transformation includes a comprehensive plan to drive change adoption and management through the Bank. Through strong collaboration with the business lines, the existing workforce is well empowered to adopt the new technology solution. For the last release in October 2021, over 1,000 users across the Bank have benefited from greater digitalisation, leading to a definite enhancement of user experience. All end-users underwent multiple training sessions on the new system to ensure complete user adoption, leading to over 95% of end-user certification and adoption.

The TOG continues to expand the critical change network across the Bank to span the different business and support functions, thereby building a cohesive network of change agents to support the Group's transformation projects.

2022 Focus

The TOG will continue to focus on enabling the Bank to achieve its strategic priorities, with a clear focus on greater digitisation and modernisation through technology transformation. The CBS programme will work towards steering its next releases to completion: the upcoming Release 2.2A will enhance payment processing (excluding residual payments) and is scheduled to go live by end of 2022.

The TOG will simultaneously work toward the subsequent releases (Releases 2.2B and 3) in 2023, which will set out to improve customer deposits, accounts, residual payments, corporate loans and liquidity management, respectively. In this way, with continued momentum and focus, the TOG will drive even greater digitalisation and customer service in the year ahead, accelerating transformation across the Bank.

BSF places very high priority on protecting its reputation, stakeholders and assets by effectively preparing for and mitigating significant risks across the organisation. 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 inculcate 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 organisation.

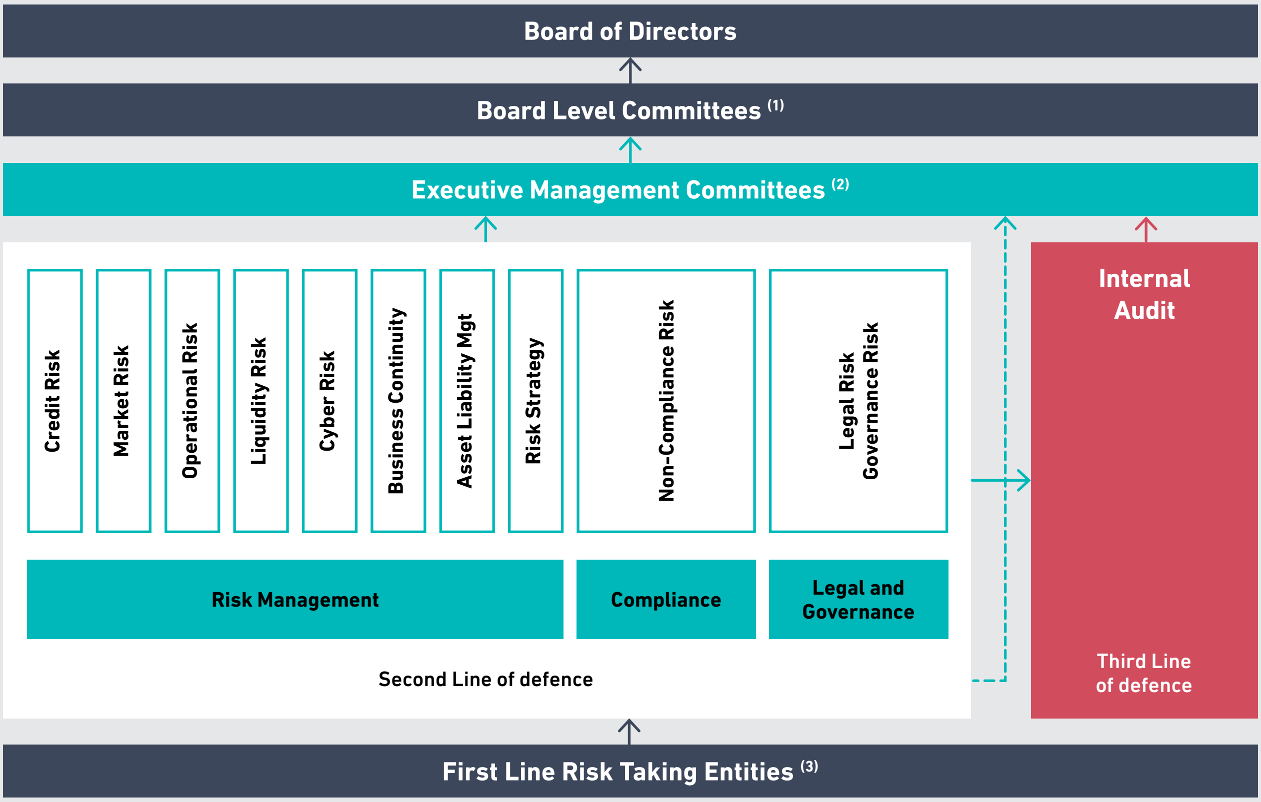
Risk governance

Effective risk management begins with effective risk governance. BSF's approach is to identify, analyse 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 defence model.

> "Effective risk management begins with effective risk governance. BSF's approach is to identify, analyse and respond appropriately to all material risks."

RISK MANAGEMENT AT BSF IS GOVERNED AS FOLLOWS:



Notes:
1 Board Level Committees – Executive Committee, Board Risk Management Committee, Audit Committee, Nomination & Remuneration Committee, and Strategy Committee
2 Executive Management Committees – Credit, Asset Liability, Business Continuity, Classification & Impairment, Fraud Control, Liquidity, Information Security Governance, Market Risk, Operational Risk, Treasury Investment
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 Managing Director 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 defence

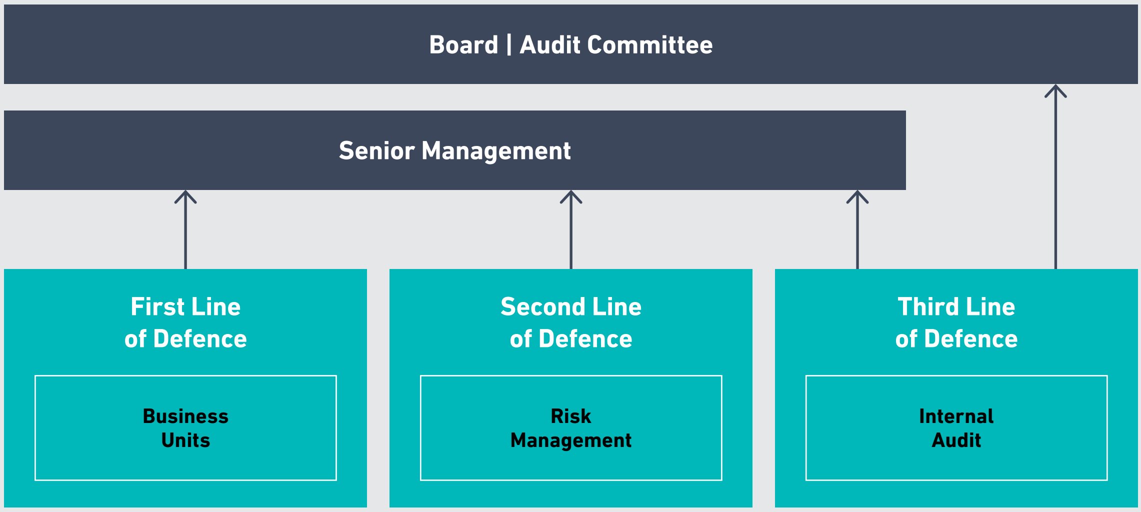
The Board and senior management have the ultimate responsibility for the governance of all risk-taking activities of the Bank. As the first line of defence, the business units have ownership, responsibility and accountability for assessing, controlling and mitigating risks, in line with the Bank's Risk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

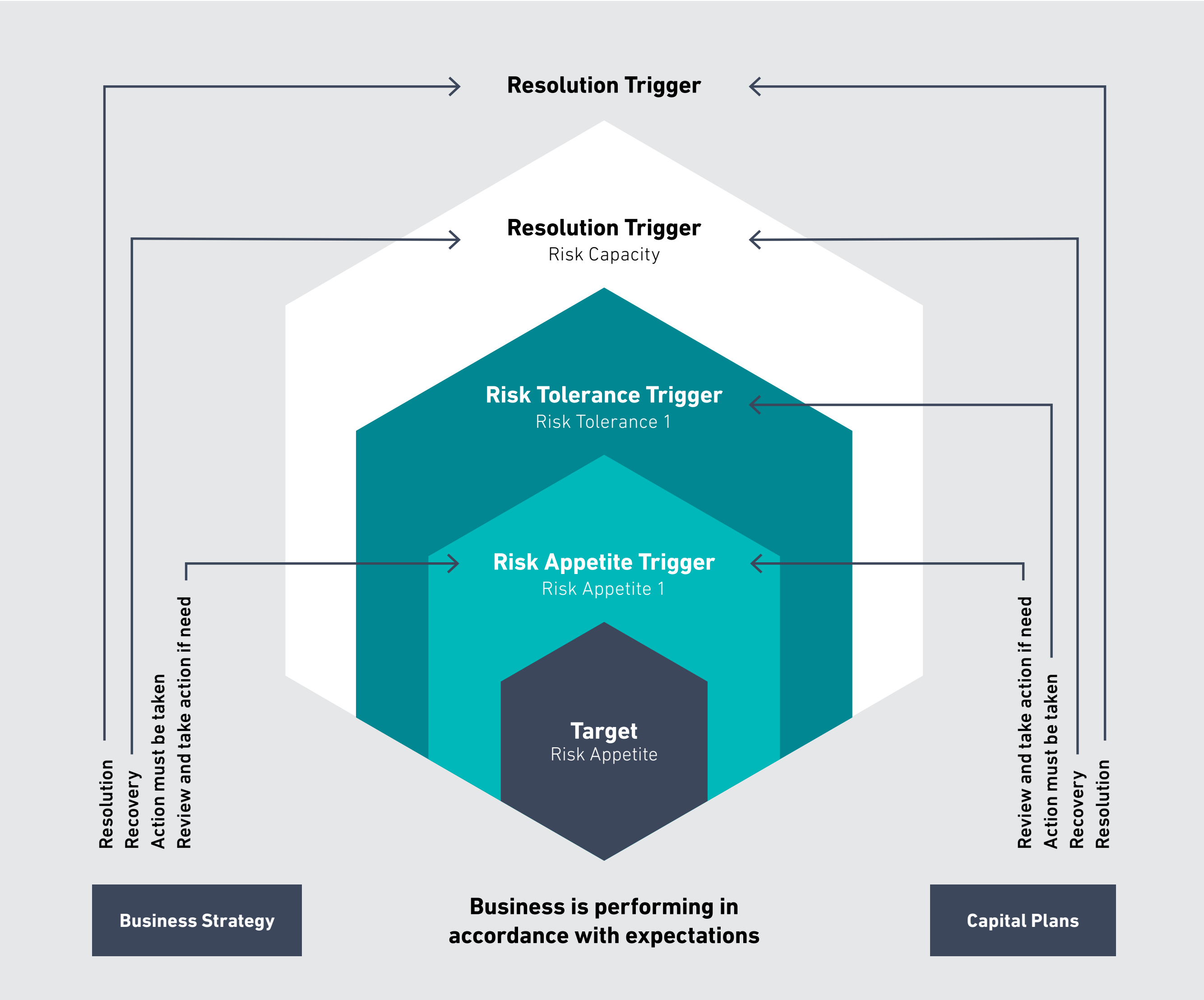
As the second line of defence, Risk Management, in coordination with the Bank's Compliance and Legal functions, facilitate and monitor the implementation of effective risk management practices by business and operational management, and assist the risk owners in reporting appropriate risk-related information to the relevant stakeholders. The risk management process includes Risk Identification/Recognition, Risk Assessment (Validation, Measurement and Prioritisation), 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 defence, 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 defence operate.

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

THREE LINES OF DEFENCE:





2021 achievements

In 2021, as green shoots of economic recovery were observed both globally and 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 2020.

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.

The Bank has deepened its investment and focus to cybersecurity initiatives this year, with continuous compliance to ISO/IEC 27001, a globally recognised best-practice framework, and is working towards a stepped-up maturity level.

With a comprehensive Credit Policy and Standards developed last year and a fit-for-purpose Target Market Risk Acceptance Criteria in 2021, 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 moderated provision, a more robust credit portfolio and an improved bottom line. Overall, credit processes have shown progressively reduced turnaround time and process efficiency.

Further, there were significant improvements in the Bank's capital planning and bi-annual stress tests, both in terms of sophistication and granularity. In addition, external validators conducted a detailed, industry-standard validation process and found the recently developed credit risk models to be fit-for-purpose.

Regarding regulatory capital, the Bank conducted an impact assessment of the newly published Basel 4 draft guidelines, deemed favourable from a capital perspective, and is investing in systems and processes to meet the parallel-run and application requirements from 2023.

Risk Management also actively participated in initiatives related to the Bank's Core Banking System and BCBS 239.

Finally, the Bank designed and implemented an Early Warning Signals (EWS) process to ensure early identification of problem loans and guide management/recovery of such exposures.

As our business grew in 2021, so did our diverse and talented workforce. BSF employees experienced significant increases in satisfaction, internal mobility and performance during the year, underpinning a strong performance for the Bank and positioning BSF for accelerated success in the future.

The challenges brought by the COVID-19 pandemic, coupled with our rapid growth in 2021, created both lessons and opportunities for us to re-vamp our People Strategy, accordingly re-organising and re-defining our HR structure, policies and processes. We completed a thorough review of our authority matrix, aligned our job descriptions with authority levels, and created a flatter architecture with clearer, more accountable roles. Further, we updated our performance management process, developed a progressive, potential-based approach to employee development that strengthens the link between performance and rewards.

We re-engineered our recruitment process to "hire for the future". This included establishing an internal mobility programme, expanding our talent programmes, as well as developing models for leadership development and career progression. Our recruitment strategy helped us to hire 445 new staff, bringing our total to 2,625. This was also achieved in tandem with our diversity, equity and inclusion plans, where we also increased the proportion of females and their representation within the management team, 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 re-vamped employee communication and grew transparency and employee participation and introduced new engagement and feedback channels. We also created an entrepreneurial landscape, by hosting innovation forums and by offering rewards for innovation across teams. 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.

2021 Achievements

2021 saw numerous HR successes worth celebrating at BSF. We achieved strides in employee satisfaction and loyalty over the years, with our employee net promoter score (eNPS) reaching +24 points in the annual 2021 engagement survey (as compared to -18 points in the 2018 survey), which can be attributed to the bank's commitment to continuously listen to the voice of its employees and to providing the best working environment.

The bank continues to deliver on its commitment to providing its employees growth and development opportunities, with vacancies fulfilled through internal talent. At the same time, our flatter organisation structure led to clear differentiated jobs roles, demonstrated by a 43% reduction in the number of job titles across the Bank. Notably, we also reduced overall un-managed attrition in 2021 to 11.8%, down from 12.7% in 2018.

The improvement of female participation in our workforce is also a significant achievement. We were able to increase the ratio of our female employees in 2021 to 21%, a 3% jump from 2020. We also increased the number of women in senior positions, with the percentage of women in positions on grades 9+ improving from 13% in 2020 to 16% 2021. The number of seats for women in the Banker Associate Program has remained consistent, and we are aiming to grow their participation in future cohorts.

We continue to deliver on our commitment to recruiting, developing and engaging Saudi talent. Starting from a very high base of 91% in 2020, we were still able to increase our ratio of Saudi nationals to 92%, once again asserting BSF as a leader in Saudisation across the Kingdom.

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. This led to Banque Saudi Fransi being recognized by Forbes in 2021 as the 20th ranking employer (among the top 100 companies in the middle east).

Total Employees

2,625

People Recruited in 2021

445

Female Employees

21.06%

Saudi National Employees

91.92%

Improving HR Effectiveness and Efficiency

In 2021, we re-aligned our People Strategy with BSF's five-year corporate strategy. We restructured our HR team in line with the re-vamped strategy and conducted a full review of HR policies, procedures and HR practices. This led to us revamping staff cost reporting and data analytics, as well as better managing staff cost optimisation, budgeting, monitoring and reporting. For example, we reviewed allowance eligibility which decreased overall cost by 17%.

We designed and built the HR Call Centre to elevate the employee experience. We also reviewed and revamped our sales incentive schemes in Retail Banking and collections and established an Incentive Oversight Committee. The revamp of our incentive schemes resulted in delinquencies (outstanding debt recovery, collections) being significantly reduced by 77.56% (2021 vs. 2019), and loans increased by 90.8% (2021 vs. 2019). We also launched employee lending programmes and improved our employee savings plan.

We also revamped our recruitment and onboarding processes. This included switching from a reactive to proactive recruitment process for critical positions. As well, we automated our recruitment system (Talentera), final settlement process and performance management system. Further, we strengthened our virtual instructor-led training programmes and eLearning capabilities and programmes.

Connecting Values to Performance

In 2021, we enhanced our employee engagement survey by including additional sections on employee psychological security, where we score above the global benchmark in our employees' freedom to "speak their mind" without fear of negative consequences. In 2021, we continue to excel in engaging our employees, where our employee net promoter score (eNPS) reached +24 points in the 2021 engagement survey (as compared to +23 points in the 2020 survey).

We defined BSF's Employee Value Proposition, culture and values, developing behavioural competencies linked to those values. We also established a performance-based culture, incorporating our values into assessments. We also re-enforced our values by re-vamping the bank's universal and leadership behavioural competencies and by linking them to the re-vamped performance framework.

Further, we re-designed the on-boarding experience to incorporate new hires into BSF's culture. We activated the FransiCareers portal and grew its traffic from LinkedIn. We were also able to increase our followers on LinkedIn from 78,000 to 185,000.

Laying Foundations for the Future

We designed our leadership model, known as Lead BSF, and established succession plans for critical senior roles. We also completed a 180-degree review of the MD & CEO, and 360-degree reviews of direct reports.

This year, we launched new initiatives ensure our employees' readiness and fitness for the future. We laid out BSF's three-year learning strategy and re-designed the training needs analysis process. We rolled out new business learning curriculums for Corporate Banking, Risk Management and Retail Banking. We also designed the Private Banking curriculum, as well as the Core Values Skills Programme and the Agile Delivery future skills programme.

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

2022 Focus

BSF has outlined a clear and updated People Strategy for 2022, which is designed to drive holistic growth based on the pillars of 'Talent', 'Performance', 'Agility' and 'Culture'.

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.

BSF Strategy	Digitalization	Profitability	Customer Service
HR Strategy	Retention	Development	Quality and Efficiency

HR Pillars	Talent	Performance	Agility	Culture
Projects	1. Succession Planning 2. Skills Development 3. Leadership Development 4. Talent Development 5. Career Development 6. Assessment Center 7. Knowledge Share	1. Smart Performance Management 2. Rewards and Incentives 3. Compensation Benchmarking 4. Data Analytics	1. Organization Development – BSF Wellness and Satisfaction 2. Talent Acquisition Process Re-engineering 3. Remote Working 4. Organization Network Analysis 5. Fit for the Future 6. Smart Working (Tech)	1. Functional Titles 2. Recognition 3. Wellness Programs 4. Diversity and Inclusion 5. BSF Brand/EVP 6. Graduate Attraction 7. Alumni Program 8. Communication

We will advance our Assessment Centre and promote knowledge sharing across the company.

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 2022, we plan to focus heavily on wellness and satisfaction, introducing remote, agile and smart working arrangements, and helping our employees become "fit for the future". We are also launching a Smart Performance training program at BSF Academy, reinforcing the new performance management cycle and the performance culture at BSF.

On the digitalization front, we plan to continue further developing our ERP and automation efforts across the business.

We will also focus on recognition, wellness, and diversity and inclusion. Moreover, we will work to attract new graduates and develop an alumni programme. We will continue with our engagement survey, where we intend to increase its frequency to twice-annually. We will support our employees by reviewing our total rewards offerings and by introducing new benefits. Finally, we will activate the Bank-wide "On-Spot" recognition programme, which celebrates behaviours associated with BSF's values, laying a strong foundation for continued success.

> **"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."**

Sustainability at Banque Saudi Fransi starts with our deep and shared purpose. We understand that we exist to serve not only our shareholders and customers, but also our employees, partners, government and society. Through our Sustainability Strategy we focus on opportunities to create value to allow us all to win together.

Our Strategy

At BSF, we are driven by our mission to become the most modern, innovative and customer-centric bank in the region. The purpose of our Sustainability Strategy is to elevate our brand's sense of conscious investing, and to advance our operating model to reduce our negative impact on the environment and increase the quality of life in our social community.

We are proud to say that we are a key player in Saudi's economy and society. Our commitment to operating with integrity and providing innovative ideas are central elements to our culture and are reflected across all 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.

While our Sustainability activities take place on a local level, our Strategy adopts a global mindset. Our approach is designed in line with the United Nations Development Programme's Sustainable Development Goals (SDGs). We understand that a country cannot achieve its SDGs without the critical support of banks and the smooth flow of credit.

As we grow our business, we do so in line with the Saudi Vision 2030, aiming for an ambitious nation, a vibrant society and a thriving economy. Specifically, the Vision 2030's Financial Sector Development Programme intersects with both the SDGs and BSF's Sustainability Strategy. Common themes include financial inclusion, socially responsible lending, enabling micro-finance and micro insurance, and encouraging consumer saving.

OUR AIM TO PLEDGE

Our Sustainability Framework

To support our overarching Strategy, BSF has outlined our Sustainability Framework to summarise what sustainability means for the Bank and to identify five key areas to address.

1) Advocating the highest ethical and governance standards (governance, accountability, transparency and ethics; risk management; data privacy and security)

We implement a strong governance structure with the highest standards of corporate governance aligned with our core values and in line with Sharia principles. We aim to protect the rights of shareholders and stakeholders, and to achieve justice, competitiveness and transparency. We are guided by a sound risk management framework and a three-lines-of-defence approach to minimise and eliminate risks. We work diligently to eliminate all sorts of bribery, corruption, money laundering and all forms of financial crime. We are committed to safeguarding our customers' personal data and privacy. We are honest with one another, even at the risk of temporal disharmony. It is never personal.

2) Accelerating sustainable economic growth (financial and economic performance; sustainable lending and investment; responsible procurement)

We consider ourselves as valuable contributors to the economic vitality of Saudi Arabia. We aim to continue our financial growth and attract investment by diversifying our sources of income, while maintaining low costs and high operating efficiency. We seek to apply ESG criteria in our lending and investment activities. We ensure that our procurement processes are carried out in a responsible manner that strengthens the economy and promotes the welfare of the community. We think long term in our decisions, but we make them quickly and have a bias towards action.

3) Serving our customers (responsible customer relations and satisfaction; digitisation; financial inclusion and accessibility)

Customer experience and satisfaction is an utmost priority. We always put the needs of our people, customers, shareholders and society ahead of our own personal agenda. We implement innovative technology to offer customers sustainable products and services that exceed their expectations. All our products and services are easily accessible nation-wide. We contribute to raising the financial literacy of our stakeholders, enabling them to make better-informed decisions. Our aim is to create long-term relationships with our customers based on loyalty, quality of service, as well as modern and innovative customised solutions.

4) Creating a thriving workplace (talent attraction, retention and development; employee engagement, wellbeing and satisfaction; diversity and inclusion)

We are committed to building and maintaining an outstanding workforce by attracting, training and retaining talented individuals. Our employees undergo the necessary training to develop their full potential. We combat any form of discrimination to provide our employees with an inclusive, safe and healthy work environment. 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 only need to be asked once. We own it.

5) Protecting our communities (community investment, environmental management, nationalisation)

We are committed to managing our environmental footprint. We aim to minimise the negative adverse impact of our operations on the environment through supporting and adopting national and international efforts to preserve natural resources. We seek to contribute to the societal environmental benefits by implementing the latest technologies. Our culture of community investment and philanthropy aim to prosper the communities in which we operate. We seek to promote Nationalisation to support Saudis in their career aspirations within the banking sector. We are a community that we defend and protect, always.

BSF and the UN SDGs

Our diverse, high-impact programmes and initiatives are designed and executed to support the SDGs that we focus on, which are: poverty elimination; good health and well-being; quality education; gender equality; decent work and economic growth; industry, innovation and infrastructure; sustainable cities and communities; and partnerships.

5 GENDER EQUALITY

W20 & Tadawul

BSF in supports females in the workplace by sponsoring the W20 and rang the bell with Tadawul on gender equality and female inclusion in the financial sector in 2020.

4 QUALITY EDUCATION

Qiyadat Global – Georgetown

BSF is a primary sponsor of Qiyadat Global – Georgetown, a women's leadership program delivered virtually in collaboration between the Qiyadat Global program in Saudi Arabia, and Georgetown University's McDonough School of Business in the United States.

4 QUALITY EDUCATION

Madac | Madinah International Academy

BSF is a key supporter of Madac, a non-profit educational project aimed at instilling Islamic human values in learners with a vision to be a worldwide leader in improving children's lives.

11 SUSTAINABLE CITIES AND COMMUNITIES

Red Sea Development Company

BSF was the lead arranger and key financier for the 15-year, SAR 14.12 billion green loan and revolving credit facility for Saudi giga-project, the Red Sea Development Company, marking the first ever SAR-denominated "green" financing.

In line with the Bank's broad commitment to advancing the development of environmental, social and governance (ESG) in our organisation and sector, these programmes and initiatives will collectively elevate BSF's profile on the on the world stage through their contribution to the SDGs, while also building BSF's sustainability brand on the local and regional level by contributing to the objectives and achievements of Saudi Vision 2030.

Corporate Social Responsibility in 2021

BSF strives to expand the role of Corporate Social Responsibility (CSR) to further develop a sustainability mindset across the Bank. Our commitment to CSR is reinforced by our contributions towards social and charitable activities and programmes.

During 2021, as the world faced the hardships of the global COVID-19 pandemic, we participated in a wide range of activities to support the local community. Our focus was to support charities that elevate the lives of challenged individuals and families. We contributed significant donations to reputable organisations, such as the King Salman Humanitarian Aid and Relief Centre, the Autism Centre of Excellence and the Ehsan platform. We also ran internal initiatives focused on health, such as the Blood Donation Campaign in collaboration with King Faisal Specialist Hospital and Research Centre, and a Breast Cancer Awareness Campaign and event at Head Office in collaboration with Zahra Breast Cancer Association and the Ministry of Health.

2021 CSR Initiatives

PROGRAMME NAME
Blood Donation Campaign in collaboration with King Faisal Specialist Hospital
Breast Cancer Awareness and Event in Collaboration with Zahra Association & MoH
King Salman Relief Humanitarian Aid and Relief Centre donation
Ehsan platform donation
Autism Centre of Excellence donation

Looking Forward

With a forward-thinking Sustainability Strategy in place and a number of successful CSR initiatives implemented, the foundation is strong to expand our Sustainability activities and mindset across the Bank. For 2022, the Bank will build on its diverse programmes and commitments, with particular focus on driving impact towards the objectives of SDG 11, which is focused on sustainable cities and communities.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

	Mazin Al Romaih	**Talal Al Maiman**	**Abdulrahman Al Rashed**	**Khaled Al Mutabagani**	**Bader Al Issa**
	Chairman	Vice Chairman	Board Member	Board Member	Board Member
CURRENT POSITIONS	CEO of Future Generation Investment Company	CEO of Kingdom Holding Company	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	Pediatric Surgery Consultant at New Jeddah Clinic Hospital CEO of New Jeddah Clinic Hospital CEO of Madina National Hospital	Managing Director of Al Marai Company CEO of Assila 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	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		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	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	Bachelor of Accounting and Financial Management, University of Buckingham, 1992	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	Bachelor of Business Administration, Department of Finance, University of Seattle, 1985	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	MBA, Rice University, 2006 Bachelor of Economy, The University of Virginia, Charlottesville, Virginia, 2001

Abdullatif Al Othman	**Ghazi Al Rawi**	**Khaled Al Omran**	**Timothy Collins**	**Rayan Fayez**
Board Member	Board Member	Board Member	Board Member	Managing Director & Chief Executive Officer
CURRENT POSITIONS				
Owner and CEO of Al-Othman Engineering Consultants	Chairman of Valuegate Investments Company	General Manager of Daily Food Company	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	Managing Director and CEO of Banque Saudi Fransi
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.	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	10 years in Retail 2 years in Management Consulting	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	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				
MBA., Sloan Fellows program, Massachusetts Institute of Technology, 1998 Bachelor of Civil Engineering, King Fahad University of Petroleum and Minerals, 1979	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	Master's in Business Administration, IESE Business School, Spain, 2012 Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006	Honorary Doctorate of Humane Letters, DePauw University, 2004 MBA in Public & Private Management, Yale University,1982 BA in Philosophy, DePauw University, 1978	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 2021.

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 85 branches in the Kingdom of Saudi Arabia, with 2,644 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 Board. 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 and income tax for the 2021 financial year amounted to SAR 3,450 million compared to SAR 1,546 million in 2020. Net income increased by 123.2% mainly due to lower impairment for financial assets (SAR 1,767 million) which was partially offset by higher expenses (SAR 83 million).

Total operating income increased by 2.0% driven by net special commission income, net fee and commission income, trading income and gain on non-trading investments, this was partially offset by a reduction in exchange income other operating income.

Meanwhile, total operating expenses excluding impairment charges increased by 3.5%. This increase was primarily due to increase in other operating and general and administration expenses and depreciation and amortization which was offset by reduction in Staff related expenses and rent & premises related expenses.

Net special commission income increased to SAR 5,373 million, an increase of 2.5% (SAR 133 million) compared to SR 5,240 million in previous year. Total assets amounted to SAR 215,802 million at the end of 2021, an increase of 11.2% compared to SAR 194,074 million in 2020. The investment portfolio grew by 16.4% to SAR 43,858 million at the end of December 2021 compared to SR 37,679 million at the end of previous year. Net loans and advances also increased by 13.2% to SAR 147,813 million at the end of 2021 compared to SAR 130,565 million for the previous year. Customer deposits increased by 11.7% to SAR 141,950 million at the end of December 2021 compared to SAR 127,112 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 2021 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. In 2021, and mainly driven by the drastic developments in the macroeconomic environment, the Bank underwent a comprehensive strategy re-assessment exercise. This led to the realignment of the strategic goals and extension of the planning horizon from 2023 to 2025.

Nevertheless, BSF is maintaining its unwavering focus on delivering the 2023 5-year Strategy following its approval in early 2019 and re-assessment in 2021. The 2021 re-assessment incorporated 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.
3. The impact of Vision 2030 and an analysis of the opportunities this presents the Bank.
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. COVID-19 macroeconomic impact and monetary policy in the short to medium term.

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

1. Transferring Private Banking Division reporting from Institutional Banking Group to Retail Banking Group, with the Head of Private Banking now reporting to the Head of Retail Banking.
2. Renaming the Retail Banking Group to be Personal Banking Group.
3. Renaming of the Institutional Banking Group to Wholesale Banking Group.
4. Creation of Business Management Division under Wholesale banking.
5. Redistributing Front Office Support function between Corporate Banking and Business Management Divisions.
6. Moving Financial Institutions from Global Transaction Solutions to Corporate Banking Division.
7. Creation of "Advisory Division" reporting directly to Chief Audit Executive.
8. Creation of "Demand Management Division" under Chief Operating Officer.
9. Centralization of "Customer Experience" unit under "Strategy & Digital 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 Ventures:** Future-proof our business and support the digital transformation of the Bank by establishing new ventures and developing leading in-house digital capabilities.

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).

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

Wholesale Banking refreshed Strategy include:

- Rebalancing the portfolio to focus on low risk, higher revenue sectors with strong growth and low to flat NPLs.
- Leveraging our industry-leading Advisory capabilities.
- Empowering relationship managers with digital capabilities to create enterprise value and interact more efficiently with customers.
- Enhancing product/solution offerings so we can be more agile in meeting and exceeding our customers' expectations and generate more fee income.
- Investing in an efficient and agile infrastructure, platforms, innovation and data capabilities, to support growth and adapt to industry and regulatory changes.

During 2021, Wholesale Banking Group received the following awards/noteworthy deals:

- The best Trade Bank in KSA as per The Asian Banker Survey
- Euro Operational Excellence by JP Morgan bank USA
- Operational Excellence Award by Wells Fargo
- Of the transactions closed, Ma'aden Waad Al Shamal Phosphate Company won the award of Structured Finance Deal Of The Year in the 2021 awards by Bonds, Loans & Sukuk East. Two other noteworthy transactions that achieved successful closure in 2021, are a) SAR 27.27 billion financing for the Jazan Integrated Gas and Power Company (JIGPC) where the Bank was a joint advisor as well as a mandated lead arranger and b) SAR 14.12 billion financing for The Red Sea Company (TRSDC), the first SAR denominated green financing where the Bank acted as a mandated lead arranger.

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, in our Digital Ventures, the Bank 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, fintechs, and regulators. We have already embarked on our digital journey and made progress on our key initiatives of developing a new digital banking proposition, establishing strategic fintech partnerships, and developing our digital talent and in-house development capabilities. These will allow us to transform our business model in a highly disrupted sector and enable us to remain competitive with evolving trends and market norms.

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 matrix. Wholesale coverage consist of large local and international corporates, government and public sector entities, financial and non-banking financial entities, Medium, Small and Micro (MSME) entities.

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 assets, 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 AND INCOME TAX (IN THOUSANDS OF SAUDI RIYALS)	PERCENTAGE
Personal Banking	529,163	13.8%
Wholesale Banking	1,461,870	38.1%
Treasury	1,588,464	41.4%
Investment Banking, Asset Management and Brokerage	257,880	6.7%
Total	3,837,377	100%

The main activities of 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 AND INCOME TAX (IN THOUSANDS OF SAUDI RIYALS)	PERCENTAGE
Saudi Fransi Capital	Acts as principal and agent, and undertake, manage, arrange, advise and file in securities trading	257,880	6.72%
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	116,529	3.04%
Saudi Fransi Insurance Agency Co.	Insurance brokerage services	545	0.01%

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. Its contribution to the results is very small (less than 0.005%).

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

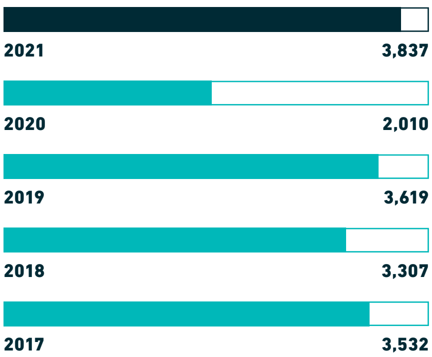
RATINGS	STANDARD & POOR'S RATINGS SERVICES	MOODY'S INVESTORS SERVICE	FITCH RATINGS
Long-term ratings	BBB+	A1	BBB+
Short-term ratings	A–2	P–1	F2
Outlook/Review	Stable	Stable	Stable
Last published credit opinion	16/06/2021	09/11/2021	26/07/2021

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

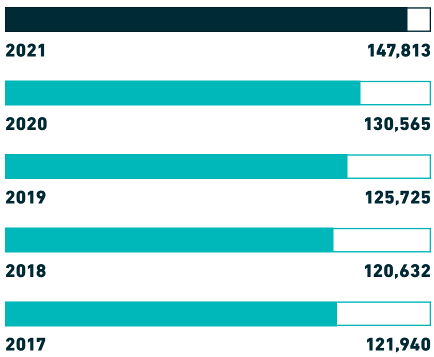
(IN THOUSANDS OF SAUDI RIYALS)	2021	2020	2019	2018	2017
Total assets	215,802,026	194,073,584	178,148,577	190,250,277	192,928,881
Investments and investments in associates, net	43,867,936	37,688,336	31,463,474	28,381,675	25,400,944
Loans and advances, net	147,812,759	130,564,835	125,725,096	120,631,634	121,940,394
Total liabilities	176,116,356	155,437,639	145,201,859	159,388,327	161,267,500
Customer Deposits	141,950,208	127,111,644	132,837,502	148,368,004	150,954,187
Total equity	39,685,670	38,635,945	32,946,718	30,861,950	31,661,381
Total operating income	7,187,845	7,044,594	6,872,550	6,798,644	6,576,207
Total operating expenses	3,350,468	5,034,358	3,253,408	3,494,119	3,051,891
Share in earnings of associates, net	0	0	0	2,529	7,568
Net income before Zakat and income tax	3,837,377	2,010,236	3,619,142	3,307,054	3,531,884
Net special commission income	5,373,446	5,240,388	5,205,677	5,016,872	4,699,670
Fees from banking services, net	1,213,128	1,081,816	1,139,506	1,095,503	1,119,318
Impairment charge for credit losses and other financial assets, net	903,524	2,670,268	966,244	1,202,794	664,613
Salaries and employees related expenses	1,397,452	1,418,703	1,329,250	1,379,980	1,384,543
Number of employees	2,997	2,881	2,998	3,027	3,072

Financial indicators for the last five years:

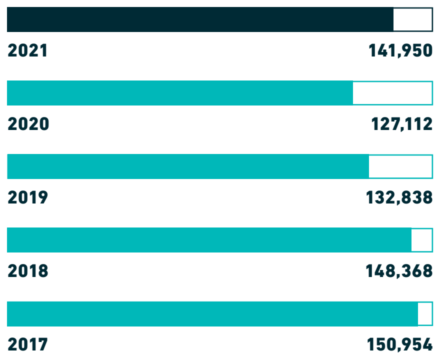
NET income (before Zakat & income tax) (SAR million)



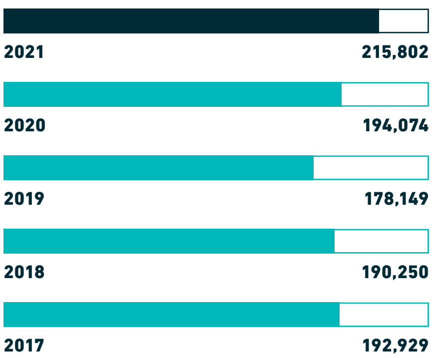
Loans and advances, net (SAR million)



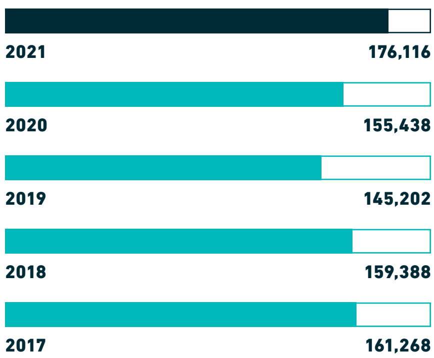
Customers' deposits (SAR million)



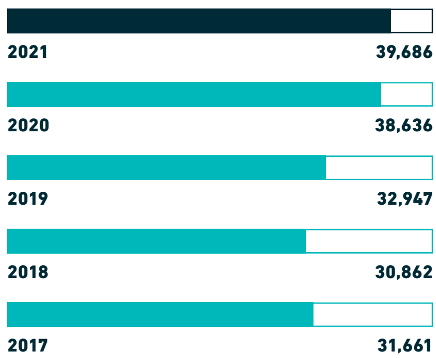
Total assets (SAR million)



Total liabilities (SAR million)



Total equity (SAR million)



(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 2021:

BANQUE SAUDI FRANSI AND ITS SUBSIDIARIES, EXCLUDING SAUDI FRANSI CAPITAL					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	1,254,893	1,098,230	2,065,338	2,310,031	6,728,492
Total Expenses (before provisions)	(192,911)	(164,556)	(239,516)	(1,648,579)	(2,245,562)
Provisions	(434,174)	(268,475)	(237,787)	37,003	(903,433)
Net income	627,808	665,199	1,588,035	698,455	3,579,497

SAUDI FRANSI CAPITAL					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	24,336	21,141	52,289	361,587	459,353
Total Expenses (before provisions)	(1,915)	(3,662)	(2,701)	(193,104)	(201,382)
Provisions	0	0	0	(91)	(91)
Net income	22,421	17,479	49,589	168,391	257,880

BANQUE SAUDI FRANSI GROUP					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	1,279,229	1,119,371	2,117,627	2,671,618	7,187,845
Total Expenses (before provisions)	(194,826)	(168,218)	(242,217)	(1,841,683)	(2,446,944)
Provisions	(434,174)	(268,475)	(237,787)	36,912	(903,524)
Net income before Zakat and income tax	650,229	682,678	1,637,624	866,846	3,837,377

(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, 2021 and 2020:

(IN THOUSANDS OF SAUDI RIYALS)	2021	2020
Special commission income	5,868,512	6,284,791
Special commission expense	495,066	1,044,403
Net special commission income	5,373,446	5,240,388
Fee and commission income	1,728,595	1,523,127
Fee and commission expense	515,467	441,311
Net fee and commission income	1,213,128	1,081,816
Exchange income, net	336,131	378,891
Trading income, net	171,841	167,885
Dividend income	1,501	1,180
Gains on FVOCI/non-trading investments, net	27,804	10,423
Other operating income	63,994	164,011
Total operating income	7,187,845	7,044,594
Salaries and employee related expenses	1,397,452	1,418,703
Rent and premises related expenses	66,061	69,626
Depreciation and amortization	224,972	210,254
Other operating and general and administrative expenses	758,459	665,507
Total operating expenses before impairment charge	2,446,944	2,364,090
Impairment charge for expected credit losses, net	1,021,349	2,816,322
Impairment reversal for investments, financial assets and others, net	(117,825)	(146,054)
Total operating expenses, net	3,350,468	5,034,358
Net income for the year before zakat and income tax	3,837,377	2,010,236
Zakat and income tax for the year	387,500	464,025
Net income for the year after zakat and income tax	3,449,877	1,546,211
Basic and diluted earnings per share (SAR)	2.70	1.24

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

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

(IN MILLIONS OF SAUDI RIYALS)	31-12-21	31-12-20	CHANGE	%
Net income after Zakat and income Tax	3,450	1,546	1,904	123.16%
Net income before Zakat and income Tax	3,837	2,010	1,827	90.90%
Total Operating income	7,188	7,045	143	2.03%
Net special commission income	5,373	5,240	133	2.54%
Assets	215,802	194,074	21,728	11.20%
Investments	43,858	37,679	6,179	16.40%
Loan and advances portfolio	147,813	130,565	17,248	13.21%
Customer Deposits	141,950	127,112	14,838	11.67%
Total equity	39,686	38,636	1,050	2.72%
Earnings per share	2.70	1.24	1.46	117.74%

(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

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 authorised 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 Sukuk Limited company, which is incorporated in the Cayman Islands, having a 100% share in equity (authorised capital of USD 50,000), which has no material impact on the Group financial statements.

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 31.12.2020). 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 31.12.2020). 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 2021.

B. Loans provided by the Bank to its subsidiaries:

The following table shows the loans made on 31/12/2021 by Banque Saudi Fransi to its subsidiaries:

NAME OF SUBSIDIARY	(IN THOUSANDS OF SAUDI RIYALS)
Saudi Fransi Capital*	1,784,471
Saudi Fransi for Finance Leasing**	2,075,834

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)	2021	2020
Opening balance	1,252,710	1,391,466
Loan granted during the period	8,604,606	411,426
Repayment of loans during the period	8,072,845	550,182
Closing balance of loans	1,784,471	1,252,710

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

(IN THOUSANDS OF SAUDI RIYALS)	2021	2020
Opening balance	1,525,000	1,620,000
Loan granted during the period	930,000	460,062
Repayment of loans during the period	379,166	555,062
Closing balance of loans	2,075,834	1,525,000

(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 2021:

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	General Organization for Social Insurance	108,244,467	8.980%	151,896,241	12.601%	43,651,774	40.33%
3	Rashed Abdul Rahman Al Rashed & Sons Co.	118,488,534	9.830%	118,488,534	9.830%	0	0%
4	RAM Holding	108,482,145	8.999%	108,482,145	8.999%	0	0%

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							
	NAME OF THOSE WHO HAVE INTEREST OR CONTRACTUAL SECURITIES OR SUBSCRIPTION RIGHTS	BEGINNING OF THE YEAR		END OF THE YEAR		NET CHANGE	CHANGE PERCENTAGE
		NUMBER OF SHARES	DEBT INSTRUMENTS	NUMBER OF SHARES	DEBT INSTRUMENTS		
1	Mazin Al Romaih	6,000	–	6,000	–	0	0%
2	Talal Al Maiman	150,000	–	50,000	–	(100,000)	(66.67)%
3	Abdulrahman Al Rashed	312,685	–	312,685	–	0	0%
4	Relatives of Abdulrahman Al Rashed	5,071,652	–	4,789,480	–	(282,172)	(5.56)%
5	Khaled Al Mutabagani	59,624	–	59,624	–	0	0%
6	Relatives of Khaled Al Mutabagani	16,749,411	–	14,626,411	–	(2,123,000)	(12.68)%
7	Bader Al Issa	1,000	–	1,000	–	0	0%
8	Relatives of Bader Al Issa	178	–	0	–	(178)	(100)%
9	Abdullatif Al Othman	1	–	1	–	0	0%
10	Ghazi Al Rawi	1,000	–	1,000	–	0	0%
11	Khalid Al Omran	40	–	40	–	0	0%
12	Relatives of Khalid Al Omran	19,601,352	–	19,541,352	–	(60,000)	(0.31)%
13	Rayan Fayez	10	–	223,250	–	223,240	2,232,400%

DESCRIPTION OF ANY INTEREST, CONTRACTUAL SECURITIES AND SUBSCRIPTION RIGHTS OF SENIOR EXECUTIVES AND THEIR RELATIVES IN THE BANK'S SHARES OR DEBT INSTRUMENTS							
	NAME OF THOSE WHO HAVE INTEREST	BEGINNING OF THE YEAR		END OF THE YEAR		NET CHANGE	CHANGE PERCENTAGE
		NUMBER OF SHARES	DEBT INSTRUMENTS	NUMBER OF SHARES	DEBT INSTRUMENTS		
1	Mazen Al Tamimi*	90,000	–	90,000	–	0	0%
2	Relatives of Mazen Al Tamimi*	1,259,050	–	1,259,050	–	0	0%
3	Adel Malawi	46,663	–	0	–	(46,663)	(100)%
4	Abdulaziz A. Al Molhem	120,967	–	120,967	–	0	0%
5	Relatives of Abdulaziz A. Al Molhem	15	–	0	–	(15)	(100)%

* Resigned on 30/06/2021

(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.

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.

During the year 2021, there was no issuance of Debt instruments and sukuks.

Repayment of debt instruments:
During the year 2021, 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 income 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 income 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 income 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 2021 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 5.4 million shares (as of 31 December 2020 5.7 million shares).

Total dividends:
The Board of Directors has proposed a final net dividend of SAR 1,020 million (2020: SAR 480 million), i.e. SAR 0.85 (2020: SAR 0.40) 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 780 million (2020: SAR Nil million), i.e. SAR 0.65 (2020: SAR Nil) net per share.

	DIVIDENDS DISTRIBUTED DURING THE YEAR 2021		PROPOSED DIVIDEND FOR THE END OF 2021	TOTAL FOR 2021
	FINAL FOR 2020	INTERIM 2021		
Amount (in thousands of Saudi Riyals)	479,979	779,966	1,019,956	1,799,922
Pay-out Ratio (before Zakat and income tax)	23.88%	44.28%	49.14%	46.91%

(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 2021 and 2020, which are included in the consolidated financial statements, are as follows:

(IN THOUSANDS OF SAUDI RIYALS)	2021	2020
Associates		
Investments	9,695	9,695
Due to banks and other financial institutions	8,171	8,283
Directors, auditors, Senior Management and major shareholders' and their affiliates		
Loans and advances	12,586,399	11,233,546
Investments	1,004,953	801,864
Due from banks and other financial institutions	–	–
Other assets	–	10
Customers' deposits	4,812,875	2,004,973
Due to banks and other financial institutions	2,050,000	1,500,000
Other liabilities	7,172	13,774
Derivatives at fair value, net	(66,289)	105,030
Commitments and contingencies	2,096,059	2,661,188

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)	2021	2020
Special commission income		
– Directors, auditors, Senior Management and major shareholders' and their affiliates	274,800	342,962
Total special commission income	274,800	342,962
Special commission expense		
– Directors, auditors, Senior Management and major shareholders' and their affiliates	22,417	89,372
– Associates	35	145
Total special commission expense	22,452	89,517
Fees, commission income and others, net	25,548	22,242
Directors' fees	9,186	9,250
Other general and administrative expenses	33,517	109,999

(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	IT Professional services (Various resources) (Saudi Networkers services)	18,167,701.95	Variable according to the type of service provided to the bank		Valid	Adel Mallawi (Senior Executive of the Bank)
2	Manpower and professional services (Al Khaleej Training and Education (SMARTLINK))	Total amount paid for 2021 7,818,854.65	1/1/2018	31/12/2021	Active	Abdulrahman Alrashed's brother Abdulaziz Rashed Al Rashed (Board of Directors member)
3	Telecom Service Provisioning (Saudi telecom company (STC))	Total amount paid for 2021 5,356,096.65	25/08/2019	24/08/2022	Active	Abdulaziz AlMulhem's brother Jameel Abdullah AlMulhem (Senior Executive of the Bank)
4	Bulk SMS services (Saudi telecom company (STC))	10,879,000.00	1/6/2020	31/05/2023	Active	Abdulaziz AlMulhem's brother Jameel Abdullah AlMulhem (Senior Executive of the Bank)
5	CCTV lease line services (Saudi telecom company (STC))	11,382,356.00	1/6/2021	31/05/2026	Active	Abdulaziz AlMulhem's brother Jameel Abdullah AlMulhem (Senior Executive of the Bank)
6	Network and Security Privacy (Cyber) Insurance (Walaa Cooperative Insurance Company)	1,004,841.25	1/1/2021	31/12/2021	Active	Abdulaziz Almolhem's Brother Jameel Abdullah Almolhem (Senior Executive of the Bank)
7	IT Professional services (Appspro Technology Company)	726,149.95	1/1/2021	31/12/2021	Active	Bader AlSalloom's brother Abdulaziz AlSaloom (Senior Executive of the Bank)
8	Maintenance of Cash Counting Machines (ABANA Enterprise Group)	1,598,369.00	1/4/2015	30/04/2022	Valid	Abdulrahman Alrashed's brother Abdulaziz Rashed Al Rashed (Board of Directors member)
9	ATM Site (Jeddah National Hospital)	35,000.00 annually	1/6/2014	31/05/2024	Valid	Khaled Mutabagani (Board of Directors Member)
10	ATM Site (Jeddah National Hospital)	40,000.00 annually	1/6/2016	31/05/2021	Expired	Khaled Mutabagani (Board of Directors Member)
11	ATM Site (Panda Retail Company)	43,000.00 annually	1/12/2020	30/11/2021	Valid (under Renewal)	Bader Alissa (Board of Directors member)
12	Various vehicles for BSF (Saudi Fransi Leasing)	Total amount paid for 2021 133,127.45	1/1/2021	31/12/2021	Valid	Mohammed AlSheikh, May Alhoshan, Mutasim Mufti, Thamer Yousef (Senior Executive of the Bank)
13	Agreement to provide data and commercial information services (SIMAH SAUDI CREDIT BUREAU)	Total amount paid for 2021 4,555,167.00	30/07/2019	based on the agreement between SIMAH and BSF	Valid	Mohammed Al Alshikeh (Senior Executive of the Bank)
14	Agreement to provide IT services (SIMAH SAUDI CREDIT BUREAU)	1,899,674.00	20/04/2021	19/04/2024	Valid	Mohammed Al Alshikeh (Senior Executive of the Bank)
15	Registration and disclosure all agreements (SIMAH SAUDI CREDIT BUREAU)	375,000.00	1/1/2020	31/12/2021	Valid	Mohammed Al Alshikeh (Senior Executive of the Bank)
16	Equity Main Market Annual Listing fees Main Market Annual Listing Fees (Tadawul)	1,000,000.00	1/1/2021	31/12/2021	Valid	May AlHoshan's Brother Omar Alhoshan (Senior Executive of the Bank)
17	Financial Support Services (SANID Saudi Financial Service Company)	Total amount paid for 2021 2,985,690.34	22/02/2021	21/02/2022	Active	Majda Malik Taher*

* Employee whose appointment requires obtaining the no objection of the Saudi Central Bank.

(15) 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)	2021	
	PAID	DUE AMOUNT
Zakat* and Income Tax**	402,655	387,500
General Organization for Social Insurance	95,884	–
Costs of visas and passports	385	–
Fees of labor office	1,753	–

* **Zakat:**
Zakat attributable to Saudi shareholders for the year of 2021 amounted to SAR 388 million (2020: SAR 381 million).

** **Income Tax:**
Income tax payable on the current years' share of income is approximately SAR Nil million (2020: SAR 40 million).The deferred tax charge for the year was Nil million (2020: 43 million). Credit Agricole Corporate & Investment Bank (CACIB) sold its remaining shares in the Bank during 2020. After the sale of these shares, the Bank is not subjected to Income Tax and 100 percent of its shareholding is considered Zakatable.

(16) Disclosures related to small, medium and micro enterprises:

A. Qualitative Disclosures:

Banque Saudi Fransi established an MSME sector in 2014 due to the growing importance of this sector in the economy and to facilitate providing the best financing solutions and banking services to these entities. The sector comprises of 47 employees distributed between 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 sector.

Kafalah

The bank has been actively developing the business with Kafalah program to support financing MSME sector. During the year, the loan portfolio guaranteed by kafalah grow by 13% and number of customers benefiting from this program grow by 26%.

It is worth mentioning that the bank enjoys two portfolio arrangements with kafalah (for active entities & startups) to issue kafalah guarantees based on internal approvals.

Monsha'at

General Authority for Small and Medium Enterprises (Monsha'at) was established in 2016 to support & develop MSME sector. The bank signed several collaboration agreements to enable MSMEs to benefit from their services:

1. Funding Gate: a referral portal for MSMEs to facilitate access to all banks & financial institutions. Banque Saudi Fransi has actively utilized this portal to expand its reach to MSMEs and complement the efforts made by the sales force on the ground.
2. Franchise Financing: Banque Saudi Fransi allocated an envelope to support finance and support entities operating under franchise agreements.
3. Financial Awareness: Banque Saudi Fransi has actively participated in many workshops arranged by Monshaat, local Chambers of Commerce as well as other government bodies to advance financial awareness of MSME sector. Moreover, the bank has actively used social media platform to develop financial awareness amongst MSMEs.

Staff awareness & Training

The bank conducted several awareness workshops and training sessions to develop staff skills and capabilities to enhance customer journey.

SAMA support programs

The Saudi Central Bank announced several programs to support the MSME sector to counter the effects of the Coronavirus (COVID-19), including Deferred payments, Fees support, Loan guarantee program, Support for point of sale fees and e-commerce, and the Saudi Fransi Bank has actively participated to support the sector, the instalment for micro, small and medium enterprises have been Deferred, and several entities have been funded under the loan guarantee program in cooperation with the Kafala program.

In July 2021, and based on SAMA direction, the bank conducted a thorough assessment of the entities benefiting from the SAMA Deferral Payment Program ("SAMA DPP") and found that a large number of these entities have returned to normal activities or have the means to support their operations without government support. Accordingly, these entities were removed from eligibility of further SAMA DPP support.

Projects & initiatives

Banque Saudi Fransi continued to encourage MSME customers to use digital solutions. We have partnered with Hala (Fin-tech) to expand our reach in marketing point-of-sale (POS) terminals beyond our primary target markets. Moreover, we are developing a point-of-sale (POS) financing product in collaboration with Kafalah as well as an online account opening solution to enhance the customer journey of MSMEs.

All initiatives are part of Banque Saudi Fransi'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 Kingdom of Saudi Arabia vision 2030.

B. Quantitative Disclosures:

(IN SAUDI RIYALS)	ON DECEMBER 31, 2021				ON DECEMBER 31, 2020			
	MICRO	SMALL	MEDIUM	TOTAL	MICRO	SMALL	MEDIUM	TOTAL
Loans to MSMEs – on balance sheet (SAR millions)	80	3,423	11,823	15,326	499	2,317	10,694	13,510
Loans to MSMEs – off balance sheet (SAR millions)	164	1,029	4,169	5,362	135	1,132	3,974	5,241
On balance sheet loans to MSMEs as a percentage of total on balance sheet loans	0.1%	2.24%	7.75%	10.05%	0.4%	1.7%	7.9%	10.0%
Off balance sheet loans to MSMEs as a percentage of total off balance sheet loans	0.29%	1.79%	7.25%	9.33%	0.2%	2.0%	7.1%	9.3%
Number of loans (on and off-balance sheet) *	428	821	1,367	2,616	1,145	887	1,514	3,546
Number of customers*	376	562	644	1,582	863	575	645	2,083
Number of loans guaranteed by the Kafalah Program (on and off balance sheet)	4	87	44	135	1	62	44	107
Amount of loans guaranteed by the Kafalah Program (on and off-balance sheet)	6	163	204	373	4	101	226	331

The number of secured funds is the number of guarantees issued. The total of secured funds is the total amount of the facilities in millions of Saudi Riyals.

* Reduction in number of loans and number of customers in 2021 (compared to previous year) is related to a cleanup of Technical overdraft related to POS accounts.

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

The Bank acquired treasury shares as authorised by the Board under its Long-Term Incentive (LTI) plan, which will grant the appreciation award of the Banks share performance to eligible employees as per LTI plan. The eligible employees will benefit from the appreciation in 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 of equity ownership opportunities.

The total number of treasury shares outstanding as of 31 December 2021 was 5.4 million.

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, 2019	March 31, 2020	March 31, 2021
Maturity date	April 01, 2022	April 01, 2023	April 01, 2024
Grant price (SAR)	35.95	33.265	33.35
Vesting period	3 years	3 years	3 years
Vesting conditions	Employees remain in service and meets required 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	Black-Scholes	Monte-Carlo	Monte-Carlo
Fair value per share on grant date (SAR)	42.37	23.297	29.318

The share performance will be granted under a service condition along with market condition associated with them. The total amount of expense recognised in the consolidated financial statements in respect of the above plans for the year is SAR 23.6 million (2020: SAR 25.6 million).

	2021
Number of shares allocated for LTI calculation at the beginning of the year	3,580,788
Vested/forfeited during the year	(1,222,920)
Allocated during the year, net	1,804,174
Number of shares allocated for LTI calculation at the year end	4,162,042

(18) 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 programmes 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 2021:

(IN THOUSANDS OF SAUDI RIYALS)	EMPLOYEE SHARE	BANK SHARE	TOTAL
Balance as at the beginning of 2021	53,177	43,291	96,468
Amount added during 2021	12,426	10,138	22,564
Amount refunded during 2021	(17,551)	(2,922)	(20,473)
Balance at the end of 2021	48,052	50,507	98,559

(19) 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:

SUBJECT OF THE VIOLATION	2020		2021		WAYS TO TREAT AND AVOID THEM IN THE FUTURE
	NUMBER OF PENAL DECISIONS	TOTAL AMOUNT OF FINANCIAL PENALTIES (IN SAUDI RIYALS)	NUMBER OF PENAL DECISIONS	TOTAL AMOUNT OF FINANCIAL PENALTIES (IN SAUDI RIYALS)	
Violation of SAMA's supervisory instructions	10	6,480,000	10	3,579,000	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	2	1,095,000	3	2,497,800	
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	None	None	1	None	
Total	12	7,575,000	14	6,076,800	

B. Other Penal Decisions:

PENALTY/SANCTION/PRECAUTIONS/RESTRICTION	REASONS FOR THE VIOLATION	VIOLATING BODY	WAYS TO TREAT AND AVOID THEM IN THE FUTURE
– SAR 54,000 – (Multiple fines)	– Lack of municipal licenses – There is no specific path for exit and entry to an automated teller machine – Setbacks and space for an ATM	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 12,000	The absence of a fire pump and safety plans for the Al-Batin branch	General Directorate of Civil Defense	

(20) 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, 2021 and December 31, 2020, respectively, were prepared in compliance with the International Financial Reporting Standards ("IFRS") respectively, 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.

(21) Auditors' reservations to the financial statements:

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

(22)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	Independent
4	Khaled Al Mutabagani	Member	Non-executive
5	Bader Al Issa	Member	Independent
6	Abdullatif Al Othman	Member	Independent
7	Ghazi Al Rawi	Member	Independent
8	Khalid Al Omran	Member	Non-executive
9	Rayan Fayez	Member	Executive
10	Timothy Collins	Member	Independent

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

(A) Board of Directors Members:

		EXPERIENCES		
	NAME	CURRENT POSITIONS	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 – Chairman of the Board of Directors of Dammam Hotels Company – Chairman of the Board of Directors of UNICOIL Universal Metal Coating Company	– Member of Al Shura Council	– Bachelor of Business Administration, Department of Finance, University of Seattle, 1985
4	Khaled Al Mutabagani	– Pediatric Surgery Consultant at New Jeddah Clinic Hospital – CEO of New Jeddah Clinic Hospital – CEO of Madina National Hospital	– 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	– 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

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

(A) Board of Directors Members: continued

	NAME	EXPERIENCES		QUALIFICATIONS
		CURRENT POSITIONS	PREVIOUS POSITIONS	
5	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
6	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
7	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
8	Khalid Al Omran	– General Manager of Daily Food Company	– 13 years of experience in Retail – 2 years in Management Consulting	– Master's in Business Administration, IESE Business School, Spain, 2012 – Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006
9	Timothy Collins	– CEO and Managing Partner, Ripplewood Advisors, LLC – Senior Fellow and Director, Henry Becton Fellowship Program, Yale School of Management – Member, New York State Common Retirement Fund Investment Advisory Committee – Member, Yale Divinity School Advisory Board – Member, Yale School of Management Advisory Board	– 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
10	Rayan Fayez	– Managing Director and CEO of Banque Saudi Fransi	– 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

(B) Board Committees' Members:

(B/1) Executive Committee:

	NAME	EXPERIENCES		QUALIFICATIONS
		CURRENT POSITIONS	PREVIOUS POSITIONS	
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 Management Group 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 – Chairman of the Board of Directors of Dammam Hotels Company – Chairman of the Board of Directors of UNICOIL Universal Metal Coating 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	– Managing Director and CEO of Banque Saudi Fransi	– CEO of Savola Group, 2016-2018 – Managing Director and Senior Country Officer at JP Morgan 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
5	Timothy Collins*	– CEO and Managing Partner, Ripplewood Advisors, LLC – Senior Fellow and Director, Henry Becton Fellowship Program, Yale School of Management – Member, New York State Common Retirement Fund Investment Advisory Committee – Member, Yale Divinity School Advisory Board – Member, Yale School of Management Advisory Board	– 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 from the Committee as of 05/07/2021

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

(B) Board Committees' Members: continued

(B/2) Audit Committee:

	NAME	EXPERIENCES		QUALIFICATIONS
		CURRENT POSITIONS	PREVIOUS POSITIONS	
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	Mohammad Ali Ikhwan (From outside the Board)	– Retired	– Advisor to the Minister of Labor, 2010-2015 – Vice President of Savola Group for M & A, 2004-2009	– Ph.D. in Engineering, Economic Systems, Stanford University, 1985 – Master of Operations Research, Stanford University, 1976 – Bachelor of Systems Engineering, Petroleum and Minerals University, KSA, 1974
3	Mohammed Al Subaie (From outside the Board)	– Retired	– General Auditor of Saudi Aramco, 2015-2018 – Various leadership positions at Saudi Aramco, 1993-2013 – Various positions at Eastern Province Water Directorate, 1988-1993	– Master's in Accounting, King Fahad University of Petroleum and Minerals, 1991 – Bachelor of Business Administration, Columbia College, 1981
4	Mamdouh 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
5	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

(B/3) Nominations and Remunerations Committee:

	NAME	EXPERIENCES		QUALIFICATIONS
		CURRENT POSITIONS	PREVIOUS POSITIONS	
1	Abdulrahman Al Rashed	– 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	– Member of Al Shura Council	– Bachelor of Business Administration, Department of Finance, University of Seattle, 1985
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	Khaled Al Mutabagani	– Pediatric Surgery Consultant at New Jeddah Clinic Hospital – CEO of New Jeddah Clinic Hospital – CEO of Madina National Hospital	– 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	– 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
4	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
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, 2004 – Master of Science in Human Resources, University of Central Missouri, USA, 1997

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

(B) Board Committees' Members: continued

(B/4) Board Risk 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	Khalid Al Omran	– General Manager of Daily Food Company	– 13 years of experience in Retail – 2 years in Management Consulting	– 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 – Accountancy, Huddersfield Polytechnic, UK, 1990

(B/5) Corporate Social Responsibility 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	– Managing Director and CEO of Banque Saudi Fransi	– 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

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

(B) Board Committees' Members: continued

(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	– Managing Director and CEO of Banque Saudi Fransi	– 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	– 13 years of experience in Retail – 2 years in Management Consulting	– Master's in Business Administration, IESE Business School, Spain, 2012 – Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006
5	Timothy Collins	– CEO and Managing Partner, Ripplewood Advisors, LLC – Senior Fellow and Director, Henry Becton Fellowship Program, Yale School of Management – Member, New York State Common Retirement Fund Investment Advisory Committee – Member, Yale Divinity School Advisory Board – Member, Yale School of Management Advisory Board	– 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

(C) Executive Management:

	NAME	CURRENT POSITIONS	PREVIOUS POSITIONS	QUALIFICATIONS	EXPERIENCES
1	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	– 20 years of experience in several executive positions
2	Bader Alsalloom	– Head of Wholesale Banking	– Wholesale Deputy Director General – The Saudi Investment Bank	– Bachelors of Science, Finance 2004	– 10 years' experience in Banking sector
3	Adel Mallawi	– Chief Investment Officer	– Chief Financial Officer at Banque Saudi Fransi	– Bachelor of Chemistry, 1993	– 26 years of experience in treasury, global markets and finance
4	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	– 15 years' experience in Islamic and Retail Banking
5	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	– 36 years of experience in banking sector
6	Thamer Yousef	– Chief Operating Officer	– Head of Information Systems Department at SABB	– Bachelor of Computer Engineering, King Saud University, 1994	– 25 years of experience in IT & Operations
7	May Alhoshan	– Chief Human Capital Officer	– Director of Human Resources at AlAwwal Bank	– Master of Engineering – George Washington University, 2004	– 16 years of experience in Human Resources
8	Michael Cunningham	– Chief Strategy & Digital Group 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	– 10 years of banking experience in banking sector
9	Abdulmohsen Al Rayes	– Chief Audit Executive	– Director of Internal Audit at Arab National Bank	– Bachelor of Arabic Grammar, 1981	– 35 years of experience in the banking sector
10	Yasser Alanssari	– Chief Compliance Officer	– Director of Compliance Group and anti-money laundering – Gulf International Bank.	– Bachelors of Science 2018	– 10 years' experience in Compliance
11	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	– 18 years of legal experience in several positions in the financial sector
12	Mutasim Mufti	– Chief Risk Officer	– Risk Deputy Director – Bank Saudi Fransi	– Bachelors of Accounting & Finance 1991 – MBA 1993	– 15 years' experience in Banking sector
13	Mazen Azoony	– Acting Chief Financial Officer	– Head of Financial Reporting & Accounting – Standard Chartered Bank	– Bachelors of Accounting – 1996 – Masters of Accounting 2009	– 10 years' experience in Banking sector
14	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	– 15 years' experience in Banking sector
15	Mazen Al Tamimi*	– Head of Institutional Banking Group	– Senior Executive Director at Banque Saudi Fransi	– Bachelor of Computer Science, 1989	– 31 years of banking experience in various positions at the Bank
16	Sami Almehaid**	– Chief Compliance Officer	– Chief Preventive Risk Officer – SABB	– Diploma of Banking Operation, Institute of Public Administration, 2000	– 20 years of experience in Banking sector

* Resigned on 30/06/2021.
** Resigned on 25/05/2021.

(24)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:

		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
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	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	Closed 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	–	–	–
		Real Estate Investment Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Kingdom School Company limited	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	–	–	–
		Five Capital advisors company (DIFC)	Outside the Kingdom	Private 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
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	–	–	–
		Al Awael 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	–	–	–
		Rashed Al Rashed & Sons Donaldson Company Ltd	Inside the Kingdom	Limited Liability Company	–	–	–
		Beit Al Tawazun 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	–	–	–
		Property & Real Estate Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Global United Investment Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Al Awael Modern Contracting 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	–	–	–

(24)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	Khaled Al Mutabagani	New Jeddah Clinic Hospital	Inside the Kingdom	A Limited Liability Company	–	–	–
		Madina National Hospital	Inside the Kingdom	A Limited Liability Company	–	–	–
		New Horizon Company	Inside the Kingdom	A Limited Liability Company	–	–	–
		Nai Arabia Food Company	Inside the Kingdom	A Limited Liability Company	–	–	–
		Marine Plankton Company	Inside the Kingdom	A Limited Liability Company	–	–	–
5	Bader Al Issa	Assila for Investment	Inside the Kingdom	Closed Joint Stock Company	AMIAS Holding	Inside the Kingdom	Limited Liability Company
		Savola Group	Inside the Kingdom	Listed Joint Stock Company	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company
		United Sugar Company	Inside the Kingdom	Closed Joint Stock Company	Kinan International for Real Estate Development Company	Inside the Kingdom	Closed Joint Stock Company
		Afia International Company	Inside the Kingdom	Closed Joint Stock Company	Knowledge Economic City	Inside the Kingdom	Listed Joint Stock Company
		Savola Foods	Inside the Kingdom	Closed Joint Stock Company	Savola for Packaging	Inside the Kingdom	Closed Joint Stock Company
		Dur Hospitality Company	Inside the Kingdom	Listed Joint Stock Company	Al Aqiq for Real Estate Development	Inside the Kingdom	Closed Joint Stock Company
		Panda Retail Company	Inside the Kingdom	Closed Joint Stock Company	Sukoon International Company	Inside the Kingdom	Closed Joint Stock Company
		Almarai	Inside the Kingdom	Listed Joint Stock Company	–	–	–
6	Abdullatif Al Othman	Al-Othman Engineering Consultants	Inside the Kingdom	Closed Joint Stock Company	Aramco Trading Company	Inside the Kingdom	Joint Stock Company
		Olayan Group	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	Outside the Kingdom	Joint Stock Company	Sadara Chemical Company, partnership between Saudi Aramco and The Dow Chemical Company	Inside the Kingdom	Joint Stock Company
		GCC Board Directors Institute	Outside the Kingdom	Nonprofit	Dussur, The Saudi Industrial Investments Company	Inside the Kingdom	Joint Stock Company
		Wahed	Outside the Kingdom	Joint Stock Company	–	–	–
		Remaiyah	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
7	Ghazi Al Rawi	MATARAT Holding Company	Inside the Kingdom	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	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	Joint Stock Company
		Adaptive Spectrum & Signal Alignment, Inc	Outside the Kingdom	Closed Joint Stock Company	Tadrees Holding	Inside the Kingdom	Closed Joint Stock Company
		Valuegate Investments International	Outside the Kingdom	Limited Liability Company	SIGMA Pharmaceutical Industries	Outside the Kingdom	Closed Joint Stock Company
		Valuegate Astro SPV1	Outside the Kingdom	Limited Liability 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
8	Khalid Al Omran	Daily Food Company	Inside the Kingdom	A Limited Liability Company	–	–	–
		Goldman Sachs Saudi Arabia	Inside the Kingdom	Closed Joint Stock Company	–	–	–

(24)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	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	Closed Joint Stock 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	–	–	–
10	Rayan Fayez	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company	Hassana Investment Company	Inside the Kingdom	Closed Joint Stock Company
		Al Ula Company for Development	Inside the Kingdom	Closed Joint Stock Company	Saudi Stock Exchange (Tadawul)	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	A Closed Joint Stock Company
		–	–	–	JP Morgan Chase NA, Riyadh Branch	Inside the Kingdom	Closed Joint Stock Company

(25)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:

	MEMBER NAME	DATE OF MEETINGS FIRST MEETING 17/02/2021	SECOND MEETING 15/05/2021	THIRD MEETING 29/06/2021	FOURTH MEETING 08/07/2021	FIFTH MEETING 20/09/2021	SIXTH MEETING 08/12/2021	TOTAL	ATTENDANCE PERCENTAGE
1	Mazin Al Romaih	✓	✓	✓	✓	✓	✓	6	100%
2	Talal Al Maiman	✓	✓	✓	×	×	✓	4	%66.66
3	Abdulrahman Al Rashed	✓	✓	✓	✓	✓	×	5	%83.33
4	Khaled Al Mutabagani	✓	✓	✓	✓	✓	✓	6	%100
5	Bader Al Issa	✓	✓	✓	✓	✓	✓	6	%100
6	Abdullatif Al Othman	✓	✓	✓	✓	✓	✓	6	%100
7	Ghazi Al Rawi	✓	✓	✓	✓	✓	✓	6	%100
8	Khalid Al Omran	✓	✓	✓	✓	✓	✓	6	%100
9	Rayan Fayez	✓	✓	✓	✓	✓	✓	6	%100
10	Timothy Collins	✓	✓	✓	✓	✓	✓	6	%100

(26)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 01/01/2019 to 31/12/2021: The Executive Committee, the Audit Committee, the Nominations and Remunerations Committee, the Board Risk Committee, the Corporate Social Responsibility Committee and the Board Strategy Committee. These committees have powers under their own regulations. The details of these committees are as follows:

(26/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 2021. The following are the members of the Committee and its meetings during the year:

	MEMBER NAME	TYPE OF MEMBERSHIP	DATE OF MEETINGS FIRST MEETING 10/02/2021	SECOND MEETING 28/04/2021	THIRD MEETING 08/06/2021	FOURTH MEETING 15/09/2021	FIFTH MEETING 25/10/2021	SIXTH MEETING 01/12/2021	TOTAL	ATTENDANCE PERCENTAGE
1	Mazin Al Romaih	Chairman Non-Executive	✓	✓	✓	✓	✓	✓	6	100%
2	Abdulrahman Al Rashed	Independent Member	✓	✓	✓	✓	✓	✓	6	100%
3	Talal Al Maiman	Non-Executive Member	✓	✓	✓	✓	✓	✓	6	100%
4	Rayan Fayez	Executive Member	✓	✓	✓	✓	✓	✓	6	100%
5	Timothy Collins*	Independent Member	✓	✓	✓	–	–	–	3	100%

* Resigned from the Committee as of 05/07/2021

The Committee's main responsibilities include but are not limited to the following:
- Approve related party transactions as per the 'Delegation of Authority Manual'
- 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 material differences in the budget (if any) before submitting them to the Board for review.

(26) 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

(26/B) Audit Committee:

The Committee consists of five 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 seven meetings during 2021. The following are the members of the Committee and its meetings during 2021:

	MEMBER NAME	TYPE OF MEMBERSHIP	DATE OF MEETINGS							TOTAL	ATTENDANCE PERCENTAGE
			FIRST MEETING 04/02/2021	SECOND MEETING 05/04/2021	THIRD MEETING 29/04/2021	FOURTH MEETING 27/07/2021	FIFTH MEETING 29/08/2021	SIXTH MEETING 24/10/2021	SEVENTH MEETING 23/11/2021		
1	Bader Al Issa	Chairman Independent	✓	✓	✓	✓	✓	✓	✓	7	100%
2	Mohammad Ikhwan	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	7	100%
3	Mohammed Al Subaie	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	7	100%
4	Mamdouh Al Majed	Member (from outside the Board)	✓	x	✓	✓	✓	✓	✓	6	85.71%
5	Ghazi Al Rawi	Independent Member	✓	✓	✓	✓	✓	✓	✓	7	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.

(26/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 six meetings during 2021. The following are the members of the Committee and its meetings during the year:

	MEMBER NAME	TYPE OF MEMBERSHIP	DATE OF MEETINGS						TOTAL	ATTENDANCE PERCENTAGE
			FIRST MEETING 13/01/2021	SECOND MEETING 11/02/2021	THIRD MEETING 27/04/2021	FOURTH MEETING 15/09/2021	FIFTH MEETING 15/11/2021	SIXTH MEETING 14/12/2021		
1	Abdulrahman Al Rashed	Chairman Independent	✓	✓	✓	✓	✓	✓	6	100%
2	Khaled Al Mutabagani	Non-Executive Member	✓	✓	✓	✓	✓	✓	6	100%
3	Mansoor Al Mansoor	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	6	100%
4	Talal Al Maiman	Non-Executive Member	✓	✓	✓	✓	✓	x	5	83.33%
5	Ghazi Al Rawi	Independent Member	✓	✓	✓	✓	✓	✓	6	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.

(26/D) Board Risk Committee:

The Board Risk Committee comprises four 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 four meetings during 2021. The Committee's members and meetings during the year are as follows:

	MEMBER NAME	TYPE OF MEMBERSHIP	DATE OF MEETINGS				TOTAL	ATTENDANCE PERCENTAGE
			FIRST MEETING 10/02/2021	SECOND MEETING 29/04/2021	THIRD MEETING 16/09/2021	FOURTH MEETING 30/11/2021		
1	Abdullatif Al Othman	Chairman Independent	✓	✓	✓	✓	4	100%
2	Bader Al Issa	Independent Member	✓	✓	✓	✓	4	100%
3	Khalid Al Omran	Non-Executive Member	✓	✓	✓	✓	4	100%
4	Vanessa Eastham Fisk	Member (from outside the Board)	✓	✓	✓	✓	4	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; Efficient operation of these policies and regular review based on dynamic environment;
- Assessment 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; review management assessment of risks covering credit, market, operational (including technology), cyber/information security, business continuity, fraud, reputational, strategic, and AML risk;
- 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 feedback on risk impact of potential Strategic decisions by Executive Management and BoD reporting;
- Review the adequacy of the Bank's risk management systems to determine and monitor the risks and mitigants through a Risk Register;
- Review the adequacy of the Bank's risk intelligence levels to enhance the Bank's competitive advantage;
- 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;
- 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.

(26) 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

(26/E) Corporate Social Responsibility Committee:

The Board of Directors of Banque Saudi Fransi is keen to support the largest possible segment of society in all fields. The Committee consists of three members. The Committee held two meeting in 2021. The Committee's members and the meeting attendance record during 2021 are as follows:

			DATE OF MEETINGS			
	MEMBER NAME	TYPE OF MEMBERSHIP	FIRST MEETING 18/02/2021	SECOND MEETING 05/10/2021	TOTAL	ATTENDANCE PERCENTAGE
1	Talal Al Maiman	Chairman Non-Executive	✓	✓	2	100%
2	Bader Al Issa	Independent Member	✓	✓	2	100%
3	Rayan Fayez	Executive Member	✓	✓	2	100%

The tasks of the Corporate Social Responsibility Committee include but are not limited to the following:
- Review, evaluate and oversee Banque Saudi Fransi's bank-wide charitable giving strategy and funding guidelines;
- Review requests for funding from eligible community and charitable organizations;
- Establish and review social contribution policies and programs;
- Oversee and ensure proper implementation of social contribution compliance systems;
- Review of annual budgets with respect to social contribution programs;
- Set short & long term plans to achieve environmental, social & governance goals, governed with key targets, and ensure that such plans are incorporated in BSF's business strategy;
- Maintain an up-to-date prioritized list of material sustainability issues, assess the Bank's response to each of them on an annual basis and support the identification and implementation of high leverage sustainability initiatives that will improve performance; and
- Develop and maintain environmental, social & governance trackers that feed into the Global Sustainability Index, and report BSF's progress in the Annual Report.

(26/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 seven meetings during 2021. The Committee's members and meetings during the year are as follow:

			DATE OF MEETINGS								
	MEMBER NAME	TYPE OF MEMBERSHIP	FIRST MEETING 20/01/2021	SECOND MEETING 31/03/2021	THIRD MEETING 03/05/2021	FOURTH MEETING 27/06/2021	FIFTH MEETING 03/08/2021	SIXTH MEETING 16/09/2021	SEVENTH MEETING 10/11/2021	TOTAL	ATTENDANCE PERCENTAGE
1	Talal Al Maiman	Chairman Non-Executive	✓	✓	✓	×	✓	✓	✓	6	85.71%
2	Bader Al Issa	Independent Member	✓	✓	✓	✓	✓	✓	✓	7	100%
3	Khalid Al Omran	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	7	100%
4	Rayan Fayez	Executive Member	✓	✓	✓	✓	✓	✓	✓	7	100%
5	Timothy Collins	Independent Member	✓	✓	✓	✓	✓	✓	✓	7	100%

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 on Strategy related matters; and
- Monitor and suggest remedial action during the implementation of our 5 Year Strategy.

(27)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:

Two General Assembly Meetings were held during 2021. The following is the attendance report of the meetings:

		ATTENDANCE RECORD	
	NAME	EXTRAORDINARY GENERAL ASSEMBLY MEETING 05/05/2021	ORDINARY GENERAL ASSEMBLY MEETING 08/12/2021
1	Mazin Al Romaih (Chairman of the Executive Committee)	✓	✓
2	Talal Al Maiman (Chairman of the Corporate Social Responsibility Committee and Board Strategy Committee)	✓	✓
3	Abdulrahman Al Rashed (Chairman of the Nomination and Remuneration Committee)	✓	✓
4	Khaled Al Mutabagani	✓	✓
5	Bader Al Issa (Chairman of the Audit Committee)	✓	✓
6	Abdullatif Al Othman (Chairman of the Board Risk Committee)	✓	✓
7	Ghazi Al Rawi	✓	✓
8	Khalid Al Omran	✓	✓
9	Rayan Fayez	✓	✓
10	Timothy Collins	✓	✓
	Attendance percentage	100%	100%

(28)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 – emphasising 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:

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

(28/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 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	Abdulrahman Al Rashed	420	15	36	–	–	–	471	–	–	–	–	–	–	–	471	–
2	Bader Al Issa	420	18	60	–	–	–	498	–	–	–	–	–	–	–	498	–
3	Abdullatif Al Othman	420	18	12	–	–	–	450	–	–	–	–	–	–	–	450	–
4	Ghazi Al Rawi	420	18	39	–	–	–	477	–	–	–	–	–	–	–	477	–
5	Timothy Collins	420	18	30	–	–	–	468	–	–	–	–	–	–	–	468	–
	Total	**2,100**	**87**	**177**	**–**	**–**	**–**	**2,364**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,364**	**–**
SECOND: NON-EXECUTIVE MEMBERS:																	
1	Mazin Al Romaih	–	18	18	–	–	3,750	3,786	–	–	–	–	–	–	–	3,786	–
2	Talal Al Maiman	420	12	57	–	–	–	489	–	–	–	–	–	–	–	489	–
3	Khaled Al Mutabagani	420	18	18	–	–	–	456	–	–	–	–	–	–	–	456	–
4	Khalid Al Omran	420	18	33	–	–	–	471	–	–	–	–	–	–	–	471	–
	Total	**1,260**	**66**	**126**	**–**	**–**	**3,750**	**5,202**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,202**	**–**
THIRD: EXECUTIVE MEMBERS:																	
1	Rayan Fayez	420	18	45	–	–	–	483	–	–	–	–	–	–	–	483	–
	Total	**420**	**18**	**45**	**–**	**–**	**–**	**483**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**483**	**–**

(28/B)Committees' members remunerations:

COMMITTEES' MEMBERS REMUNERATIONS (IN THOUSANDS OF SAUDI RIYALS)					
		FIXED REMUNERATIONS (EXCEPT ATTENDING SESSIONS ALLOWANCE)	ALLOWANCE FOR ATTENDING SESSIONS	TOTAL	NOTES
AUDIT COMMITTEE MEMBERS					
1	Bader Al Issa	–	21	21	
2	Mohammad Ikhwan	200	21	221	
3	Mohammed Al Subaie	200	21	221	
4	Mamdouh Al Majed	200	18	218	
5	Ghazi Al Rawi	–	21	21	
	Total	**600**	**102**	**702**	
NOMINATION AND REMUNERATION COMMITTEE MEMBERS					
1	Abdulrahman Al Rashed	–	12	12	
2	Mansoor Al Mansoor	200	12	212	
3	Talal Al Maiman	–	12	12	
4	Ghazi Al Rawi	–	12	12	
5	Khaled Al Mutabagani	–	12	12	
	Total	**200**	**60**	**260**	
BOARD RISK COMMITTEE MEMBERS					
1	Abdullatif Al Othman	–	12	12	
2	Bader Alissa	–	12	12	
3	Khalid Al Omran	–	12	12	
4	Vanessa Fisk	200	12	212	
	Total	**200**	**48**	**248**	
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	Timothy Collins*	–	9	9	
	Total	**–**	**81**	**81**	
SOCIAL RESPONSIBILITY COMMITTEE MEMBERS					
1	Talal Al Maiman	–	6	6	
2	Bader Al Issa	–	6	6	
3	Rayan Fayez	–	6	6	
	Total	**–**	**18**	**18**	
BOARD STRATEGY COMMITTEE MEMBERS					
1	Talal Al Maiman	–	18	18	
2	Bader Al Issa	–	21	21	
3	Rayan Fayez	–	21	21	
4	Khalid Al Omran	–	21	21	
5	Timothy Collins	–	21	21	
	Total	**–**	**102**	**102**	

* Resigned from the Committee as of 05/07/2021

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

(28/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
9,279	5,106	456	14,841	–	–	12,340	–	8,504	20,844	–	483	36,168

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
23,205	11,853	1,230	36,288	–	–	25,134	–	8,504	33,638	8,056	483	78,465

(29)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.

(30)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 of 2021, the Board of Directors appointed GCC Board Members Institute (GCC BDI) to evaluate the performance of the Board and its committees. This was done by reviewing the governance structure and the charters of the Board and its committees, and conducting personal interviews with members of the Board of Directors and its committees and members of the executive management, as well as by attending some meetings of the Board and its committees.

The results of the evaluation and related recommendations were presented to the Board of Directors.

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

A training workshop 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 Bank's Anti-Fraud Division also presented the members of the Board of Directors with an awareness presentation on Financial Fraud crimes.

(32)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.

(33)Board of Directors' recommendations to change auditors:
There was no change in the Joint Auditors for FY 2021. The Board approved Ernst & Young (EY) & KPMG as the Joint External Auditors of the Bank to conduct the quarterly and annual audit of financial statements for FY 2021 which was the same during FY 2020 as well.

(34)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 for shareholders (telephone, fax, 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.

(35)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. (36) on transactions with related parties in the consolidated financial statements, and Articles (13) and (14) of this report.

(36)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, 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 significant event risks like the COVID pandemic.

(36)Risk Management: continued

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

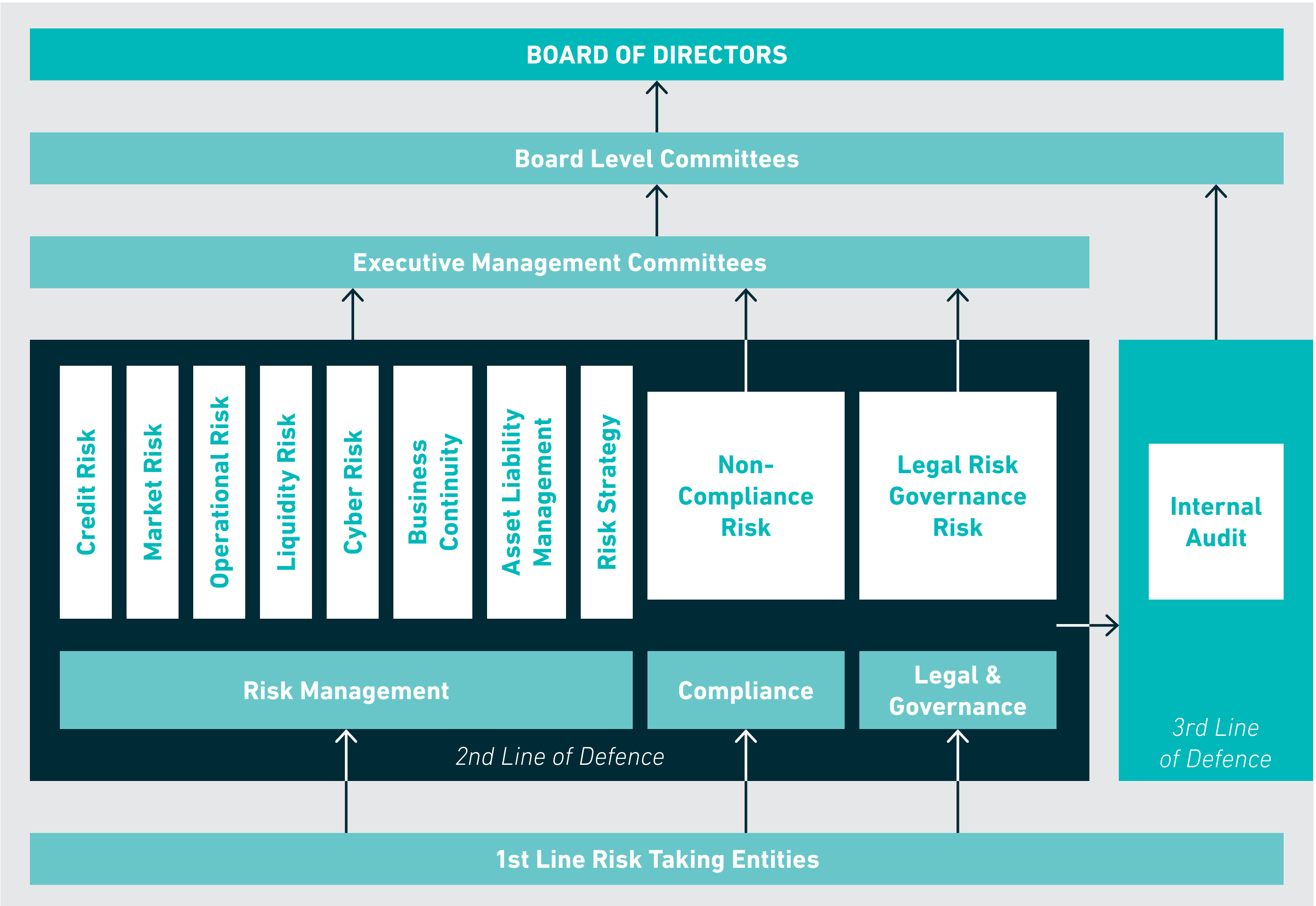
Effective risk management begins with effective risk governance. The Bank has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced executive management team. Its Risk Management framework is predicated on the 3 Lines of Defence model:

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

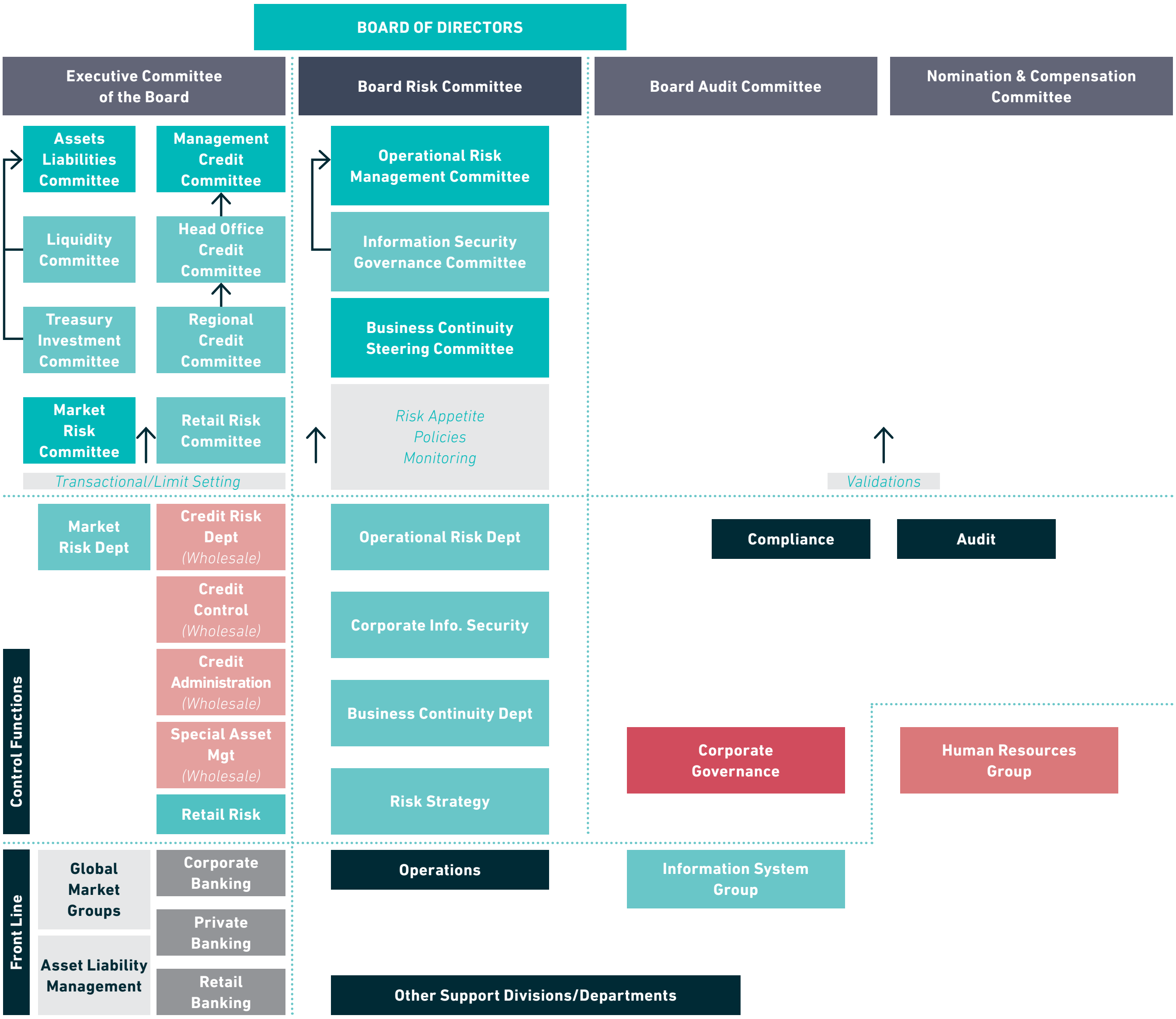
A strong Risk Culture aligns all employees to be risk owners, accountable for owing and managing reputational and operational risks.



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.



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

A. Risk Appetite Framework:
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 taking into account adequate buffers vis-à-vis regulatory thresholds, where applicable.

The Bank revised its Risk Appetite Framework for 2022. In 2020, the Bank had considerably enhanced its coverage of Risk Appetite and incorporated business line cascades for Corporate and Retail with improvements in risk based segmental and country limits. In 2021, the focus was on meaningful representation, for ease of monitoring and decision making. There were a few changes in metric thresholds, namely:
– Improvement in Solvency (Capital Adequacy Ratio) metrics;
– Increase in Foreign Currency Investment threshold to support liquidity & investment portfolio diversification;
– Increase in Credit RWA thresholds to accommodate Budgeted growth.

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.

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.

The Bank has adopted and integrated SAMA's Rules on Management of Problem Loans beginning Oct 2020.

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) are set of initiatives are seen as vital for an efficient wholesale credit process and long-term management of cost of credit.
– An Early Warning Signals (EWS) framework is being enhanced in operationalization, in part for Regulatory requirements, but mainly to implement a workflow & analytical tool to support Credit decision making.
– A revised RAROC framework to measure Risk Adjusted lifetime profitability on an Ex-Ante (projected) and Ex-Post (historical) basis. This will provide Business Line discipline on on-boarding of new loan/investment assets as well as drive cross sell effort on an informed basis.
– Risk Management verticals are running multiple modules of Basel IV implementation projects to implement the new Rules to be in effect in 2023.

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) 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).

D. Operational Risk Management:
The Operational Risk Management in BSF is positioned to function as a second line of defense under the guidance of 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.

Operational Risk Management's scope is primarily composed of Operational Risk Profiles, Key Risk Indicators, Operational and Technology Incidents Management, Root Cause Analysis, Insurance Risk Management and Loss Data Management.

All major processes within Operational Risk Management are operated by the designated Operational Risk Management units which work in close interaction with the other Operational Risk Management units to confirm an overall alignment with the Framework and Bank's objectives.

Operational Risk Management's Incidents Management (IM) and Technology Risk Management (TRM) operate with the prime objective of managing the operational and technology incidents reported by the appointed risk coordinators (champions) via ORM's reporting channels. Managing the reported incidents entails conducting in-depth investigations in coordination with the concerned BLs to identify the root causes and, cooperatively, agree on the corrective actions. Throughout the carried-out investigations, IM and TRM also aim at identifying the control weaknesses and areas that require procedural improvements. Furthermore, IM & TRM carry out their independent root cause analysis in response to the imposed regulatory penalties and other major events.

Operational Risk Management is an integral part of New Products & Services Process and participates as a member of the risk assessment team. Operational Risk Management assesses technology risk, as well as insurance 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. As one of the regular members of the Committee, Operational Risk Management reviews all policies & procedures bank-wide. Operational Risk Management is also involved in subsidiaries oversight in relation to operational risk activities.
Consistent with the global emerging trends in Risk Management, Operational Risk Management is presently in the preliminary phase of applying an Enterprise Incident Management (EIM) approach, which has a broader scope that 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.

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. The Bank is required to record an allowance for expected losses for all loans and other debt type financial assets not held at fair value through profit or loss. The allowance is based on the ECL associated with the probability of default in the next 12 months and if there has been a significant increase in credit risk since origination, based on the probability of default over the life of the asset.

In addition, SAMA has initiated in 2021 a draft guidance with a finer Staging criteria with fixed regulatory provisioning criteria for the risk buckets. This has no impact on the current IFRS 9 provisioning and its P&L impact. However, the difference between regulatory and accounting (i.e. IFRS 9) provisions needs to be ring-fenced from equity and not used for dividend distribution.

- In the past two years, the Bank had substantially automated input processes on the IFRS9 technology platform and has made significant improvements in analytics, policies and processes; thus ensuring precision in IFRS 9 ECL estimates. These include improvements in Analytics (Macroeconomic Models, Wholesale Risk Rating models, validation & monitoring) Policies and Processes to ensure close alignment to SAMA IFRS9 guidelines including allied regulations in the Credit space.
- In the current year, the Bank has successfully worked on Regulator appointed scrutiny of its Wholesale and Retail Models.
- BSF is in the process of finalizing internal model for its Wholesale Loss Given Default, which will provide a finer Risk based Provisioning. It is also in the process of re-estimating its Retail Macroeconomic Model to have a better risk estimation.
- The Bank has conducted a successful Quantitative Impact Assessment on the SAMA Consultative Guidance mentioned above.

(37)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:

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 support the overall cybersecurity governance in BSF.
- **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 revised the 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. BSF has 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.
- **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 ard 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.

(38)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 to the Bank, 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 its 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 Saudi Central Bank (SAMA). This policy sets out the 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 played by the External Auditors within the parameters of BSF control framework.

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 the 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.

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 the policies and corrective actions in order to avoid and correct any control deficiencies.

Executive Managers – Heads of 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 are provided with periodic reports that clarifies 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 the Bank functions and has adopted a Quality Assurance & Improvement Program (QAIP) that covers all activities within the Internal Audit Group.

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

The Internal Audit Group performs its work in accordance with a risk-based audit methodology, following the rules and regulations issued by the regulatory bodies in the Kingdom of Saudi Arabia and The International Professional Practices Framework (IPPF) issued by The Institute of Internal Auditors (IIA). Internal Audit Group establishes a three years' strategic internal audit plan based on risk assessment and Bank's strategy, covering all audit entities at least once every three year, nevertheless high/medium risk audit entities are covered more frequently during the three-year audit cycle. Hence, Internal Audit conducts field visits to perform audits/reviews to examine and evaluate the effectiveness and efficiency of risk management, internal controls, governance and other activities in the Bank, in addition to assessing the quality of performance while exercising their responsibilities towards achieving the Bank's strategic goals and objectives. The Internal Audit Group submits the final reports to the relevant functions and Senior Management, where the audit observations are discussed, and corrective actions and respective target dates of implementation are agreed.

Internal Audit provides a quarterly activity report to the Audit Committee, highlighting key issues, which are discussed during the committee meetings, and the committee after each meeting direct the senior executives to take the necessary measures to enhance the oversight role, in addition, ensuring timely closure of reported issues as per the agreed timelines.

C. Compliance Group (CPG):

Undoubtedly, the concepts and principles of compliance and combating financial crimes receive great attention from international and regional organizations and legislative and supervisory bodies in many countries, as well as in the Kingdom of Saudi Arabia. This comes as a realization by everyone of the importance of what the principles of compliance achieve for financial and non-financial institutions to enhance compliance with supervisory and regulatory standards in all their activities and responsibilities, which contributes to protecting the reputation of the organization and its relationship with regulatory authorities and the continuity of the relationship with its customers.

In Banque Saudi Fransi, the Compliance Group plays a vital and essential role in achieving the bank's vision, mission, goals and values by exerting the utmost due diligence in applying the aspects of compliance in all the work tasks and activities assigned to it which is related to the Bank, the employees and customers, as gives this aspect great attention to the fact that Compliance is an integral part of the culture of Banque Saudi Fransi – by urging adherence to ethical and professional behavior, as well as contributing to raising awareness on compliance among bank employees to ensure adherence to regulatory requirements in all banking activities, taking into account the values and principles of Banque Saudi Fransi and the Kingdom's vision 2030.

The group had a great role and an effective contribution in achieving the strategic goals of Banque Saudi Fransi towards its initiatives to develop financial technology for the current relevant banking operations. The group is also keen to enhance the frameworks of the compliance environment in Banque Saudi Fransi in letter and spirit with the supervisory requirements in our daily work, as well as in showing aspects of care to strengthen the good and distinguished relationship with the regulatory and supervisory authorities.

In addition, Compliance Group is concerned with control frameworks and reducing risks related to financial crimes and financial fraud, with the aim of raising the level of compliance and the soundness of financial transactions, and in implementation of the requirements, principles and initiatives of the Saudi Central Bank and the regulatory bodies in the Kingdom.

(38)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 system of internal controls of the Bank, which includes examining interim and annual financial statements and recommending it for board approval, in addition, the committee perform other auditing roles which fall within the committee scope as per its approved charter.

The Audit Committee reviews the reports related to the Bank's internal control, mainly reports issued by the Internal Audit and Compliance Group. Moreover, meetings are conducted with the Bank's Group heads, through Internal Audit, to discuss matters regarding their Groups' performance, outstanding audit observations and the current progress in applying respective corrective actions. In addition, the results of any newly published and/or amended regulations issued by Saudi Central Bank (SAMA) and other regulatory bodies, key amendments to the accounting policies and International Financial Reporting Standards (IFRS) are also discussed during the 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.

(39)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.

Moreover, BSF has been awarded with the Corporate Governance Index Excellence Award designed for listed companies on the Saudi Stock Exchange from the Corporate Governance Center at Alfaisal University. In addition, the Bank received the Best Corporate Governance Award in Financial Services in the Middle East 2021 from Ethical Boardroom as a result of the Bank's commitment to apply best practices of good governance.

(40)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.
- Combatting 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 Bank to verify 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.

(41) 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 UNPD'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 2021, 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 2021:

PROGRAM NAME
Blood Donation Campaign for HO in collaboration with King Faisal hospital
Breast Cancer Awareness and HO Event in Collaboration with Zahra association & MOH
King Salman Relief center donation
Ehsan platform donation
Autism center donation

(41) Details of the Bank's social contributions: continued

Government related initiatives:

Agriculture Development Fund "ADF":

- Banque Saudi Fransi renewed the collaboration agreement with the Agricultural Development Fund (ADF) to finance the fund's beneficiaries for the purpose of supporting food security in the Kingdom.

Tourism Development Fund "TDF":

- As one of the first banks, Banque Saudi Fransi signed a collaboration agreement to provide financing agency services to the Tourism Development Fund (TDF). The latter is an extension of the collaboration agreement with the TDF to support the tourism industry in the Kingdom of Saudi Arabia by financing the beneficiaries of the Fund, which was signed in 2020.

Cultural Development Fund "CDF":

- Banque Saudi Fransi signed a collaboration agreement with the Cultural Development Fund to finance the fund's beneficiaries as the first Saudi bank to sign this agreement.

General Entertainment Authority "GEA":

- Banque Saudi Fransi signed a collaboration agreement with the General Entertainment Authority (GEA) to work on establishing financing programs to enable the entertainment sector in the Kingdom of Saudi Arabia.

Ministry of Defense:

- Banque Saudi Fransi signed a collaboration agreement with the Ministry of Defense to provide financing services to the Ministry's employees. The agreement contributed in the participation of a number of exclusive exhibitions in various regions of the Kingdom in order to provide real estate and personal financing services to the Ministry's employees.

King Salman Humanitarian Aid and Relief Center (KSRelief):

- Banque Saudi Fransi sponsored the "Recognize and Contribute" campaign, which was carried out by the Center as an exclusive sponsor of the campaign.

(42)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.

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

	APPLICATION DATE	APPLICATION REASONS
1	04/01/2021	Other
2	11/01/2021	Other
3	18/01/2021	Other
4	25/01/2021	Other
5	01/02/2021	Other
6	08/02/2021	Other
7	15/02/2021	Other
8	22/02/2021	Other
9	01/03/2021	Other
10	08/03/2021	Other
11	15/03/2021	Other
12	22/03/2021	Other
13	29/03/2021	Other
14	31/03/2021	Corporate procedures
15	05/04/2021	Other
16	12/04/2021	Other
17	19/04/2021	Other
18	26/04/2021	Other
19	03/05/2021	Other
20	05/05/2021	General Assembly
21	09/05/2021	Dividends file
22	24/05/2021	Other
23	31/05/2021	Other
24	07/06/2021	Other
25	14/06/2021	Other
26	21/06/2021	Other
27	28/06/2021	Other
28	05/07/2021	Other
29	12/07/2021	Other

	APPLICATION DATE	APPLICATION REASONS
30	13/07/2021	Dividends file
31	19/07/2021	Other
32	26/07/2021	Other
33	02/08/2021	Other
34	09/08/2021	Other
35	16/08/2021	Other
36	23/08/2021	Other
37	30/08/2021	Other
38	06/09/2021	Other
39	13/09/2021	Other
40	20/09/2021	Other
41	27/09/2021	Other
42	30/09/2021	Corporate procedures
43	04/10/2021	Other
44	11/10/2021	Other
45	18/10/2021	Other
46	25/10/2021	Other
47	01/11/2021	Other
48	08/11/2021	Other
49	15/11/2021	Other
50	22/11/2021	Other
51	29/11/2021	Other
52	02/12/2021	Other
53	06/12/2021	Other
54	08/12/2021	General Assembly
55	13/12/2021	Other
56	20/12/2021	Other
57	27/12/2021	Other
58	31/12/2021	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 2021, 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in Kingdom of Saudi Arabia").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as 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 professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, 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 our 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 2021, the gross loans and advances of the Group were SAR 152.5 billion against which an expected credit loss ("ECL") allowance of SAR 4.7 billion was maintained. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. Furthermore, the COVID-19 continues to pose challenges to business thus increasing the levels of judgement and uncertainty needed to determine the ECL. The key areas of judgement include: 1. Categorisation of loans 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. The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR notwithstanding the various government support programs that resulted in deferrals to certain counterparties. The deferrals were not deemed to have triggered SICR by themselves.	– 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, model methodology including any key changes made in light of the evolving impact of COVID-19 pandemic during the year. – 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 IT general and application controls) over: • the ECL model, including governance over the model and its validation including approval of key assumptions, overlays and inputs; • 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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of counterparty, 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 judgement to reflect all relevant risk factors, especially relating to ongoing COVID-19 pandemic, that might not be captured by the ECL model. Application of these judgements and estimates, particularly in light of the global COVID 19 pandemic, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2021. *Refer to the summary of significant accounting policy note 3.2 (E) for the impairment of financial assets; note 2 (e) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment 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 32 (c and d) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	– 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 in particular, with reference to the impacts of the evolving COVID-19 pandemic and also assessed that these were consistent with the ratings used as input in the ECL model; • management's computations for ECL; and • for selected loans, 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; and their classification into stages. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio including for customers who were eligible for deferral of instalments under government support programs with specific focus on customers operating in sectors most affected by the COVID-19 pandemic, particularly those that continue to be eligible for deferral of instalments under government support programs for eligible customers and impacted industry based on SAMA regulation as at 31 December 2021. – 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 keeping in view the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic. – We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2021. – 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 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 2021, the positive and negative fair value of derivatives held by the Group amounted around SAR 4.1 billion and SAR 3.2 billion, respectively. The Group has entered into various derivative transactions, including special commission rate and currency swaps ("swaps"); forward foreign exchange contracts ("forwards"); currency, special commission rate and equity options ("options"); and other derivative contracts. Swaps, forwards, options and other derivative contracts include over-the-counter ("OTC") derivatives, and the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations. The majority of these derivatives are held for trading. However, the Group utilises 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 modelling 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 judgements, estimates and assumptions regarding fair value measurement; the summary of significant accounting policies note 3.2 (M) 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 – Assessed the adequacy of disclosures around the valuation basis and inputs used in the fair value measurement as detailed in the consolidated financial statements.

Other information included in the Group's 2021 annual report

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 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 do not and 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.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS as 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 management 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, management is 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 the management either intend to liquidate the Bank or to cease operations, or has 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 scepticism 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 management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, related safeguards.

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 is 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, 2021 AND 2020

SAR '000	NOTES	2021	2020
ASSETS			
Cash and balances with SAMA	4	**9,795,068**	10,548,399
Due from banks and other financial institutions, net	5	**5,323,964**	4,026,997
Investments, net	6	**43,858,241**	37,678,641
Positive fair value of derivatives	11	**4,061,987**	6,909,046
Loans and advances, net	7	**147,812,759**	130,564,835
Investment in associate, net	8	**9,695**	9,695
Property, equipment and right of use assets, net	9	**1,585,763**	1,440,170
Other real estate, net		**384,181**	384,181
Other assets, net	10	**2,970,368**	2,511,620
Total assets		**215,802,026**	194,073,584
LIABILITIES AND EQUITY			
Liabilities			
Due to SAMA	12	**10,868,499**	9,129,625
Due to banks and other financial institutions	13	**12,985,358**	7,662,588
Customers' deposits	14	**141,950,208**	127,111,644
Negative fair value of derivatives	11	**3,246,098**	5,096,458
Other liabilities	15	**7,066,193**	6,437,324
Total liabilities		**176,116,356**	155,437,639
Equity			
Share capital	16	**12,053,572**	12,053,572
Statutory reserve	17	**12,053,572**	12,053,572
General reserve	17	**982,857**	982,857
Other reserves	18	**228,707**	1,188,115
Retained earnings		**8,398,887**	7,433,263
Proposed dividend	27	**1,019,956**	–
Treasury shares	37	**(51,881)**	(75,434)
Equity attributable to the shareholders of the Bank		**34,685,670**	33,635,945
Tier 1 Sukuk	19	**5,000,000**	5,000,000
Total equity		**39,685,670**	38,635,945
Total liabilities and equity		**215,802,026**	194,073,584

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

SAR '000	NOTES	2021	2020
Special commission income	21	**5,868,512**	6,284,791
Special commission expense	21	**495,066**	1,044,403
Net special commission income		**5,373,446**	5,240,388
Fee and commission income	22	**1,728,595**	1,523,127
Fee and commission expense	22	**515,467**	441,311
Net fee and commission income		**1,213,128**	1,081,816
Exchange income, net		**336,131**	378,891
Trading income, net	23	**171,841**	167,885
Dividend income		**1,501**	1,180
Gains on FVOCI/non-trading investments, net		**27,804**	10,423
Other operating income	24	**63,994**	164,011
Total operating income		**7,187,845**	7,044,594
Salaries and employee related expenses	30	**1,397,452**	1,418,703
Rent and premises related expenses		**66,061**	69,626
Depreciation and amortization	9	**224,972**	210,254
Other operating and general and administrative expenses	25	**758,459**	665,507
Total operating expenses before impairment charge		**2,446,944**	2,364,090
Impairment charge for expected credit losses, net	7c	**1,021,349**	2,816,322
Impairment reversal for investments, financial assets and others, net	7d	**(117,825)**	(146,054)
Total operating expenses, net		**3,350,468**	5,034,358
Net income for the year before zakat and income tax		**3,837,377**	2,010,236
Zakat and income tax for the year	28	**387,500**	464,025
Net income for the year after zakat and income tax		**3,449,877**	1,546,211
Basic and diluted earnings per share (SAR)	26	**2.70**	1.24

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2021 AND 2020

SAR '000	NOTES	2021	2020
Net income for the year after zakat and income tax		**3,449,877**	1,546,211
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	18	**12,210**	37,617
Actuarial gain/(loss) on defined benefit plans	18	**2,003**	(2,610)
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	18	**(162,668)**	85,750
Income transferred to consolidated statement of income	18	**(20,574)**	(10,423)
Cash flow hedge			
Net change in the fair value	18	**(102,476)**	834,615
Income transferred to consolidated statement of income	18	**(687,903)**	(569,056)
Total other comprehensive (loss)/income for the year		**(959,408)**	375,893
Total comprehensive income for the year		**2,490,469**	1,922,104

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

SAR '000	NOTES	SHARE CAPITAL	STATUTORY RESERVE	GENERAL RESERVE	RETAINED EARNINGS	OTHER RESERVES: FVOCI	OTHER RESERVES: ACTUARIAL GAIN/ (LOSS) ON DEFINED BENEFIT PLANS	OTHER RESERVES: CASH FLOW HEDGE	PROPOSED DIVIDEND	TREASURY SHARES	TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS	TIER 1 SUKUK	TOTAL EQUITY
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 after zakat and income tax		**–**	**–**	**–**	**3,449,877**	**–**	**–**	**–**	**–**	**–**	**3,449,877**	**–**	**3,449,877**
Net change in the fair value	18	**–**	**–**	**–**	**–**	**(150,458)**	**–**	**(102,476)**	**–**	**–**	**(252,934)**	**–**	**(252,934)**
Actuarial gain		**–**	**–**	**–**	**–**	**–**	**2,003**	**–**	**–**	**–**	**2,003**	**–**	**2,003**
Net amount transferred to consolidated statement of income	18	**–**	**–**	**–**	**–**	**(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	27	**–**	**–**	**–**	**(479,979)**	**–**	**–**	**–**	**–**	**–**	**(479,979)**	**–**	**(479,979)**
Interim dividend paid for 2021	27	**–**	**–**	**–**	**(779,966)**	**–**	**–**	**–**	**–**	**–**	**(779,966)**	**–**	**(779,966)**
Proposed final dividend 2021	27	**–**	**–**	**–**	**(1,019,956)**	**–**	**–**	**–**	**1,019,956**	**–**	**–**	**–**	**–**
Tier 1 Sukuk related cost		**–**	**–**	**–**	**(204,352)**	**–**	**–**	**–**	**–**	**–**	**(204,352)**	**–**	**(204,352)**
Net change in treasury shares	37	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**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**
2020													
Balance at the beginning of the year		12,053,572	12,053,572	982,857	5,945,881	65,800	2,338	744,084	1,199,679	(101,065)	32,946,718	–	32,946,718
Net income for the year after zakat and income tax		–	–	–	1,546,211	–	–	–	–	–	1,546,211	–	1,546,211
Net change in the fair value	18	–	–	–	–	123,367	–	834,615	–	–	957,982	–	957,982
Actuarial loss		–	–	–	–	–	(2,610)	–	–	–	(2,610)		(2,610)
Net amount transferred to consolidated statement of income	18	–	–	–	–	(10,423)	–	(569,056)	–	–	(579,479)	–	(579,479)
Total comprehensive income for the year		–	–	–	1,546,211	112,944	(2,610)	265,559	–	–	1,922,104	–	1,922,104
Final dividend paid for 2019		–	–	–	–	–	–	–	(1,199,679)	–	(1,199,679)	–	(1,199,679)
Tier 1 Sukuk issued	19	–	–	–	–	–	–	–	–	–	–	5,000,000	5,000,000
Tier 1 Sukuk related cost		–	–	–	(58,829)	–	–	–	–	–	(58,829)	–	(58,829)
Net change in treasury shares	37	–	–	–	–	–	–	–	–	25,631	25,631	–	25,631
Balance at the end 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

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

SAR '000	NOTE	2021	2020
OPERATING ACTIVITIES			
Net income for the year before zakat and income tax		**3,837,377**	2,010,236
Adjustments to reconcile net income before zakat and income tax to net cash from/(used in) operating activities:			
Accretion of discounts/(premium) on investments not held as FVTPL, net		**202,202**	72,817
Gains on FVOCI		**(27,804)**	(10,423)
Depreciation and amortization	9	**224,972**	210,254
Loss/(gain)on disposal of property, equipment and right of use assets, net		**2,217**	(293)
Impairment charge for credit losses, net	7	**1,021,349**	2,816,322
Impairment reversal for investments, financial assets and others, net		**(117,825)**	(146,054)
Long term incentive scheme provision		**23,553**	25,631
Valuation loss on other real estate, net		**–**	1,001
Operating income before changes in operating assets and liabilities		**5,166,041**	4,979,491
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA	4	**(725,941)**	(119,067)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**(200,000)**	1,350,000
Investments held as FVTPL, trading		**(65,392)**	(69,191)
Loans and advances		**(18,448,406)**	(7,656,061)
Other assets		**1,525,374**	(2,743,921)
Net increase/(decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		**7,200,643**	14,420,073
Customers' deposits		**14,838,564**	(5,725,858)
Other liabilities		**(1,037,632)**	1,916,812
		8,253,251	6,352,278
Zakat and income tax paid		**(402,655)**	(702,159)
Net cash generated from operating activities		**7,850,596**	5,650,119
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment not held as FVTPL		**4,376,658**	18,387,572
Purchase of investments not held as FVTPL		**(10,850,345)**	(24,995,303)
Purchase of property and equipment		**(259,857)**	(272,400)
Dividend received from subsidiaries		**–**	500,000
Proceeds from sale of property and equipments		**936**	430
Net cash used in investing activities		**(6,732,608)**	(6,379,701)
FINANCING ACTIVITIES			
Dividends paid	27	**(1,259,945)**	(1,199,679)
Principal payment of lease liability		**(35,996)**	(65,007)
Tier 1 Sukuk Issuance		**–**	5,000,000
Tier 1 Sukuk related cost		**(204,352)**	(58,829)
Net cash (used in)/from financing activities		**(1,500,293)**	3,676,485
(Decrease)/increase in cash and cash equivalents		**(382,305)**	2,946,903
Cash and cash equivalents at the beginning of the year		**6,609,409**	3,662,506
Cash and cash equivalents at the end of the year	29	**6,227,104**	6,609,409
Special commission received during the year		**5,888,722**	6,341,488
Special commission paid during the year		**529,761**	1,429,151
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated statement of income		**(959,408)**	375,893

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

1. General

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company 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 85 branches (2020: 87 branches) in the Kingdom of Saudi Arabia, employing 2,997 people (2020: 2,881 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"), Saudi Fransi Capital (100% share in equity) 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. 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 Sukuk Limited registered in Cayman Islands having 100% share in equity. The objective of BSF Markets Limited company is derivative trading and Repo activities.

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 years ended December 31, 2021 and December 31, 2020, respectively, were prepared in compliance with the International Financial Reporting Standards ("IFRS") respectively, 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 Profit or Loss (FVTPL), 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

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.

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 judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional 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. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these consolidated financial statements.

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 judgements are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

2. Basis of preparation continued

e) Critical accounting judgments, estimates and assumptions continued

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

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, 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 judgements and estimates include:

1. The selection of an estimation technique or modelling methodology, covering below key judgements 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
- 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 35)

iii) Impairment of FVOCI equity and debt investments (note 32)

iv) Classification of investments at Amortised Cost (note 6)

v) Determination of control over investees

vi) Depreciation and amortization

vii) Define benefit plan

viii) Government grant (note 12 & 41)

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, 2020. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 01, 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 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
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform Whilst adoption is not mandatory for September 2021 year ends, earlier application is permitted. Please also refer note 40 to these consolidated financial statements.	Annual periods beginning on or after 1 January 2021

STANDARD, INTERPRETATION, AMENDMENTS	DESCRIPTION	EFFECTIVE DATE
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect 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 1 June 2020

Accounting Standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2022. The Group has not opted for early adoption of these pronouncements and they do not expect the adoption to have a significant impact on the consolidated financial statements of the Group.

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 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 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 1 April 2021
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, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise 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 1 January 2022.
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 noncurrent, 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.	Deferred until accounting periods starting not earlier than 1 January 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued
3.1 Change in 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 1 January 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise 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 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	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 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only, it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.

3.2 Accounting policies
A. Classification of financial assets
On initial recognition, a financial asset is classified into following categories: amortized cost, FVOCI or FVTPL.

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 FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and 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 FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and 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 recognised in OCI. Interest income and foreign exchange gains and losses are recognised in 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 profit or loss (FVTPL)
All other financial assets are classified at FVTPL.

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 FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the 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 realised in a way that is different from the Bank's original expectations, the Bank changes the classification of the remaining financial assets held in that business model.

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

Assessments whether contractual cash flows are solely payments of principal and 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
- prepayment 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 FVTPL
At initial recognition, the Bank has irrevocably designated certain financial assets at FVTPL to eliminate or significantly reduces the accounting mismatch. Before January 01, 2018, the Bank also designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

B. Classification of financial liabilities
The Bank classifies its financial liabilities, other than financial guarantees 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued
3.2 Accounting policies continued
C. Derecognition
Financial assets
The Bank derecognises 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 recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

In the context of IBOR reform, the Bank's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2.

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 cancelled, or expire.

D. 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 and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

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.

Interest rate benchmark reform
The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Bank updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:
- the change is necessary as a direct consequences of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applied the policies on accounting for modifications to the additional changes.

E. Impairment
The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments
- lease receivables
- financial guarantee contracts issued
- loan commitments issued
- bank balances
- related party balances

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'.

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

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the 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 fully 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued
3.2 Accounting policies continued
E. Impairment continued
Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets
At each reporting date, the Bank assesses whether financial assets carried at amortized cost and 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
- 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 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
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment charge for credit losses, net.

F. Financial guarantees, letter of credits and loan commitments

'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 recognised 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 FVTPL. For other loan commitments:

– the Bank recognizes loss allowance (Refer note 7 "Impairment Disclosures");

G. 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 recognised 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 recognised in statement of consolidated income on a systematic basis over the periods in which the bank recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Bank. Where the customer is the ultimate beneficiary, the Bank only records the respective receivable and payable amounts.

H. 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued

3.2 Accounting policies continued

H. Revenue/expenses recognition continued

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.

I. Rendering of services

The Bank provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services.

The Bank 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.

J. 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.

K. 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 Sukuk 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 vote 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:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised 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. Unrealised losses are eliminated in the same way as unrealised 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 2021	OWNERSHIP INTEREST 2020
Saudi Fransi Capital	K.S.A	**100%**	100%
Saudi Fransi Insurance Agency	K.S.A	**100%**	100%
Saudi Fransi for Finance Leasing	K.S.A	**100%**	100%
Sakan Real Estate Financing	K.S.A	**100%**	100%

Apart from the above subsidiaries, the Bank also owns BSF Markets Limited and BSF Sukuk Limited having 100% share in equity, incorporated in the Cayman Islands. Sofinco Saudi Fransi has no material impact on the Group financial statements.

All subsidiaries are 100% owned by the Group hence no non-controlling interest is recognised 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.

L. Investment in associates

Investments in associates are initially recognised at cost and subsequently accounted for under the equity method of accounting.

An associate is an entity in which the Bank holds 20% to 50% of the voting power and over which it 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 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 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 recognised 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.

M. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued

3.2 Accounting policies continued

M. Derivatives financial instruments and hedge accounting continued

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 recognised asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognised 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 recognised 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 is 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. 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 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 recognised asset or liability or a firm commitment that could affect statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the 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 statement of income.

For hedged items measured at amortised 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 amortised 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 derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

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 recognised asset or a liability or a highly probable forecast transaction that could affect the statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is recognised in the statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the statement of income in the same period in which the hedged item affects the 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 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 recognised the associated gains or losses that had previously been recognised 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 recognised in other comprehensive income from the period when the hedge was effective is transferred from equity to statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the statement of income, the net cumulative gain or loss recognised in "other comprehensive income" is transferred immediately to the consolidated statement of income for the period.

Interest Rate Benchmark Reform issued in September 2019 (the Phase 1 amendments)

If a hedging relationship is directly affected by IBOR reform, then the Group applies certain exceptions in the Phase 1 amendments to the general hedge accounting policy. The Group considers that a hedging relationship is directly affected by IBOR reform if it is subject to the following uncertainty arising from the reform:
- an interest rate benchmark subject to the reform is designated as the hedged risk, regardless of whether the rate is contractually specified; and/or
- the timing or amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument is uncertain.

When the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument or when the hedging relationship is discontinued, the Group ceases to apply the respective Phase 1 amendments.

However, when determining whether a previously designated forecast transaction is no longer expected to occur, the Group continues to assume that the hedged interest rate benchmark cash flows will not be altered as a result of IBOR reform in accordance with the Phase 1 exemption.

The Group has concluded that as at 31 December 2021 there is no uncertainty in relation to IBOR reform in respect of its hedging relationships.

Interest Rate Benchmark Reform issued in August 2020 (the Phase 2 amendments)

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Bank amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:
- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- updating the description of the hedging instrument; or
- updating the description of how the entity will assess hedge effectiveness.

The Bank amends the description of the hedging instrument only if the following conditions are met:
- it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued

3.2 Accounting policies continued

M. Derivatives financial instruments and hedge accounting continued

The Bank amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those economically equivalent changes required by IBOR reform described above, then the Bank considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

N. Foreign currencies

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 amortised cost in the functional currency at the beginning of the year adjusted for the effective interest rate and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

All differences arising on non-trading activities are taken to other non-operating income in the 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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.

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 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 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 statement of income.

O. 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 recognised amounts and when the Group intends to settle on a net basis, or to realise 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.

P. Exchange income/(loss)

Exchange income/loss is recognised as discussed in foreign currencies policy above.

Q. 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.

Income from asset management and brokerage are recognised at a point-in-time when the performance obligation of the Group is satisfied.

Investment banking and corporate finance fee revenues are recognised over the period of time when the performance obligations are met in accordance with the applicable terms of the contract.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – is recognised 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 recognised 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.

R. Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income, net income from FVTPL financial instruments or other operating income based on the underlying classification of the equity instrument.

S. Trading income/(loss)

Net income from other financial instruments at FVTPL 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 FVTPL.

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.

T. Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised 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 FVTPL, 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 recognised 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.

U. 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 recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

V. 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 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued
3.2 Accounting policies continued
V. Fair value measurement continued
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

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

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

A fair value measurement of a non-financial asset takes into account 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.

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

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

For assets and liabilities that are recognised 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 the Managing Director & Chief Executive Officer, the Chief Investment Officer, the Chief Financial Officer, the Treasurer, the Head of Institutional Banking Group, the Chief Risk Officer and the Head of Market Risk.

W. Deposits, debt securities issued and subordinated liabilities
When the Bank designates a financial liability as at FVTPL, 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.

X. 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 realisable 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 recognised 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 recognised in the statement of income. Gains or losses on disposal are recognised in the 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 the lower of their repossessed value or the carrying value of the original secured asset. 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.

Y. 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 amortised 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 programme 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued
3.2 Accounting policies continued
Z. Provisions
Provisions are recognised when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

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.

AA. Accounting for leases
Right of Use Asset/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
Bank apply cost model, and measure right of use asset at cost;
I. less any accumulated depreciation and any accumulated impairment losses; and
II. adjusted for any re-measurement of the lease liability for lease modifications.

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:
I. increasing the carrying amount to reflect interest on the lease liability
II. reducing the carrying amount to reflect the lease payments made and;
II. re-measuring the carrying amount to reflect any re-assessment or lease modification

The lease liability is measured at amortised 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 recognise 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 recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

AB. 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.

AC. 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.

AD. 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.

AE. 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 recognised 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 recognises 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.

AF. 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 profit or loss. 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.

AG. 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 FVTPL 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 YEAR ENDED DECEMBER 31, 2021 AND 2020

3. Summary of significant accounting policies continued
3.2 Accounting policies continued
AH. 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.

AI. Tier 1 Sukuk
The determination of equity classification of Tier 1 Sukuk requires significant judgement 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 as part of equity.

The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

4. Cash and balances with SAMA

SAR '000	2021	2020
Cash on hand	**1,023,141**	965,457
Statutory deposit	**8,691,928**	7,965,987
Money market placements	**79,999**	1,616,955
Total	**9,795,068**	10,548,399

Cash and balances with SAMA include Islamic related products of SAR Nil million (2020: 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 customer demand, savings, time and other deposits, calculated at the end of each month. 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	2021	2020
Current accounts	**3,798,508**	4,027,436
Money market placements	**1,525,636**	–
Less: impairment	**(180)**	(439)
Total	**5,323,964**	4,026,997

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 (2020: SAR Nil million).

The following table shows the gross carrying amount of the due from banks and other financial institutions.

	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2020	3,734,954	7,509	–	3,742,463
Transfer from 12-month ECL	(31,932)	31,932	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	314,150	(29,177)	–	284,973
Write-offs	–	–	–	–
Balance as at December 31, 2020	4,017,172	10,264	–	4,027,436

The following table shows reconciliations from the opening to the closing balance of impairment on due from banks and other financial institutions.

	DECEMBER 31, 2021			
SAR '000	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2020	333	40	–	373
Transfer from 12-month ECL	(142)	142	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge/(reversal) for the year	188	(122)	–	66
Write-offs	–	–	–	–
Balance as at December 31, 2020	379	60	–	439

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FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

6. Investments, net

a) Investment securities are classified as follows:

SAR '000	2021	2020
Investment at amortized cost, net	**28,705,446**	25,800,880
Investments at FVOCI – Debt instruments	**14,604,493**	11,512,190
Investments at FVOCI – Equity/other investments	**338,307**	220,968
Investment at FVTPL – Debt instruments	**209,995**	144,603
Total	**43,858,241**	37,678,641

b) Investments held at fair value through profit or loss

Investments by type of securities

	DOMESTIC		INTERNATIONAL		TOTAL	
SAR '000	2021	2020	2021	2020	2021	2020
Fixed-rate securities	**144,385**	24,096	**11,102**	64,533	**155,487**	88,629
Floating-rate securities	**54,508**	55,974	**–**	–	**54,508**	55,974
Total	**198,893**	80,070	**11,102**	64,533	**209,995**	144,603

The analysis of the composition of investments is as follows:

	2021			2020		
SAR '000	QUOTED	UNQUOTED	TOTAL	QUOTED	UNQUOTED	TOTAL
Fixed-rate securities	**155,487**	**–**	**155,487**	88,629	–	88,629
Floating-rate securities	**54,508**	**–**	**54,508**	53,972	2,002	55,974
Investments at FVTPL	**209,995**	**–**	**209,995**	142,601	2,002	144,603

c) Investments held at fair value through other comprehensive income

Investments by type of securities

	DOMESTIC		INTERNATIONAL		TOTAL	
SAR '000	2021	2020	2021	2020	2021	2020
Fixed-rate securities	**7,760,291**	6,802,862	**2,847,479**	1,410,585	**10,607,770**	8,213,447
Floating-rate securities	**3,604,681**	3,231,070	**392,042**	67,673	**3,996,723**	3,298,743
Equities	**328,041**	201,611	**10,266**	19,357	**338,307**	220,968
Total	**11,693,013**	10,235,543	**3,249,787**	1,497,615	**14,942,800**	11,733,158

The analysis of the composition of investments is as follows:

	2021			2020		
SAR '000	QUOTED	UNQUOTED	TOTAL	QUOTED	UNQUOTED	TOTAL
Fixed-rate securities	**10,210,484**	**397,286**	**10,607,770**	8,213,447	–	8,213,447
Floating-rate securities	**1,216,401**	**2,780,322**	**3,996,723**	1,066,631	2,232,112	3,298,743
Equities	**217,140**	**121,167**	**338,307**	195,888	25,080	220,968
Investments at FVOCI, net	**11,644,025**	**3,298,775**	**14,942,800**	9,475,966	2,257,192	11,733,158

The following table shows the type of assets:

	DOMESTIC		INTERNATIONAL		TOTAL	
SAR '000	2021	2020	2021	2020	2021	2020
Debt instruments	**11,364,972**	10,033,932	**3,239,521**	1,478,258	**14,604,493**	11,512,190
Equity investments	**328,041**	201,611	**10,266**	19,357	**338,307**	220,968
Total	**11,693,013**	10,235,543	**3,249,787**	1,497,615	**14,942,800**	11,733,158

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 amortised cost

Investments by type of securities

SAR '000	DOMESTIC 2021	DOMESTIC 2020	INTERNATIONAL 2021	INTERNATIONAL 2020	TOTAL 2021	TOTAL 2020
Fixed-rate securities	**24,939,934**	21,775,557	**–**	–	**24,939,934**	21,775,557
Floating-rate securities	**3,072,632**	3,472,932	**–**	–	**3,072,632**	3,472,932
Other	**692,880**	552,391	**–**	–	**692,880**	552,391
Total	**28,705,446**	25,800,880	**–**	–	**28,705,446**	25,800,880

The analysis of the composition of investments is as follows:

SAR '000	2021 QUOTED	2021 UNQUOTED	2021 TOTAL	2020 QUOTED	2020 UNQUOTED	2020 TOTAL
Fixed-rate securities	**20,957,194**	**3,982,740**	**24,939,934**	18,067,995	3,707,562	21,775,557
Floating-rate securities	**3,072,632**	**–**	**3,072,632**	3,472,932	–	3,472,932
Other	**–**	**692,880**	**692,880**	–	552,391	552,391
Investments held at amortized cost, net	**24,029,826**	**4,675,620**	**28,705,446**	21,540,927	4,259,953	25,800,880

e) The reconciliations from the opening to the closing balance of gross carrying value of Debt instrument

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**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt instrument investments				
Balance at January 01	31,280,745	–	–	31,280,745
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Transfer from lifetime ECL credit impaired	–	–	–	–
Net change for the year	6,047,717	–	–	6,047,717
Write-offs	–	–	–	–
Balance as at December 31, 2020	37,328,462	–	–	37,328,462

Amortized cost

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**

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6. Investments, net continued

e) The reconciliations from the opening to the closing balance of gross carrying value of Debt instrument continued

Amortized cost continued

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	22,127,595	–	–	22,127,595
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	3,679,828	–	–	3,679,828
Write-offs	–	–	–	–
Balance as at December 31, 2020	25,807,423	–	–	25,807,423

FVOCI

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**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	9,153,150	–	–	9,153,150
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	2,367,889	–	–	2,367,889
Write-offs	–	–	–	–
Balance as at December 31, 2020	11,521,039	–	–	11,521,039

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, 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/(reversal) for the year	**5,248**	**–**	**–**	**5,248**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2021	**20,640**	**–**	**–**	**20,640**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	22,084	–	–	22,084
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Transfer from lifetime ECL credit impaired	–	–	–	–
Net charge/(reversal) for the year	(6,692)	–	–	(6,692)
Write-offs	–	–	–	–
Balance as at December 31, 2020	15,392	–	–	15,392

An analysis of changes is loss allowance by each class of Debt instruments is as follows:

Amortized cost

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 charge/(reversal) for the year	**(133)**	**–**	**–**	**(133)**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2021	**6,410**	**–**	**–**	**6,410**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	10,143	–	–	10,143
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge/(reversal) for the year	(3,600)	–	–	(3,600)
Write-offs	–	–	–	–
Balance as at December 31, 2020	6,543	–	–	6,543

FVOCI

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/(reversal) for the year	**5,381**	**–**	**–**	**5,381**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2021	**14,230**	**–**	**–**	**14,230**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	11,941	–	–	11,941
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge/(reversal) for the year	(3,092)	–	–	(3,092)
Write-offs	–	–	–	–
Balance as at December 31, 2020	8,849	–	–	8,849

The provision balance of FVOCI is accounted under other reserve – FVOCI.

g) Investments by type of securities

SAR '000	DOMESTIC 2021	DOMESTIC 2020	INTERNATIONAL 2021	INTERNATIONAL 2020	TOTAL 2021	TOTAL 2020
Fixed-rate securities	**32,847,243**	28,605,757	**2,858,580**	1,476,684	**35,705,823**	30,082,441
Floating-rate securities	**6,732,119**	6,766,379	**392,042**	67,680	**7,124,161**	6,834,059
Equities	**222,863**	201,611	**10,266**	19,357	**233,129**	220,968
Other	**801,538**	556,565	**–**	–	**801,538**	556,565
Allowance for impairment	**(6,410)**	(13,821)	**–**	(1,571)	**(6,410)**	(15,392)
Total	**40,597,353**	36,116,491	**3,260,888**	1,562,150	**43,858,241**	37,678,641

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6. Investments, net continued

h) The analysis of the composition of investments is as follows:

	2021			2020		
SAR '000	QUOTED	UNQUOTED	TOTAL	QUOTED	UNQUOTED	TOTAL
Fixed-rate securities	**31,367,357**	**4,338,466**	**35,705,823**	26,374,521	3,707,920	30,082,441
Floating-rate securities	**4,343,838**	**2,780,323**	**7,124,161**	4,595,334	2,238,725	6,834,059
Equities	**217,140**	**15,989**	**233,129**	195,888	25,080	220,968
Other	**–**	**801,538**	**801,538**	–	556,565	556,565
	35,928,335	**7,936,316**	**43,864,651**	31,165,743	6,528,290	37,694,033
Allowance for impairment	**(2,145)**	**(4,265)**	**(6,410)**	(6,251)	(9,141)	(15,392)
Total	**35,926,190**	**7,932,051**	**43,858,241**	31,159,492	6,519,149	37,678,641

i) The analysis of investments by counterparty is as follows:

SAR '000	2021	2020
Government and quasi government	**33,112,811**	33,090,633
Corporate	**5,762,206**	2,368,994
Banks and other financial institutions	**4,983,224**	2,219,014
Total	**43,858,241**	37,678,641

j) Shariah based investments:

Investment securities designated as at FVOCI:

SAR '000	2021	2020
Debt instruments		
Sukuk	**8,724,129**	5,975,322
Allowance for impairment	**(10,698)**	(7,032)
Total	**8,713,431**	5,968,290

Investments held at amortised cost:

SAR '000	2021	2020
Debt instruments		
Sukuk	**22,098,362**	15,519,408
Other	**696,360**	556,565
Allowance for impairment	**(5,868)**	(5,648)
Total	**22,788,854**	16,070,325

Trading Investment securities include Islamic related products of SAR 200 million (2020: SAR 136 million).

7. Loans and advances, net

a) Loans and advances are classified as follows:

Held to Amortized cost

	2021			
SAR '000	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 amortised cost, net	**120,587,950**	**499,918**	**26,724,891**	**147,812,759**

SAR '000	2020 OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
Performing loans and advances – gross	108,514,110	451,388	22,525,757	131,491,255
Non performing loans and advances, net	3,539,025	45,048	182,517	3,766,590
Total loans and advances	112,053,135	496,436	22,708,274	135,257,845
Allowance for impairment	(4,277,421)	(85,124)	(330,465)	(4,693,010)
Loans and advances held at amortised cost, net	107,775,714	411,312	22,377,809	130,564,835

The above includes Shariah based loans and advances as below:

SAR '000	2021	2020
Overdraft & Commercial loans		
Tawaraq	**56,786,694**	46,122,000
Murabaha	**18,908,432**	20,300,162
Others	**5,783,117**	5,924,288
Allowance for impairment	**(2,375,731)**	(2,112,998)
Total	**79,102,512**	70,233,452

SAR '000	2021	2020
Credit Card & Consumer loans		
Tawaraq	**15,475,397**	13,488,168
Murabaha	**7,414,854**	6,164,558
Others	**3,929,535**	2,853,269
Allowance for impairment	**(281,872)**	(320,471)
Total	**26,537,914**	22,185,524

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:

SAR '000	DECEMBER 31, 2021 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**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	113,985,696	12,005,667	3,442,021	129,433,384
Transfer from 12-month ECL	(6,127,649)	5,761,073	366,576	–
Transfer from lifetime ECL not credit impaired	3,606,550	(5,889,652)	2,283,102	–
Transfer from lifetime ECL credit impaired	79,204	19,329	(98,533)	–
Net change for the year	7,283,911	547,742	(175,592)	7,656,061
Write-offs	–	–	(1,831,600)	(1,831,600)
Balance as at December 31, 2020	118,827,712	12,444,159	3,985,974	135,257,845

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7. Loans and advances, net continued

b) The reconciliations from the opening to the closing balance of gross carrying value of Loans and advances continued

An analysis of changes in gross carrying value by each class of financial instrument is, as follows:

Overdraft & Commercial loans

	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	96,523,160	11,447,398	3,126,851	111,097,409
Transfer from 12-month ECL	(5,879,314)	5,631,290	248,024	–
Transfer from lifetime ECL not credit impaired	3,443,715	(5,655,813)	2,212,098	–
Transfer from lifetime ECL credit impaired	2,023	16	(2,039)	–
Net change for the year	2,065,731	762,439	(167,545)	2,660,625
Write-offs	–	–	(1,704,899)	(1,704,899)
Balance as at December 31, 2020	96,155,315	12,185,330	3,712,490	112,053,135

Credit Cards

	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	415,507	25,974	72,604	514,085
Transfer from 12-month ECL	(28,728)	9,492	19,236	–
Transfer from lifetime ECL not credit impaired	13,817	(26,814)	12,997	–
Transfer from lifetime ECL credit impaired	3,462	615	(4,077)	–
Net change for the year	11,026	11,123	8,301	30,450
Write-offs	–	–	(48,099)	(48,099)
Balance as at December 31, 2020	415,084	20,390	60,962	496,436

Consumer Loans

SAR '000	DECEMBER 31, 2021 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**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	17,047,029	532,295	242,566	17,821,890
Transfer from 12-month ECL	(219,607)	120,291	99,316	–
Transfer from lifetime ECL not credit impaired	149,018	(207,025)	58,007	–
Transfer from lifetime ECL credit impaired	73,719	18,698	(92,417)	–
Net change for the year	5,207,154	(225,820)	(16,348)	4,964,986
Write-offs	–	–	(78,602)	(78,602)
Balance as at December 31, 2020	22,257,313	238,439	212,522	22,708,274

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:

SAR '000	DECEMBER 31, 2021 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**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	680,944	981,444	2,045,900	3,708,288
Transfer from 12-month ECL	(81,788)	72,861	8,927	–
Transfer from lifetime ECL not credit impaired	78,873	(416,420)	337,547	–
Transfer from lifetime ECL credit impaired	33,090	8,016	(41,106)	–
Net charge/(reversal) for the year	(131,762)	729,628	2,218,456	2,816,322
Write-offs	–	–	(1,831,600)	(1,831,600)
Balance as at December 31, 2020	579,357	1,375,529	2,738,124	4,693,010

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FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

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 by each class of financial instrument is, as follows:

Overdraft & Commercial loans

	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	549,654	958,551	1,730,945	3,239,150
Transfer from 12-month ECL	(76,191)	70,556	5,635	–
Transfer from lifetime ECL not credit impaired	69,362	(400,307)	330,945	–
Transfer from lifetime ECL credit impaired	911	7	(918)	–
Net charge/(reversal) for the year	(116,797)	731,387	2,128,580	2,743,170
Write-offs	–	–	(1,704,899)	(1,704,899)
Balance as at December 31, 2020	426,939	1,360,194	2,490,288	4,277,421

Credit Cards

	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	15,698	8,722	72,409	96,829
Transfer from 12-month ECL	(2,437)	590	1,847	–
Transfer from lifetime ECL not credit impaired	3,297	(7,631)	4,334	–
Transfer from lifetime ECL credit impaired	2,030	363	(2,393)	–
Net charge/(reversal) for the year	469	3,097	32,828	36,394
Write-offs	–	–	(48,099)	(48,099)
Balance as at December 31, 2020	19,057	5,141	60,926	85,124

Consumer Loans

SAR '000	DECEMBER 31, 2021 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**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	115,592	14,171	242,546	372,309
Transfer from 12-month ECL	(3,160)	1,715	1,445	–
Transfer from lifetime ECL not credit impaired	6,214	(8,482)	2,268	–
Transfer from lifetime ECL credit impaired	30,149	7,646	(37,795)	–
Net charge/(reversal) for the year	(15,434)	(4,856)	57,048	36,758
Write-offs	–	–	(78,602)	(78,602)
Balance as at December 31, 2020	133,361	10,194	186,910	330,465

d) The movement in the allowance for impairment charge for investments and other financial assets for the year ended December 31, is as follows:

SAR '000	NOTE	2021	2020
Impairment (reversal)/charge on due from banks, net	5	**(259)**	66
Impairment reversal on off statement of financial position, net	15	**(122,592)**	(145,067)
Impairment reversal on amortized cost, net	6 (e)	**(134)**	(3,600)
Impairment charge/(reversal) on FVOCI, net	6 (e)	**5,472**	(3,092)
Impairment (reversal)/charge on other assets, net		**(312)**	5,639
Total		**(117,825)**	(146,054)

e) Loans and advances include finance lease receivables, which are analyzed as follows:

SAR '000	2021	2020
Gross receivable from finance leases		
Less than 1 year	**1,249,837**	1,188,855
1 to 5 years	**4,277,701**	2,231,657
More than 5 years	**4,268,246**	5,768,800
Unearned future finance income on finance lease	**(673,385)**	(636,275)
Net receivable from finance leases	**9,122,399**	8,553,037
Allowance for impairment	**(140,303)**	(104,444)
Total	**8,982,096**	8,448,593

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FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

8. Investment in associate, net

SAR '000	2021	2020
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 (2020: 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	2021	2020
Total assets	**442,312**	526,258
Total liabilities	**369,586**	465,853
Total equity	**72,726**	60,405
Total income	**65,095**	65,094
Total expenses	**21,090**	30,622

9. Property, equipment and right of use assets, net

SAR '000	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	FURNITURE, EQUIPMENT & VEHICLES	COMPUTER AND SOFTWARE	TOTAL
Cost					
Balance as at January 01, 2020	760,745	589,330	587,415	1,052,362	2,989,852
Additions during the year	4,496	9,081	23,687	235,136	272,400
Disposals and retirements	(5)	(7,876)	(3,828)	(26,058)	(37,767)
Balance as at December 31, 2020	765,236	590,535	607,274	1,261,440	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**	**474,045**	**534,378**	**1,792,476**
Accumulated depreciation and impairment losses					
Balance as at January 01, 2020	361,220	549,465	503,595	911,397	2,325,677
Depreciation and amortization charge	24,581	18,342	18,436	76,345	137,704
Disposals and retirements	(5)	(7,876)	(3,792)	(25,957)	(37,630)
Balance as at December 31, 2020	385,796	559,931	518,239	961,785	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**	**228,533**	**258,211**	**884,272**
Net book value					
As at December 31, 2021	**360,643**	**25,882**	**245,512**	**276,167**	**908,204**
As at December 31, 2020	379,440	30,604	89,035	299,655	798,734

Leasehold improvements as at December 31, 2021 include work in progress amounting to SAR 10 million (2020: SAR 18 million). Computer and software include software having a net book value of SAR 230 million (2020: SAR 104 million).

During 2021, the Bank has retired fixed assets of SAR 1,478 million with net book value of SAR Nil million. These assets were fully depreciated and no economic benefit could be generated from them.

Right-of-use assets

SAR '000	2021 LAND & BUILDING	2021 FURNITURE, EQUIPMENT & VEHICLES	2021 TOTAL
Balance at January 01	**639,049**	**2,387**	**641,436**
Add: Additions	**113,472**	**9,971**	**123,443**
Less: Disposals	**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**

SAR '000	2020 LAND & BUILDING	2020 FURNITURE, EQUIPMENT & VEHICLES	2020 TOTAL
Balance at January 01	656,556	3,836	660,392
Add: Additions	60,186	3,334	63,520
Less: Disposals	9,869	57	9,926
Depreciation and amortization	67,824	4,726	72,550
Balance as at December 31, 2020	639,049	2,387	641,436

The following table shows the net book value of property, equipment and right of use assets:

SAR '000	2021	2020
Net book value		
Fixed Assets	**908,204**	798,734
Right-of-use assets	**677,559**	641,436
Total	**1,585,763**	1,440,170

The following table shows depreciation and amortization of property, equipment and right of use assets:

SAR '000	2021	2020
Depreciation and amortization		
Fixed Assets	**147,234**	137,704
Right-of-use assets	**77,738**	72,550
Total	**224,972**	210,254

10. Other assets

SAR '000	2021	2020
Accounts receivable	**1,726,991**	869,920
Collateral posted on derivatives	**1,032,661**	1,403,740
Others	**210,716**	237,960
Total	**2,970,368**	2,511,620

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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
2021				
Cash inflows (assets)	**742,908**	**753,956**	**270,062**	**–**
Cash out flows (liabilities)	**(259,835)**	**(631,925)**	**(336,039)**	**–**
Net cash inflow	**483,073**	**122,031**	**(65,977)**	**–**
2020				
Cash inflows (assets)	964,125	935,369	280,851	–
Cash out flows (liabilities)	(388,148)	(345,323)	(202,323)	–
Net cash inflow	575,977	590,046	78,528	–

The net gain/(loss) on cash flow hedges transferred to the consolidated statement of income during the year was as follows:

SAR '000	2021	2020
Special commission income	**961,485**	1,072,046
Special commission expense	**(273,582)**	(502,990)
Net gain on cash flow hedges transferred to consolidated statement of income	**687,903**	569,056

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.

				NOTIONAL AMOUNTS BY TERM TO MATURITY				
DERIVATIVE FINANCIAL INSTRUMENTS SAR '000	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT TOTAL	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	**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**

				NOTIONAL AMOUNTS BY TERM TO MATURITY				
DERIVATIVE FINANCIAL INSTRUMENTS SAR '000	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT TOTAL	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	MONTHLY AVERAGE
2020								
Held for trading								
Commission rate swaps	4,554,278	4,222,635	199,290,260	13,239,134	29,738,887	127,888,968	28,423,271	182,145,903
Commission rate futures and options	744,023	744,023	34,996,063	409,149	3,950,120	26,195,573	4,441,221	45,627,465
Forward foreign exchange contracts	242,504	121,796	32,777,959	16,194,974	8,025,272	6,991,533	1,566,180	29,157,531
Currency options	944	944	67,743	22,055	45,688	–	–	54,941
Others	2,616	2,616	61,357	23,121	38,236	–	–	67,557
Held as cash flow hedges								
Commission rate swaps	1,364,681	4,444	32,571,544	2,896,544	7,903,500	21,771,500	–	35,808,513
Total	6,909,046	5,096,458	299,764,926	32,784,977	49,701,703	182,847,574	34,430,672	292,861,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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11. Derivatives continued

d) Options continued

Cash flow hedges continued

Derivative portfolio include Shariah based derivatives with notional amount of SAR 21,647 million (2020: SAR 22,518 million).

The table below 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	COST	RISK	HEDGING INSTRUMENT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
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**
Floating commission rate Investments	**143,763**	**142,500**	**Fair value**	**Commission rate swap**	**1,269**	**6**
2020						
Floating commission rate investments	3,897,280	3,783,544	Cash flow	Commission rate swap	113,736	–
Floating commission rate loans	30,034,501	28,788,000	Cash flow	Commission rate swap	1,250,945	4,444

The Bank has posted SAR 1,033 million (2020: SAR 1,404 million) and received SAR 464 million (2020: SAR 915 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 statement of income during 2021 & 2020.

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	2021	2020
Current accounts	**13,046**	67,594
Repo	**2,999,549**	–
Government grant (note 41)	**8,146,759**	9,214,101
Modification impact, net	**(290,855)**	(152,070)
Total	**10,868,499**	9,129,625

The table below shows a summary of government grant along with the maturity dates:

2021			2020		
DATE OF RECEIPT	FINAL MATURITY DATE	PRINCIPAL AMOUNT (SAR '000)	DATE OF RECEIPT	FINAL MATURITY DATE	PRINCIPAL AMOUNT (SAR '000)
Sep 06, 2021	Apr 03, 2022	**3,500,000**	Mar 29, 2020	Mar 29, 2023	525,127
Jun 22, 2021	Jun 22, 2022	**27,000**	Mar 29, 2020	Dec 29, 2024	474,873
Jul 15, 2021	Jul 17, 2022	**12,000**	May 11, 2020	Feb 11, 2025	785,000
Sep 30, 2020	Jan 04, 2024	**1,448,255**	May 21, 2020	Feb 20, 2025	869,000
Mar 29, 2020	Marh 29, 2023	**525,127**	Jun 04, 2020	Jun 06, 2021	4,612,111
May 11, 2020	Feb 11, 2025	**785,000**	Jul 16, 2020	Apr 16, 2025	489,403
May 21, 2020	Feb 20, 2025	**869,000**	Sep 30, 2020	Jan 04, 2024	1,448,255
Jul 16, 2020	Apr 16, 2025	**489,403**	Dec 23, 2020	Sep 20, 2022	10,332
Mar 29, 2020	Dec 29, 2024	**474,873**	–	–	–
Dec 25, 2020	Mar 30, 2023	**16,101**	–	–	–
Total		**8,146,759**	Total		9,214,101

13. Due to banks and other financial institutions

SAR '000	2021	2020
Current accounts	**481,425**	342,230
Money market deposits	**12,503,933**	7,320,358
Total	**12,985,358**	7,662,588

Due to banks and other financial institutions include Islamic related products of SAR 1,050 million (2020: SAR Nil million).

14. Customers' deposits

SAR '000	2021	2020
Demand	**88,999,785**	79,860,073
Saving	**905,762**	753,054
Time	**46,066,480**	40,442,288
Other	**5,978,181**	6,056,229
Total	**141,950,208**	127,111,644

Other customers' deposits include SAR 3,442 million (2020: SAR 3,799 million) related to margins held for irrevocable commitments.

Time deposits include Shariah approved customer deposits as below:

SAR '000	2021	2020
Murabaha and other Islamic Deposit	**16,656,350**	17,453,471
Total	**16,656,350**	17,453,471

Customers' deposits include foreign currency deposits as follows:

SAR '000	2021	2020
Demand	**9,823,782**	7,664,520
Saving	**34,923**	23,964
Time	**13,530,907**	3,490,519
Other	**2,436,834**	2,851,133
Total	**25,826,446**	14,030,136

Foreign currency deposits mainly include deposits in USD amounting to SAR 21,191 million (2020: SAR 9,482 million).

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15. Other liabilities

SAR '000	2021	2020
Accounts payable and accrued expenses	**3,356,750**	2,416,407
Collateral received on derivatives	**463,502**	915,153
Settlement of zakat liability for prior years	**725,121**	725,121
Lease liability	**755,869**	702,162
ECL provision on off statement of financial position	**288,279**	410,871
Others	**1,476,672**	1,267,610
Total	**7,066,193**	6,437,324

The following table shows the gross carrying amount of off statement of financial position items:

	DECEMBER 31, 2021			
SAR '000	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	28,908,401	1,336,396	684,563	30,929,360
Transfer from 12-month ECL	(1,041,807)	1,014,003	27,804	–
Transfer from lifetime ECL not credit impaired	1,526,942	(1,632,856)	105,914	–
Net change for the year	1,647,228	802,672	119,522	2,569,422
Write-offs	–	–	–	–
Balance as at December 31, 2020	31,040,764	1,520,215	937,803	33,498,782

Movement of ECL provision on off statement of financial position:

	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	42,107	25,629	488,202	555,938
Transfer from 12-month ECL	(2,172)	2,164	8	–
Transfer from lifetime ECL not credit impaired	8,500	(8,560)	60	–
Net charge/(reversal) for the year	(22,866)	(8,206)	(113,995)	(145,067)
Write-offs	–	–	–	–
Balance as at December 31, 2020	25,569	11,027	374,275	410,871

16. Share capital

The authorised, issued and fully paid share capital of the Bank consists of 1,205 million shares of SAR 10 each (December 31, 2020: 1,205 million shares of SAR 10 each).

The ownership of the Bank's share capital is as follows:

SAR '000	2021 (%)	2020 (%)	2021	2020
Saudi shareholders	**100**	100	**12,053,572**	12,053,572
Total	**100**	100	**12,053,572**	12,053,572

17. 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, 2021 (2020: 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.

18. Other reserves

SAR '000	CASH FLOW HEDGES	FVOCI INVESTMENTS	ACTUARIAL GAINS/(LOSSES) ON DEFINED BENEFIT PLANS	TOTAL
2021				
Balance at January 01	**1,009,643**	**178,744**	**(272)**	**1,188,115**
Net change in fair value	**(102,476)**	**(150,458)**	**–**	**(252,934)**
Transfer to consolidated statement of income	**(687,903)**	**(20,574)**	**–**	**(708,477)**
Actuarial gain on defined benefit plans	**–**	**–**	**2003**	**2,003**
Net movement during the year	**(790,379)**	**(171,032)**	**2003**	**(959,408)**
Balance as at December 31, 2021	**219,264**	**7,712**	**1,731**	**228,707**
2020				
Balance at January 01	744,084	65,800	2,338	812,222
Net change in fair value	834,615	123,367	–	957,982
Transfer to consolidated statement of income	(569,056)	(10,423)	–	(579,479)
Actuarial (loss) on defined benefit plans	–	–	(2,610)	(2,610)
Net movement during the year	265,559	112,944	(2,610)	375,893
Balance as at December 31, 2020	1,009,643	178,744	(272)	1,188,115

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.

19. 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.

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20. Commitments and contingencies

a) Legal proceedings

As at December 31, 2021, there were 80 (2020: 54) 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.

b) Capital commitments

As at December 31, 2021 the Bank had capital commitments of SAR 47 million (2020: SAR 100 million) in respect of buildings 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 authorising 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 authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the 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
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**
2020					
Letters of credit	4,085,130	3,151,502	1,118,861	–	8,355,493
Letters of guarantee	10,851,329	18,190,497	10,003,114	452,760	39,497,700
Acceptances	1,409,804	704,592	78,068	–	2,192,464
Irrevocable commitments to extend credit	366,377	284,102	5,508,216	6,800	6,165,495
Total	16,712,640	22,330,693	16,708,259	459,560	56,211,152

The outstanding unused portion of non-firm commitments which can be revoked unilaterally at any time by the Bank was SAR 73,355 million (2020: SAR 99,024 million).

Commitment and contingencies balance related to Shariah based products were SAR 6,682 million (2020: SAR 5,460 million).

ii) The analysis of commitments and contingencies by counterparty is as follows:

SAR '000	2021	2020
Government and quasi government	**7,649**	86,122
Corporate	**50,348,557**	51,780,738
Banks and other financial institutions	**7,076,992**	4,307,744
Other	**36,564**	36,548
Total	**57,469,762**	56,211,152

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:

	2021		2020	
SAR '000	ASSETS	RELATED LIABILITIES	ASSETS	RELATED LIABILITIES
FVOCI	**5,430,664**	**5,414,146**	3,292,500	3,283,512
Amortised Cost	**–**	**–**	1,041,000	997,336
Total	**5,430,664**	**5,414,146**	4,333,500	4,280,848

21. Special commission income and expense

SAR '000	2021	2020
Special commission income		
Investments		
– FVOCI	**274,296**	254,264
– Amortised Cost	**562,188**	583,145
	836,484	837,409
Due from SAMA, banks and other financial institutions	**19,786**	69,754
Loans and advances	**5,012,242**	5,377,628
Total	**5,868,512**	6,284,791
Special commission expense		
Due to SAMA, banks and other financial institutions	**41,766**	93,170
Customers' deposits	**453,300**	951,233
Total	**495,066**	1,044,403
Net special commission income	**5,373,446**	5,240,388

Net Special commission income related to Islamic related products were SAR 1,873 million (2020: SAR 1,700 million).

22. Fees and commission income, net

SAR '000	2021	2020
Fees and commission income		
– Share trading, brokerage, fund management and corporate finance	**499,046**	411,521
– Trade finance	**378,020**	394,455
– Loans and syndication management fees	**340,392**	283,186
– Card products	**368,783**	303,530
– Other banking services	**142,354**	130,435
Total fees and commission income	**1,728,595**	1,523,127
Fees and commission expense		
– Share trading and brokerage	**119,053**	99,229
– Card products	**367,051**	284,927
– Other banking services	**29,363**	57,155
Total fees and commission expense	**515,467**	441,311
Fees and commission income, net	**1,213,128**	1,081,816

Unamortized balance of commission received in advance SAR 568 million (2020: SAR 474 million)

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23. Trading income, net

SAR '000	2021	2020
Derivatives, net	**162,393**	153,585
Securities, net	**9,448**	14,300
Total	**171,841**	167,885

24. Other operating income

SAR '000	2021	2020
Gains on disposal of property and equipment	**926**	394
Recoveries of written off loans	**59,919**	91,379
Other	**3,149**	72,238
Total	**63,994**	164,011

25. Other operating and general and administrative expenses

SAR '000	2021	2020
Non-claimable VAT and penalties	**137,081**	54,785
Repair & maintenance, utilities and IT cost	**225,534**	228,027
Insurance and legal cost	**63,397**	50,421
Professional and consultancy fees	**118,169**	120,525
Communication, publication and advertisement charges	**116,339**	64,369
Stationery and supplies	**11,297**	5,900
Travel and entertainment	**6,919**	7,105
Others and other operating expenses	**79,723**	134,375
Total	**758,459**	665,507

26. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2021 and 2020 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 5.4 million shares as of December 31, 2021 (December 31, 2020: 5.7 million shares).

27. Gross dividend

The Board of Directors have proposed final net dividend of SAR 1,020 million (2020: SAR 480 million) i.e. SAR 0.85 (2020: SAR 0.40) 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 780 million (2020: SAR Nil million) i.e. SAR 0.65 (2020: SAR Nil) net per share.

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**

SAR '000	2020
Final net dividend 2019	1,199,679
Total	1,199,679

28. Zakat and Income Tax

The dividends are paid to the Saudi and non-Saudi shareholders after deduction of Zakat and income tax respectively as follows:

a) Saudi shareholders

Zakat attributable to Saudi Shareholders for the year amounted to SAR 388 million (2020: SAR 381 million) which is deducted from their share of dividend.

b) Non-Saudi shareholders

Income tax payable on the current year's share of income is approximately SAR Nil million (2020: SAR 40 million). The share of dividend of non-Saudi shareholder is paid after deducting the related taxes due as described above.

Credit Agricole Corporate & Investment Bank (CACIB) sold its remaining shares in the Bank during 2020. After the sale of these shares, the Bank is not subjected to Income Tax and 100 percent of its shareholding is considered zakatable.

Zakat Settlement

The Bank has calculated Zakat accruals for the year 2021 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 & Income Taxes for the previous years and until the end of financial year 2017, through its Retained Earnings. The Bank has settled SAR 786 million up to December 31, 2021.

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	2021	2020
Zakat for the year	**387,500**	380,931
Zakat charge for the current year	**387,500**	380,931

Tax Reconciliation

SAR '000	2021	2020
Income tax for the year	–	40,157
Deferred tax	–	42,937
Income tax charge for the current year	–	83,094

Deferred Tax

The deferred tax arises on end of service benefits, impairment allowance on off-balance expected credit losses & other items.

SAR '000	2021	2020
Opening deferred tax asset	**–**	42,937
Reversal of temporary differences	**–**	(4,282)
Impact of change in shareholding	**–**	(38,655)
Deferred tax expense	**–**	(42,937)
Balance as at December 31	**–**	–

29. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

SAR '000	2021	2020
Cash and balances with SAMA excluding statutory deposit (note 4)	**1,103,140**	2,582,412
Due from banks and other financial institutions with a maturity of three months or less from the date of acquisition	**5,123,964**	4,026,997
Total	**6,227,104**	6,609,409

Due from banks and other financial institutions maturing after three months from the date of acquisition were SAR 200 million (2020: SAR Nil million).

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30. Employees compensation practices

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**	

SAR '000 CATEGORIES OF EMPLOYEES	2020 NUMBER OF EMPLOYEES	FIXED COMPENSATION	VARIABLE COMPENSATION	TOTAL COMPENSATION	FORMS OF PAYMENT
Senior executives requiring SAMA no objection	17	43,426	36,260	79,686	Cash
Employees engaged in risk taking activities	359	205,062	86,449	291,511	Cash
Employees engaged in control functions	365	125,510	21,637	147,147	Cash
Other employees	2,140	486,128	93,012	579,140	Cash
Total	2,881	860,126	237,358	1,097,484	

Number of employees represents only the closing balance.

SAR '000	2021	2020
Total compensation	**1,068,125**	1,097,484
Other employee related costs	**329,327**	321,219
Total salaries and employee related costs	**1,397,452**	1,418,703

The above table includes deferred variable compensation of SAR 19.6 million (2020: SAR 18.4 million).

There are certain benefits paid to employees under various schemes that are recorded under special commission and fee expenses.

Senior executives
This comprises senior management having responsibility and authority for formulating strategies, directing and controlling the activities of the Bank including MD.

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.

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, 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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30. Employees compensation practices continued

Salient Features of the Banks Compensation Policy continued

4th Reward Principle: Risk Alignment: continued

General description continued

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	2021	2020
Defined benefit obligation at the beginning of the year	**495,621**	480,370
Current service cost charge for the year	**48,498**	42,359
Interest cost	**11,998**	13,930
Benefits paid	**(56,961)**	(43,648)
Unrecognized actuarial (gain)/loss	**(2,003)**	2,610
Defined benefit obligation at the end of the year	**497,153**	495,621

SAR '000	2021	2020
Charge for the year		
Current service cost	**48,498**	42,359
Interest cost	**11,998**	13,930
Total	**60,496**	56,289

PRINCIPAL ACTUARIAL ASSUMPTIONS (IN RESPECT OF THE EMPLOYEE BENEFIT SCHEME)	2021	2020
Discount rate	**2.9% p.a**	2.5% p.a
Expected rate of salary increase	**3.0% 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, 2021 and 2020 to the discount rate, salary escalation rate, withdrawal assumptions and mortality rates.

SAR '000	2021	2020
Discount rate – decrease by 0.5%	**518,509**	519,848
Future salary growth – increase by 0.5%	**518,317**	519,628
Retirement age – increase by one year	**494,484**	496,267

Expected maturity analysis of discounted defined benefit obligation for the end of service plan is as follows:

SAR '000	2021	2020
Below 1 year	**56,701**	53,761
Above 1 year	**440,452**	441,860
Total	**497,153**	495,621

31. 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, 2021 and 2020, 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
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	**1,923,336**	**2,946,468**	**1,858,688**	**459,353**	**7,187,845**
Total operating expenses before impairment charge	**1,301,986**	**675,021**	**268,555**	**201,382**	**2,446,944**
Impairment charges for financial assets, net	**92,187**	**809,577**	**1,669**	**91**	**903,524**
Net income for the year before zakat and income tax	**529,163**	**1,461,870**	**1,588,464**	**257,880**	**3,837,377**
Net special commission income	**1,581,914**	**2,375,381**	**1,336,791**	**79,360**	**5,373,446**
Fees and commission income, net	**246,314**	**564,361**	**22,460**	**379,993**	**1,213,128**
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**
2020					
Total assets	29,086,054	102,506,558	61,050,037	1,430,935	194,073,584
Loans and advances, net	27,914,895	101,297,248	–	1,352,692	130,564,835
Total liabilities	74,966,550	54,368,111	24,680,827	1,422,151	155,437,639
Customers' deposits	74,388,681	52,722,963	–	–	127,111,644
Total operating income	1,810,727	2,926,420	1,945,676	361,771	7,044,594
Total operating expenses before impairment charge	1,202,260	633,624	304,946	223,260	2,364,090
Impairment charges for financial assets, net	271,087	2,396,969	(3,030)	5,242	2,670,268
Net income for the year before zakat and income tax	337,380	(104,173)	1,643,760	133,269	2,010,236
Net special commission income	1,561,596	2,273,280	1,356,033	49,479	5,240,388
Fees and commission income, net	170,554	612,128	(13,158)	312,292	1,081,816
Exchange income, net	25,164	3,043	350,684	–	378,891
Trading income, net	–	–	167,885	–	167,885
Inter-segment revenue	1,030,744	302,143	(1,332,887)	–	–
Depreciation and amortization	149,636	38,753	18,740	3,125	210,254

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31. Operating segments continued

b) The Bank's credit exposure by operating segments is as follows:

SAR '000	RETAIL BANKING	CORPORATE BANKING	TREASURY	INVESTMENT BANKING AND BROKERAGE	TOTAL
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**
2020					
Statement of financial position assets	27,981,059	101,950,150	50,579,184	1,352,717	181,863,110
Commitments and contingencies	232,461	33,266,321	–	–	33,498,782
Derivatives	–	–	7,127,961	–	7,127,961

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.

32. 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 20. The information on Banks maximum credit exposure by business segment is given in note 31.

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. 88%-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
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 FVTPL	198,893	11,102	–	–	–	209,995
FVOCI	11,693,013	2,952,058	143,031	–	154,698	14,942,800
Investments held at amortised 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						
Over draft 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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32. Financial Risk Management continued

Geographical concentration continued

a) **The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure of derivatives is as follows:** 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

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2020						
Assets						
Cash and balances with SAMA						
Cash in hand	965,457	–	–	–	–	965,457
Balances with SAMA	9,582,942	–	–	–	–	9,582,942
Due from banks and other financial institutions						
Current account	–	239,598	667,821	3,067,299	52,279	4,026,997
Money market placements	–	–	–	–	–	–
Investments, net						
Held as FVTPL	80,070	64,533	–	–	–	144,603
FVOCI	10,235,542	1,314,716	121,293	–	61,607	11,733,158
Investments held at amortised cost	25,800,880	–	–	–	–	25,800,880
Investment in associate	–	9,695	–	–	–	9,695
Positive fair value of derivatives						
Held for trading	2,171,951	581,330	2,659,503	2,052	129,529	5,544,365
Held as cash flow hedges	175,362	51,415	1,046,130	–	91,774	1,364,681
Loans and advances, net						
Over draft and commercial loans	106,191,518	1,584,196	–	–	–	107,775,714
Credit cards	411,304	–	–	–	8	411,312
Consumer loans	22,377,809	–	–	–	–	22,377,809
Property, equipment and right of use assets, net	1,440,170	–	–	–	–	1,440,170
Other assets and other real estate	1,492,665	49,356	1,326,886	–	26,894	2,895,801
Total assets	180,925,670	3,894,839	5,821,633	3,069,351	362,091	194,073,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

32. Financial Risk Management continued

Geographical concentration continued

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure of derivatives is as follows: continued

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2020						
Liabilities						
Due to SAMA, banks and other financial institutions						
Current accounts	67,594	211,611	92,157	36,200	2,262	409,824
Money market deposits	10,662,746	1,435,916	4,013,364	–	270,363	16,382,389
Customers' deposits						
Demand	79,657,180	98,253	3,349	28	101,263	79,860,073
Time	40,353,188	89,100	–	–	–	40,442,288
Saving	753,054	–	–	–	–	753,054
Other	6,055,391	765	73	–	–	6,056,229
Negative fair value of derivatives						
Held for trading	1,045,624	171,010	3,760,102	1,923	113,355	5,092,014
Held as cash flow hedges	1,835	–	2,059	–	550	4,444
Other liabilities	5,611,258	22,184	775,433	–	28,449	6,437,324
Total liabilities	144,207,870	2,028,839	8,646,537	38,151	516,242	155,437,639
Commitments and contingencies						
Letters of credit	7,889,925	200,652	93,750	2,212	168,954	8,355,493
Letters of guarantee	35,765,001	451,388	3,004,900	198,782	77,629	39,497,700
Acceptances	2,190,416	184	–	–	1,864	2,192,464
Irrevocable commitments to extend credit	5,858,302	307,193	–	–	–	6,165,495
Total	51,703,644	959,417	3,098,650	200,994	248,447	56,211,152
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	3,081,040	2,655,676	1,206,280	7,255	177,710	7,127,961
Total	3,081,040	2,655,676	1,206,280	7,255	177,710	7,127,961
Commitments and contingencies exposure						
Letters of credit	4,059,729	40,130	18,750	442	33,791	4,152,842
Letters of guarantee	22,370,407	261,495	1,517,359	99,391	46,471	24,295,123
Acceptances	2,190,416	184	–	–	1,864	2,192,464
Irrevocable commitments to extend credit	2,704,756	153,597	–	–	–	2,858,353
Total	31,325,308	455,406	1,536,109	99,833	82,126	33,498,782

b) The distributions by geographical concentration of impaired loans and advances and impairment for credit losses are as follows:

	SAUDI ARABIA	
SAR '000	2021	2020
Non performing loans and advances, net		
Overdraft & Commercial loans	**3,685,252**	3,539,025
Credit Cards	**34,509**	45,048
Consumer Loans	**138,488**	182,517
Total	**3,858,249**	3,766,590
Lifetime ECL credit impaired		
Overdraft & Commercial loans	**2,238,352**	2,490,288
Credit Cards	**32,573**	60,926
Consumer Loans	**106,466**	186,910
Total	**2,377,391**	2,738,124

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 Bank and Other financial institutions

	DECEMBER 31, 2021			
SAR '000	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Investment grade	4,015,331	–	–	4,015,331
Non-investment grade	213	10,264	–	10,477
Unrated	1,628	–	–	1,628
Carrying amount	4,017,172	10,264	–	4,027,436

2. Loans and advances to customers at amortized cost

	DECEMBER 31, 2021			
SAR '000	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	**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**

	DECEMBER 31, 2020			
SAR '000	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)	16,468,413	42,803	–	16,511,216
Good quality (C+ to C)	43,367,075	793,814	–	44,160,889
Satisfactory quality (C- to E+)	36,319,357	6,090,368	–	42,409,725
Unrated	22,668,440	236,491	38,579	22,943,510
Special mention (E to E-)	4,427	5,280,683	180,805	5,465,915
Impaired	–	–	3,766,590	3,766,590
Carrying amount	118,827,712	12,444,159	3,985,974	135,257,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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32. Financial Risk Management continued
Geographical concentration continued
c) **Credit quality analysis** continued
2. **Loans and advances to customers at amortized cost** 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

	DECEMBER 31, 2021			
SAR '000	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**
Unrated	**–**	**–**	**–**	**–**
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**

	DECEMBER 31, 2020			
SAR '000	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)	16,468,413	42,803	–	16,511,216
Good quality (C+ to C)	43,367,075	793,814	–	44,160,889
Satisfactory quality (C- to E+)	36,319,357	6,090,368	–	42,409,725
Special mention (E to E-)	470	5,258,345	173,465	5,432,280
Impaired	–	–	3,539,025	3,539,025
Carrying amount	96,155,315	12,185,330	3,712,490	112,053,135

II. Credit Cards

	DECEMBER 31, 2021			
SAR '000	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Credit Cards				
Unrated	414,914	18,020	15,180	448,114
Special mention	170	2,370	734	3,274
Impaired	–	–	45,048	45,048
Carrying amount	415,084	20,390	60,962	496,436

III. Consumer Loans

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**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Consumer Loans				
Unrated	22,253,526	218,471	23,399	22,495,396
Special mention (E to E-)	3,787	19,968	6,606	30,361
Impaired	–	–	182,517	182,517
Carrying amount	22,257,313	238,439	212,522	22,708,274

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, 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**
Non-investment grade	**–**	**–**	**–**	**–**
Unrated	**4,679,884**	**–**	**–**	**4,679,884**
Individually impaired	**–**	**–**	**–**	**–**
Carrying amount	**28,711,856**	**–**	**–**	**28,711,856**

SAR '000	DECEMBER 31, 2020 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at amortized cost				
Investment grade	21,547,469	–	–	21,547,469
Non-investment grade	–	–	–	–
Unrated	4,259,954	–	–	4,259,954
Individually impaired	–	–	–	–
Carrying amount	25,807,423	–	–	25,807,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

32. Financial Risk Management continued

Geographical concentration continued

c) **Credit quality analysis** continued

3. **Investments** continued

FVOCI

	DECEMBER 31, 2021			
SAR '000	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**
Non-investment grade	**–**	**–**	**–**	**–**
Unrated	**3,676,776**	**–**	**–**	**3,676,776**
Carrying amount	**14,604,493**	**–**	**–**	**14,604,493**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at FVOCI				
Investment grade	8,628,853	–	–	8,628,853
Non-investment grade	–	–	–	–
Unrated	2,892,186	–	–	2,892,186
Carrying amount	11,521,039	–	–	11,521,039

4. **Commitment and contingencies**

	DECEMBER 31, 2021			
SAR '000	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**

	DECEMBER 31, 2020			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	7,096,697	–	–	7,096,697
Good quality (C+ to C)	11,361,751	20,067	–	11,381,818
Satisfactory quality (C- to E+)	12,582,316	732,122	–	13,314,438
Special mention (E to E-)	–	768,026	–	768,026
Impaired	–	–	937,803	937,803
Carrying amount	31,040,764	1,520,215	937,803	33,498,782

The following table sets out the credit analysis for trading financial assets measured at FVTPL.

SAR '000	2021	2020
Investment securities		
Investment grade	**209,995**	142,601
Non-investment grade	**–**	–
Unrated	**–**	2,002
Total carrying amount	**209,995**	144,603

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
- change in PD % since origination for Retail assets

The Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank recognises 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 recognised based on a credit-adjusted EIR. ECLs are only recognised 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 remaining lifetime 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, shortfall in collateral value, 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).

Consideration due to COVID-19:

In response to the impacts of COVID-19, various support programmes have been offered to the customers either voluntarily by the Bank or on account of SAMA initiatives, such as customers eligible under Deferred Payments Program (refer note 41 for further details). The exercise of the deferment option by a customer, in its own, is not consider by the Bank as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Bank's credit evaluation process especially given the current economic situation due to after effects of lock down, the Bank obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

No change has been made in the backstop criteria for all types of exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

32. Financial Risk Management continued

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.

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: GDP, government debt, expectation of stock market return/volatility and interest rate forecast. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices. While for retail portfolio, key macro-economic indicators include: government debt, government revenue and expenditure, investment (as a % of GDP) and inflation.

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) 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, change in PD % since origination for Retail assets 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).

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-recognised and will be re-recognised 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:
- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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 usually include extending the maturity, changing the timing of special commission income payments 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

32. Financial Risk Management continued
Credit risk grades continued

iv) 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 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.

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.

32. Financial Risk Management continued
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 economic scenarios used as at December 31 included the following ranges of key indicators.

ECONOMIC INDICATORS	2021	2020
General government debt to GDP ratio	**Upside 40.78** **Base case 45.19** **Downside 64.83**	Upside 41.21 Base case 46.74 Downside 63.22
Tadawul All Share Index	**Upside 11,744** **Base case 10,880** **Downside 8,097**	Upside 9,676 Base case 8,983 Downside 6,301
Government Bond Yields 1 Year	**Upside 1.48** **Base case 1.37** **Downside 0.82**	Upside 1.18 Base case 1.07 Downside 0.78

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. To account for the impact of COVID-19, 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 2021 ECL MODEL			FORECAST CALENDAR YEARS USED IN 2020 ECL MODEL		
ECONOMIC INDICATORS	2022	2023	2024	2021	2022	2023
General government debt to GDP ratio	**45.19**	**47.97**	**49.46**	46.74	49.29	51.59
Tadawul All Share Index	**10,880**	**11,293**	**11,516**	8,983	9,699	9,949
Government Bond Yields 1 Year	**1.37**	**2.08**	**3.03**	1.07	1.32	2.03

The table below shows the sensitivity of change in economic indicators to the ECL computed under three different scenarios used by Bank.

SAR '000	DUE FROM BANK AND OTHER FINANCIAL INSTITUTIONS	DEBT INSTRUMENT AT AC	DEBT INSTRUMENT AT FVOCI	LOANS AND ADVANCES	OFF STATEMENT OF FINANCIAL POSITION	TOTAL
2021						
Most likely (base case)	**180**	**6,410**	**14,230**	**4,720,530**	**287,797**	**5,029,147**
More optimistic (upside)	**180**	**6,410**	**14,230**	**4,705,411**	**287,143**	**5,013,374**
More pessimistic (downside)	**180**	**6,410**	**14,230**	**4,776,739**	**290,058**	**5,087,617**
Closing provision	**180**	**6,410**	**14,230**	**4,732,824**	**288,279**	**5,041,923**
2020						
Most likely (base case)	439	6,543	8,849	4,681,408	410,505	5,107,744
More optimistic (upside)	439	6,543	8,849	4,650,127	409,682	5,075,640
More pessimistic (downside)	439	6,543	8,849	4,754,331	412,549	5,182,711
Closing provision	439	6,543	8,849	4,693,010	410,871	5,119,712

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, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective commission rate as the discounting factor.

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.

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. The portfolios for which external benchmark information represents a significant input into measurement of ECL is Non Retail portfolio where the Bank has used LGD estimates as per BASEL guidelines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

32. Financial Risk Management continued

Sensitivity of ECL allowance:

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the yearend:

ASSUMPTIONS SENSITIZED SAR '000	PL IMPACT (2021)
Macro-economic factors:	
Decrease in $10 oil price per barrel	**58,470**
Decrease in $20 oil price per barrel	**97,526**
Decrease in GDP by 15%	**81,754**
Decrease in Tadawul Stock Index 30%	**74,242**
Scenario weightages:	
Base scenario sensitized by +/- 5% with corresponding change in downside	**2,924**
Base scenario increase by +/- 5% with corresponding change in upside	**789**

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.

Ageing of loans and advances (past due but not impaired)

	2021			
SAR '000	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 amortised cost, net	**804,358**	**44,618**	**528,288**	**1,377,264**

	2020			
SAR '000	OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
From 1 day to 30 days	146,430	32,780	413,735	592,945
From 31 days to 90 days	17,657	13,675	146,537	177,869
From 91 days to 180 days	40,247	–	–	40,247
More than 180 days	387,566	–	–	387,566
Loans and advances held at amortised cost, net	591,900	46,455	560,272	1,198,627

32. Financial Risk Management continued

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
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**
2020				
Government and quasi Government	360,559		(1,285)	359,274
Banks and other financial institutions	2,179,128	–	(7,312)	2,171,816
Agriculture and fishing	2,653,154	50,857	(46,103)	2,657,908
Manufacturing	19,155,010	970,849	(912,067)	19,213,792
Mining and quarrying	964,647	–	(1,255)	963,392
Electricity, water, gas and health services	15,165,364	21,636	(30,268)	15,156,732
Building and construction	11,554,215	466,159	(840,635)	11,179,739
Commerce	23,648,718	1,583,490	(1,599,383)	23,632,825
Transportation and communication	6,374,857	3,878	(18,758)	6,359,977
Services	15,006,172	119,841	(559,320)	14,566,693
Consumer loans and credit cards	22,977,145	227,565	(415,589)	22,789,121
Others	11,452,286	322,315	(261,035)	11,513,566
Total	131,491,255	3,766,590	(4,693,010)	130,564,835

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.

The amount of collateral held as security for loans that are credit-impaired as at December 31, are as follows:

SAR '000	2021	2020
Collateral coverage – less than 50%	**2,284,157**	2,000,290
Collateral coverage – 51 to 70%	**181,371**	212,539
Collateral coverage – more than 70%	**1,392,721**	1,553,761
Total	**3,858,249**	3,766,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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33. 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, 2021 and 2020 are follows:

SAR '000	FOREIGN EXCHANGE RATE	SPECIAL COMMISSION RATE RISK	OVERALL TRADING
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**
2020			
VaR as at December 31, 2020	83	4,032	4,037
Average VaR for 2020	113	3,406	3,396
Maximum VaR for 2020	691	6,483	6,476
Minimum VaR for 2020	7	1,066	1,046

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, 2021 and 2020, 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, 2021 and 2020 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.

	2021						
			SENSITIVITY OF EQUITY				
SAR '000 CURRENCY	BPS CHANGE	SENSITIVITY OF SPECIAL COMMISSION INCOME	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**

	2020						
			SENSITIVITY OF EQUITY				
SAR '000 CURRENCY	BPS CHANGE	SENSITIVITY OF SPECIAL COMMISSION INCOME	6 MONTHS OR LESS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
USD	+100	38,742	(340)	(3,593)	(53,048)	(7,132)	(64,113)
	-100	(41,845)	340	3,593	53,048	7,132	64,113
SAR	+100	625,461	(8,600)	(30,989)	(393,791)	(124,564)	(557,944)
	-100	(610,859)	8,600	30,989	393,791	124,564	557,944

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 summarises the Bank's exposure to special commission rate risks. Included in the table are the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

33. Market Risk continued

b) Market risk non-trading book continued

i) **Special commission rate risk** continued

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 FVTPL	7,155	59,476	3,877	139,487	–	209,995
Held as FVOCI, net	1,140,465	3,171,327	8,763,041	1,529,685	338,282	14,942,800
Held at amortised 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	31,510	179,370	1,880,066	1,187,712	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	384,639	604,714	12,391,808	13,689,341	154,307	27,224,809
Over draft and commercial loans	72,165,862	39,975,976	3,734,023	798	4,711,291	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	77,299,395	51,876,752	42,026,874	20,782,526	23,816,479	215,802,026

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	–	–	–	–	88,999,785	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	32,400	183,745	1,775,729	1,113,986	44,980.00	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	50,518,387	12,010,363	2,034,099	1,113,992	150,125,185	215,802,026
commission rate sensitivity – On statement of financial position	26,781,008	39,866,389	39,992,775	19,668,534	(126,308,706)	–
commission rate sensitivity – Off statement of financial position	(21,795,045)	4,035,115	17,644,432	115,498	–	–
Total commission rate sensitivity gap	4,985,963	43,901,504	57,637,207	19,784,032	(126,308,706)	–
Cumulative commission rate sensitivity gap	4,985,963	48,887,467	106,524,674	126,308,706	–	–

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2020						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	965,457	965,457
Balances with SAMA	1,616,955	–	–	–	7,965,987	9,582,942
Due from banks and other financial institutions						
Current account	–	–	–	–	4,026,997	4,026,997
Money market placements	–	–	–	–	–	–
Investments, net						
Held as FVTPL	55,974	–	78,161	10,468	–	144,603
Held as FVOCI, net	877,510	2,821,111	6,784,775	1,028,794	220,968	11,733,158
Held at amortised cost, net	3,473,506	562,150	19,642,130	2,123,094	–	25,800,880
Investment in associate	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	122,672	237,243	3,694,274	1,244,112	246,064	5,544,365
Held as cash flow hedges	77,827	192,736	1,094,118	–	–	1,364,681
Loans and advances, net						
Credit cards and consumer loans	192,493	609,831	10,848,023	10,911,209	227,565	22,789,121
Over draft and commercial loans	35,333,096	42,507,411	14,971,470	7,262,351	7,701,386	107,775,714
Property, equipment and right of use assets, net	–	–	–	–	1,440,170	1,440,170
Other assets and other real estate	–	–	–	–	2,895,801	2,895,801
Total assets	41,750,033	46,930,482	57,112,951	22,580,028	25,700,090	194,073,584

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2020						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	409,824	409,824
Money market deposits	6,577,343	743,015	–	–	9,062,031	16,382,389
Customers' deposits						
Demand	–	–	–	–	79,860,073	79,860,073
Saving	753,054	–	–	–	–	753,054
Time	29,434,111	11,003,972	4,205	–	–	40,442,288
Other	–	–	–	–	6,056,229	6,056,229
Negative fair value of derivatives						
Held for trading	143,517	223,642	3,539,534	1,059,965	125,356	5,092,014
Held as cash flow hedges	–	–	4,444	–	–	4,444
Other liabilities	–	–	–	–	6,437,324	6,437,324
Total equity	–	–	–	–	38,635,945	38,635,945
Total liabilities and equity	36,908,025	11,970,629	3,548,183	1,059,965	140,586,782	194,073,584
commission rate sensitivity – On statement of financial position	4,842,008	34,959,853	53,564,768	21,520,063	(114,886,692)	–
commission rate sensitivity – Off statement of financial position	(25,754,843)	2,885,791	21,036,335	1,832,717	–	–
Total commission rate sensitivity gap	(20,912,835)	37,845,644	74,601,103	23,352,780	(114,886,692)	–
Cumulative commission rate sensitivity gap	(20,912,835)	16,932,809	91,533,912	114,886,692	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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33. Market Risk continued

b) Market risk non-trading book continued

i) Special commission rate risk continued

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, 2021 and 2020 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.

SAR '000 CURRENCY EXPOSURES	2021 CHANGE IN CURRENCY RATE IN %	2021 EFFECT ON NET INCOME	2021 EFFECT ON EQUITY	2020 CHANGE IN CURRENCY RATE IN %	2020 EFFECT ON NET INCOME	2020 EFFECT ON EQUITY
USD	**+5**	**38,166**	**–**	+5	56,694	–
EUR	**–3**	**(122)**	**–**	-3	(24)	–

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	2021 LONG/(SHORT)	2020 LONG/(SHORT)
US Dollar	**780,584**	1,222,500
Euro	**4,083**	813
Pound Sterling	**(590)**	3,006
Other	**18,949**	21,466
Total	**803,026**	1,247,785

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:

SAR '000 MARKET INDICES	2021 CHANGE IN EQUITY PRICE %	2021 EFFECT ON MARKET VALUE	2020 CHANGE IN EQUITY PRICE %	2020 EFFECT ON MARKET VALUE
Tadawul	**+5**	**10,857**	+5	9,794
Tadawul	**-5**	**(10,857)**	-5	(9,794)

There is no material impact on market value due to change in prices of listed international securities.

34. 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.

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 FVTPL	7,155	59,476	3,877	139,487	–	209,995
Held as FVOCI, net	38,116	669,834	11,480,285	2,416,282	338,283	14,942,800
Held at amortised 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
Over draft and commercial loans	14,972,076	30,243,388	38,010,389	36,491,527	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	18,897,909	36,580,714	82,189,470	58,051,954	20,081,979	215,802,026

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34. Liquidity Risk continued

a) Maturity analysis of assets and liabilities continued

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**

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2020						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	965,457	965,457
Balances with SAMA	1,616,955	–	–	–	7,965,987	9,582,942
– Due from banks and other financial institutions						
Current account	–	–	–	–	4,026,997	4,026,997
Money market placements	–	–	–	–	–	–
Investments, net						
Held as FVTPL	–	2,002	132,133	10,468	–	144,603
Held as FVOCI, net	133,618	416,319	9,472,714	1,489,539	220,968	11,733,158
Held at amortised cost, net	400,823	562,149	19,942,340	4,895,568	–	25,800,880
Investment in associate	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	229,426	248,631	3,761,722	1,304,586	–	5,544,365
Held as cash flow hedges	77,827	192,736	1,094,118	–	–	1,364,681
Loans and advances, net						
Credit cards and consumer loans	164,167	614,581	10,934,021	10,930,067	146,285	22,789,121
Over draft and commercial loans	17,830,851	20,590,172	28,969,896	39,207,078	1,177,717	107,775,714
Property, equipment and right of use assets, net	–	–	–	–	1,440,170	1,440,170
Other assets and other real estate	–	–	–	–	2,895,801	2,895,801
Total assets	20,453,667	22,626,590	74,306,944	57,837,306	18,849,077	194,073,584

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2020						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	409,824	409,824
Money market deposits	6,425,486	5,355,126	4,601,777	–	–	16,382,389
Customers' deposits						
Demand	–	–	–	–	79,860,073	79,860,073
Saving	–	–	–	–	753,054	753,054
Time	28,482,086	4,128,568	7,703,709	–	127,925	40,442,288
Other	–	–	–	–	6,056,229	6,056,229
Negative fair value of derivatives						
Held for trading	197,504	252,509	3,546,173	1,095,828	–	5,092,014
Held as cash flow hedges	–	–	4,444	–	–	4,444
Other liabilities	22,175	241,707	714,272	397,957	5,061,213	6,437,324
Total equity	–	–	–	–	38,635,945	38,635,945
Total liabilities and equity	35,127,251	9,977,910	16,570,375	1,493,785	130,904,263	194,073,584

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 20 (i) of the consolidated financial statements.

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, 2021 and 2020 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
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**
2020						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	409,824	409,824
Money market deposits	6,431,724	5,356,632	4,601,777	–	–	16,390,133
Customers' deposits						
Demand	–	–	–	–	79,860,073	79,860,073
Saving	–	–	–	–	753,054	753,054
Time	28,554,534	4,155,888	7,741,617	–	127,925	40,579,964
Other	–	–	–	–	6,056,229	6,056,229
Total	34,986,258	9,512,520	12,343,394	–	87,207,105	144,049,277

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35. 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.

SAR '000	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2021				
Financial assets				
Derivative financial instruments	**–**	**4,061,987**	**–**	**4,061,987**
Financial investments designated at FVTPL				
– 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**
2020				
Financial assets				
Derivative financial instruments	–	6,909,046	–	6,909,046
Financial investments designated at FVTPL				
– Fixed rate securities	88,629	–	–	88,629
– Floating rate securities	–	55,974	–	55,974
Total	88,629	55,974	–	144,603
Financial investments at FVOCI				
– Fixed rate securities	7,009,701	1,203,746	–	8,213,447
– Floating rate securities	67,673	3,231,070	–	3,298,743
– Equity	195,888	–	25,080	220,968
Total	7,273,262	4,434,816	25,080	11,733,158
Total	7,361,891	11,399,836	25,080	18,786,807
Financial Liabilities				
Derivative financial instruments negative fair value	–	5,096,458	–	5,096,458
Total	–	5,096,458	–	5,096,458

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35. Fair values of financial assets and liabilities continued

Determination of fair value and fair value hierarchy continued

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	2021	2020
Balance at the beginning of the year	**25,080**	6,984
Transfer from level 2	**–**	34,602
Additions during the year	**105,177**	9,000
Change in the value	**(9,090)**	(25,506)
Balance at the end of the year	**121,167**	25,080

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 28,808 million (2020: 26,337 million) against carrying value of SAR 28,705 million (2020: 25,801 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 SAR151,172 million (2020: SAR 134,194 million). The carrying values of those loans and advances are SAR 147,813 million (2020: SAR 130,565 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 statement of income without reversal of deferred day one profits and losses.

36. 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.

The balances as at December 31, 2021 and 2020 resulting from such transactions included in the consolidated financial statements are as follows:

SAR '000	2021	2020
Associates		
Investments	**9,695**	9,695
Due to banks and other financial institutions	**8,171**	8,283
Directors, auditors, senior management and major shareholders' and their affiliates		
Loans and advances	**12,586,399**	11,233,546
Investments	**1,004,953**	801,864
Due from banks and other financial institutions	**–**	–
Other assets	**–**	10
Customers' deposits	**4,812,875**	2,004,973
Due to banks and other financial institutions	**2,050,000**	1,500,000
Other liabilities	**7,172**	13,774
Derivatives at fair value, net	**(66,289)**	105,030
Commitments and contingencies	**2,096,059**	2,661,188

Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

SAR '000	2021	2020
Special commission income		
– Directors, auditors, senior management and major shareholders' and their affiliates	**274,800**	342,962
Total Special commission income	**274,800**	342,962
Special commission expense		
– Directors, auditors, senior management and major shareholders' and their affiliates	**22,417**	89,372
– Associates	**35**	145
Total Special commission expense	**22,452**	89,517
Fees, commission income and others, net	**25,548**	22,242
Directors' fees	**9,186**	9,250
Other general and administrative expenses	**33,517**	109,999

The total amount of salaries and employee related benefits to senior management personnel are as follows:

SAR '000	2021	2020
Short term benefit	**53,909**	69,426
Long term benefit (deferral bonus)	**7,512**	10,260
Long term incentive plan	**16,750**	13,776
Termination benefit	**–**	–
Total	**78,171**	93,462

The senior management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

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37. Treasury Shares

The Bank acquired treasury shares as authorised by the Board under its Long Term Incentive (LTI) plan, which will grant the appreciation award of the Banks share performance to eligible employees as per LTI plan. The eligible employees will benefit from the appreciation in 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, 2019	March 31, 2020	March 31, 2021
Maturity date	April 01, 2022	April 01, 2023	April 01, 2024
Grant price – SAR	35.95	33.265	33.35
Vesting period	3 years	3 years	3 years
Vesting conditions	Employees remain in service and meets required 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	Black-Sholes	Monte-Carlo	Monte-Carlo
Fair value per share on grant date-SAR	42.37	23.297	29.318

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 23.6 million (2020: SAR 25.6 million).

	2021	2020
Number of shares allocated for LTI calculation at the beginning of the year	**3,580,788**	2,157,219
Vested/forfeited during the year	**(1,222,920)**	(214,832)
Allocated during the year, net	**1,804,174**	1,638,401
Number of shares allocated for LTI calculation at the year end	**4,162,042**	3,580,788

38. Capital Adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted asset (RWA) at or above the agreed minimum level.

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 15 Rabi Al-Awwal 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.

The RWAs, total capital and related ratios as at December 31, 2021 and 2020 are calculated using the framework and the methodologies defined under the Basel III framework.

SAR '000	2021	2020
Credit Risk RWA	**185,159,270**	170,312,433
Operational Risk RWA	**13,224,774**	12,952,525
Market Risk RWA	**3,835,772**	3,967,483
Total RWA	**202,219,816**	187,232,441
Tier I Capital	**40,329,281**	38,497,754
Tier II Capital	**2,314,491**	1,884,995
Total Tier I & II Capital	**42,643,772**	40,382,749
Capital Adequacy Ratio %		
Tier I ratio	**19.94%**	20.56%
Tier I + Tier II ratio	**21.09%**	21.57%

39. 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 value of the mutual funds and other private investment portfolio managed by the Bank through its subsidiary was SAR 26,416 million (2020: SAR 13,385 million). The Bank through its subsidiary offers Islamic 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 2,171 million (2020: SAR 2,070 million).

40. IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk-Free Rate ("RFR").

Phase 1 amendment are issued to address the pre-replacement impacts of IBOR transition on hedge accounting issues. These guidelines were issued through amendments in IAS 39, IFRS 7 and IFRS 9 mandatory applicable after January 01, 2020.

Phase 2 relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, LIBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Phase 2 amendments are effective for annual periods beginning on or after January 01, 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate statement of income impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

The Bank has exposure to IBOR rates that are subject to reform through its structural profit rate position, holdings of investment securities, and products denominated in foreign currencies and, where applicable, associated hedging.

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40. IBOR Transition (Interest Rate Benchmark Reforms) continued

During 2020, the Bank had established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors to oversee the Bank's LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference to LIBOR, to transition them to the alternate benchmarks as applicable, with the aim of minimising the potential disruption to business and mitigating operational risks and possible financial losses.

This transition project is considering changes to systems, processes, policies, risk management and valuation models, as well as managing related accounting implications. Further, the number and types of contracts which require updates as part of the transition have been finalized. As at September 30, 2021, changes required to systems, processes, policies, and models have been identified and have been partially implemented.

The Bank has finalized the specific changes to be made in the contracts required by the IBOR reforms and initial communication on account of LIBOR transition has been released to customers. The Bank has identified that the key impacted currencies are USD and EUR and the areas of most significant risk arising from the replacement of these LIBOR's are: updating systems and processes which capture USD and EUR LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and loans transitioning from the IBOR transition and the resulting impact on economic risk management; and updating hedge designations.

The Bank continues to engage with industry participants, to ensure an orderly transition to the new alternate reference rate and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with LIBOR replacement.

The following table contains details of all of the financial instruments that the Bank holds at December 31, 2021 which reference LIBOR and have not yet transitioned to an alternative interest rate benchmark:

SAR '000	CARRYING VALUE/ NOMINAL AMOUNT AT DECEMBER 31, 2021	YET TO TRANSITION TO AN ALTERNATIVE BENCHMARK INTEREST RATE AS AT DECEMBER 31, 2021
Non-derivative assets and liabilities exposed to USD LIBOR		
Measured at amortised cost		
Loans and advances, net	**7,288,614**	**6,619,897**
Investments held at fair value through other comprehensive income	**392,198**	**392,198**
Customer Deposits	**332,486**	**4,999**
Derivative assets and liabilities exposed to USD LIBOR		
Positive fair value derivatives	**2,453,059**	**2,097,263**
Negative fair value derivatives	**2,343,713**	**2,041,841**
Derivative notional amount	**151,853,502**	**111,032,938**
Non-derivative assets and liabilities exposed to EUR LIBOR		
Measured at amortised cost		
Loans and advances, net	**196,764**	**134,756**
Derivative assets and liabilities exposed to EUR LIBOR		
Positive fair value derivatives	**3,772**	**3,772**
Negative fair value derivatives	**3,772**	**3,772**
Derivative notional amount	**344,210**	**344,210**
Non-derivative assets and liabilities exposed to CHF LIBOR		
Measured at amortised cost		
Loans and advances, net	**5,013**	**–**
Non-derivative assets and liabilities exposed to JPY LIBOR		
Measured at amortised cost		
Loans and advances, net	**248**	**–**

41. Impact of COVID-19 on Expected Credit Losses ("ECL") and SAMA programs

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Bank continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The Bank has also made updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Bank deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

SUPPORT PROGRAMS	INSTALMENT DEFERRED (SAR BILLION)	COST OF DEFERRAL (SAR MILLION)
April 2020 – September 2020	**3,347**	**91**
October 2020 – December 2020	**2,332**	**19**
January 2021 – March 2021	**4,097**	**33**
April 2021 – June 2021	**4,137**	**33**
July 2021 – September 2021	**512**	**5**
October 2021 – December 2021	**483**	**5**
January 2022 – March 2022	**441**	**5**

The Bank also recongnized SAR 269 million of modification loss due to the tenor extension of the applicable loans at no additional costs to the customer The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

The Bank has performed as assessment with respect to SICR for customers for whom DPP program ended on December 31, 2021 and migrated customers amounting to SAR 98 million from Stage 1/2 to Stage 2/3 by downgrading the customer credit rating.

In order to compensate the related cost that the Bank has incurred under the SAMA and other public authorities program, during the years 2021 and 2020, the Bank has received multiple profit free deposits from SAMA amounting to SAR 7.7 billion and SAR 9.2 billion respectively with varying maturities, which qualify as government grants.

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. By the end of the year 2021, total income of SAR 440 million had been recognised in the statement of income with the remaining amount deferred. Grant income amounting to SAR 55 million arose on the profit free deposit amounting to SAR 7.7 billion received during the year ended December 31, 2021. During the year ended December 31, 2021, a total of SAR 316 million (December 31, 2020: SAR 124 million) has been recognised in the statement of income with respect to related deposits with an aggregate of SAR 34 million deferred grant income as at December 31, 2021 (December 31, 2020: SAR 280 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

42. 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.

43. Board of Directors approval
The consolidated financial statements were approved by the Board of Directors on February 03, 2022 corresponding to Rajab 02, 1443H.

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