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Banque
Saudi
Fransi

RESILIENT TRUSTED REFINED

BANQUE SAUDI FRANSI ANNUAL REPORT 2023

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 Treasury. The Bank also provides investment banking, asset management, investment funds and brokerage services through its subsidiary Saudi Fransi Capital.

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HIGHLIGHTS

As we move forward, we remain steadfast in our commitment to creating long-term value for all our stakeholders.

→ Read more on **p5**

In Saudi Arabia, the economic situation in 2023 was positive, with the country successfully developing talent across various fields.

→ Read more on **p22**

The Bank further revised its Risk Appetite Framework for 2023, adopting regulatory-led changes planned for the year.

→ Read more on **p46**

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

STRATEGIC REPORT

"As evidenced throughout 2023, our values reflect our dedication to protecting and empowering our community, and we remain steadfast in our commitment to delivering sustainable and responsible growth, consistent profitability, and unparalleled service to our valued stakeholders."

MAZIN AL ROMAIH
CHAIRMAN

BSF's outstanding performance in 2023 exemplifies our strategic evolution and commitment to delivering exceptional value to our shareholders and customers. We have embraced innovative technologies to streamline operations, enhance customer experiences, and drive innovation across our services.

As evidenced throughout 2023, our values reflect our dedication to protecting and empowering our community, and we remain steadfast in our commitment to delivering sustainable and responsible growth, consistent profitability, and unparalleled service to our valued stakeholders.

2023 marked a year of transformation for BSF, setting the scene for future sustainable growth and long-term value creation. Driven by a resilient domestic economy and a favorable rate environment, the Bank delivered a record financial performance underpinned by strategic initiatives that position us for continued success.

At the core of this transformation lay a comprehensive overhaul of the Bank's technology infrastructure, enabling us to enhance customer experience, drive operational efficiencies, and foster innovation. The successful implementation of our new Core Banking System, Integrated Corporate Portal, and Omnichannel retail platform will revolutionize how we serve our customers and approach business development.

Aligned with the principles of the Kingdom of Saudi Arabia Vision 2030, we have developed a robust Environmental, Social, and Governance (ESG) framework, embedding sustainability into our operations and decision-making processes. Our commitment to ESG is evident in our reduced environmental footprint, sustainable financing initiatives, and the recognition received for our green financing efforts.

As part of our strategic evolution, we have streamlined the Bank's strategic focus, in addition to rebranding, organizational restructuring, and significant product and service development. This streamlined approach positions us to achieve our core strategic goals: becoming a top player in our target segments; focusing on profitability and return on capital; and delivering outstanding customer experience.

Our investments in innovative technologies and organizational restructuring included the launch of our digitally-driven financing platform JB. This reflects our commitment to optimizing our internal structures and enhancing our competitiveness across business lines.

Building upon our strong financial performance, with an 18% year-on-year increase in net profit to SAR 4.22 billion, we remain focused on maintaining a robust balance sheet, expanding our loan portfolio, and fostering sustainable growth. Our success is a testament to the dedication and hard work of our employees, who have embraced our transformation journey.

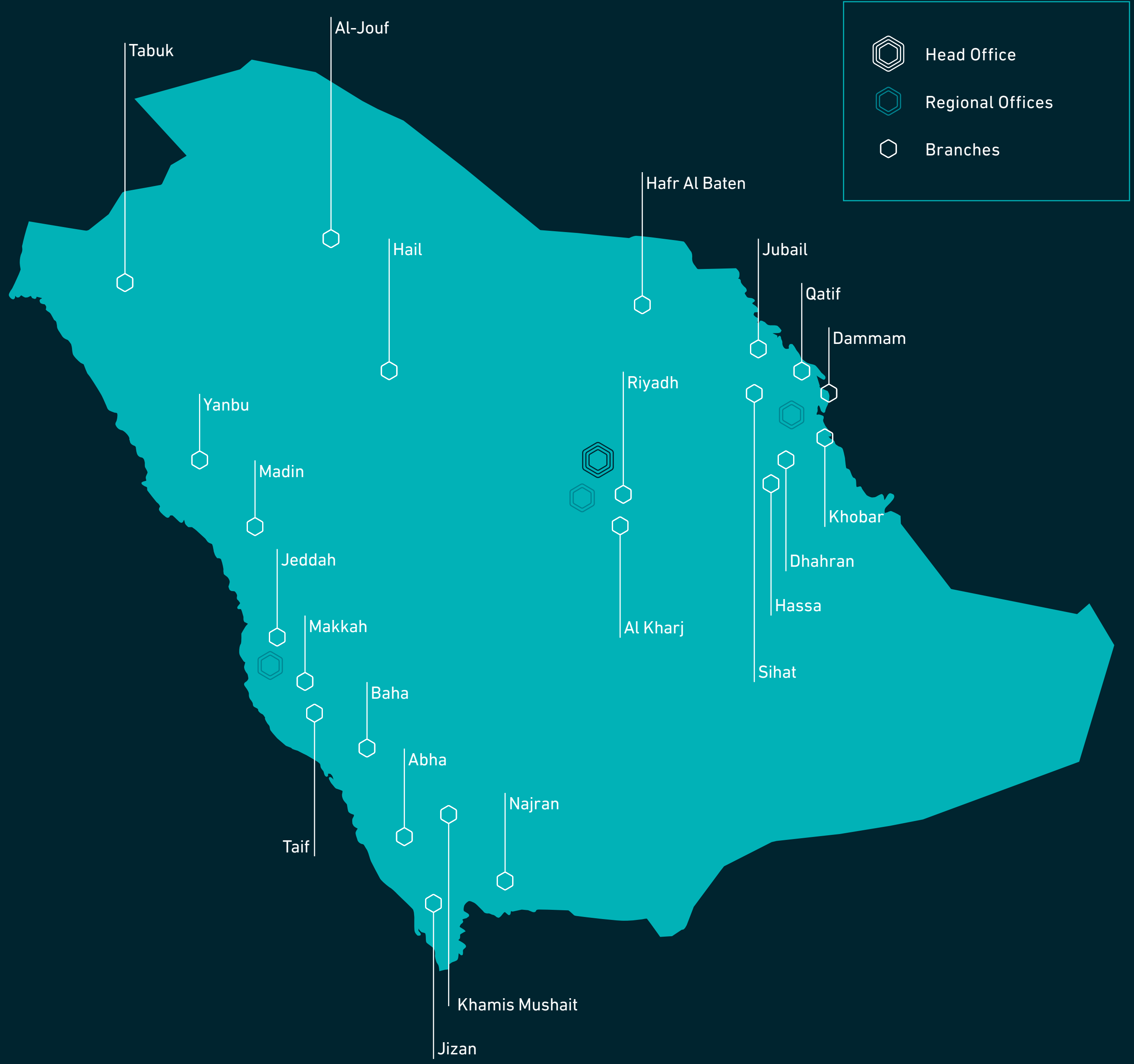
As we move forward, we remain steadfast in our commitment to creating long-term value for all our stakeholders. With a solid foundation, a refined strategic roadmap, and a transformed technology infrastructure, we are well-positioned to navigate the evolving landscape and capitalize on emerging opportunities.

On behalf of the Board of Directors, I extend my gratitude to our customers, shareholders, and stakeholders for their unwavering trust and support. Together, we will continue to shape the future of banking, driving innovation and contributing to the prosperity of the Kingdom of Saudi Arabia.

Mazin Al Romaih
Chairman

BSF 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 agenda. We are a community that we defend and protect, always.

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

BSF AT A GLANCE

Employees:	Branches:	Retail Customers:
3,155	82	1.2 m

Total Assets (SAR):	Customer Deposits (SAR):	Total Operating Income (SAR):	Loans and Advances (SAR):
253.4 bn	172.2 bn	9.3 bn	179.3 bn

RATINGS

S&P:	Moody's:	Fitch:
A-	A2	A-

TEN KEY STRATEGIC FOCUS AREAS

BSF has enhanced and streamlined its existing strategy for an evolving external environment and an optimized internal structure.

BSF enhanced and streamlined its strategy at the start of the year, resulting in the identification and prioritization of ten key focus areas. This refined strategy is designed for an evolving market, focusing on BSF's core strengths. The new approach incorporates Saudi Fransi Capital (SFC) – the capital markets arm of BSF – and the newly rebranded Saudi Fransi Leasing, which has been relaunched as the digital leasing and lending platform, JB. The strategy also sets out targets on profitability and market share.

FIG: Financial Institution and Government
MNC: Multinational Company
GTS: Global Transaction Solutions

A STREAMLINED ORGANIZATIONAL STRUCTURE

The inclusion of Saudi Fransi Capital (SFC) and Saudi Fransi Leasing (SFL) coincided with the rebranding of SFL to a new identity – JB. This change is part of a broader expansion strategy to introduce a range of digital solutions in the financing sector. JB's new brand identity will drive the business to excel in delivering innovative financial solutions that support the objectives of Saudi Arabia's Vision 2030. It also represents the Bank's focus on simplicity, reliability, and pride, with the goal of making the financing process more efficient and improving financial literacy for its customers.

THREE STRATEGIC GOALS

BSF's strategy sets out to achieve three overarching goals: ambitious aspirations for market position, profitability, and customer experience.

Position
Be among the top players in our target segments (Top 3 Market Share)

Profitability
Focus on profitability and return on capital (ROC > COC)

Customer Experience
Continued commitment to leading CX (NPS #1)

GROUP-LEVEL OBJECTIVES

At the Group level, substantial progress was made in the implementation of the four key strategic programs across the IT & Technology and rebranding priorities.

Technology Initiatives & Infrastructure Upgrade

TECHNOLOGY INITIATIVES & INFRASTRUCTURE UPGRADE

IT is the primary support pillar of all banking services, and BSF delivered continuous and uninterrupted services to all internal & external customers in 2023.

In line with the Kingdom's vision and to safeguard the interest of our customers, IT has dedicated its efforts to ensuring regulatory compliance for the Bank. The IT Governance Framework (ITGF), Cybersecurity Framework (CSF), Personal Data Protection Law (PDPL) and Count Fraud Framework (CFF) are just some of the major regulatory requirements where IT is extensively involved.

Listed below are a few of the major transformation projects in which IT was directly involved.

Integrated Corporate Portal (ICP)

DESCRIPTION	2023 PROGRESS	2024 PRIORITIES
– New corporate platform supporting trade and supply chain services and Trade AI	– Completed Phase 1 design and development – Enhanced BSF specific client experience changes – Phase 1 Back End (FTI): system integration testing in progress – Phase 1 Front End (FCC): system integration testing in progress – Received regulatory approval for Phase 1 implementation	– Phase 2 Front End FCC: finalized business requirements (user interface customization) – Business users' readiness for UAT (functional training) – Completion of data migration development

Omnichannel

DESCRIPTION	2023 PROGRESS	2024 PRIORITIES
– New high-performance retail platform providing robust digital banking service and enhanced customer experiences and journeys	– Advanced development and design of features required for public launch – Conducted several rounds of migration testing and CBS regression testing – Initiated communication and marketing planning – Piloted employee app – Onboarded staff for Omni pilot – Released many features in the staff pilot – Implemented majority of Counter Fraud Framework controls	– Complete all features existing on FransiPlus and FransiMobile for the Omnichannel to offer like-for-like services in multiple delivery phases – Migrate all customers to the new channel – Promote the application to public app stores – Set up a robust production support model – Build an operating model for business-as-usual delivery – Initiate a User Experience (UX) and User Interface (UI) review for the new Omnichannel

Core Banking System

DESCRIPTION	2023 PROGRESS	2024 PRIORITIES
– Bank-wide core banking system to enable best-in-class customer experience with leading operational efficiency	– Completed User Acceptance Testing for Phase 2 – Rolled out Technical Friends & Family pilot (200+ participants) – Ongoing bank-wide change management activities – Implemented payments module for Phase 2 – Completed development, testing, dress rehearsal and user training activities for Phase 2 – Completed solution design for Phase 3 (Corporate)	– Implement a comprehensive Hypercare process and dedicated internal Subject Matter Experts with technical capabilities squads operating 24x7 to ensure no major interruption to our customers and services – Decommission more than 30 fragmented systems into one core banking system – Delivery of the core banking system is the most significant milestone for BSF in the last ten years

Rebranding

REBRANDING

DESCRIPTION	2023 PROGRESS	2024 PRIORITIES
– Redesigning the BSF brand identity to differentiate the Bank, enhance our connection with clients and improve our market position	– New brand is go-live ready for top priority digital streams and branches, including subsidiaries – Saudi Fransi Capital – New card designs implemented – Completed top priority physical collateral manufacturing – Completed implementation for top priority digital channels – Completed go-to-market strategic communication plan	– The new brand will be revealed in Q2 2024, following a transformational period of investment and development – Strategize a release plan for releasing applications to the public – All customer-facing applications will be revamped along with go-live, adhering to the brand guidelines – Upgrade public domains of all customers-facing applications in accordance with brand guidelines – Continue the delivery of non-customer-facing applications qualified with the brand launch

BUSINESS PILLARS

Strong progress was made in 2023 across all business lines in the execution of our strategy.

Wholesale Banking

Wholesale Banking

STRATEGIC GOAL: SOLIDIFY MARKET POSITION

2023 PROGRESS

- Activated GTS operating model
- Executed groundbreaking Trade Finance transactions that improves cash flow and reduces risks
- Kickstarted Multi National Corporate (MNC) efforts
- Established Vision Realization Program (VRP) unit
- Expanded Financial Institution (FI) and government lending

Personal Banking

Personal Banking

STRATEGIC GOAL: LEVERAGE SEGMENTATION AND SYNERGIES

2023 PROGRESS

- Successful pilot in the upper affluent segment
- Launched Omnichannel staff pilot (digital solution)
- Kickstarted wholesale partnership with Personal Banking, boosting cross-selling and relationship

Private Banking

Private Banking

STRATEGIC GOAL: REINFORCE MARKET LEADERSHIP

2023 PROGRESS

- Closed key investment offerings with Saudi Fransi Capital
- Secured major deals under a private banking finance program
- Introduced new products
- Executed VIP experience events

Saudi Fransi Leasing JB

Saudi Fransi Leasing JB

STRATEGIC GOAL: EXPAND IN NEW MARKET SEGMENTS

2023 PROGRESS

- Completed strategy refinement
- Introduced JB's new digital personal loan offerings
- Improved brand recognition through successful marketing campaigns
- Expanded JB's reach by initiating cross-selling across BSF branches

Saudi Fransi Capital

Saudi Fransi Capital

STRATEGIC GOAL: SEIZE EXISTING OPPORTUNITIES AND GROW

2023 PROGRESS

- Finalized SFC's wealth management rollout strategy
- Launched many of the transformation initiatives
- Established market presence with bespoke Real Estate Advisory

Through the course of a transformative year, BSF registered an 18% increase in net income to a record SAR 4.22 billion. This outstanding performance was driven by balanced asset growth, margin expansion, and operational efficiencies. Coupled with robust risk management and improved non-performing loan ratios and coverage, the Bank delivered growth across its subsidiaries and core business in 2023.

2023

Retail net income before Zakat for FY 2023 increased 140% year-on-year to SAR 1,926 million on 59% operating income growth to SAR 3,579 million.

Total assets continued to grow steadily, reaching SAR 253,383 million as of December 31, 2023. This represents a solid 9% increase from the previous year, demonstrating our commitment to sustainable growth and sound fiscal management.

The BSF Board of Directors proposed a final net dividend for the 2023 fiscal year amounting to SAR 1,198 million, taking the full-year dividend to SAR 2,338 million. This translates to an FY 2023 dividend per share of SAR 1.95 and a payout of 55% of earnings.

Announced the rebranding of its subsidiary Saudi Fransi for Finance Leasing (SFL) to JB and launched a robust marketing campaign in the third quarter of 2023 to promote the new brand and its diversified offerings.

Introduced the “Sur Multifamily Office,” a strategic initiative aimed at providing a wide range of wealth management services to the Bank’s high-net-worth clients and their families.

Completed the third phase of the Bank’s strategic replanning exercise, with ongoing bank-wide change management activities and the implementation of strategic initiatives across business segments.

Completed the design and back-end build for the new BSF Integrated Corporate Portal, scheduled for rollout in 2024.

Concluded Omnichannel staff pilot program, implemented counter-fraud framework controls, and conducted migration testing exercises for the public launch of the Omnichannel infrastructure in 2024.

As part of the BSF corporate social responsibility platform, the Bank raised awareness about the national donation platform “Ehsan”, conducted fundraising for the King Salman Humanitarian Aid and Relief Center and offered discounts for customers with special needs through the “Purple Saturday” initiative.

2024

BSF BY NUMBERS:

Loans and Advances:

SAR 179.4 bn

2023	179,391,223
2022	159,011,525
2021	147,812,759

Non-Interest-Bearing Deposits:

SAR 81.1 bn

2023	81,131,261
2022	96,263,225
2021	94,977,966

Net Income After Zakat and Income Tax:

SAR 4.2 bn

2023	4,222,733
2022	3,575,130
2021	3,449,877

Net Interest Margin:

3.53%

2023	3.53%
2022	3.06%
2021	2.85%

Total Operating Income:

SAR 9,324.0 bn

2023	9,323,994
2022	8,017,275
2021	7,187,845

Non-Interest Bearing Deposits % of Total:

47%

2023	47%
2022	61%
2021	67%

Cost-to-Income Ratio:

32.4%

2023	32.4%
2022	33.1%
2021	34.0%

Tier 1 Capital Ratio:

18.92%

2023	18.92%
2022	18.90%
2021	19.94%

"Through its simplified strategy, BSF is now well-positioned to achieve its three core strategic goals. The first is to become among the top players in our target segments, the second is to focus on profitability and return on capital, and the third is a continued commitment to delivering an outstanding customer experience."

BADER H. AL SALLOOM
CHIEF EXECUTIVE OFFICER

Through the delivery of record-breaking results, the development of next-generation IT infrastructure, and the evolution of a refined strategic roadmap, 2023 will be recorded as a truly transformational year for BSF.

In 2023, BSF delivered a historic set of financial results, benefiting from the context of a resilient, growing domestic economy and a high-rate environment. This performance came as the Bank refined its strategic priorities and invested in a complete overhaul of its IT infrastructure. In addition, following the completion of a comprehensive ESG framework that aligns with the principles of Vision 2030 – alongside a robust year-end balance sheet – the Bank is on a strong footing for sustainable growth.

The development and integration of a radical technology upgrade took center stage in 2023. It represents a fundamental pivot in BSF's operations, transforming how it serves its customers and its entire approach to business and product development.

Core Technology Infrastructure

Major progress was made in the implementation of a new Core Banking System (CBS) in 2023. This was a significant milestone for BSF, replacing 30 fragmented systems and consolidating them into one unified system.

In 2023, we completed Phase 2 testing for user acceptance, rolled out a family and friends technical pilot program, completed the design, user training, and change management activities, and performed multiple dress rehearsals in preparation for the go-live activities. These accomplishments laid the foundation for CBS to go live in February 2024.

CBS is a critical enabler for delivering greater customer-centric experiences and operational efficiencies. It supports the implementation of the Bank's new Integrated Corporate Portal (ICP) and Omnichannel platform.

The ICP received regulatory approval for Phase 1 implementation in 2023, along with the completion of its design and development. Following ongoing testing, the ICP is on schedule for Phase 1 rollout in 2024.

The new Omnichannel retail platform, designed to provide a robust digital banking experience, concluded several rounds of testing and piloting in 2023. BSF employees were onboarded as part of the testing process, and the design of the platform and its features progressed well during the year. It is anticipated that the Omnichannel platform will be launched in 2024.

Strategic Evolution

The new digitally driven infrastructure is a major driver for the execution of the Bank's strategy, which has been streamlined into vital initiatives. In addition to the planned completion of the technology infrastructure upgrade, these ten core focus areas include rebranding, organizational restructuring, and significant product and service development as we move into 2024.

Through its simplified strategy, BSF is now well-positioned to achieve its three core strategic goals. The first is to become among the top players in our target segments, the second is to focus on profitability and return on capital, and the third is a continued commitment to delivering an outstanding customer experience. These three core strategic goals will also support the Bank's progress in becoming one of the top three banks in our chosen target segments in Saudi Arabia by 2025 – along with our aspirations to be number one in private banking.

Rebranding and Repositioning

As part of its strategic evolution, Banque Saudi Fransi has been preparing to rebrand as BSF – the first step in a significant rebranding process that continues into 2024. Saudi Fransi Leasing has been rebranded into a digitally driven financing platform that diversifies the financing portfolio as a mass lending business called JB. The new digital service will allow the Bank to expand into new market segments and demographics. In 2023, we introduced JB's new digital personal loan offering and expanded the new brand's reach by initiating cross-selling across BSF branches. Looking ahead, JB offers potential in many areas, such as credit cards and buy-now-pay-later (BNPL) partnerships.

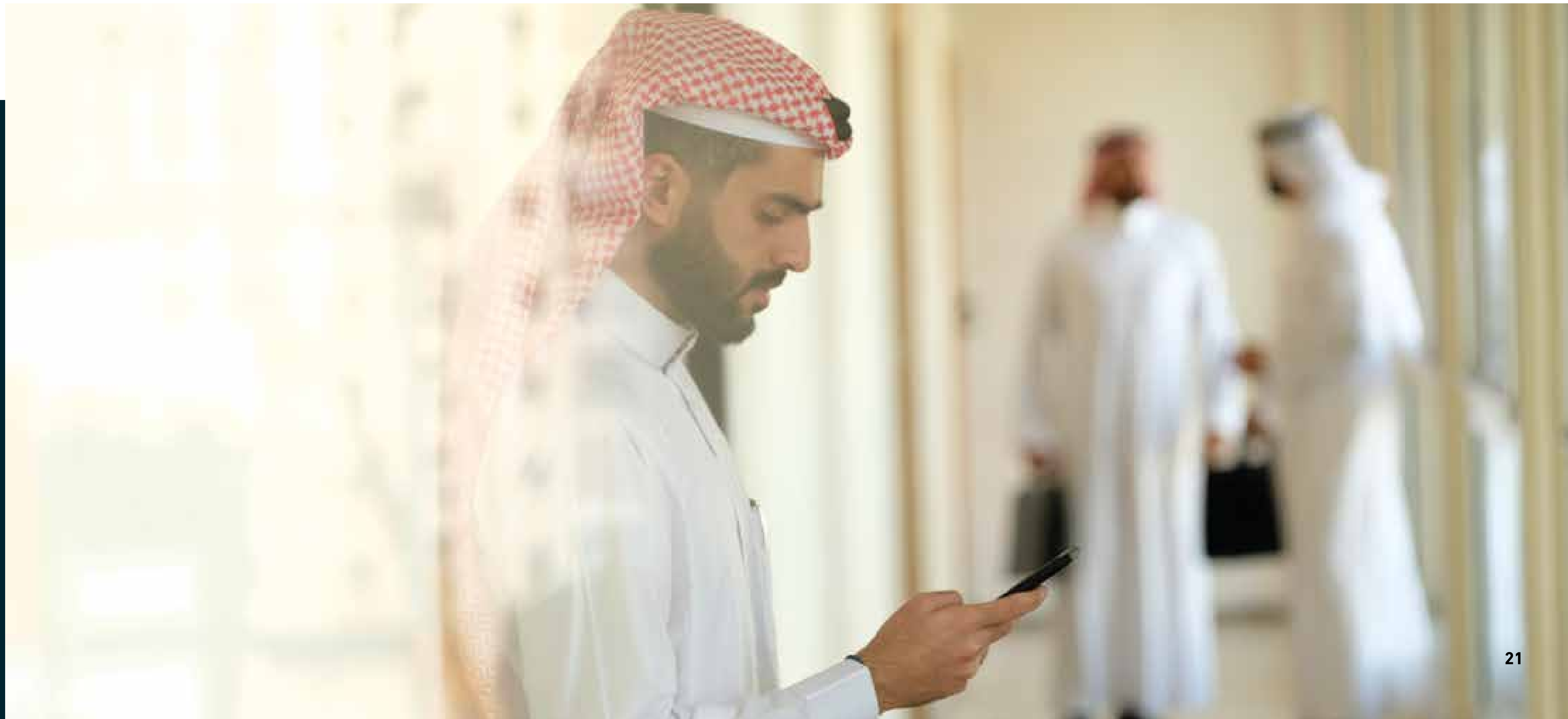
Through these changes, BSF is already making considerable progress in optimizing the efficiency of its internal structures to become more adaptable, fluid and digitally resilient. The Bank's agility has been demonstrated through its ability to benefit from a higher-rate environment – while also hedging for rate cuts by the United States Federal Reserve (Fed) in 2024. Consequently, the Bank has reduced its sensitivity to interest rate changes.

A Strong Domestic Economy

While BSF and other banks have benefited from the higher-rate environment, so too has the Saudi domestic economy benefited from higher global energy prices and a growing non-oil economy. The combination of these dynamics – in addition to giga-projects and private investment – served the financial services industry well in 2024. BSF achieved an 18% year-on-year increase in net income to SAR 4.22 billion, reflecting growth in net interest income to SAR 7,835 million from SAR 6,427 million in 2022. This is a year-on-year increase of 22%, mainly driven by higher returns from financing and investment activities, although an increase in funding costs partially offset this.

Operating expenses increased 14% year-on-year to SAR 3,022 million in 2023 due to higher general and administrative expenses from increased business activity, non-regular expenses, and increased employee-related costs from higher utilization of FTE budgets.

> A new ESG framework was developed in 2023, with a focus on accelerating sustainable economic growth, creating a thriving workplace, protecting our communities, serving our clients, and working under the highest ethical and governance standards."
>
> **BADER H. AL SALLOOM**
> CHIEF EXECUTIVE OFFICER



Conversely, the Bank's cost-to-income ratio improved by 69 basis points year-on-year to 32.4% for 2023. This positive operating performance resulted in 17% year-on-year growth in pre-impairment operating income to SAR 6,302 million. Looking at the Bank's balance sheet, BSF delivered 13% year-on-year loan growth, driven by an expansion of 14% in commercial and 10% in consumer lending. We also saw deposit growth of 9% year-on-year from interest-bearing deposits (IBD). However, this was partly offset by non-interest-bearing deposits (NIBDs), which fell by 16%. The Bank's record financial performance was supported by expansion across all business units.

ESG and Sustainable Finance

With ESG woven into the Bank's strategy, a new ESG framework was developed in 2023, with a focus on accelerating sustainable economic growth, creating a thriving workplace, protecting our communities, serving our clients and working under the highest ethical and governance standards. The Bank's progress in 2023 is exemplified in its 17.9% reduction in Scope 1 and Scope 2 emissions, a 17.2% reduction in total water consumption and recognition in the form of the Capital Markets Deal of the Year Award for the green financing of the Red Sea Development, awarded in 2022, for the year 2021. BSF's ESG strategy will see it continue to develop sustainable business practices and ESG KPIs as part of the Bank's overarching strategy.

Building upon a truly transformational, record year, I am proud of the hard work and commitment that has delivered such exceptional outcomes. Looking ahead, we will continue to focus on the rollout of new products and the growth of the balance sheet while maintaining continuous improvements in the credit quality of the Bank's loan book. As BSF moves into 2024 with a strong NPL ratio – supported by a radical new IT infrastructure and a streamlined strategy – we look forward to creating sustainable value for all our stakeholders in 2024. The transformation will continue.

Bader H. Al Salloom
Chief Executive Officer

While the global economy faced macroeconomic challenges, high inflation and rates, and geopolitical volatility, Saudi Arabia demonstrated its strength and resilience, continuing to grow, diversify and invest to achieve the ambitions of Vision 2030.

In 2023, the Saudi Arabian banking market performed exceptionally well, with most banks experiencing double-digit profit growth. High interest rates largely drove this robust performance, although the increased cost of funding, as deposit growth was driven predominantly from interest bearing accounts, posed various challenges to banks' profitability across the country.

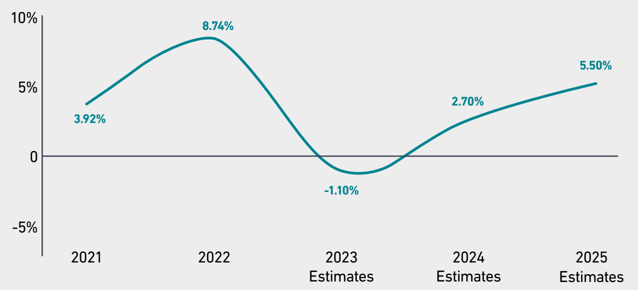
The market saw significant changes in 2023, primarily characterized by a focus on cost-cutting measures. This shift was driven by expectations of future interest rate decreases. Some banks demonstrated that internal investments could yield substantial profits. However, the competitive landscape saw many others prioritizing loan volumes over profitability, potentially leading to future risks if these loans do not perform well.

Looking at economic growth, global macroeconomic trends, particularly the persistence of high interest rates, have not dampened GDP growth as expected. This scenario suggests that there may be little incentive for the US Federal Reserve to lower rates. Additionally, the robust performance of the US economy means that inflationary pressures may remain a concern, dampening the prospect of cuts – at least in the short term.

In Saudi Arabia, the economic situation in 2023 was positive, with the country successfully developing talent across various fields while increasing economic diversification and the continued maturation of the non-oil economy. This progress has benefited Banque Saudi Fransi (BSF) by attracting high-caliber national talent and leveraging government programs to support SME growth.

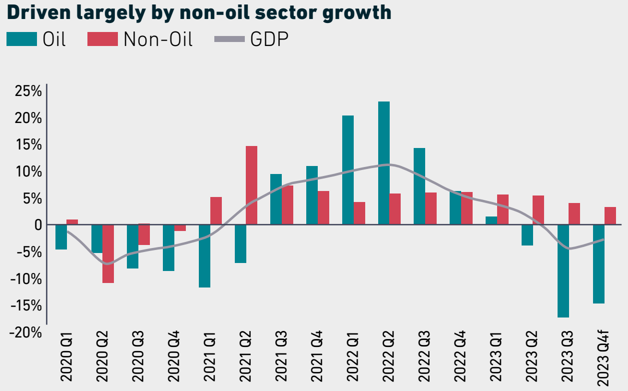
Saudi Arabia has also managed to navigate its society and economy through global events over the past decade. Regulatory changes, such as the government's Sukuk program, significantly impacted the market

Real GDP growth (%)



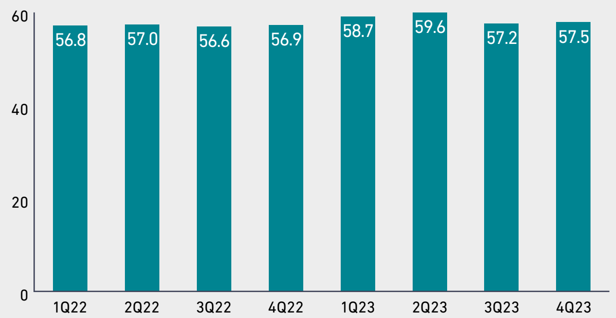
Source: IMF

Driven largely by non-oil sector growth



Source: GASTAT, BMI
f = BMI forecast

KSA PMI (non-oil private sector)



Sources: IMF, SAMA, EIA, HIS Markit, Tadawul by providing consumers with a Sharia-compliant way to leverage their savings. In corporate banking, floating rate adjustments became more common as debt matured. Retail banking saw a push towards digital banking, although many consumers still preferred branch services. Global markets were increasingly influenced by AI in trading, while banks eyed fintech mergers and acquisitions to establish full-fledged subsidiaries.

BSF remained fully aligned with Vision 2030 by developing key talents within the Bank and delivering high-quality services to its customers. Looking ahead to 2024, the market is expected to undergo further changes, with increased automation playing a significant role in the industry's evolution.

Estimated Global Growth in 2023

3.1%

Saudi Arabia's Real GDP Growth in 2023

-1.1%

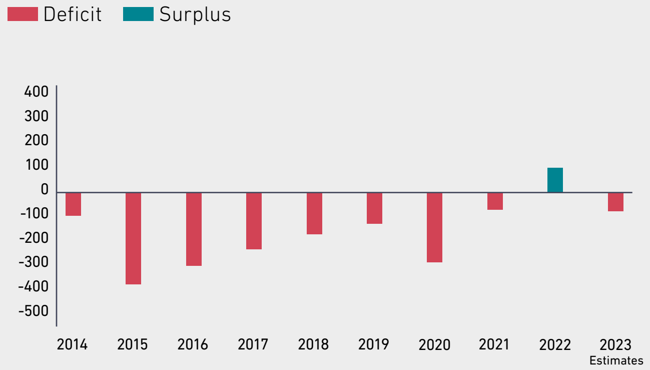
Saudi Arabia's Non-Oil GDP Growth in 2023

3.8%

Saudi Arabia's Headline Inflation Average

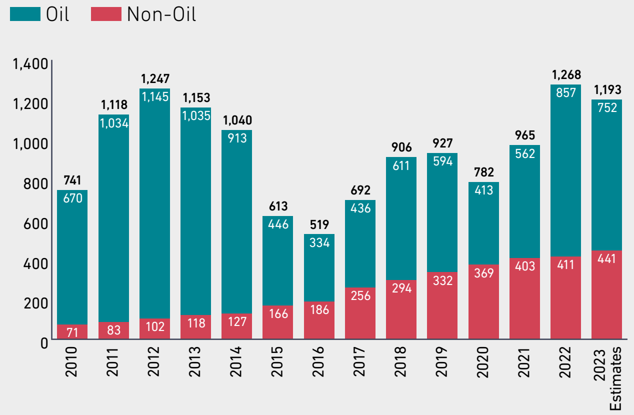
2.33%

Budget deficit/surplus (SAR billion)



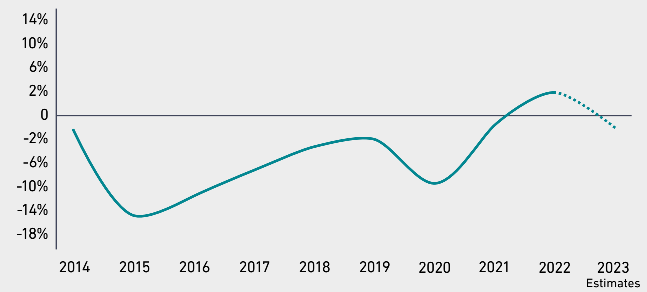
Source: Ministry of Finance

Oil and Non-Oil Revenues (SAR billion)



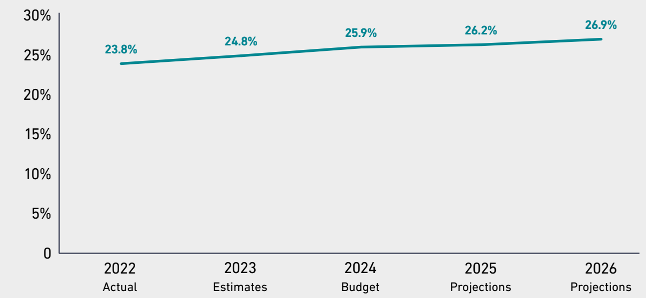
Source: Ministry of Finance

Fiscal Position as % of GDP*



Source: Ministry of Finance
* Actual updated numbers of the GDP according to the GASTAT

Public debt as % of GDP



Source: Ministry of Finance
Figures are rounded up to the nearest decimal point
* The GDP for FY 2022 is according to GASTAT data for the updated actual figures, while the GDP for FY 2023 is according to updated budget estimates.

BSF delivered an exceptional financial performance in 2023, reflecting the strength of its position in Saudi Arabia's banking sector. The Bank reported a significantly improved net interest margin and balanced asset growth within a macro-environment characterized by rising rates, supportive domestic activity, volatile oil and moderating stock prices.

Operating Environment

Internationally, geopolitical and economic uncertainties created a general sense of unpredictability in global markets in 2023. However, Saudi Arabia's economy remained strong, with the country's banking sector well-positioned for both resiliency and growth. Oil prices rose to USD120/bl in 2Q 2022, following the Ukraine-Russia disruption, but declined to USD78/bl by 4Q 2023.

Interbank rates continued to increase in 2023 from 11 hikes totaling 500 bps in the SAMA repo and reserve repo rates to 6.00% and 5.50%, respectively. Meanwhile, in a sign of consistent optimism in the economy, the Saudi Arabia Purchasing Managers Index (PMI) remained in expansionary territory throughout 2022 and 2023. Furthermore, the Saudi Arabian stock market (Tadawul) index rose 14% year-on-year, while the Banks index rose 6%, both following a declining to stable trend before benefiting from a rally in Q4 2023.

Financial Performance

In 2023, historic financial results were delivered across the Bank's entire business, with total net income rising by 18% to SAR 4.22 billion, up from SAR 3.57 billion in the previous year.

Net income in 2023 grew by 18% to SAR 4.22 billion thanks to 16% growth in operating income, amounting to SAR 9.32 billion – although this was partly offset by a 14% growth in operating expenses and a 17% rise in the impairment charge. The Bank's return on average equity improved 138 basis points to 10.6% for 2023.

The Bank delivered a 22% surge in net interest income in 2023, reaching SAR 7,835 million compared to SAR 6,427 million in 2022, while non-interest income fell slightly by 6% year-on-year. On the back of rising rates, the Bank's net interest margin expanded by 46 basis points to 3.53%. Looking at the Bank's asset quality, BSF delivered a lower non-performing-loan ratio, mainly from write-offs, and an improving coverage ratio.

The Bank's cost of risk increased in 2023 from the previous migration of isolated pockets in the commercial book and through coverage enhancement. By year end, BSF's capital and liquidity position was comfortable and well within regulatory limits. The Bank saw a decline in its non-interest-bearing deposits ratio partially due to an expected shift towards interest-bearing deposits during the rising rate environment in 2023.

Loans, Assets and Liabilities

As of December 31, 2023, BSF has delivered asset growth of 9% year-on-year, driven by healthy loan growth of 13% and a 9% increase in the investment portfolio. Meanwhile liabilities grew by 10% during 2023. BSF also saw deposit growth of 9% year-on-year from interest-bearing deposits, which rose by 49%. This was alongside a decline in non-interest-bearing deposits of 16%. The Bank also saw a 91% rise in debt securities and a 13% increase in interbank and SAMA borrowings. Total equity increased 6% year-on-year due to retained earnings generation and positive reserve movements.

Share Price Performance

Despite being impacted by wider market factors and trends, the Bank delivered relative stability in its share price on a year-on-year basis, supported by strong financial results and strategic initiatives. With a 52-week range of SAR 32.5 to SAR 45.7, the Bank's closing share price as of December 31, 2023 was SAR 40. BSF closed the year with a market capitalization of SAR 48.21 billion, equaling 4.91% of the Saudi Arabian banking sector.

USD900 Million Sukuk Issuance

In May 2023, Banque Saudi Fransi completed a USD900 million sukuk issuance as part of its strategic financing initiatives. The certificates – which are listed on the London Stock Exchange – were issued to eligible investors in Saudi Arabia and overseas, with a return of 4.75% per annum. As many as 4,500 certificates, with a minimum subscription of USD200,000, were issued through a special-purpose vehicle.

This sukuk issuance was aimed at diversifying the Bank's funding sources, enhancing its capital base, and supporting its growth strategy. The issuance was well received in the market, reflecting strong investor confidence in the Bank's creditworthiness and prospects.

Performance Drivers for 2024

Looking ahead to 2024, BSF is optimistic that it will be able to deliver low double-digit growth in financing through continued robust corporate activity and credit appetite driven by macroeconomic growth – much of which is supported by Vision 2030 projects. The Bank also anticipates that, subject to a stable liability mix, it can deliver broadly stable margins relative to the fourth quarter 2023 run-rate, supported by a more stable rate environment and deposit mix. Furthermore, the cost or risk is expected to normalize in a benign credit environment and the absence of provisioning for isolated legacy exposures. Additionally, solid income growth and efficiency improvements are expected to drive a lower cost-to-income ratio, and the return-on-equity will benefit from improving returns expected from financing expansion, stable margins and improving operational and risk costs. These dynamics will all factor into a steadily improving capitalization ratio from capital accretive profitability.

Total Net Income (SAR)
4.22 bn

Operating Income (SAR)
9.32 bn

Asset Growth
9% YoY

Market Capitalization (SAR)
48.21 bn

> **"Historic financial results were delivered across the Bank's entire business in 2023, with total net income rising by 18% to SAR 4.22 billion, up from SAR 3.57 billion in the previous year."**
>
> **BADER H. AL SALLOOM**
> CHIEF EXECUTIVE OFFICER

LONG-TERM INVESTMENT

OUR INPUTS

Economy
With 44 years of experience in the banking sector, we have a solid base to reinvest 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 we have a solid and loyal shareholder base.

OUR BUSINESS DIVISIONS

Wholesale Banking Group
Corporate Banking
Global Transactions Solutions
Financial Institutions and Government
Project and Structured Finance

Treasury and Investment Group

Personal Banking Group
Private
Retail

Subsidiaries
Saudi Fransi Capital
JB (previously known as Saudi Fransi For Finance and Leasing)

OUR STRATEGY

- Solidify our leadership position in Corporate Banking
- Scale up in Retail Banking
- Optimize our leading position in Private Banking
- Reinforce our continued growth across the Treasury and Investment Group (TIG)

Our Enablers

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

OUR OUTPUTS

Financial Performance
Operating Profit (SAR million)

2023	4,223
2022	4,003

People
Employee Net Promoter Score

2023	38
2022	26

Customers
Net Promoter Score

2023	72.5%
2022	69.4%

Investors
Total Shareholder Return

2023	3.39%
2022	-10.58%

OUR SUPPORT TEAM

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

OUR VALUES

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

BSF aligns with Vision 2030's ambitious objectives, aiming to finance significant, transformative projects. In trade finance, BSF is intensifying efforts to increase market share and fee income, offering innovative solutions through its global trade expertise.

2023 Awards

- **"Best Equity House in the Middle East"**
  EMEA Finance
- **"Most Innovative Wealth Management Company in Saudi Arabia"**
  International Finance magazine
- **"Best Performance Investment Fund in Arab Equity Funds category"**
  Sanadeq
- **"Best Performance Investment Fund in Murabaha and Liquidity category for an asset volume of more than one billion riyals"**
  Sanadeq
- **"Local Equity Capital Markets House of the Year"**
  GFC Media Group

WHOLESALE BANKING GROUP

The Wholesale Banking Group (WBG) at BSF displayed resilience and adaptability in 2023, delivering a robust performance despite competitive pressures and the challenges of rising interest rates. WBG achieved significant growth in both assets and revenues, highlighting its skill in navigating a complex economic environment.

About Wholesale Banking Group

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

Increase in Net Loans
+13%

Growth in Total Liabilities
+27%

Increase in Operating Income
+20%

Additionally, engagement in high-profile project finance deals cemented its status as a dependable partner for major projects. These engagements not only boosted the Group's financial outcomes but also demonstrated its proficiency in managing intricate financing deals.

The Wholesale Banking Group sets itself apart by offering innovative financial solutions that meet clients' sophisticated needs, as evidenced by the successful uptake of the Dividend Distribution System. It made noteworthy progress in strategically expanding its focus towards financial institutions, multinational corporations, and micro, small, and medium enterprises to diversify its business and broaden its revenue streams. This prompted the creation of Multinational Corporate Banking (MNCs) under CBG to cater to the special needs of this important client segment.

The Wholesale Banking Group also played a key role in the testing and preparation for the Core Banking System in 2023, leading the way in digital transformation and preparing for a digital-centric future.

WHOLESALE BANKING GROUP CONTINUED

Financial and Operational Performance
BSF's Wholesale Banking Group has sustained its industry ranking based on key financial metrics among local banks with a robust performance compared to that of its peers. Notable highlights include a 13% increase in net loans and a significant 27% growth in total liabilities, in addition to a 20% rise in operating income, fueled by an increase in fees and commissions.

Outlook for 2024
Looking further to the significant opportunities that lie ahead for BSF, the Wholesale Banking Group is unwavering in its pursuit of strategic growth, focusing on enlarging its loan book within key sectors. It will continue to strengthen ties with financial institutions, multinational corporations, and micro, small, and medium enterprises to foster sustainable asset growth and diversification. Concurrently, WBG is focusing on deposits to ensure a solid funding foundation and sound liquidity management.

Leveraging opportunities in Project Finance, the Bank aligns with Vision 2030's ambitious objectives, aiming to finance significant, transformative projects. In trade finance, BSF is intensifying efforts to increase market share and fee income, offering innovative solutions through its global trade expertise.

Customer experience enhancement, especially in liquidity and cash management and trade finance, will remain a paramount focus. The Bank will also continue to streamline processes and integrate advanced technologies to elevate customer satisfaction and loyalty. The commitment to e-channel enhancement will continue with the introduction of FransiGlobal, B2B platforms and integrated cash pooling solutions, marking our commitment to strategic technological advancements.

Corporate Banking Group
In 2023, BSF's Corporate Banking division marked a significant achievement by becoming the primary operating bank for most of its clients, reinforcing its role as a dependable partner for businesses across the spectrum. Additionally, BSF's commitment to the growth of MSMEs was enhanced by forming strategic partnerships with major industry entities, including the Small and Medium Enterprises (SME) Bank, Monsha'at, and Kafalah. These collaborations have allowed BSF to deliver extensive financial support to the MSME sector and increase its portfolio backed by the Kafalah program.

Performance metrics for 2023 showed a 7% increase in the average volume of performing loans and a 13% rise in the average volume of non-funded exposures. Notably, Net Interest Income surged by 33%, Trade Fees grew by 15% and the customer base expanded to 8,000, with 2,000 holding active credit facilities. The Average Net Promoter Score (NPS) stood at 61.1%.

The year was also marked by the development of a robust business pipeline, expanded client coverage with New-To-Bank (NTB) client onboarding, increased participation in project financing, and enhanced cross-selling revenues.

Looking ahead to 2024, BSF Corporate Banking aims to direct sales efforts towards Multinational Corporations (MNCs) and the middle market segment, with a focus on export financing and structured trade products. Corporate Banking plans to enhance liabilities management, increase fee income, facilitate regular account planning, increase employee engagement, and pursue new initiatives to drive growth.

Project and Structured Finance
The standout accomplishment for Project and Structured Finance (PSF) in 2023 was reaching a new peak in transactional closures, with the successful conclusion of high-profile and lucrative deals setting a new benchmark within the division. Alongside this achievement, PSF's commitment to sustainable practices was highlighted by the significant growth of its portfolio that relates to ESG, reflecting the importance of ESG principles to our business. Furthermore, PSF maintained its critical role in Saudi Arabia's economy, leading key projects in various sectors in line with the nation's Vision 2030 while also serving a distinguished group of top-tier clients.

Strategy and Performance
In 2023, there was a noticeable shift in strategic focus towards ESG-centric transactions, with increased resource allocation to these areas signaling an adaptive strategy in response to changing customer demands. The PSF team's performance is rigorously measured by a set of precise metrics and KPIs, particularly the volume of completed transactions and their impact on the Bank's financial performance. During the year, the PSF portfolio expanded by 15%, demonstrating its market expertise and strategic navigation of a complex financial environment.

Throughout 2023, the strength of PSF's existing offerings continued effectively to meet the diverse needs of the project and structured finance sector. PSF received recognition for its performance, earning accolades from several organizations in 2023. Citations from the PFI EMEA Awards included the EMEA Utility Deal of the Year for The Red Sea Multi-Utilities Project and the EMEA Special Award Green Deal of the Year for NEOM Green Hydrogen. Additionally, the IJ Global MENA Awards recognized BSF with the MENA Petrochemicals Deal of the Year award for Advanced Polyolefins Industry Company (APOC), the MENA Utilities Deal of the Year award for The Red Sea Multi-Utilities Project, and the MENA Petrochemicals Refinancing Deal of the Year award for Chemanol Refinancing and Expansion.

From the Capital Markets & ESG Finance Saudi Arabia Awards, BSF was named as having conducted the best KSA Project Finance Loan Deal of the Year for Advanced Polyolefins Industry Company (APOC) and was given the KSA Water & Utilities Deal of the Year award for the Marafiq Red Sea for Energy Company.

Looking to 2024, PSF is set to continue enhancing its role as a crucial element within BSF's operations, expanding its portfolio, and upholding its dedication to ESG standards. The strategy for the year ahead includes increasing market share, growing the portfolio, reinforcing its commitment to ESG values, and forming strategic partnerships to enable cross-selling and provide lasting value to its clients.

Global Transactions Solutions
BSF Global Transaction Solutions (GTS) achieved several significant milestones in 2023. The business continued to enhance operational efficiencies and digitization. The FI trade business was bolstered through strategic market approvals and the launch of structured solutions. Moreover, there was a marked improvement in the export business compared to the previous year. Noteworthy, it was a record-breaking year for its dividend distribution services in terms of volume of transactions.

Performance metrics and KPIs are diverse, but key indicators include a +10% growth in trade revenue and a 12% increase in LCM operating revenue. Digital transactions also saw significant growth, with FransiGlobal transactions up by 22% and B2B transactions by 23%.

New product launches in 2023 included six trade products. Notable achievements for 2023 include receiving five awards from industry bodies, affirming BSF's role as a leader in trade and supply chain finance, including three MEA finance awards for

WHOLESALE BANKING GROUP STRUCTURE

Corporate Banking Group
- Regional Corporate Banking
- Micro, Small and Medium Enterprises (MSME)
- Multinational Corporate Banking (MNCs)

Global Transactions Solutions
- Trade and Supply Chain
- Liquidity and Cash Management
- Project Management
- Change Management

Financial Institution and Government
- Financial Institutions
- Non-Banking Financial Institutions
- Government Institutions
  - Vision Realization Program (VRP) Unit
  - Hajj and Omrah Unit

Project and Structured Finance
- Syndicated Loans Agency Management

Business Management
- Business Credit and Client Coverage
- Financial Restructuring Coverage
- Business Performance and Development
- Business Governance

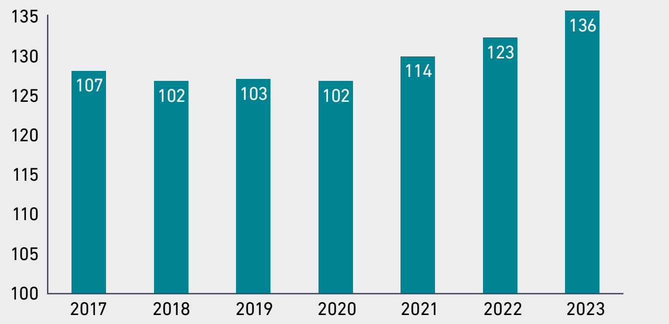
Growth in Trade Revenue
+10%

Growth in LCM Operating Revenue
+12%

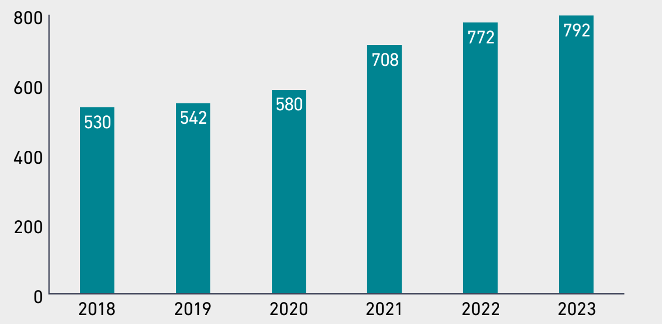
Growth in B2B Transactions
+23%

Product Launches
6

CBG total assets
(in SAR billion)



CBG cross-selling
(in SAR million)



WHOLESALE BANKING GROUP CONTINUED

Best UX in Payments KSA, Payments Innovation of the Year and Best Payment Technology Implementation KSA.

The TSC function has partnered with fintech innovators to advance its digital initiatives. Additionally, the first phase of Verse, a service provider and fintech marketplace for BSF corporate banking customers, has been launched. Memorandum of understanding with POS vendors and fintech companies were signed at Seamless 2023.

For GTS in 2024, the major objectives and initiatives include the initiation of ICP, a comprehensive online banking portal for managing trade and supply chain products and services with an integrated backend system. There are also plans to enhance and upgrade FransiGlobal – BSF's premier online corporate banking channel. These and other developments have continued the focus on improving operational efficiencies through digitization and automation of processes.

Financial Institutions and Government

In 2023, BSF Financial Institutions and Government (FIG) experienced a remarkable year, marked by a strategic realignment towards its three main segments: Financial Institutions (FI), Government, and Non-banking financial institutions (NBFI). This shift led to an impressive growth in its core revenues, a substantial expansion of assets and a significant increase in deposit volume.

Several noteworthy accolades and partnerships also distinguished the year. These included the US Dollar Clearing Elite Quality award from JPMorgan for 2022, the Operational Excellence award from Wells Fargo for both 2021 and 2022, a memorandum of understanding and guarantees program agreement with Saudi Exim Bank, and a collaboration agreement with the Association Support Fund.

Looking ahead to 2024, BSF FIG has set out a comprehensive plan focusing on augmenting fee income through the expansion of trade finance operations, continuing asset growth across FIs, NBFIs, and semi-government portfolios, fortifying its position in the Government sector via the Vision Realization Programs Unit, and diversifying exposure by broadening the client base and deepening relationships in under-represented jurisdictions.

LCM Awards 2023

- Best Payment Technology Implementation KSA – Finance Leaders in Payments Awards 2023
- Best User Experience in Payments KSA – Finance Leaders in Payments Awards 2023
- Payments Innovation of the Year – Finance Leaders in Payments Awards 2023

TSC Growth in Volume
+10%

Trade Revenue Growth
+10%

LCM Growth in Digital Transactions
+21%

Government Institutions Division (GID) Net Promoter Score (NPS)
100%

PSF Operating Income (SAR)
457 m

> "In 2023, BSF Financial Institutions and Government (FIG) experienced a remarkable year, marked by a strategic realignment towards its three main segments: Financial Institutions (FI), Government, and Non-banking financial institutions (NBFI)."

PERSONAL BANKING GROUP

Personal Banking Group division's net income soared by 168% to nearly SAR 1 billion – up from SAR 373 million in 2022. This significant increase was propelled by an expanded loan portfolio and an enhanced net interest margin.

Financial Highlights 2023

Net Income Growth
168%

Loan Portfolio Growth
+10%

Personal Loan Sales
+29%

Cards Business Growth
+13%

Key Financial and Non-Financial Metrics

- 2023 Operating Income – SAR 2,379 million; 50% increase year-on-year
- 2023 Loans and Advances growth by 9.5% in 2023 vs 2022
- Affluent customers base growth by 4.5% in 2023 vs 2022
- New to BSF customers growth by 16% in 2023 vs 2022
- Cards Spending growth by 38% in 2023 vs 2022

* Comparison against KSA individuals and business Demand Deposits.
** Comparison against KSA individuals and business Time Deposits.

Retail Banking

Retail Banking Resilience Amidst Challenges

In 2023, BSF's Retail Banking Group (RBG) demonstrated remarkable resilience, achieving growth across several key financial metrics despite market challenges. The division's net income soared by 168% to nearly SAR 1 billion – up from SAR 373 million in 2022. This significant increase was propelled by an expanded loan portfolio and an enhanced net interest margin from deposits.

The loan portfolio grew by 10% year-on-year, outperforming the market's 5% growth. This growth was supported by a 13% rise in personal loans (contrary to the market's 2.2% decline), a 3.5% increase in mortgages, and a 16% jump in credit card receivables.

Personal loan sales increased by 29% compared to the previous year, and new credit cardholder issuances grew by 21%, bolstered by the launch of the pioneering AlFursan cards in the first quarter. While mortgage sales experienced a downturn due to market challenges such as limited housing supply, rising property values, along with high interest rate environment which impacted customers affordability, there was a notable shift in customer deposit behavior, with a preference for interest-bearing accounts over current accounts.

Despite a slight year-on-year dip in total deposits, the net interest margin generated from them played a crucial role in boosting the bottom line. Fee income saw an 18% increase, driven by gains in the card issuing business, higher debit card fee collections, forex earnings, and digital channel fee improvements.

PERSONAL BANKING GROUP CONTINUED

Income Statement Trends (SAR m)

	FY 2023	FY 2022	YOY GROWTH
Net interest income	2,232	1,464	+53%
Fee and other income	147	125	+18%
Total operating income	**2,379**	**1,589**	**+50%**
Expenses	1,410	1,223	+15%
Net operating income	**969**	**366**	**+165%**
Impairments	(28)	–	–
Net income before Zakat	**997**	**373**	**+168%**

Performance Metrics

Balances – SAR bn

	YOY GROWTH
Total Deposits	-2%
Total Loans	+10%
– Personal Loans	+12%
– Home Loans	+3.5%
– Credit Cards	+16%

Customer Base

	YOY GROWTH
No. of Retail Customers	+4.5%
No. of Priority Customers	+4.5%

NPS

	YOY GROWTH
Branch	+5.07%
Direct Sales	+5.5%
Priority	+37%
FransiMobile	+16%
Contact Center	+12.6%

Enhancing the Customer Experience

The emphasis in Retail Banking was on introducing products and services that align with market offerings, often surpassing them through innovative solutions. An example of this is the Alfursan credit card, which was a novel introduction at its launch and significantly contributed to Retail's revenue while also attracting new customers to BSF.

Additionally, significant progress has been made in transforming the retail digital strategy through the introduction of a new mobile and web application platform, which improves customer experience, expands product offerings and services, and ensures future adaptability and growth. The Omnichannel initiatives are anticipated to be launched in the fourth quarter of 2024.

Key Achievements in 2023

Robust and broad based Growth in Commission Bearing Deposits (CBD)

Retail banking effectively addressed the increasing demand for profit-bearing deposits, resulting in a double growth in its retail time deposit portfolio relative to the market. Multiple customer engagement campaigns along with streamlined coordination amongst business units also resulted in activating customer relationships, bringing new affluent customers to the bank and broadening time deposit customer base.

Cards Business Growth Across Metrics

The Credit Cards division surpassed its objectives, achieving a 13% increase in receivables compared to 2022. This growth was primarily fueled by the introduction of new products, including the Alfursan and Lifestyle cards, which generated significant market interest and drew in new customers to BSF. Sales of new cards rose by 23% relative to 2022, reaching 106% of the target, while card spending experienced a notable increase of 38% year-over-year.

Personal Loans Performed Upward in a Downward Market

With a 13% increase in the personal loans portfolio, BSF increased its market share position to 2.45% by the end of 2023, outpacing the market, which recorded an inverse performance of -2.2%. BSF sales increased by 29%, supported by a special pricing initiative focusing on affluent acquisition as well as the launching of new products such as the launch of a non-salary transfer with a buyout option. RBG also enhanced its credit policy to support acquisition objectives. These included non-Saudi segment policy enhancements, such as raising the cap and opening up the buyout feature, debt-burden-ratio policy relaxation, and disbursement changes.

Continuous Product Development in Mortgages

The mortgage business focused on widening its product offering and refining policy to support portfolio growth throughout 2023, even as the market saw a downturn in residential demand. During the year, the team launched a home finance restructure incorporating real-estate transaction tax and commission financing, along with off-plan (Tawarruq) financing options. Additionally, innovative new features were introduced, such as a step-up/down payment plan for retirees. Furthermore, BSF forged partnerships with property developers either directly or via wholesale banking relations.

Creation of a Liabilities Team

The team supported the development and management of retail deposits in 2023. It has launched multiple engagement initiatives through social media and in collaboration with the affluent banking team, which successfully expanded its CBD portfolio by almost two-fold in a year, with a sizable portion of this being fresh funds.

Establishment of a Customer Value Management Unit (CVM)

The Bank completed the creation of a new team under the Segmentation Department to enhance the value delivered to customers and to maximize the value that the Bank derives from its customer base. CVM has launched multiple successful campaigns geared towards increasing customer engagement, cross-selling, retention, and acquisition in close coordination with Retail Advanced Analytics.

Strengthening the Foundation for Growth

RBG continued to enhance its product and service offerings, loyalty programs, and customer engagement initiatives to drive sustainable growth in 2023. The organization created a new catalog for luxury gifts and points redemption with AlTanfeethi, and also introduced the JANA rewards mobile application to enrich the customer experience.

Looking Ahead to 2024

Products and Services

As BSF's Retail Banking division looks to the future, it has outlined several key objectives and initiatives for 2024. These include expanding the retail assets and consumer product menus, retention of deposits through competitive pricing and Shariah-compliant solutions. RBG will also look to formulate a JB cross-sell model to support the growth strategy of its subsidiaries and introduce investment products and solutions to enhance the value proposition for the affluent segment.

Technologies

Technologically, the division plans to release an Omnichannel platform to redefine the digital banking experience, roll out the SeamlessX platform to improve service models and customer experience, and continue the digital sales adoption and roadmap. It also aims to leverage the capabilities of the new core banking system to revamp existing products and services.

Operating Model

Operationally, BSF's Retail Banking division will focus on scaling up the Affluent Banking onboarding, revitalizing the Business Banking segment, and elevating the customer engagement model through advanced analytics. It will also expand the scope of relationship managers to include an advisory role, improving cross-selling and engagement. These strategic initiatives, combined with the division's continued focus on efficiency, effectiveness, and customer-centricity, position BSF's Retail Banking for sustained growth and success in the years to come.

Private Banking

The Private Banking division of BSF achieved remarkable results in 2023, with operating income increasing by 148% relative to 2022. Additionally, net interest-bearing deposits and loan volumes saw significant growth, rising by 10% and 18%, respectively.

The Private Banking team recorded a significant 11.7% rise in the acquisition of new high-net-worth clients relative to the prior year, resulting in favorable growth in both deposits and the loan portfolio. Furthermore, Private Banking introduced off-plan financing products specifically designed for luxury residential units and projects.

Key Private Banking Metrics

The operating income for Private Banking increased by 104% compared to 2022. Acknowledging the exceptional customer satisfaction and the effectiveness of its services, the Private Banking division attained a Customer Experience (NPS) rating of 83.8%.

Private Banking: Looking to 2024

As we look ahead to 2024 and beyond, Private Banking aims to explore new avenues for enhancing its services for clients both domestically and internationally. The emphasis will remain on broadening the product portfolio, which includes distinctive investment options and tailored lending solutions. Additionally, Private Banking will capitalize on digital transformation tools to enhance the customer experience while maintaining a commitment to exclusive rewards.

> "Great milestones were achieved in revamping the retail digital proposition with an all new mobile and web application digital platform that enhances the customer experience, enriches the product offering and services, and allows future resilience and scalability. The Omnichannel programs is expected to launch within Q4 of 2024."

TREASURY AND INVESTMENT GROUP

In 2023, the Treasury and Investment Group (TIG) at BSF achieved a balanced growth in investments, with a keen focus on high-quality liquid assets, international financials, and GCC credits. The Group efficiently managed BSF's balance sheet and vigilantly monitored liquidity costs, supporting the Bank's franchise growth.

Strategic Funding Initiatives
TIG successfully launched the BSF Sukuk Program in 2023, with the public issuance of a USD 900 million sukuk in May. The Group engaged actively with international debt capital markets to secure funding at competitive levels, expanding its presence in these markets to support strategic franchise growth without escalating costs.

Liquidity and Risk Management
TIG demonstrated its commitment to regulatory mandates and franchise growth by maintaining a robust balance sheet, reflected by a Liquidity Coverage Ratio of 196%, a Loan-to-Deposit Ratio of 84.1%, and a Net Stable Funding Ratio of 117%. The Group opted for a more stable net interest income by extending asset duration and placing cash flow hedges, achieving a favorable ratio of fixed assets over fixed liabilities at 94%. This has helped to reduce sensitivity to interest rate volatility.

Digital Transformation and Customer Support
To adapt and support customers during and after the pandemic, TIG leveraged digitalization for enhanced online banking and FX dealings, ensuring effective sales team communication across the Kingdom. The Group seamlessly transitioned all outstanding LIBOR trades to SOFR ahead of the June 2023 deadline, maintaining the integrity of transactions.

Financial Performance
In 2023, TIG's key performance indicators underscored its resilience, with an operating revenue of SAR 1,009 million. However, trading income observed a dip to SAR 114 million due to subdued market activities and a one-off SAR 56 million Credit Valuation Adjustment. Furthermore, TIG saw a slight decrease in exchange income to SAR 455 million due to compressed margins. TIG is pivoting to maximize its digital platforms to amplify transaction volumes and fully integrate its electronic trading platform across all BSF channels.

Strategic Enablers and Initiatives
TIG implemented four strategic enablers in 2023: broadening the liability base; retooling asset allocation; upgrading the hedging suite; and enhancing the Funds Transfer Pricing (FTP) framework. The Group advanced its lending potential by implementing new LDR guidelines, which were effective as of June 2023. The Group also evolved its investment strategy, resulting in increased portfolio duration and enhanced yields, upgraded hedging capabilities to effectively manage market risks, and navigated funding cost pressures successfully. TIG also drove the advancement and growth of the SAR-denominated Repo Market through strategic integration with Muqassa, improving efficiency in secured funding markets.

Treasury and Investment Group Highlights

- TIG successfully launched the BSF Sukuk Program in 2023
- Liquidity Coverage Ratio of 196%, a Loan-to-Deposit Ratio of 84.1%, and a Net Stable Funding Ratio of 117%
- Operating Revenue of SAR 1,009 million

Future Outlook
For 2024, TIG has several major objectives and initiatives planned, including streamlining the organizational structure within Treasury for more agile decision-making. TIG also intends to launch a Tier 1 Capital program, capitalizing on loan growth, offering comprehensive forex and hedging solutions for corporate clients, and tapping into public and private debt capital markets. It will also develop hedging strategies to stabilize net interest income, engage in strategic liquidity management, explore diversification in global public fixed income and private markets, enlarge the customer deposit base, enhance Treasury's infrastructure and systems, and closely monitor liquidity costs while maintaining buffers for the upsurge in loan demand.

SAUDI FRANSI CAPITAL

In 2023, Saudi Fransi Capital (SFC) reinforced its position as a preeminent financial services provider in the Kingdom of Saudi Arabia. Despite global economic challenges and volatility in oil markets, the company maintained its leadership across key business verticals.

SFC's Investment Banking division witnessed significant growth in mergers and acquisitions advisory services, successfully advising on several landmark transactions. The company retained its number-one ranking by deal count in the equity capital markets segment. SFC focused on expanding its custody services, while the continual expansion of the international client base contributed to increased liquidity in Saudi Arabia's capital markets.

Looking ahead to 2024, Saudi Fransi Capital is committed to building on its historic growth and its leadership position in the market by winning new landmark mandates and building its share of overall mandates, expanding its product offerings and distribution reach, growing assets under management, increasing its share of local and global securities brokerage, and maintaining a client focus.

Significant Transactions
In 2023, the investment banking sector marked 12 significant transactions. Notably, SFC led in equity markets, advising on five IPOs:

- Jamjoom Pharma's SAR 1,260 million IPO, the largest for a pharmaceutical company in the Saudi market, with coverage over 68x and a groundbreaking 7.37% post-offering allocation to cornerstone investors.
- Lumi's SAR 1,089 million IPO, the Saudi market's first demerger, with coverage above 94x.
- ADES's SAR 4,573 million IPO, the largest in Saudi Arabia in 2023.
- Promedex's SAR 71.4 million IPO on Nomu covered 4.4x, a leader in medical equipment.
- Armah's SAR 920 million IPO on Nomu, one of the first early stage/capital increase offerings, covered over 4x.

About Saudi Fransi Capital

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

SAUDI FRANSI CAPITAL CONTINUED

M&A Advisory
In 2023, Saudi Fransi Capital significantly expanded its M&A advisory services, including advising IoT squared by STC on the complete acquisition of Machinestalk, marking a first in the Internet of Things sector and contributing to the KSA Digital Transformation Vision.

Additionally, SFC guided STC Solutions in acquiring a 40% stake in Devoteam Middle East for SAR 741.7 million, reinforcing its status as a leading M&A firm in the KSA market. SFC also supported STC Solutions in the total acquisition of CCC for SAR 450 million, a strategic move for the BPO market leader in Saudi Arabia, enhancing its growth strategy and service offerings.

SFC's activity extended to the debt capital markets, acting as a Joint Lead Manager and bookrunner for Saudi Electricity's USD 2 billion sukuk programs, split into ten-year and 30-year tranches, the latter being one of the first 30-year USD benchmark Reg.S senior unsecured sukuk by a corporate entity. SFC also arranged and managed BSF's USD 900 million Reg.S senior unsecured sukuk issuance, achieving a subscription rate of 4.6 times due to an effective marketing strategy. The quality of SFC's work was recognized with multiple awards in 2023, including being named "Local Equity Capital Markets House of the Year" and winning the "Financial Institutions Bond Deal of the Year" for BSF's USD 900 million issuance by GFC Media Group at the Capital Markets & ESG Finance Saudi Arabia Awards 2024.

Asset Management
In 2023, the global economy persisted in its growth trajectory despite concerns over inflation and shifts in monetary policies. The markets showed a blend of optimism and caution in light of these issues, along with escalating geopolitical tensions such as trade disputes and regional conflicts. Investors saw a variety of trends across global asset classes as they adjusted to the changing economic conditions.

Equities made a strong recovery, particularly in the technology sector.

The fixed-income markets faced ongoing challenges due to rising interest rates, while real assets had mixed performances, affected by interest rates, supply chain issues, and evolving consumer behaviors. Throughout 2023, the asset management business focused on maintaining close relationships with its clients, helping them navigate a complex investment landscape. This included a significant emphasis on diversification and flexibility to seize new opportunities.

A notable trend that captured global investor interest in 2023 was the array of opportunities presented by the Kingdom of Saudi Arabia amid its remarkable transformation and progress towards its vision. SFC continued to promote public-private partnerships, especially in real estate and infrastructure, enabling investors to explore these opportunities. SFC is currently working on an extensive pipeline of projects within this space and looking forward to mobilizing several such initiatives in 2024 and beyond.

SFC continued to focus on and grow the strength of its global advisory platform in 2023 with a focus on sustainable income generation, and in lieu of this, SFC expanded its global private credit offerings, which achieved traction. In addition to this, SFC participated selectively in selected global real estate plays, including logistics in the United States and an opportunistic strategy in the UK.

Securities Brokerage
Saudi Fransi Capital focused on a selection of specialized services in 2023, such as bulk liquidation, growing its custody business to over SAR 19.5 billion in assets. With a year that leaned toward fixed-income investments, the firm offered its clients valuable insights into this domain.

The international clientele expanded, boosting liquidity in Saudi Arabia's capital markets, serving both buy-side and sell-side markets, including global Independent Custody Clients. In February, the firm facilitated an institutional equity forum, attracting more than 17 corporates and 85 fund managers. Additionally, an Interactive Voice Response system was introduced for secure pre-trade brokerage client verification. The research now encompasses 59 companies over 17 sectors, representing 80% of the Saudi equity market capitalization. Three pre-IPO research reports were issued, aiding investors in the Saudi market and streamlining institutional investor engagement. Committed to enhancing the digital experience, the firm launched a new mobile app and broadened its digital offerings to improve client engagement and service.

> "SFC's Investment Banking division witnessed significant growth in mergers and acquisitions advisory services, successfully advising on several landmark transactions."

SAUDI FRANSI LEASING (JB)

The rebranding of SFL to JB represents more than just a name change. It signifies a comprehensive transformation of the bank's leasing and financing arm, aligning it with the evolving needs of Saudi Arabia's dynamic market. JB emerged as a brand focused on delivering cutting-edge digital solutions in the financing field, particularly in the automotive sector.

Comprehensive Financing Solutions
JB has expanded its product and service offerings beyond traditional car leasing. The company now provides a diverse range of Shariah-compliant financing solutions for both individuals for personal loans and businesses for fleet financing.

This expansion includes:
- Car leasing services (fleet financing)
- Personal finance options
- Auto lease after-sales services
- More financing solutions in the future, such as credit cards and SME finance, amongst others

The broadened portfolio demonstrates JB's commitment to meeting the varied financial needs of its customers.

Digital Innovation at the Forefront
A key aspect of JB's new identity is its emphasis on digital innovation. The company has launched a user-friendly application that offers customers a seamless experience in managing their financial accounts. Through this app, users can:
- Apply for personal finance seamless (straight through processing)
- Manage car lease and personal finance accounts
- Track lease applications and personal finance requests and sign digitally (paperless)

This digital approach aligns with Saudi Arabia's Vision 2030 goals, promoting financial literacy and empowering citizens to better manage their finances.

Strategic Rebranding and Repositioning
Several strategic considerations drove the decision to rebrand SFL to JB:
- Digital Transformation: The new identity reflects BSF's commitment to embracing digital solutions in the financial sector.
- Market Expansion: By broadening its service offerings and reach, JB aims to capture a larger market share in the rapidly growing Saudi fintech industry.
- Customer-Centric Approach: The rebranding emphasizes a shift towards a more customer-focused model, prioritizing Saudi consumers' needs and aspirations.
- Alignment with Vision 2030: JB's new direction strongly aligns with Saudi Arabia's national vision, particularly in promoting financial literacy and economic diversification.

Positioning for Future Growth
The transformation of SFL into JB sets BSF up for significant future growth in several ways:
- Diversified Revenue Streams: JB creates multiple revenue streams by expanding its retail business beyond car leasing to offer a wider range of financial products that complement BSF's retail business.
- Enhanced Digital Capabilities: The focus on digital solutions positions JB at the forefront of fintech innovation.
- Improved Customer Experience: The streamlined, digital-first approach is designed to enhance customer satisfaction and loyalty, potentially increasing market share.
- Talent Attraction: The rebranding positions JB as an innovative employer, helping to attract top talent in the financial and technology sectors.

Meeting Strategic Objectives
The rebranding and repositioning of JB align closely with BSF's broader strategic objectives:
- Innovation Leadership: By positioning JB as a digital-first financial solutions provider, BSF reinforces its image as an innovative leader in the Saudi banking sector.
- Market Penetration: The expanded product offerings and digital capabilities enable BSF to reach new customer segments and deepen its market penetration.
- Supporting National Goals: JB's focus on financial literacy and accessible financial services supports Saudi Arabia's Vision 2030 objectives.
- Operational Efficiency: The digital transformation inherent in JB's new identity is expected to drive operational efficiencies across the leasing and financing business.

Looking Ahead: JB's Role in BSF's Future
As BSF moves forward, JB is poised to play a crucial role in the bank's growth strategy. The rebranded subsidiary is expected to:
- Drive innovation in financial products and services
- Contribute significantly to BSF's digital transformation journey
- Enhance the bank's competitive position in the evolving Saudi financial market
- Support BSF's efforts to diversify its revenue streams and reduce reliance on traditional banking services

By leveraging JB's new identity and capabilities, BSF is well-positioned to navigate the changing landscape of financial services in Saudi Arabia and contribute to the kingdom's economic transformation goals.

TECHNOLOGY AND OPERATIONS GROUP

The Technology and Operations Group (TOG) played a pivotal role in driving BSF's strategic momentum and operational efficacy throughout 2023.

TOG worked diligently to meet business demands within a rapidly changing technology infrastructure, proactively addressing evolving business landscapes and regulatory mandates. This initiative-taking approach enabled the seamless delivery of innovative, regulatory-compliant, and customer-centric banking products and services across all lines of business.

In supporting BSF's transformation agenda, TOG led the reconfiguration of the Bank's IT and governance framework, delivering significant streamlining and efficiency gains across all operations. This strategic overhaul not only optimized the Bank's technological backbone but also reassured stakeholders about the Bank's operational effectiveness. These efforts paved the way for enhanced agility and future growth, positioning BSF to better adapt to market changes and emerging opportunities.

Elevating Payment Prowess: The New Payment Hub

The launch of BSF's new payment hub system was a resounding success, representing a sizable portion of the overhaul. The new system, with built-in flexibility, is poised to be further enhanced and strengthened by the 2024 deployment of the full Core Banking System. The new payment system significantly elevated the Bank's payment processing capabilities, increasing straight-through processing (STP) rates from 30% in 2022 to 85% in 2023. TOG is optimistic about achieving BSF's ambitious 98% STP target by 2024.

In February 2023, TOG implemented a strategic front-end and back-end payments hub as part of the CBS project development, including the integration of branch channels. This set the stage for further enhancements and plug-ins to maximize CBS benefits as 2024 progresses. Additionally, a comprehensive pilot program, simulations, and extensive training and certification for over 1,200 employees were conducted.

Fortifying Cybersecurity and AML/CFT Processes

BSF also enhanced its cybersecurity systems across all aspects of its operations, including ERP and CRM infrastructure. By consolidating these systems under the unified CBS, BSF has gained greater visibility and adopted a more proactive and responsive approach to cybersecurity and AML/CFT.

Enabling Regulatory Compliance and Counter Fraud Measures Implementation

The Saudi Central Bank plays a pivotal role by aligning its strategies with the Kingdom's Vision 2030 to foster a secure and innovative banking sector. As banks adopt digitalization, addressing the associated risks – including cybersecurity threats, data privacy concerns and fraud – they are now monitored regularly by the Central Bank. In 2023, TOG increased its work to ensure full compliance with the controls defined by the regulatory bodies, including Data Management and Personal Data Protection Standards, IT Governance, Cybersecurity and Counter Fraud Framework.

Timely actions taken by TOG for compliance with counter-fraud measures collectively supported financial stability, profitability, and sustained shareholder value.

Fostering a Resilient Workforce

In 2023, BSF implemented a series of measures to foster a high-performing and innovative workforce. These measures included town halls, cultural activities, and the launch of a SharePoint site serving as a hub for information, training resources, and employee engagement. The year also saw the appointment of a new Head of IT and Chief Information Officer, as well as a new Head of Operations, both bringing rich banking experience and expertise in Central Bank regulations. Thus far, their contributions have delivered greater operational efficiencies and a more unified operational approach across the Bank. BSF also focused on continuous risk assessment, comprehensive compliance, and improved monitoring in 2023, further strengthening its risk management strategies and supporting AML/CFT efforts.

Looking Ahead: Driving Operational Excellence

In the upcoming year, the TOG at BSF will play a pivotal role in propelling the Bank toward its strategic objectives. The primary emphasis will be on accelerating digitization and modernization initiatives through technological advancements and operational transformations. The Group will also work to reinforce its commitment to supporting all divisions of the Bank and fostering robust and enduring relationships with clients. This will be achieved by delivering exceptional service standards, realizing cost efficiencies, and establishing a solid foundation for operational excellence.

TOG will also support the full rollout of the Bank's Omnichannel program in 2024, providing customers with a seamless and integrated experience across all touchpoints. Additionally, the Bank's corporate portal will be enhanced, and the ongoing BSF rebranding strategy will be completed as the year progresses. With new digital channels and a refreshed brand identity, BSF is poised to lead the way in areas such as artificial intelligence, machine learning, and innovative banking technologies.

Beyond CBS: Road to Digital Transformation

In 2024, while leading BSF's strategic programs, TOG will continue accelerating its digital transformation. The roadmap comprises the following pillars:

a) Revamped IT Operating Model and Improved Service Resiliency
b) Simplified and Standardized Enterprise Architecture
c) Digital First and Data-Driven Organization
d) Enhanced In-House Talent and Culture

Subsequently, while analyzing multiple inputs and insights generated during daily operations, TOG has identified certain action items to be included as part of the roadmap for 2024 focusing on technology modernization, foundation building, talent acquisition, delivery and operational excellence. These transformational initiatives will enhance BSF's customer experience, enable operational efficiency, and provide a competitive advantage through advanced technologies and data analytics.

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

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

Risk Governance

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

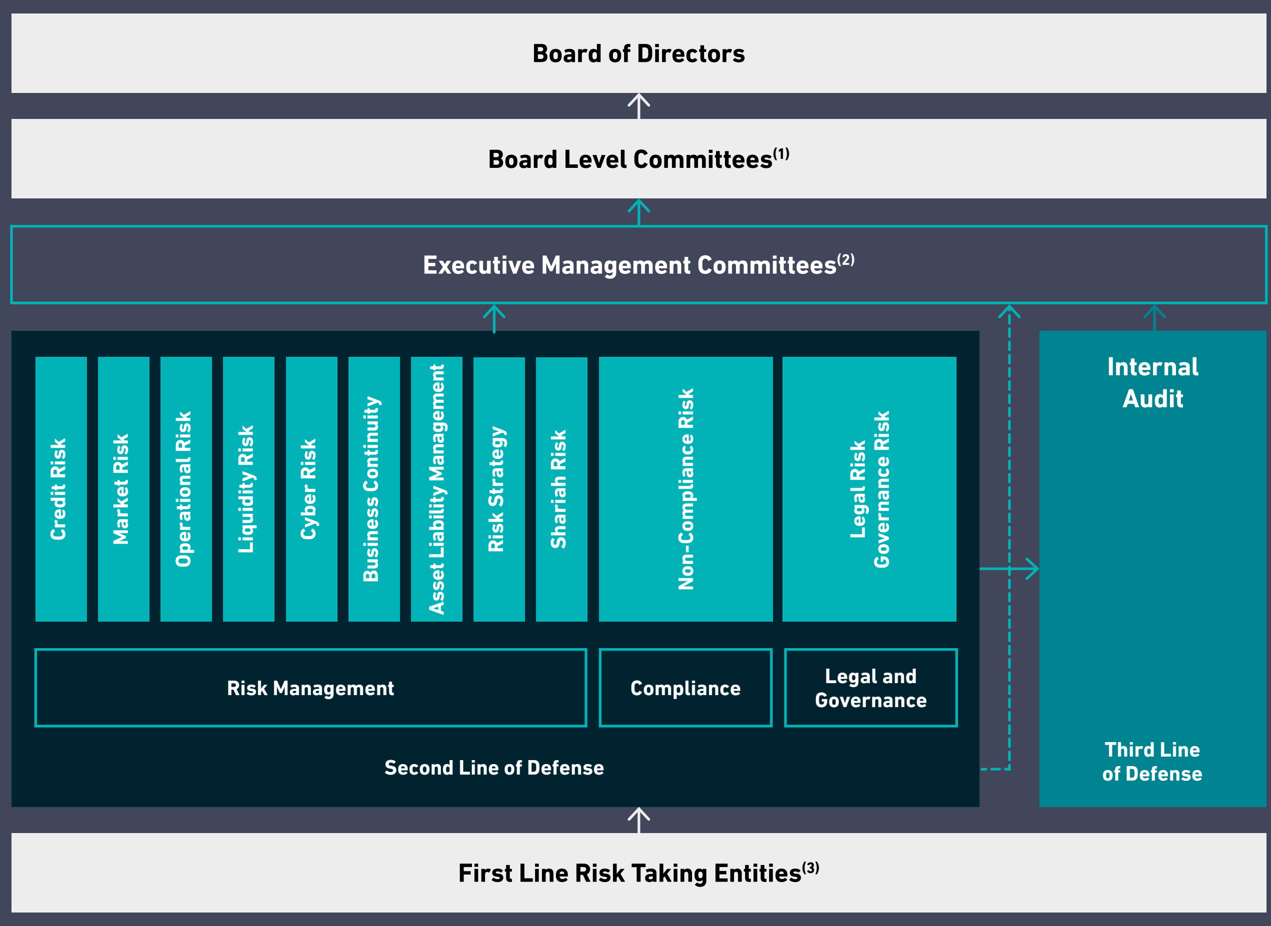
The effectiveness of risk management and control measures is regularly reported to and actively acted upon by the Board, supported by an experienced executive management team. In addition, periodic independent reviews of the effectiveness of such measures are conducted. The Risk Governance Framework 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 the defense model.

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. These include the review and approval of strategies and comprehensive policies for risk management, consistent with the nature and volume of the Bank's activities and dynamic environment; oversight of senior management's implementation of the Risk Management Framework; reporting on the state of risk culture; and overseeing the adequate functioning of the Risk Management function.

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

> "Effective risk management begins with effective risk governance."

RISK MANAGEMENT AT BSF IS GOVERNED AS FOLLOWS:



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

Three Lines of Defense

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

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

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

Key Risk Achievements in 2023

The Bank further revised its Risk Appetite Framework for 2023, adopting regulatory-led changes planned for the year. The Bank integrated risk-based segmental and country limits into its risk appetite and business line cascades for Corporate and Retail banking. The rationale behind these enhancements is based upon the meaningful representation of changes in regulatory requirements, changing thresholds in line with business growth and Risk Capacity. They include an Increase in Credit RWA thresholds to accommodate budgeted growth – in addition to easing monitoring and decision-making.

The Risk Appetite Framework is tightly integrated with and actively used for capital planning and stress testing, ensuring compliance with the new BSF Recovery Plan. This ensures that the solvency and liquidity metrics are actively used to estimate the impact of Event Risks and decide on the effectiveness of various mitigating actions.

Capital Planning

The Bank has shown an elevated level of sophistication in the evolution of its balance sheet for ICAAP and its annual/semi-annual stress testing scenarios in 2023. This included a medium-term plan for capital and profitability, a strategy for business growth, asset quality and concentration, funding patterns, and mitigating actions for non-financial risks. It thoroughly addresses Pillar 2 risks and Basel III enhancements, equipping the Bank to strategically plan its operations and franchise for any market conditions.

SAMA has favorably reviewed this approach. Furthermore, in compliance with the new SIFI law, the Bank developed and submitted a detailed recovery plan to SAMA in Q2 2023, demonstrating a deep understanding of rare events and a broad spectrum of viable recovery actions concerning solvency, liquidity, and controls to avert such extreme outcomes.

Regulatory Initiatives

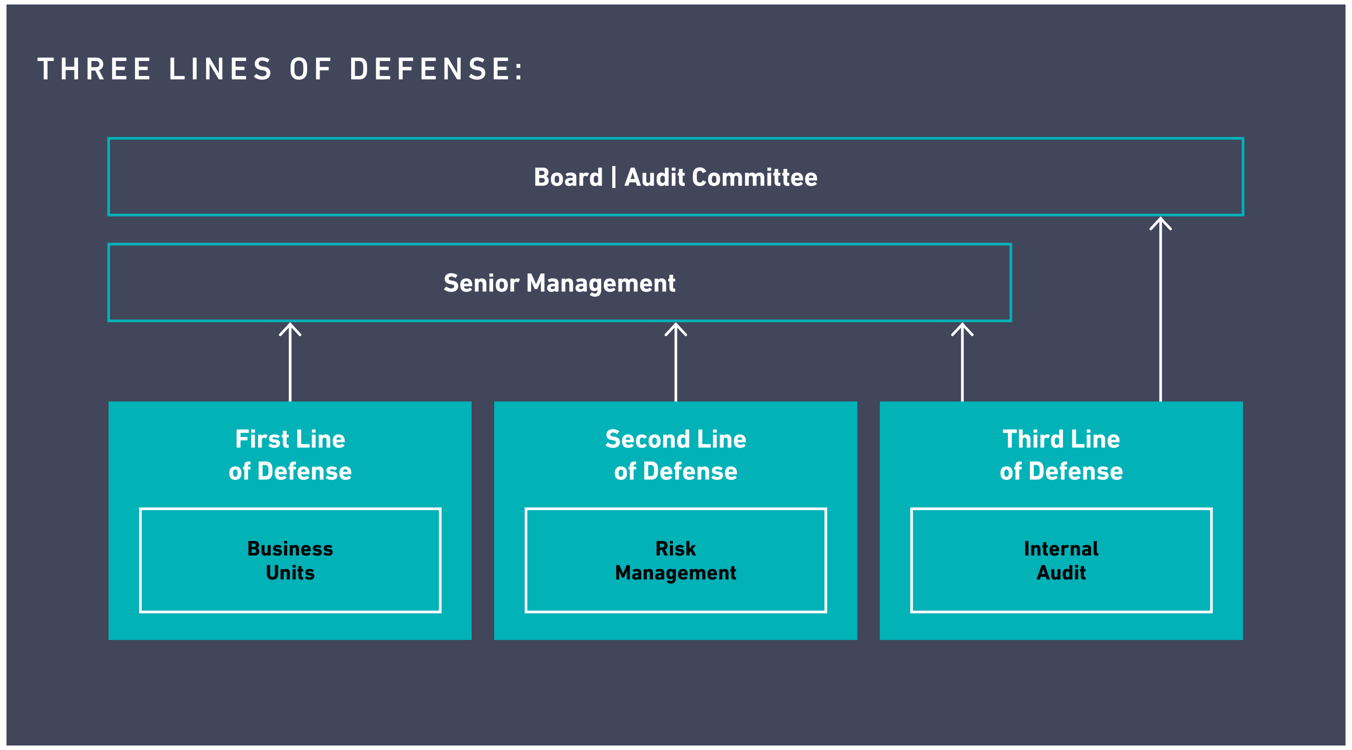
The Basel III Reforms for capital computations were implemented in January 2023. The bank is fully engaged in its cross-functional program covering credit, market, and operational risks by incorporating SAS and Finastra modules into its core banking system. The new regulations have revamped the capital adequacy ratio (CAR) computation framework across various risk types, leading to an enhanced CAR, largely attributed to the acknowledgment of a broader range of collateral and a comparatively favorable record of operational losses.

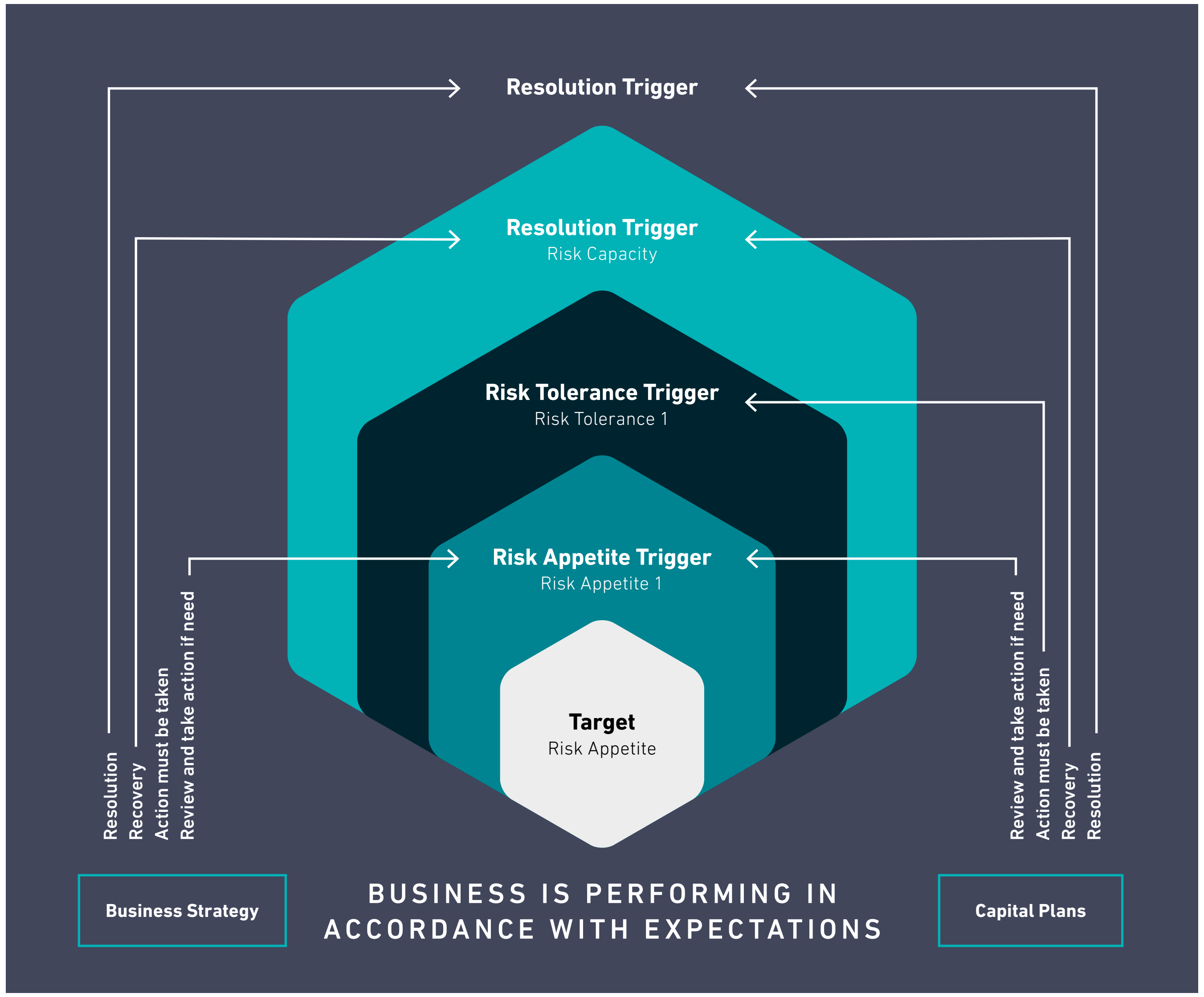
Additionally, a significant initiative this year was the adoption of the Early Warning Signals (EWS) framework. This program, driven by SAMA, was incorporated into the Bank's systems using a workflow and analytical tool, enabling efficient operationalization for proactive credit decision-making and monitoring. The implementation was completed in 2023.

The Fundamental Review of Trading Book (FRTB) framework (Standardized Approach) was implemented in Q1 2023 as part of the Basel III Reforms and has increased the capital requirements to some extent owing to the integration of equity investments in funds from subsidiaries.

Risk Culture

An expanded approach to Risk Management encompasses financial, operational, and strategic risks, fostering a robust risk culture within the Bank. This culture encourages all members to take part in identifying and managing risks. In 2023, the Bank-wide Register was thoroughly updated, and the Control Testing framework was enhanced, ensuring all significant risks were accounted for.





This effort created a centralized database of all substantial risks throughout the Bank's processes, including its subsidiaries, assessing their potential impact while promoting suitable risk mitigation strategies. The initiative, started in 2022, also aims to improve the Key Risk Indicators (KRIs).

Additionally, the Bank has adopted the Modified Standardized Approach for Operational Risk Capital/Risk Weighted Assets calculation as part of the Basel III Reforms, resulting in capital savings due to a favorable historical Loss Experience.

Business Continuity Management

In 2023, the Business Continuity division enhanced and leveraged the organization's capability to ensure continuous services in the event of major incidents or crises that disrupt Banque Saudi Fransi's normal operations. Several projects were implemented, covering technology, power infrastructure, recovery sites, remote access, planning, testing, exercising, and training. The current BSF disaster recovery center houses critical systems and applications vital for sustaining the organization's essential functions. Additionally, BSF has three regional recovery sites with over 350 desks and has provided more than 1,260 laptops to key staff for remote access to resume critical daily office functions.

In September 2023, BSF-BCM successfully renewed its ISO-22301 certification for the second consecutive year.

International Financial Reporting Standards (IFRS)

Since the automation of the Bank's input processes and policies in 2021, significant improvements have been made in estimating the Risk Components within the IFRS9 technology platform processes and analytics. The models undergo regular validation to ensure they remain fit-for-purpose, including up to the end of 2023, thus guaranteeing precision in IFRS 9 ECL estimates and compliance with SAMA's requirements. This process includes a thorough review of Staging Effectiveness and calibration.

Following revisions to the BSF 2019 People Strategy in 2022, BSF has achieved many of its objectives and key performance indicators. The Company's growth in 2023 led to an expansion of its diverse and skilled workforce, emphasizing its dedication to employee development, retention, and well-being.

This focus has enhanced employee satisfaction and engagement, contributing to BSF's continued success and reputation as a preferred employer.

Through continuous investment in its employees and their professional growth, BSF has established a robust and adaptable organizational culture that is poised to meet the demands of the ever-evolving business environment. Looking ahead, BSF's unwavering commitment to its People Strategy will continue to support the Bank's sustained growth over the coming period.

Strengthening the People Strategy

In 2023, BSF continued to drive its strategic business initiatives, particularly in digital and technological transformation, while also prioritizing key personnel initiatives. This included an extensive review of incentive plans, culminating in a bank-wide rewards program that incentivizes and appreciates employee contributions to BSF's success. Notably, the Bank made considerable progress in enhancing its performance management framework. It now features a forward-looking, potential-focused approach to evaluations, reinforcing the connection between performance and rewards.

The framework aims to acknowledge and compensate employee achievements and provide a clear roadmap for career advancement, offering a promising future within BSF. The leadership development programs were also refreshed to align with the "BSF Disrupts" Leadership competencies and DEI strategy in 2023. This prepares leaders to thrive in a dynamic environment and fosters an inclusive, respectful culture.

The introduction of the Talent Review process marks another milestone, pinpointing key positions, establishing a succession pool, and setting regular intervals for review and dialogue to ensure optimal personnel alignment with BSF's business trajectory. BSF's recruitment strategy has been recalibrated to attract the "workforce of the future" and bolster its commitment to diversity. Concurrently, the organization has enhanced internal mobility and secondment initiatives to nurture in-house talent and improve retention.

Following the finalization of technical skill and leadership competency frameworks, BSF began crafting its career development and progression processes, offering employees a transparent progression route while ensuring that the organization is equipped with the necessary expertise. Throughout the year, BSF continued to make its culture and work environment more engaging, dynamic, and growth-oriented. This has resulted in a more innovative culture, leading to the creation of new processes, services, and products that have had a positive impact on people, customers, and the bottom line.

2023 Achievements

In 2023, BSF made significant strides in its human capital initiatives, supporting its wider business initiatives related to digital and technological transformation. Notable achievements include a 12-point increase in employee engagement, as measured by the annual eNPS score, from +26 in 2022 to +38, up from a base of -18 in 2018. This improvement is attributed to the commitment by BSF's leadership to listen to employee voices and act upon feedback, particularly in areas such as reward, work-life balance, and manager recognition.

Total Employees
3,155

People Recruited in 2023
403

Percentage of employees that are male
77%

Percentage of employees that are female
23%

Saudi National Employees
91.34%

People with Disabilities
1%
(Males: 12, Females: 3)

1. Building Blocks
2. Managing Change Impact
3. Gearing Up for Success

Continuous Alignment

Strategic Priorities

Focus on customers and clients Putting them at the heart of the decisions we make about running our business and shaping it for the future	**Protect and strengthen our culture** Draw on our values to guide our choices as colleagues and as an organization
Continue digitalizing Enabling our customers and clients to engage with us in the way they want to, and making our business more efficient	**Strengthen our diversification** Diversify our organization by business, sector, and income type to be more resilient to economic headwinds and future trends

Strategy Refocus

Ensure that superior resources are directed to their most optimal uses	The foundation for long-term innovation and technology product development	Guiding direction for the Bank as a whole in terms of customer impact and profitability

People Strategic Pillars

Agility	Culture	Talent	Performance

People Business Drivers

Efficiency	Best Place to Work	Resilience	Profitability

> The Company's growth in 2023 led to an expansion of its diverse and skilled workforce, emphasizing its dedication to employee development, retention, and well-being."

BSF's recruitment strategy enabled the hiring of 403 new employees, bringing the total headcount to 3,155. The organization's Diversity and Inclusion Strategy saw an increase in the ratio of female employees by 0.57% to 23.06%, with the number of women in senior positions maintained at 15%. BSF's commitment to Saudization remains strong, with over 90% of the workforce being Saudi nationals.

Internal mobility reached a percentage of 24%, with a substantial number of employees progressing to higher positions. The overall attrition rate was maintained at 13.61% in 2023. Other initiatives aligned with BSF's HR strategic pillars and drivers included providing an exceptional learning experience through a redesigned and renovated BSF Academy. This introduced remote and flexible working policies and offered benefits such as birthday leave and a marriage allowance.

The launch of the BSF Testahil Wellbeing program, off-site team-building events, and various development initiatives, such as the Bankers Club, were also notable achievements. The introduction of integrated digital learning platforms hosting more than five different content providers, covering over 3,000 topics related to banking and finance, was a significant development. The BSF Academy developed a structured learning manual aimed at developing behavioral competencies, general skills, technical divisional skills, professional certification, English language proficiency, and branch technical expertise. Additionally, all customer-centric roles in the Bank were targeted, particularly in branches, with the CBS strategic project end-user training, which trained over 800 employees in all branches on the new core banking system prior to its launch. Additionally, the development of a structured learning curriculum tailored to each role in the branches was a significant achievement.

Supporting Efficiency and Effectiveness

In 2023, BSF aligned its HR operating model with the organization's refreshed corporate strategy, resulting in a comprehensive review and update of HR policies, practices, and procedures. This included enhancements to staff cost reporting and data analytics, leading to improved cost management, budgeting, monitoring, and reporting. To enhance the employee experience, BSF automated numerous HR processes and services, including the introduction of a portal enabling employees to confidentially report incidents of harassment, bullying, or non-compliance issues. The Bank also revised its On-Spot program to encourage managers to recognize junior employees and introduced 'Shukran' to foster greater cross-team collaboration.

Connecting Values to Performance

BSF launched its fifth employee engagement survey in 2023, the results of which validated the positive impact of many initiatives and identified areas for improvement, such as reward and manager recognition, which the organization had specifically focused on during the year. Aligned with the Bank's strategy and values, BSF introduced the "BSF Disrupts" Leadership Behaviors competency model, integrating it into the performance management framework, leadership coaching and assessment programs, and "soft-skill" development initiatives. Furthermore, BSF redesigned its induction, leadership, and management programs to place greater emphasis on effective performance management as a means to motivate and engage employees, achieve higher levels of efficiency and effectiveness, and improve overall outcomes.

Laying the Foundations for the Future

BSF's "future fit" plan included the redesign of its leadership model, the introduction of succession plans for critical senior roles, and the completion of competency-aligned leadership development assessments for senior leaders. To attract and retain talent, BSF is working towards providing a comprehensive, skills-based career progression framework linked to both performance and development. The technical skills and leadership competency frameworks will be used for recruitment and succession assessment and planning, enabling the BSF Academy to benchmark and review learning needs and develop strategy-aligned programs and courses.

2024 Focus

BSF's 2024 People strategy, based on the pillars of "Talent", "Performance", "Agility", and "Culture", is designed to drive holistic growth and support the organization's key priorities. The key priorities for 2024 include nurturing talent, implementing programs to attract the skills required to future-proof the organization, and restructuring to reduce inefficiencies and optimize capacity in relation to business needs. BSF will also focus on supporting digitalization and automation through the implementation of agile and change management practices.

The Frontliners Program, targeting all customer-centric roles across the Bank, will be a key initiative for 2024. This program aims to adopt new mindsets, create win-win solutions with customers, improve customer loyalty, develop team members, and access untapped capabilities within teams while equipping leaders with the skills and tools to spread a customer-centric culture. In 2024, BSF will continue to focus on wellbeing and diversity, equity, and inclusion (DEI) by reviewing and developing its rewards and recognition programs, recruitment processes, and specific wellbeing initiatives, such as promoting flexible and remote working to enhance work-life balance.

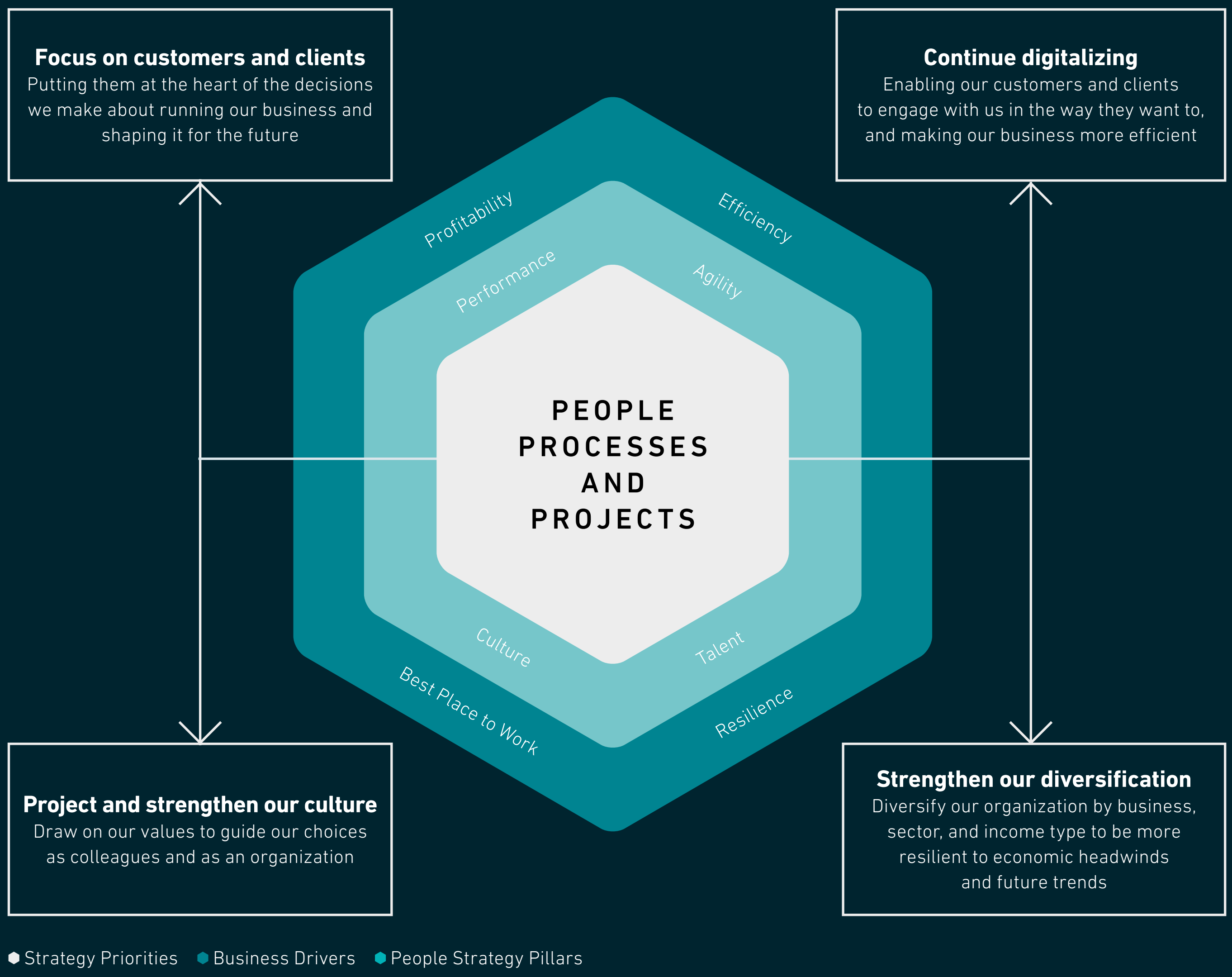
The organization will also continue its engagement surveys and present the outcome of the BSF Culture Audit. Improvements to the Employee Experience will focus on automating processes, driving effective performance management practices, increasing internal mobility opportunities, and enhancing career development and progression strategies.

Investing in the Future Workforce

Consistent with its commitment to the community, BSF maintained its solid partnership with one of the largest universities in Saudi Arabia, Umm Al-Qura University and Wadi Makka. Through this key initiative, BSF trained 300 students on future banking practices and emerging banking technologies, with a view to developing university students into future practitioners across multiple banking domains. The trainees benefited from being handed responsibility from the outset, gaining direct experience, and developing a broad understanding of their chosen profession.

They also received support in building key competencies aligned with BSF's future vision. This initiative underscores BSF's dedication to nurturing the next generation of banking professionals, ensuring a steady pipeline of talent to support the organization's long-term growth and success. By investing in the development of university students, BSF is well-positioned to meet the evolving needs of the banking industry in a way that contributes to the overall development of the Saudi Arabian economy.

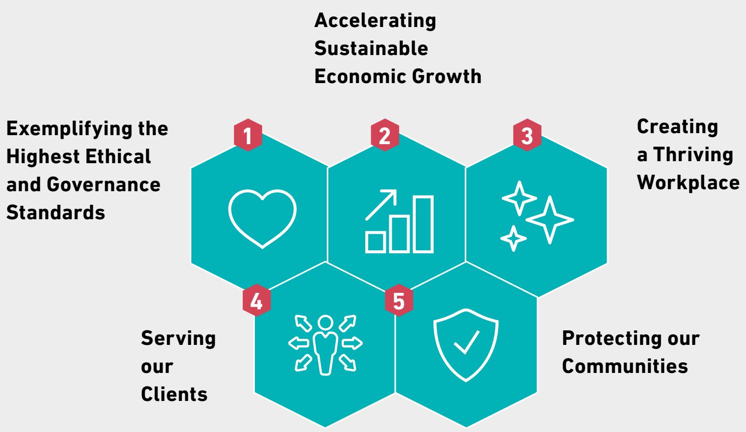
BSF PEOPLE STRATEGY



ESG is woven into our strategic fabric, driving with our business objectives while nurturing our environment, society, and governance.

ESG is Part of BSF DNA

BSF's ESG Pillars are born from within **BSF's** corporate mission and values



Leveraging our **strategic pillars** at **BSF**, we **intertwine core objectives** with **positive ESG impact**, guided by our **governance** strength, and our **environmental** and **community** initiatives

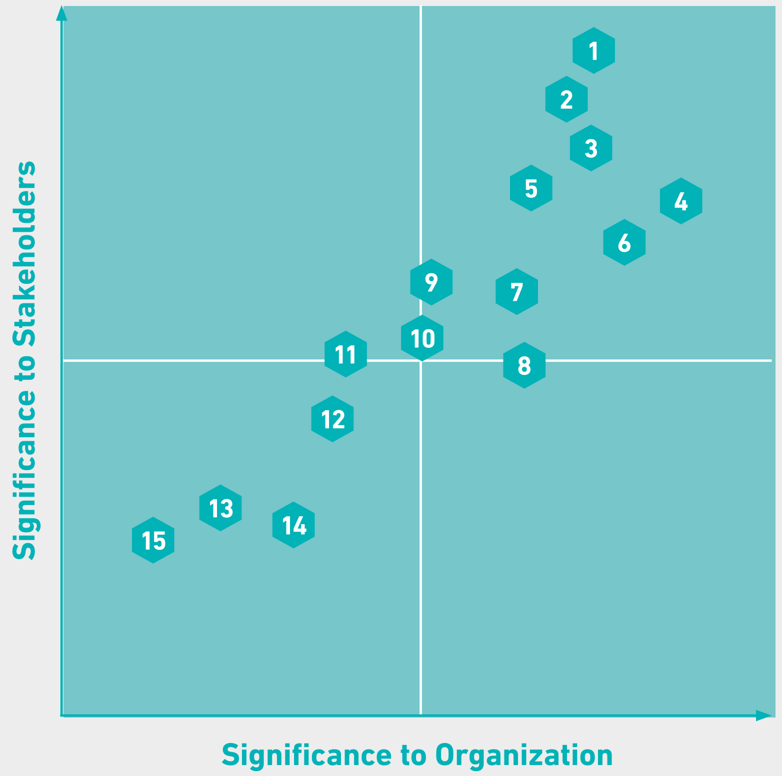
We have identified and prioritized 15 sustainability-related material issues that have a substantial impact on our strategic objectives and are deemed crucial by our stakeholders.

Such issues have been depicted in our materiality matrix, which is built upon a thorough materiality assessment. It is important to note that issues not classified as "Most Important" do not imply they are insignificant or neglected by BSF. We remain committed to addressing all relevant sustainability-related material issues.

Key elements considered in BSF's materiality assessment:

- Sustainability-related material issues identified by regional and international peers.
- Objectives of national and international sustainability-related ambitions: Vision 2030 and United Nations Sustainable Development Goals.
- Areas of importance identified by reputable sustainability reporting standards: SASB, Principles of Responsible Banking (PRB), and World Federation of Exchanges (WFE) ESG guidance.

Materiality Matrix



1. Governance, accountability, transparency and ethics
2. Financial and economic performance
3. Risk management
4. Responsible customer relations and satisfaction
5. Data privacy and security
6. Financial inclusion and accessibility
7. Digitalization
8. Employee engagement, wellbeing and satisfaction
9. Diversity and inclusion
10. Sustainable lending and investment
11. Talent attraction, retention and development
12. Community investment
13. Nationalization
14. Environmental management
15. Responsible procurement

BSF has implemented a comprehensive ESG governance and policy framework with Board oversight.

BSF Board of Directors

Executive Committee

Audit Committee

Board Strategy Committee

Board Risk Committee

Nomination & Remuneration Committee

ESG Board Committee
Supports the Board of Directors in achieving its targets in terms of ESG pillars to support BSF's ongoing commitment to sustainability matters which are an integral part of enhancing the Banks's long-term shareholder value

Abdullatif Alothman	Rayan Fayez	Bader Al Issa
Chairman	Member	Member

ESG Management Committee
ESG Management Committee: represents and assists the ESG Board Committee in fulfilling its oversight responsibilities relating to ESG related matters

Head of Corporate Governance & ESG	Chief Financial Officer	Chief Strategy & Finance Officer	Chief Human Resources Officer	Chief Risk Officer	Head of Wholesale Banking Group	Chief Treasury & Investment Officer	Head of Group Marketing & Corporate Comms.	Head of Legal & Governance, Corporate Secretary

Corporate Governance & ESG Division

ESG Champions
Nominated champions across all groups/divisions/departments of BSF who are responsible for implementation

Charting the Course of Excellence: Our ESG journey from a strong foundations to future innovation.

Published the 2022 ESG Report

Published the 2021 ESG Report

Published the Inaugural 2020 ESG Report

Established the ESG Policy Framework

Implemented the ESG Governance Model

CORPORATE GOVERNANCE

Mazin Al Romaih

Chairman

Current positions

CEO of Future Generation Investment Company.

Previous positions

- Member of the Board of Capital Market Authority, 2009-2014.
- 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.

Qualifications

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

Talal Al Maiman

Vice Chairman

Current positions

CEO & Board Member of Kingdom Holding Company.

Previous positions

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

Qualifications

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

Abdulrahman Al Rashed

Board Member

Current positions

Executive partner at Rashed Abdul Rahman Al Rashed & Sons Company.

Previous positions

Member of Al Shura Council.

Qualifications

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

Bader Al Issa

Board Member

Current positions

CEO of Assila Investment Company.

Previous positions

- 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.

Qualifications

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

Abdullatif Al Othman

Board Member

Current positions

Owner and CEO of Al-Othman Engineering Consultants.

Previous positions

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

Qualifications

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

Ghazi Al Rawi

Board Member

Current positions

Founder and Chairman, Valuegate Company for Investment & Real Estate Development.

Previous positions

- Founder and Managing Partner, Eastgate Capital Group, 2006-2015.
- Advisor, Saudi Commercial Bank, 2005-2006.
- Assistant Professor, College of Engineering, King Abdulaziz University, 2004-2006.
- Advisor, Capital Market Authority, 2004.
- Associate, McKinsey & Company, 2003-2004.

Qualifications

- 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

Khalid Al Omran

Board Member

Current positions

General Manager of Daily Food Company.

Previous positions

- Board Member at Goldman Sachs Saudi Arabia, 2018-2021.
- Executive Project Manager, Banque Saudi Fransi, 2009-2010.
- Business Development Manager, Almarai Company, 2009.
- Business Analyst, Mckinsey & Company 2006-2009.

Qualifications

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

Rayan Fayez

Board Member

Current positions

Deputy CEO of NEOM.

Previous positions

- Managing Director and CEO of Banque Saudi Fransi 2018-2022.
- CEO of Savola Group, 2016-2018.
- Managing Director and Senior Regional Officer at JPMorgan Chase N.A, Riyadh Branch, 2013-2016
- CEO of JP Morgan Saudi Arabia Limited, 2012-2013.
- CEO of Goldman Sachs, Saudi Arabia, 2009-2012.
- Executive Director at Goldman Sachs International, London, 2007-2009.

Qualifications

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

Khalid Al Sharif

Board Member

Current positions

Retired

Previous positions

- Head, Retail Banking Group, National Commercial Bank 2018-2020.
- Head, Corporate Banking Group, National Commercial Bank 2010-2018.
- Progressed in several positions in National Commercial Bank, the latest is the Head, Retail Banking Group, 2000 – 2010.
- Progressed in several positions in Riyadh Bank, the latest is the Executive Vice President – 1986 – 2000.

Qualifications

- Master's in Business Administration, College of Notre Dame, USA, 1985.
- B.S in Business Administration, College of Notre Dame, USA, 1984.

Abdulaziz Algudaimi*

Board Member

Current positions

Retired

Previous positions

- Senior vice chairman – Aramco 2015-2022.
- Vice chairman – Aramco 2006-2014.
- Department Manager – Aramco 1996-2006.

Qualifications

- Master of Business Administration – Sloan Fellowship from the Massachusetts Institute of Technology, 2001.
- Bachelor of Engineering – King Fahd University of Petroleum and Minerals, 1983.

* Appointed as a member of the Board of Directors as of 31/01/2023.

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 2023.

Banque Saudi Fransi is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 4, 1977), after taking over the operations of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank formally commenced its activities on Muharram 1, 1398H (corresponding to December 11, 1977). It operates under Commercial Registration Number. 1010073368 dated Safar 4, 1410H (corresponding to September 5, 1989), through its 82 branches and 3 self-service centers in the Kingdom of Saudi Arabia, with 2,784 employees. The objective of the Bank is to provide a full range of banking services, including Islamic products and services, which are approved and supervised by an independent Shariah Committee. The Bank's Head Office is located at King Saud Road (AlMa'ather previously), AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

Net income after Zakat for 2023 financial year amounted to SAR 4,223 million compared to SAR 3,575 million in 2022. Net income increased by 18.1% mainly due to higher revenue (SAR 1,307 million) which was partially offset by higher expenses (SAR 368 million) and higher impairment (SAR 234 million).

Total operating income increased by 16.3% driven by net special commission income and net fee and commission income, this was partially offset by a reduction in exchange income, trading income and gain on non-trading investment.

Meanwhile, total operating expenses excluding impairment charges increased by 13.9%. This increase was primarily due to increase in Salaries and staff related expenses, depreciation and amortization and other operating and general and administration expenses which was offset by reduction in rent and premises related expenses. Net impairment charges amounted to SAR 1,594 million, increased by 17.2% or SAR 234 million, reflecting a comprehensive review of the bank's credit portfolio.

Net special commission income increased to SAR 7,835 million, an increase of 21.9% (SAR 1,408 million) compared to SAR 6,427 million in previous year. Total assets amounted to SAR 253,383 million at the end of 2023, an increase of 9.2% compared to SAR 232,078 million in 2022. The investment portfolio grew by 8.9% to SAR 48,467 million at the end of December 2023 compared to SR 44,518 million at the end of previous year. Net loans and advances also increased by 12.8% to SAR 179,391 million at the end of 2023 compared to SAR 159,012 million for the previous year. Customer deposits increased by 9.3% to SAR 172,209 million at the end of December 2023 compared to SAR 157,592 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 2023 and details on the governance framework of the Board of Directors, its committees and internal controls.

(1) Bank's strategy and future plans:

In 2022, the banking industry witnessed a year of extraordinary changes. Historic levels of inflation, unexpected levels of interest rates, and geopolitical tensions in the macroeconomic and geopolitical environment created challenges that many industries struggled to cope with. In response to these transformative events, Banque Saudi Fransi launched a Strategy Refocus exercise, commencing in late 2022 and concluding in the first quarter of 2023.

The Strategy Refocus concentrated on simplifying the bank's strategy to ten (10) key focus areas across all business lines. Geared towards capitalizing on our strengths and realizing inter-group synergies, the strategy incorporated focus areas for our subsidiaries JB (formerly Saudi Fransi for finance Leasing) and Saudi Fransi Capital (SFC) for the first time. The result was a well-integrated strategy with balanced targets that prioritize profitability, market share, and customer experience. Following its approval by our Board of Directors in March 2023, the Strategy Refocus was subsequently shared with the investor community.

Ten (10) Focus Areas:

The strategy refocus paved the way towards achieving our strategic ambitions through ten focus areas across all business lines:

Bank-wide:

1. **Technology infrastructure upgrade:** a focus area that encompasses the development of the Core Banking System (CBS), Integrated Corporate Banking Portal (ICP), and an omnichannel platform to enhance digital capabilities and customer experience.

Wholesale Banking:

2. **Expand Financial Institution & Government (FIG) & Multinational Company (MNC) Coverage:** this Initiative aims to broaden lending and partnerships with high rated financial institutions, active collaboration with multinational companies, and enhance segmentation and lending for government clients.
3. **Revamp Global Transaction Solutions (GTS):** an initiative that aims to enhance our services for corporate client, improve customer satisfaction, and increase our market share.

Personal Banking:

4. **Scale up in affluent:** a strategic initiative to strengthen our foothold in that affluent segment. This initiative includes enhancing our offering through improving our rewards and loyalty program and collaborating with SFC to create more advanced financial solutions.
5. **Provide superior daily banking:** the goal of this initiative is to enhance everyday banking through omnichannel services, improved customer support in our branches, and advanced digital solutions.

Private Banking:

6. **Expand product suite:** this initiative focuses on diversifying our private banking offering, introducing a wider range of financial products and services tailored to meet the unique needs of our clients
7. **Experience centric rewards:** this program is designed to enrich our loyalty system with rewards that prioritize exclusive experiences and personalized serviced enhancing client's satisfaction and engagement

JB:

8. **Scale up financing and leasing:** a focus area that encompasses three initiatives
   a. Product diversification and simplification: this initiative aims to expand JB offering to include personal loans and credit cards. This new offering will introduce JB to new customers and enhance JB market positioning
   b. Digital channels acceleration: focused on enhancing JB digital footprint with implementing the new branding to all digital channels, this initiative accelerates the development and optimization of digital channels to provide a more efficient, user-friendly online experience
   c. JB Repositioning (rebrand): this rebranding effort is designed to redefine JB's Market presence, refreshing the brand identity and aligning it with the new offering that JB offers

SFC:

9. **Leverage opportunities in capital markets:** a focus area that encompasses three initiatives
   a. Wealth management collaboration model: this initiative focuses on establishing a collaborative framework in wealth management, integrating expertise and resources to provide comprehensive, customized financial solutions for our clients
   b. Real estate advisory unit: this initiative establishes a specialized unit within Saudi Fransi Capital, dedicated to offering experts real estate investment advice. It aims to guide clients through complex real estate markets, providing strategic insights and tailored investments opportunities
   c. Attractive investment solutions: this initiative is centered on developing and offering a diverse range of investment products and solutions, tailored to meet the evolving needs and preferences of investors

We are proud to report outstanding progress across all focus areas in 2023, and we look forward to report on their successful completion of these initiatives in the upcoming years.

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

Operating Model & Organization Excellence:

Moreover, during the second half of the 2023, the bank has completed an Operating Model and Organization Excellence review with the goal of enhancing its operations and aligning our execution with our strategy. The review enabled BSF strategy by future proofing the organization, operating model and governance structure; driving simplification and efficiency; increasing organization agility and productivity; and driving investment in the priority areas.

The outcomes of the Strategy Refocus and our enhancement of our operating model will make the Bank more robust when confronting future challenges and solidify its aspiration to be the region's leading, forward-thinking, and customer-centric bank.

The Bank has established its strategic priorities, centered on consistently generating value for shareholders, maintaining earnings and dividend stability, operating efficiently, providing exceptional customer experiences, and ensuring a positive work environment. The effectiveness of this strategy will be led by outstanding leaders in every business unit and department, empowered by our skilled workforce, and backed by a dedicated and robust 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, among the top tier banks in terms of key volume and profitability matrices. WBG provides a wide range of corporate banking services to large local and international corporates, government and public sector entities, financial and non-banking financial entities as well as Medium, Small and Micro (MSME) enterprises. It operates under the banner "One Client, One Bank" as the group offers integrated lending, payments, deposits, liquidity and cash management solutions
C. **Treasury –** is responsible for managing the overall balance sheet and liquidity of the bank. Including trading, investments and capital market activities. Moreover, Treasury has a dedicated market advisory team, which caters for clients' hedging and market needs through bespoke financial products offering.
D. **Investment Banking, Asset Management and Brokerage –** It includes managing investment solutions for individuals, corporations and institutions including, portfolios and investment funds, brokerage and custody of securities, and providing investment banking services including arranging and advice.

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

ACTIVITY TYPE	NET INCOME BEFORE ZAKAT (IN THOUSANDS OF SAUDI RIYALS)	PERCENTAGE
Personal Banking	1,926,092	40.9%
Wholesale Banking	1,876,029	39.9%
Treasury	664,988	14.1%
Investment Banking, Asset Management and Brokerage	240,724	5.1%
Total	**4,707,833**	**100%**

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

SUBSIDIARY	ACTIVITY	NET INCOME BEFORE ZAKAT (IN THOUSANDS OF SAUDI RIYALS)	PERCENTAGE
Saudi Fransi Capital	Acts as principal and agent, and undertake, manage, arrange, advise and file in securities trading	240,724	5.1%
JB (formerly 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	8,695	0.2%

(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: continued

The Bank also owns Saudi Fransi Insurance Agency (SAFIA), Sofinco Saudi Fransi and Saudi Fransi Digital Ventures having 100% share in equity in each of these subsidiaries. The Bank owns 100% (95% direct ownership and 5% indirect ownership through its subsidiary) share in Sakan Real Estate Financing. These subsidiaries are incorporated in the Kingdom of Saudi Arabia.

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

The Bank formed a subsidiary Sur Multi Family Office Limited registered in United Kingdom having 100% share in equity. The objective of this subsidiary is to provide a wide range of wealth management services to BSF's high net worth clients and their families. The contribution to the results for the mentioned subsidiaries are insignificant (less than 0.005%).

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

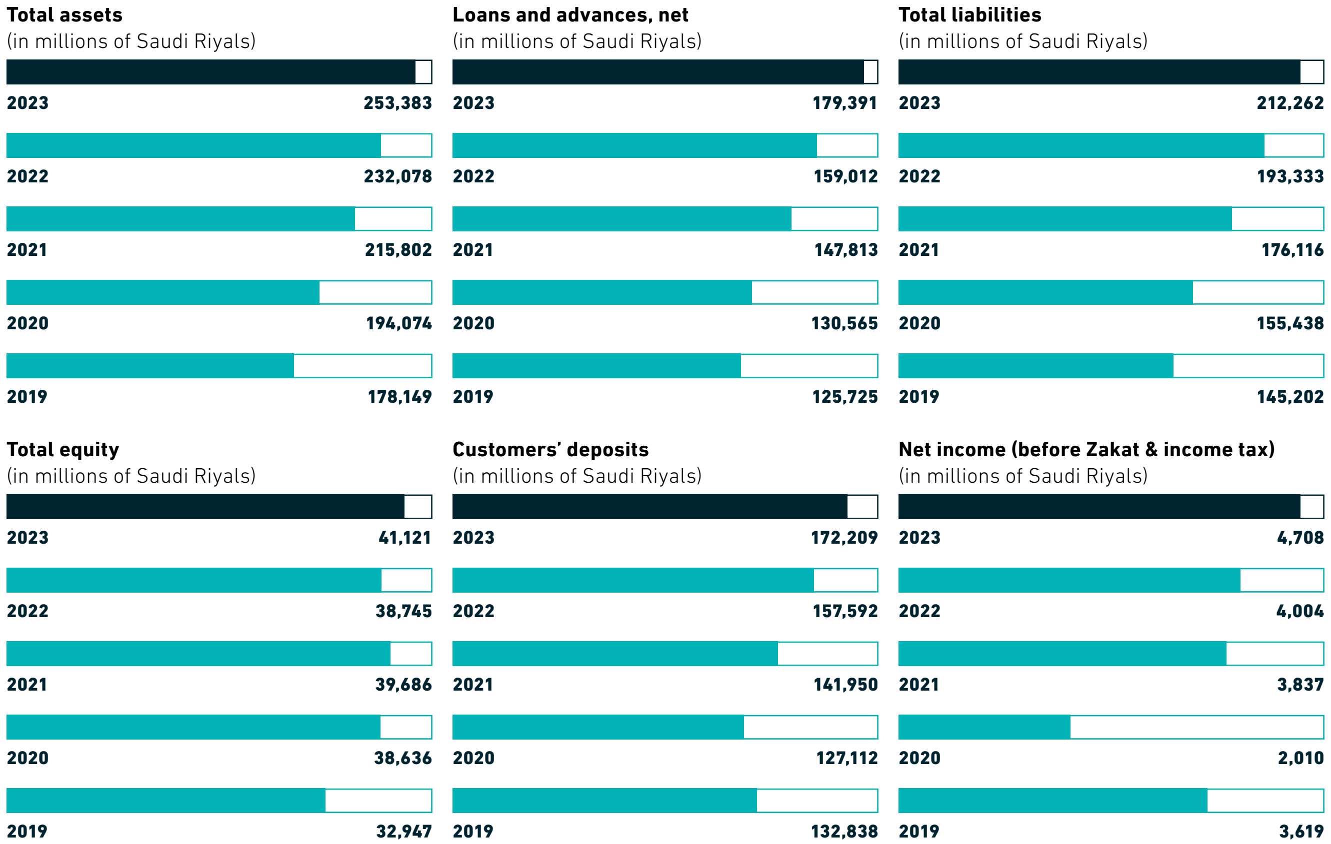
RATINGS	STANDARD & POOR'S RATINGS SERVICES	MOODY'S INVESTORS SERVICE	FITCH RATINGS
Long-term ratings	A-	A2	A-
Short-term ratings	A-2	P-1	F2
Outlook / Review	Stable	Positive	Stable
Last published credit opinion	29/03/2023	23/03/2023	17/04/2023

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

(IN THOUSANDS OF SAUDI RIYALS)	2023	2022	2021	2020	2019
Total assets	253,382,849	232,078,119	215,802,026	194,073,584	178,148,577
Investments and investments in associates, net	48,476,984	44,527,244	43,867,936	37,688,336	31,463,474
Loans and advances, net	179,391,223	159,011,525	147,812,759	130,564,835	125,725,096
Total liabilities	212,261,628	193,332,794	176,116,356	155,437,639	145,201,859
Customer Deposits	172,208,983	157,592,320	141,950,208	127,111,644	132,837,502
Total equity	41,121,221	38,745,325	39,685,670	38,635,945	32,946,718
Total operating income	9,323,994	8,017,275	7,127,926	7,044,594	6,872,550
Total operating expenses	4,616,161	4,013,372	3,290,549	5,034,358	3,253,408
Share in earnings of associates, net	0	0	0	0	0
Net income before Zakat	4,707,833	4,003,903	3,837,377	2,010,236	3,619,142
Net special commission income	7,835,197	6,426,553	5,698,645	5,240,388	5,205,677
Fees from banking services, net	914,675	896,861	887,929	1,081,816	1,139,506
Impairment charge for credit losses and other financial assets, net	1,594,455	1,359,797	843,605	2,670,268	966,244
Salaries and employees related expenses	1,741,583	1,494,960	1,397,452	1,418,703	1,329,250
Number of employees	3,154	3,105	2,997	2,881	2,998

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

Financial indicators for the last five years:



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

The following table shows the income for each region (Eastern, Western, Central, Head Office, and subsidiaries) for 2023:

BANQUE SAUDI FRANSI AND ITS SUBSIDIARIES, EXCLUDING SAUDI FRANSI CAPITAL					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	1,659,240	1,785,282	3,566,520	1,843,985	8,855,027
Total Expenses (before provisions)	(198,654)	(172,274)	(407,293)	(2,015,242)	(2,793,463)
Provisions	(939,902)	(886,900)	232,347	0	(1,594,455)
Net income before Zakat	520,684	726,108	3,391,574	(171,257)	4,467,109

SAUDI FRANSI CAPITAL					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	38,182	69,478	41,600	319,707	468,967
Total Expenses (before provisions)	(307)	(59)	(232)	(227,645)	(228,243)
Provisions	0	0	0	0	0
Net income before Zakat	37,875	69,419	41,368	92,062	240,724

BANQUE SAUDI FRANSI GROUP					
(IN THOUSANDS OF SAUDI RIYALS)	WESTERN	EASTERN	CENTRAL	HEAD OFFICE	TOTAL
Total income	1,697,422	1,854,760	3,608,120	2,163,692	9,323,994
Total Expenses (before provisions)	(198,961)	(172,333)	(407,525)	(2,242,887)	(3,021,706)
Provisions	(939,902)	(886,900)	232,347	0	(1,594,455)
Net income before Zakat	558,559	795,527	3,432,942	(79,195)	4,707,833

(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, 2023 and 2022:

(IN THOUSANDS OF SAUDI RIYALS)	2023	2022
Special commission income	13,218,031	8,307,199
Special commission expense	5,382,834	1,880,646
Net special commission income	**7,835,197**	**6,426,553**
Fee and commission income	1,491,777	1,423,040
Fee and commission expense	577,102	526,179
Net fee and commission income	**914,675**	**896,861**
Exchange income, net	455,222	474,684
Trading income, net	114,016	201,748
Dividend income	15,213	13,397
Gains on FVOCI / non-trading investments, net	(16,260)	3,524
Other operating income	5,931	508
Total operating income	**9,323,994**	**8,017,275**
Salaries and employee related expenses	1,741,583	1,494,960
Rent and premises related expenses	67,464	73,122
Depreciation and amortization	250,658	221,428
Other operating and general and administrative expenses	962,001	864,065
Total operating expenses before impairment charge	**3,021,706**	**2,653,575**
Impairment charge for expected credit losses on loans and advances, net	1,668,817	1,363,944
Impairment reversal for investments, financial assets and others, net	(74,362)	(4,147)
Total operating expenses, net	**4,616,161**	**4,013,372**
Net income for the year before zakat	**4,707,833**	**4,003,903**
Zakat for the year	485,100	428,773

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

(6/A) Consolidated income statement for the years ended on 31 December, 2023 and 2022: continued

(IN THOUSANDS OF SAUDI RIYALS)	2023	2022
Net income for the year after zakat	**4,222,733**	**3,575,130**
Basic and diluted earnings per share (SAR)	3.33	2.79

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

(IN MILLIONS OF SAUDI RIYALS)	31-12-23	31-12-22	CHANGE	%
Net income after Zakat	4,223	3,575	648	18.13%
Net income before Zakat	4,708	4,004	704	17.58%
Total Operating income	9,324	8,017	1,307	16.30%
Net special commission income	7,835	6,427	1,408	21.91%
Assets	253,383	232,078	21,305	9.18%
Investments	48,467	44,518	3,949	8.87%
Loan and advances portfolio	179,391	159,012	20,379	12.82%
Customer Deposits	172,209	157,592	14,617	9.28%
Total equity	41,121	38,745	2,376	6.13%
Earnings per share (SAR)	3.33	2.79	0.54	19.35%

(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
JB (formerly 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
Saudi Fransi Digital Venture (SFDV)	35, 000,000	100	SFDV is a Sole Shareholder joint stock company, a subsidiary of BSF, focuses on technology services for the bank and its subsidiaries, adhering to Central Bank regulations.	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.

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

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 Finance Limited company, which is a special purpose vehicle established to raise capital for Banque Saudi Fransi by the issuance of debt instruments, it is incorporated in the Cayman Islands, having a 100% share in equity (authorised capital of USD 50,000), which has no material impact on the Group financial statements. BSF Sukuk Limited has been liquidated.

The Bank has investments in other companies. It owns 27% of the capital of Banque BEMO Saudi Fransi, a joint stock company established in 2004 in Syria. It has issued share capital of SYP 13.0 billion (as of 30.09.2023). 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 31.12.2022). 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.

Sur Multifamily Office Ltd. is a London based multi-family office that is 100% owned by Banque Saudi Fransi, focusing on serving Banque Saudi Fransi private clients and their families. It was incorporated in February 2023, the subsidiary dedicated its first year to office setup and execution, while 2024 will focus on business strategy and client on-boarding. Sur Multifamily Office Ltd offers a range of services such as real estate solutions, investment and private office, estate planning and structuring.

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

A. No shares or debt instruments were issued to subsidiaries during 2023.
B. Loans provided by the Bank to its subsidiaries:

The following table shows the loans made on 31/12/2023 by Banque Saudi Fransi to its subsidiaries:

NAME OF SUBSIDIARY	(IN THOUSANDS OF SAUDI RIYALS)
Saudi Fransi Capital*	617,384
Saudi Fransi Capital JB**	2,732,505

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)	2023	2022
Opening balance	1,460,759	1,784,471
Loan granted during the period	3,240,815	6,227,642
Repayment of loans during the period	4,084,190	6,551,354
Closing balance of loans	617,384	1,460,759

** **Details of loans to JB (rebranded from Saudi Fransi for Finance Leasing):**

(IN THOUSANDS OF SAUDI RIYALS)	2023	2022
Opening balance	2,869,800	2,075,834
Loan granted during the period	750,000	1,193,967
Repayment of loans during the period	887,295	400,001
Closing balance of loans	2,732,505	2,869,800

(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 2023:

MAIN SHAREHOLDERS IN THE CAPITAL OF THE BANK AS AT 31/12/2023							
S.	SHAREHOLDER	NUMBER OF SHARES AT THE BEGINNING OF THE YEAR	EQUITY PERCENTAGE AT THE BEGINNING OF THE YEAR	NUMBER OF SHARES AT THE END OF THE YEAR	EQUITY PERCENTAGE AT THE END OF THE YEAR	NET CHANGE	CHANGE PERCENTAGE
1	Kingdom Holding Company	195,267,861	16.199 %	195,267,861	16.199 %	0	0%
2	Rashed Abdul Rahman Al Rashed & Sons Co.	118,488,534	9.830 %	118,488,534	9.830 %	0	0%

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

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

DESCRIPTION OF ANY INTEREST, CONTRACTUAL SECURITIES AND SUBSCRIPTION RIGHTS OF THE BOARD MEMBERS AND THEIR RELATIVES IN THE BANK'S SHARES OR DEBT INSTRUMENTS							
		BEGINNING OF THE YEAR		END OF THE YEAR			
NAME OF THOSE WHO HAVE INTEREST OR CONTRACTUAL SECURITIES OR SUBSCRIPTION RIGHTS		NUMBER OF SHARES	DEBT INSTRUMENTS	NUMBER OF SHARES	DEBT INSTRUMENTS	NET CHANGE	CHANGE PERCENTAGE
1	Mazin Al Romaih	6,000	–	6,000	–	0	0%
2	Talal Al Maiman	50,000	–	50,000	–	0	0%
3	Abdulrahman Al Rashed	312,685	–	312,685	–	0	0%
4	Relatives of Abdulrahman Al Rashed	4,689,480	–	4,689,480	–	0	0%
5	Bader Al Issa	1,000	–	1,000	–	0	0%
6	Abdullatif Al Othman	1	–	1	–	0	0%
7	Ghazi Al Rawi	1,000	–	1,000	–	0	0%
8	Khalid Al Omran	40	–	40	–	0	0%
9	Relatives of Khalid Al Omran	19,366,352	–	19,366,352	–	0	0%
10	Rayan Fayez	290,010	–	322,310	–	32,300	11%
11	Khalid Al Sharif	100	–	100	–	0	0%
12	Relatives of Khalid Al Sharif	200	–	500	–	300	150%

DESCRIPTION OF ANY INTEREST, CONTRACTUAL SECURITIES AND SUBSCRIPTION RIGHTS OF SENIOR EXECUTIVES AND THEIR RELATIVES IN THE BANK'S SHARES OR DEBT INSTRUMENTS							
		BEGINNING OF THE YEAR		END OF THE YEAR			
NAME OF THOSE WHO HAVE INTEREST		NUMBER OF SHARES	DEBT INSTRUMENTS	NUMBER OF SHARES	DEBT INSTRUMENTS	NET CHANGE	CHANGE PERCENTAGE
1	Mohammed Al-Sheikh	18,500	–	73,614	–	55,114	298%
2	May Al Hoshan	507	–	0	–	(507)	(100%)
3	Zuhair Mardam	39,400	–	111,700	–	72,300	184%
4	Relatives of Zuhair Mardam	0	–	13,779	–	13,779	100%
5	Abdallah Alshaikh	22,254	–	49,811	–	27,557	124%
6	Relatives of Abdallah Alshaikh	0	–	22,621	–	22,621	100%
7	Thamer Yousef	44,507	–	99,621	–	55,114	124%
8	Abdulaziz Al Molhem	165,474	–	220,588	–	55,114	33%
9	Mutasim Mufti	17,254	–	39,811	–	22,557	131%
10	Relatives of Mutasim Mufti	5,000	–	10,000	–	5,000	100%
11	Ramzi Darwish	0	–	68,106	–	68,106	100%

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

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

Debt Security and Term Loans:

During 2022 the Bank has established a USD 4 Billion Euro Medium term Note (MTN) Programme. The issuer under the programme is BSF Finance Limited, operating as a special purpose entity for the guarantor Banque Saudi Fransi. In 2023 the Bank established a USD 4 Billion Trust Certificate Issuance Programme. The issuer under the programme is BSF Sukuk Company, which operates as a special purpose entity for the guarantor Banque Saudi Fransi.

Debt Securities and term loans issued by the bank under its various programs include:

ISSUE DATE	TYPE	MARKET	TENURE	CURRENCY	VALUE	TERM	MATURITY
Nov 23 2022	Bond	London stock exchange	5 Years	USD	700 Million	5.5% Semi Annual	Nov 23 2027
Dec 22 2022	Term Loan facility	Syndicated Facility – International FI Lenders	3 years	USD	500 Million	SOFR + 70 bps Quarterly	Dec 22 2025
May 31 2023	Sukuk	London stock exchange	5 years	USD	900 Million	4.75% Semi Annual	May 31 2028
Jun 21 2023	Term Loan facility	Syndicated Facility – International FI Lenders	2.5 years	USD	50 Million	SOFR + 70 bps Quarterly	Dec 22 2025
Jul 18 2023	Sukuk	Private placement	4 years	USD	100 Million	5.47% Semi Annual	Jul 18 2027
Nov 09 2023	Bond	Private placement	3 years	USD	50 Million	SOFR + 115 bps Quarterly	Nov 09 2026

Tier I Sukuk

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

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

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

Repayment of debt instruments:

During the year 2023, the Bank had no debt settlement.

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

(12) Description of the dividend distribution policy:

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

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

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

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

Basic and diluted earnings per share:

Basic and diluted earnings per share for the year ended 31 December 2023 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 7.6 million shares (as of 31 December 2022 5.8 million shares).

Total dividends:

The Board of Directors has proposed a final net dividend of SAR 1,198 million (2022: SAR 1,080 million), i.e. SAR 1.00 (2022: SAR 0.90) 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 1,140 million (2022: SAR 901 million), i.e. SAR 0.95 (2022: SAR 0.75) net per share.

	DIVIDENDS DISTRIBUTED DURING THE YEAR 2023		PROPOSED DIVIDEND FOR	
	FINAL FOR 2022	INTERIM 2023	THE END OF 2023	TOTAL FOR 2023
Amount (in thousands of Saudi Riyals)	1,079,633	1,140,213	1,197,738	2,337,951
Pay-out Ratio (after Zakat)	58%	53%	58%	55%

(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 2023 and 2022, which are included in the consolidated financial statements, are as follows:

(IN THOUSANDS OF SAUDI RIYALS)	2023	2022
Associates		
Investments	9,695	9,695
Due to banks and other financial institutions	8,462	8,204
Directors, senior management, shariah members and their affiliates (key management personal)		
Loans and advances	7,442,827	9,201,213
Investments	1,021,721	957,941
Due from banks and other financial institutions	395,625	–
Other assets	25,736	17,783
Customers' deposits	10,020,831	10,645,043
Due to banks and other financial institutions	2,822,190	900,000
Other liabilities	4,550	6,542
Derivatives at fair value, net	(13,772)	(45,733)
Commitments and contingencies	3,055,299	3,224,229
Major shareholders' and their affiliates		
Loans and advances	671,978	2,611,976
Customers' deposits	6,284,014	1,467,292

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)	2023	2022
Special commission income		
– Directors, senior management, shariah members and their affiliates (key management personal)	671,220	339,109
– Major shareholders' and their affiliates	139,813	79,699
Total Special commission income	811,033	418,808
Special commission expense		
– Directors, senior management, shariah members and their affiliates (key management personal)	256,253	86,429
Major shareholders' and their affiliates	221,188	22,768
– Associates	368	103
Total Special commission expense	477,809	109,300
Fees, commission income and others, net	89,355	32,181
Directors' fees	9,318	9,513
Other general and administrative expenses	196,715	249,984

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

	THE NATURE OF BUSINESS OR CONTRACT	THE AMOUNT OF BUSINESS OR CONTRACT	START DATE OF THE CONTRACT	END DATE OF THE CONTRACT	CONTRACT STATUS	NAME OF THE BOARD MEMBER, SENIOR EXECUTIVE OR ANY PERSON RELATED TO THEM
1	**National address Services** (Saudi Postal and Logistics Services (SPL))	Various based on services Total amount paid for 2023 816,049.14	4-9-2022	3-9-2024	Active	Abdulaziz Almolhem's brother Jamel Almolhem (Senior Executive of the Bank)
2	**IT Professional services** (Professionals Consultants for Technology Company LLC (AppsPro*)) * no longer a related party after September 7th 2023.	Total Amount Paid for 2023 920,326.10	Variable according to the type of service provided to the bank		Active	Bader AlSalloom's brother Abdulaziz AlSaloom (Senior Executive of the Bank)
3	**SANID Services** A – ATM Replenishment service B – Maintenance of Cash Depositary Machines **(SANID)**	Various based on services Total Amount Paid for 2023 5,511,123.71	1-3-2022	30-6-2024	Active	Thamer Yousef (Senior Executive of the Bank)
4	**Telecom Service Provisioning** (Saudi Telecom Company (STC))	Total Amount Paid for 2023 7,473,787.21	25-8-2019	24-8-2024	Active	Abdulaziz Almolhem's brother Jamel Almolhem (Senior Executive of the Bank)
5	**Bulk SMS services and Telecom Service Provisioning** (Saudi Telecom Company (STC))	Total Amount Paid for 2023 13,760,000	Variable according to the type of service provided to the bank		Active	Abdulaziz Almolhem's brother Jamel Almolhem (Senior Executive of the Bank)
6	**CCTV lease line services** (Saudi Telecom Company (STC))	11,382,356	1-6-2021	31-5-2026	Active	Abdulaziz Almolhem's brother Jamel Almolhem (Senior Executive of the Bank)
7	**ABANA Services:** A – Maintenance of Cash Counting Machines B – Leasing to own Agreement* **(ABANA Enterprise Group)** * There was no payment during 2022	Various based on services Total amount paid for 2023 314,849.00	1-4-2015	13-6-2026	Active	Abdulrahman Alrashed's brother Abdulaziz Al Rashed (Board of Directors member)
8	**Manpower and professional services** Al Khaleej Training and Education (SMARTLINK)	Various based on services Total amount paid for 2023 8,136,966.03	1-1-2023	31-12-2023	Active	Abdulrahman Alrashed's brother Abdulaziz Al Rashed (Board of Directors member)
9	**Network and Security Privacy (Cyber) Insurance** (Walaa Cooperative Insurance Company)	2,584,391.00	1-1-2023	31-12-2023	Active	Abdulaziz Almolhem's Brother Jameel Almolhem (Senior Executive of the Bank)
10	**Credit Life and General Insurance Policies** Allianz Saudi Fransi Cooperative Insurance Company	Various based on the Policies Total amount paid for 2023 68,700,934.48	1-7-2023	30-6-2024	Active	Bader Hamad AlSalloom (Senior Executive of the Bank)

(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: continued

	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
11	**Hotel services** Burj Assila For Hotel Services Company (ShangriLa Jeddah)	248,266.14	Variable according to the type of service provided to the bank		Expired	Bader Al Essa (Board of Directors member)
12	**SIMAH Services:** A – Agreement to provide data and commercial information services B – Registration and Disclosure all Agreements C – Agreement to provide IT services **(SIMAH SAUDI CREDIT BUREAU)*** * no longer a related party after April 7th 2023.	Various based on services Total amount paid for all contract 2023 2,690,725.55	30-7-2019	19-4-2024	Active	Mohammed Al Alshikeh (Senior Executive of the Bank)
13	**ATM Sites** (Panda Retail Company*) * Contracts were on hold in 2022	853,500.00 Total amount paid for 2023 230,500.00	1-12-2021	31-1-2025	Active	Bader Alissa (Board of Directors member)
14	**Car Parking** (Malathik Real Estate Investment Company)	491,000.00	1-4-2023	31-3-2024	Active	Abdulrahman Alrashed's brother Salah Al Rashed (Board of Directors member)
15	**Hotel services** (Riyadh Marriott Hotel)	34,500.00	One Time Purchase 13-10-2022		Expired	Bader Alissa (Board of Directors member)

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

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

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

STATEMENT (IN THOUSANDS OF SAUDI RIYALS)	2023 PAID	2023 DUE AMOUNT
Zakat *	654,539	–
General Organization for Social Insurance	109,724	–
Costs of visas and passports	320	–
Fees of labour office	1,955	–

*** Zakat:** Zakat attributable to Saudi shareholders for the year of 2023 amounted to SAR 485 million (2022: SAR 429 million).

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

A. Qualitative Disclosures:

Banque Saudi Fransi established an MSME unit in 2014 due to the growing importance of this sector in the Saudi economy and to facilitate providing the best financing solutions and banking services. The unit comprises of 52 employees distributed among the three main regional offices with each region managed by a coverage manager overseeing business development in his/her region and reporting progress to Head of MSME unit.

Collaboration with SME Bank

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

The Small and Medium Enterprises Loan Guarantee Program "Kafalah"

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

During the year, the loan portfolio guaranteed by kafalah increased by 24%, and the number of customers benefiting from this program increased by 21%. Furthermore, the bank collaborated with Kafalah on many marketing campaigns to boost the financing of Micro, Small, and Medium Enterprises in emerging sectors such as Entertainment, Cultural, Sport, Technology, and Education. KAFALAH Program chose BSF MSME Center to host one of two local bank visits for international delegations attending the BIBAN23 Forum on the margins of the BIBAN23 Forum.

The Small and Medium Enterprises General Authority "Monshaat"

General Authority for Small and Medium Enterprises (Monsha'at) was established in 2016 to support & develop MSME sector. The Bank conducted several Financial Awareness sessions in collaboration with Monsha'at.

BSF has sponsored and participated in BIBAN23 forum as a contributing partner which aims to support the entrepreneurial sector and providing new financial solutions for SME's. On the sidelines of BIBAN23 forum, BSF and Nusaned investment Co. / SABIC signed with MSME a cooperation agreement. There is also a collaborative deal with the objective of financing emerging SMEs in which the company invests and in the companies that benefit from SABIC's localization. The partnership comes within the framework of BSF's constant keenness to establish local partnerships with concerned authorities for enhancing integration and cooperation, and open new horizons to improve services to MSMEs.

Staff awareness & Training

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

Number of training days for staff – 709.

Projects & Initiatives

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

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

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

B. Quantitative Disclosures:

	ON DECEMBER 31, 2023				ON DECEMBER 31, 2022			
(IN SAUDI RIYALS)	MICRO	SMALL	MEDIUM	TOTAL	MICRO	SMALL	MEDIUM	TOTAL
Loans to MSMEs – on balance sheet (SAR millions)	26	2,193	9,701	11,921	140	2,568	8,772	11,480
Loans to MSMEs – off balance sheet (SAR millions)	84	797	3,424	4,305	159	809	1,283	2,251
On balance sheet loans to MSMEs as a percentage of total on balance sheet loans	0.02%	1.56%	6.88%	8.46%	0.09%	1.57%	5.37%	7.04%
Off balance sheet loans to MSMEs as a percentage of total off balance sheet loans	0.16%	1.48%	6.38%	8.02%	0.2%	1%	2%	3.2%
Number of loans (on and off-balance sheet)	466	827	1,144	2,437	526	764	873	2,163
Number of customers (Finance Applicants)	184	430	206	820	183	215	260	658
Number of loans guaranteed by the Kafalah Program (on and off-balance sheet)	16	127	60	203	5	99	51	155
Amount of loans guaranteed by the Kafalah Program (on and off-balance sheet)	17	318	243	578	13	296	111	420

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

The below table demonstrates Banque Saudi Fransi's outstanding obligations under the bank's Long-Term Incentive Plan (LTIP), by annual cycle, in chronological order.

The total number of treasury shares outstanding as of 31 December 2023 was 7.6 million shares.

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, 2021	March 31, 2022	March 31, 2023
Maturity date	April 01, 2024	April 01, 2025	April 01, 2026
Grant price (SAR)	31.455	51.141	37.338
Vesting period	3 years	3 years	3 years
Vesting conditions	Employees remain in service, meets performance and service criteria	Employees remain in service, meets performance and service criteria	Employees remain in service, meets performance and service criteria
Method of settlement	Equity	Equity	Equity
Valuation model	Monte-Carlo	Monte-Carlo	Monte-Carlo
Fair value per share on grant date (SAR)	29.318	46.745	30.862

The share performance will be granted under a service condition along with market condition associated with them. The total amount of expense recognized in the consolidated financial statements in respect to the equity-based payment plans as mentioned above for the year is SAR 47 million (2022: SAR 26 million).

	2023
Number of shares allocated for LTI calculation at the beginning of the year	4,234,340
Vested / forfeited during the year	(1,559,520)
Allocated during the year, net	1,814,587
Number of shares allocated for LTI calculation at the year end	4,489,407

Total number of unallocated treasury shares under LTI plan as of December 31, 2023 was 3.1 million shares (December 31, 2022: 1.5 million shares).

(19) Statement of the value of any investments made or any reserves set up for the benefit of the employees of the Bank:
The Bank is keen to encourage its employees and provides incentive 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 2023:

(IN THOUSANDS OF SAUDI RIYALS)	EMPLOYEE SHARE	BANK SHARE	TOTAL
Balance as at the beginning of 2023	49,881	59,256	109,137
Amount added during 2023	15,775	12,603	28,378
Amount refunded during 2023	(15,765)	(1,842)	(17,607)
Balance at the end of 2023	49,891	70,017	119,908

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

	2022		2023		
SUBJECT OF THE VIOLATION	NUMBER OF PENAL DECISIONS	TOTAL AMOUNT OF FINANCIAL PENALTIES (IN SAUDI RIYALS)	NUMBER OF PENAL DECISIONS	TOTAL AMOUNT OF FINANCIAL PENALTIES (IN SAUDI RIYALS)	WAYS TO TREAT AND AVOID THEM IN THE FUTURE
Violation of SAMA's supervisory instructions	13	6,658,315	15	3,392,700	The required corrective measures have been placed to ensure compliance with the instructions issued by SAMA to avoid the recurrence of these violations in the future.
Violation of SAMA's instructions for protecting customers	None	None	None	None	
Violation of SAMA's instructions regarding due diligence	None	None	None	None	
Violation of SAMA's instructions regarding the performance level of the ATMs and point of sale devices	None	None	None	None	
Violation of SAMA's instructions regarding due diligence in combating money laundering and financing of terrorism	1	315,000	None	None	
Total	**14**	**6,973,315**	**15**	**3,392,700**	

B. Other Penal Decisions:

PENALTY / SANCTION / PRECAUTIONS / RESTRICTION	REASONS FOR THE VIOLATION	VIOLATING BODY	WAYS TO TREAT AND AVOID THEM IN THE FUTURE
SAR 58,800 (10 fines)	– No municipal licence – Insufficient Space – No (Your opinion matters) sticker on the 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 branches management to reach solutions to these observations.

(21) Any inconsistency with the standards approved by the Saudi Organization for Chartered and Professional Accountants:
These consolidated financial statements of the Group as at and for the years ended December 31, 2023 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

(22) Auditors' reservations to the financial statements:
The auditors' report did not include any reservations to the annual financial statements.

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

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

* Appointed as a member of the Board of Directors as of 31/01/2023.

(24) 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 & Board Member of Kingdom Holding Company.	– Chairman of the Board and CEO of Kingdom Real Estate Development, 2010-2017. – CEO of Kingdom Holding Company, 1996-2016. – Director of Computer Department at Saudi Central Bank, 1986-1996. – Director of Operations and Maintenance at Ministry of Interior, 1979-1986.	– Master of Business Administration, University of Liverpool, UK, 2009. – Bachelor of Sciences in Electrical Engineering, University of Evansville Indiana, US, 1979 – Executive Management Program, Harvard University, 1986. – Diploma in Computer Science, Computer Sciences Corporation (CSC), Herndon, Virginia, 1981.

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

(A) Board of Directors Members: continued

		EXPERIENCES		
	NAME	CURRENT POSITIONS	PREVIOUS POSITIONS	QUALIFICATIONS
3	Abdulrahman Al Rashed	– Executive partner at Rashed Abdul Rahman Al Rashed & Sons Company.	– Member of Al Shura Council.	– Bachelor of Business Administration, Department of Finance, University of Seattle, 1985.
4	Bader Al Issa	– CEO of Assila Investment Company.	– CFO of Assila Investment Company, 2010 – 2019. – CEO – AMIAS Holding, 2008-2019. – Investment Portfolios Manager at HSBC Saudi Arabia Limited, 2006-2008. – Financial and Marketing Analyst at SABIC America, Houston, Texas, 2002-2004. – Financial Analyst at JP Morgan, London, 2001-2002.	– MBA, Rice University, 2006. – Bachelor of Economy, The University of Virginia, Virginia, 2001.
5	Abdullatif Al Othman	– Owner and CEO of Al-Othman Engineering Consultants.	– Governor and Chairman of the Board of Directors, General Authority for Investment, 2012-2016. – More than 35 years in the field of planning and managing oil and gas projects, financial management, investment, business and international relations development.	– MBA, Sloan Fellows program, Massachusetts Institute of Technology, 1998. – Bachelor of Civil Engineering, King Fahad University of Petroleum and Minerals, 1979.
6	Ghazi Al Rawi	– Founder and Chairman, Valuegate Company for Investment & Real Estate Development.	– Founder and Managing Partner, Eastgate Capital Group, 2006-2015. – Advisor, Saudi Commercial Bank, 2005-2006. – Assistant Professor, College of Engineering, King Abdulaziz University, 2004-2006. – Advisor, Capital Market Authority, 2004. – Associate, McKinsey & Company, 2003-2004.	– Ph.D. in Electrical Engineering (EE), Communications, Stanford University, 2002. – M.S. in Management Science and Engineering (MS&E), Finance and Investment, Stanford University, 2001. – M.S. in Electrical Engineering (EE), Communications, Stanford University, 1998. – B.S. in Electrical Engineering (EE), Communications, King Abdulaziz University, 1994
7	Khalid Al Omran	– General Manager of Daily Food Company.	– Board Member at Goldman Sachs Saudi Arabia, 2018-2021. – Executive Project Manager, Banque Saudi Fransi, 2009-2010. – Business Development Manager, Almarai Company, 2009. – Business Analyst, Mckinsey & Company 2006-2009.	– Master's in Business Administration, IESE Business School, Spain, 2012 – Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006.

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

(A) Board of Directors Members: continued

		EXPERIENCES		
	NAME	CURRENT POSITIONS	PREVIOUS POSITIONS	QUALIFICATIONS
8	Rayan Fayez	– Deputy CEO of NEOM.	– Managing Director and CEO of Banque Saudi Fransi 2018-2022. – CEO of Savola Group, 2016-2018. – Managing Director and Senior Regional Officer at JPMorgan Chase N.A, Riyadh Branch, 2013-2016 – CEO of JP Morgan Saudi Arabia Limited, 2012-2013. – CEO of Goldman Sachs, Saudi Arabia, 2009-2012. – Executive Director at Goldman Sachs International, London, 2007-2009.	– Bachelor of Science in Mechanical Engineering, Massachusetts Institute of Technology (MIT), 2001.
9	Khalid Al Sharif	– Retired.	– Head, Retail Banking Group, National Commercial Bank 2018-2020. – Head, Corporate Banking Group, National Commercial Bank 2010-2018. – Progressed in several positions in National – Commercial Bank, the latest is the Head, Retail Banking Group, 2000-2010. – Progressed in several positions in Riyadh Bank, the latest is the Executive Vice President – 1986-2000.	– Master's in Business Administration, College of Notre Dame, USA, 1985. – B.S in Business Administration, College of Notre Dame, USA, 1984.
10	Abdulaziz Algudaimi*	– Retired	– Senior vice chairman – Aramco 2015-2022. – Vice chairman – Aramco 2006-2014. – Department Manager – Aramco 1996-2006.	– Master of Business Administration – Sloan Fellowship from the Massachusetts Institute of Technology, 2001. – Bachelor of Engineering – King Fahd University of Petroleum and Minerals, 1983.

* Appointed as a member of the Board of Directors as of 31/01/2023.

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

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

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

(B) Board Committees' Members: continued

(B/1) Executive Committee: continued

	NAME	EXPERIENCES		QUALIFICATIONS
		CURRENT POSITIONS	PREVIOUS POSITIONS	
5	Khalid Al Sharif	– Retired.	– Head, Retail Banking Group, National Commercial Bank 2018-2020. – Head, Corporate Banking Group, National Commercial Bank 2010-2018. – Progressed in several positions in National Commercial Bank, the latest is the Head, Retail Banking Group, 2000-2010. – Progressed in several positions in Riyadh Bank, the latest is the Executive Vice President – 1986-2000.	– Master's in Business Administration, College of Notre Dame, USA, 1985. – B.S in Business Administration, College of Notre Dame, USA, 1984.

(B/2) Audit Committee:

	NAME	EXPERIENCES		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	Ghazi Al Rawi	– Founder and Chairman, Valuegate Company for Investment & Real Estate Development.	– Founder and Managing Partner, Eastgate Capital Group, 2006-2015. – Advisor, Saudi Commercial Bank, 2005-2006. – Assistant Professor, College of Engineering, King Abdulaziz University, 2004-2006. – Advisor, Capital Market Authority, 2004. – Associate, McKinsey & Company, 2003-2004.	– Ph.D. in Electrical Engineering (EE), Communications, Stanford University, 2002. – M.S. in Management Science and Engineering (MS&E), Finance and Investment, Stanford University, 2001. – M.S. in Electrical Engineering (EE), Communications, Stanford University, 1998. – B.S. in Electrical Engineering (EE), Communications, King Abdulaziz University, 1994.
3	Mamdoh Al Majed (from outside the Board)	– Managing Partner – Mamdoh Al-Majed and Faisal Al-Enzi Company Certified Public Accountants and Auditors.	– Finance Manager at Kingdom Holding Company, 2004-2010. – Financial Controller at Kingdom Holding Company, 1997-2003.	– Saudi Fellowship in Accounting and Auditing – Saudi Organization for Accountants and Auditors 1999. – Bachelor of Arts in Accounting, King Saud University, 1995.

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

(B) Board Committees' Members: continued

(B/2) Audit Committee: continued

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
4	Khalid Al Faddagh (from outside the Board)	– Retired.	– Chief Audit Executive (General Auditor) at Saudi Aramco, 2009-2015. – Corporate Planning at Saudi Aramco, 2007-2009. – President & CEO at Petron Corporation – Manila, Philippines, 2003-2007. – Engineering and Operation & Maintenance at Saudi Aramco, 1983-2003.	– PhD, DIC, Mechanical Eng., Imperial College – London, UK, 1983. – Master of Science, Mechanical Eng., University of Manchester (UMIST) – Manchester, UK, 1979.
5	Homood Al Tuwaijri (from outside the Board)	– Retired.	– Vice CEO for Legal and Audit at SABIC, 2008-2012. – Vice CEO for Petrochemicals at SABIC, 2004-2008. – Vice CEO for Finance at SABIC, 2002-2004.	– Master of Science in Industrial Engineering, The Georgia Institute of Technology, USA, 1983. – Bachelor of Science in Industrial Engineering, The University of Washington, USA, 1980 – Bachelor of Arts in Business Administration, The University of Washington, USA, 1980

(B/3) Nominations and Remunerations Committee:

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
1	Ghazi Al Rawi	– Founder and Chairman, Valuegate Company for Investment & Real Estate Development.	– Founder and Managing Partner, Eastgate Capital Group, 2006-2015. – Advisor, National Commercial Bank, 2005-2006. – Assistant Professor, College of Engineering, King Abdulaziz University, 2004-2006. – Advisor, Capital Market Authority, 2004. – Associate, McKinsey & Company, 2003-2004.	– Ph.D. in Electrical Engineering (EE), Communications, Stanford University, 2002. – M.S. in Management Science and Engineering (MS&E), Finance and Investment, Stanford University, 2001. – M.S. in Electrical Engineering (EE), Communications, Stanford University, 1998. – B.S. in Electrical Engineering (EE), Communications, King Abdulaziz University, 1994.
2	Abdulrahman Al Rashed	– Executive partner at Rashed Abdul Rahman Al Rashed & Sons Company.	– Member of Al Shura Council.	– Bachelor of Business Administration, Department of Finance, University of Seattle, 1985.

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

(B) Board Committees' Members: continued

(B/3) Nominations and Remunerations Committee: continued

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

(24) 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: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
1	Abdullatif Al Othman	– Owner and CEO of Al-Othman Engineering Consultants.	– Governor and Chairman of the Board of Directors, General Authority for Investment, 2012-2016. – More than 35 years in the field of planning and managing oil and gas projects, financial management, investment, business and international relations development.	– MBA, Sloan Fellows program, Massachusetts Institute of Technology, 1998. – Bachelor of Civil Engineering, King Fahad University of Petroleum and Minerals, 1979.
2	Khalid Al Sharif	– Retired.	– Head, Retail Banking Group, National Commercial Bank 2018-2020. – Head, Corporate Banking Group, National Commercial Bank 2010-2018. – Progressed in several positions in National Commercial Bank, the latest is the Head, Retail Banking Group, 2000 – 2010. – Progressed in several positions in Riyadh Bank, the latest is the Executive Vice President – 1986 – 2000.	– Master's in Business Administration, College of Notre Dame, USA, 1985. – B.S in Business Administration, College of Notre Dame, USA, 1984.
3	Khalid Al Omran	– General Manager of Daily Food Company.	– Board Member at Goldman Sachs Saudi Arabia, 2018-2021. – Executive Project Manager, Banque Saudi Fransi, 2009-2010. – Business Development Manager, Almarai Company, 2009. – Business Analyst, Mckinsey & Company 2006-2009.	– Master's in Business Administration, IESE Business School, Spain, 2012. – Bachelor of Finance, King Fahad University of Petroleum and Minerals, 2006.

(24) Names, qualifications and experience of the Board, Board committees' members and Executive Management: continued
(B) Board Committees' Members: continued
(B/4) Board Risk Committee: continued

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
4	Vanessa Eastham Fisk (From outside the Board)	– Independent Member, Board Strategy Committee, The National Bank of Ras Al Khaimah. – Independent Non-Executive Director, ABC International Bank plc, Europe. – Independent Member, Board Risk Committee, Al Marai Company. – Advisory Board Member, Ila Bank, Bahrain.	– Non-Executive Director, Chair Audit & Risk Committee, Anglo Gulf Trade Bank, UAE, 2018-2020. – Independent Member, Board Risk Committee, Commercial Bank International PSC, Abu Dhabi, 2016-2019. – Independent Member, Board Credit Committee, Commercial Bank International PSC, Abu Dhabi, 2017-2018. – Wholesale Banking Managing Director & Chief Operating Officer, Standard Chartered PLC, Middle East, North Africa, Pakistan, 2010-2015. – Managing Director, Ingram Group, Middle East, 2008-2009. – Chief Operating Officer and Chief Risk Officer, Barclays Bank PLC, UAE & Middle East, 2006-2008.	– Masters Degree in Leadership Studies, Exeter University, UK, 2000. – Bachelors in Accountancy, Huddersfield Polytechnic, UK, 1990.
5	Brian Byagaba (From outside the Board)	– Head of data and technology governance, Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market (ADGM), Abu Dhabi.	– General Manager, Pattamar, Abu Dhabi, 2019 – 2022. – Senior Manager (CISO), Information Security (IS) at Commercial Bank International (CBI), Dubai, 2016-2019. – Head of Operational Risk & Information Security at Dunia Finance LLC, Dubai, 2015-2016. – Internal Audit Manager at Dunia Finance LLC, Dubai, 2014-2015. – Co-Founder & CEO at Coin It Africa Limited, Uganda, 2014-2016. – Vice President, Corporate & Investment Banking at Barclays Africa Group, Johannesburg, 2012-2014. – Chief Internal Auditor Barclays Mauritius & Seychelles at Barclays Bank PLC, Mauritius, 2010-2012. – Associate Director, Barclays Internal Audit at Barclays Bank PLC, Uganda, 2008-2011.	– MBA, Durham University, England, 2018. – Bachelor of Commerce, Accounting, Makerere University, Uganda, 2003.

(24) Names, qualifications and experience of the Board, Board committees' members and Executive Management: continued
(B) Board Committees' Members: continued
(B/5) Environment, Social and Governance Board Committee:

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

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

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

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

	NAME	EXPERIENCES: CURRENT POSITIONS	EXPERIENCES: PREVIOUS POSITIONS	QUALIFICATIONS
5	Abdulaziz Algudaimi*	– Retired	– Senior vice chairman – Aramco 2015-2022. – Vice chairman – Aramco 2006-2014. – Department Manager – Aramco 1996-2006.	– Master of Business Administration – Sloan Fellowship from the Massachusetts Institute of Technology, 2001. – Bachelor of Engineering – King Fahd University of Petroleum and Minerals, 1983.

* Appointed as a member of the Board of Directors as of 31/01/2023.

(C) Executive Management:

	NAME	CURRENT POSITION	PREVIOUS POSITION	QUALIFICATIONS	EXPERIENCES
1	Bader Alsalloom	Chief Executive Officer	Head of Wholesale Banking – Banque Saudi Fransi	Bachelors of Science, Finance 2004	19 years' experience in Banking sector
2	Ramzy Darwish	Chief Strategy and Finance Officer	Head, Treasury group – Saudi National Bank.	Bachelors of Science in Industrial and Labor Relations – 2005.	18 years' experience in Banking sector
3	Majed Alsadhan	Head of Wholesale Banking	Head of Corporate Banking – Banque Saudi Fransi.	Bachelors of Accounting, King Faisal University, 2004 Masters of Accounting and Finance, Southampton university, 2007	19 years' experience in Banking sector
4	Zuhair Mardam	Chief Treasury and Investment Officer	Head of Global Markets Group – Banque Saudi Fransi	Bachelors of Finance, Prince Sultan University, 2004	19 years' experience in treasury.
5	Mohammad Al Alsheikh	Head of Personal Banking	Head of Branch Network for Retail Banking at Al Rajhi Bank	Bachelor of Industrial Engineering, King Saud University, 2005	18 years' experience in Islamic and Retail Banking
6	Abdulaziz Al-Molhem	Eastern Regional General Manager	Credit Officer of Retail Banking, Regional Director at AlAwwal Bank	Bachelor of Business Administration, Indiana State University, 1983	38 years of experience in banking sector
7	Thamer Yousef	Chief Operating Officer	Head of Information Systems Department at SABB	Bachelor of Computer Engineering, King Saud University, 1994	29 years of experience in IT & Operations
8	May Alhoshan	Chief Human Capital Officer	Director of Human Resources at AlAwwal Bank	Master of Engineering Management – George Washington University, 2004	18 years of experience in Human Resources
9	Abdulmohsen Al-Rayes	Chief Audit Executive	Director of Internal Audit at Arab National Bank	Bachelor of Arabic Grammar, 1981	36 years of experience in the banking sector
10	Yasser Alanssari	Chief Compliance Officer	Director of Compliance Group and anti-money laundering – Gulf International Bank.	Bachelors of Science 2018	19 years' experience in Compliance
11	Abdallah Alshaikh	Chief Legal & Governance Officer, Corporate Secretary	Head of Legal Affairs and Secretary of the Board of Directors at Samba Financial Group	LL.M, Harvard Law School, 2008	20 years of legal experience in several positions in the financial sector

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

	NAME	CURRENT POSITION	PREVIOUS POSITION	QUALIFICATIONS	EXPERIENCES
12	Mutasim Mufti	Chief Risk Officer	Risk Deputy Director – Banque Saudi Fransi	Bachelors of Accounting & Finance 1991. MBA 1993	23 years' experience in Banking sector
13	Turki AlMehaid	Head of Customer care	Senior Business Analyst Private Banking Sector – Bank Saudi Fransi.	Bachelors of Business Administration 2017. Masters in Business Administration 2021.	18 years' experience in Banking sector
14	Michael Cunningham*	Chief Digital & Innovation Officer	Co-Founder & CEO at Clearly Executive Vice President and Head of Group Strategy & Innovation at Abu Dhabi Commercial Bank	Diploma of Business Administration, University of Durham	11 years of banking experience in banking sector

* Resigned on 15/01/2023

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

	MEMBER'S NAME	CURRENT: NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS CURRENT BOARD OF DIRECTORS OR FROM ITS DIRECTORS	CURRENT: INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	CURRENT: LEGAL ENTITY	PREVIOUS: NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS PREVIOUS BOARD OF DIRECTORS OR FROM ITS DIRECTORS	PREVIOUS: INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	PREVIOUS: LEGAL ENTITY
1	Mazin AlRomaih	Future Generation Investment Company	Inside the Kingdom	Limited Liability Company	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company
		Dr. Sulaiman Al Habib Medical Group	Inside the Kingdom	Listed Joint Stock Company	Samba Capital & Investment Management Group	Inside the Kingdom	Joint Stock Company
		Sada Company for Investment	Inside the Kingdom	Limited Liability Company	HSBC Saudi Arabia Limited	Inside the Kingdom	Closed Joint Stock Company
		–	–	–	Al Yammamh Steel Company	Inside the Kingdom	Closed Joint Stock Company
		–	–	–	Food Concepts Ltd.	Inside the Kingdom	Limited Liability Company
		–	–	–	Alissa Holding Group	Inside the Kingdom	Closed Joint Stock Company
2	Talal Al Maiman	Kingdom Holding company	Inside the Kingdom	Listed Joint Stock Company	Savola Group	Inside the Kingdom	Listed Joint Stock Company
		Tasnee Company	Inside the Kingdom	Listed Joint Stock Company	SRMJ	Inside the Kingdom	Closed Joint Stock Company
		NAS Holding Company	Inside the Kingdom	Closed Joint Stock Company	Der' alreayah Health Company	Inside the Kingdom	Closed Joint Stock Company
		Real Estate Investment Company	Inside the Kingdom	Limited Liability Company	Five Capital advisors company (DIFC)	Outside the Kingdom	Private Company
		Kingdom School Company limited	Inside the Kingdom	Limited Liability Company	Trade Center Company	Inside the Kingdom	Limited Liability Company
		Kingdom International School	Inside the Kingdom	Limited Liability Company	–	–	–
		Kingdom Investment and Development Company	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Jeddah Economic Limited Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Kingdom Real Estate Development	Inside the Kingdom	Closed Joint Stock Company	–	–	–

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

	MEMBER'S NAME	CURRENT			PREVIOUS		
		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
2	Talal Al Maiman (continued)	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Dallah Health Care Company	Inside the Kingdom	Listed Joint Stock Company	–	–	–
		Four Seasons Hotel	Inside the Kingdom	Limited Liability Company	–	–	–
		Fly Nas Company	Inside the Kingdom	Closed Joint Stock Company	–	–	–
3	Abdulrahman Al Rashed	Rashed Abdul Rahman Al Rashed & Sons Company	Inside the Kingdom	General Partnership	Al Yamama Investment Company	Inside the Kingdom	Closed Joint Stock Company
		Dhahran Techno Valley Company	Inside the Kingdom	Closed Joint Stock Company	Rashed Al Rashed & Sons Donaldson Company Ltd	Inside the Kingdom	Limited Liability Company
		Al Awael Investment Holding	Inside the Kingdom	Limited Liability Company	Sanad Healthcare Company	Inside the Kingdom	Limited Liability Company
		UNICOIL, Universal Metal Coating Company	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Dammam Hotels Company	Inside the Kingdom	Closed Joint Stock Company	–	–	–
		Beit Al Tawazun Holding Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Company of Crystal Ice Factory	Inside the Kingdom	Limited Liability Company	–	–	–
		Rashed Development Company – RASHEDCO	Inside the Kingdom	Limited Liability Company	–	–	–
		Rashed Alrashed & Partners Commercial Investment Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Rashed Alrashed & Partners Business Development Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Rashed Alrashed & Partners Development & Real Estate Investment company	Inside the Kingdom	Limited Liability Company	–	–	–
		Ibhar Albenaa Real Estate Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Aqar & Amaar Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Alrashed Global United Investment Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Denys Arabia Company	Inside the Kingdom	Limited Liability Company	–	–	–
		Al-Awael Al-Asriya Contracting Company	Inside the Kingdom	Limited Liability Company			

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

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

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

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

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

		CURRENT			PREVIOUS		
	MEMBER'S NAME	NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS CURRENT BOARD OF DIRECTORS OR FROM ITS DIRECTORS	INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	LEGAL ENTITY	NAME OF COMPANY IN WHICH THE BOARD MEMBER IS A MEMBER OF ITS PREVIOUS BOARD OF DIRECTORS OR FROM ITS DIRECTORS	INSIDE THE KINGDOM/ OUTSIDE THE KINGDOM	LEGAL ENTITY
9	Khalid Al Sharif	The Family Office International Investment Company (TFOIIC)	Inside the Kingdom	Closed Joint Stock Company	United Electronics Company (eXtra)	Inside the Kingdom	Listed Joint Stock Company
		Rua Al Madinah Holding Company	Inside the Kingdom	Closed Joint Stock Company	Al Ahli Takaful	Inside the Kingdom	Listed Joint Stock Company
		Arabian Petroleum Supply (APSCO)	Inside the Kingdom	Closed Joint Stock Company	Turkiye Finance Katilim Bankasi	Outside the Kingdom	Closed Joint Stock Company
		–	–	–	Oryx Mutual Funds (Bahrain)	Outside the Kingdom	Investment Fund
		–	–	–	Estgate Company (Dubai)	Outside the Kingdom	Closed Joint Stock Company
10	Abdulaziz Algudaimi*	Vision Invest	Inside the Kingdom	Closed Joint Stock Company	–	–	–

* Appointed as a member of the Board of Directors as of 31/01/2023.

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

		DATE OF MEETINGS						
	MEMBER NAME	FIRST MEETING 28/02/2023	SECOND MEETING 01/03/2023	THIRD MEETING 23/05/2023	FOURTH MEETING 23/09/2023	FIFTH MEETING 12/12/2023	TOTAL	ATTENDANCE PERCENTAGE
1	Mazin Al Romaih	✓	✓	✓	✓	✓	5	100%
2	Talal Al Maiman	✓	✓	✓	✓	✓	5	100%
3	Abdulrahman Al Rashed	✓	✓	✓	✓	✓	5	100%
4	Bader Al Issa	✓	✓	✓	✓	✓	5	100%
5	Abdullatif Al Othman	✓	✓	✓	✓	✓	5	100%
6	Ghazi Al Rawi	✓	✓	✓	✓	✓	5	100%
7	Khalid Al Omran	✓	✓	✓	✓	✓	5	100%
8	Rayan Fayez	✓	✓	✓	✓	✓	5	100%
9	Khalid Al Sharif	✓	✓	✓	✓	✓	5	100%
10	Abdulaziz Algudaimi*	✓	✓	✓	✓	✓	5	100%

* Appointed as a member of the Board of Directors as of 31/01/2023.

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

(27/A) Executive Committee:
The Committee consists of five members, presided by the Board of Directors Chairman, the members enjoy academic and administrative qualification that enable them to perform duties assigned to them. The committee held seven meetings during 2023. The following are the members of the Committee and its meetings during the year:

			DATE OF MEETINGS								
	NAME	TYPE OF MEMBERSHIP	FIRST MEETING 13/02/2023	SECOND MEETING 21/03/2023	THIRD MEETING 15/05/2023	FORTH MEETING 28/05/2023	FIFTH MEETING 04/09/2023	SIXTH MEETING 18/10/2023	SEVENTH MEETING 29/11/2023	TOTAL	ATTENDANCE PERCENTAGE
1	Mazin Al Romaih	Chairman Non-Executive	✓	✓	✓	✓	✓	✓	✓	7	100%
2	Abdulrahman Al Rashed	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	7	100%
3	Talal Al Maiman	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	7	100%
4	Rayan Fayez	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	7	100%
5	Khalid Al Sharif	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	7	100%

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

(27/B) Audit Committee:
The Committee consists of five independent members, presided by an independent member of the Board and most of the members are from outside the Board. The members of the Audit Committee have academic qualifications and professional experience in auditing and risk management, including knowledge of accounting and auditing standards, ability to understand financial reports, in addition to understanding the laws and regulations issued by the competent authorities. The Audit Committee held eight meetings during 2023. The following are the members of the Committee and its meetings during the year:

			DATE OF MEETINGS									
	NAME	TYPE OF MEMBERSHIP	FIRST MEETING 08/02/2023	SECOND MEETING 16/03/2023	THIRD MEETING 03/05/2023	FORTH MEETING 15/05/2023	FIFTH MEETING 23/07/2023	SIXTH MEETING 28/08/2023	SEVENTH MEETING 22/10/2023	EIGHTH MEETING 29/11/2023	TOTAL	ATTENDANCE PERCENTAGE
1	Bader Al Issa	Chairman Independent	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
2	Ghazi Al Rawi	Independent Member	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
3	Mamdoh Al Majed	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
4	Khalid Al Faddagh	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
5	Homood Al Tuwaijri	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓	✓	8	100%

(27) A brief description of the competencies and duties of the committees, indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting: continued
(27/B) Audit Committee: continued
The Audit Committee's members assist the Bank's Board of Directors in fulfilling its oversight responsibility relating to the following:
- Shareholders, potential shareholders, the investment community and others relating to the financial reporting process;
- The system of Internal Controls;
- The audit process;
- The Bank's financial statements;
- Related parties transactions and conflict of interests' cases; and
- The Bank's process for monitoring compliance with applicable laws and regulations and the Code of Conduct.

(27/C) Nominations and Remunerations Committee:
The Committee is composed of five members of the Board of Directors and other specialists. The Committee members enjoy academic and administrative qualifications and variety of experience, which include memberships in Nomination and Remuneration committees, in addition to other experiences that qualify the committee members to carry out their duties and responsibilities, the committee held five meetings during 2023.

			DATE OF MEETINGS						
	MEMBER NAME	TYPE OF MEMBERSHIP	FIRST MEETING 01/01/2023	SECOND MEETING 15/02/2023	THIRD MEETING 16/05/2023	FOURTH MEETING 27/08/2023	FIFTH MEETING 04/12/2023	TOTAL	ATTENDANCE PERCENTAGE
1	Ghazi Al Rawi	Chairman Independent	✓	✓	✓	✓	✓	5	100%
2	Talal Al Maiman	Non-Executive Member	✓	✓	✓	✓	✓	5	100%
3	Abdulrahman Al Rashed	Non-Executive Member	✓	✓	✓	✓	✓	5	100%
4	Khalid Al Omran	Independent Member	✓	✓	✓	✓	✓	5	100%
5	Mansoor Al Mansoor	Member (from outside the Board)	✓	✓	✓	✓	✓	5	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 the points of strength and weakness in the Board of Directors and the Board committees through performance assessments and recommend remedies that are compatible with Banque Saudi Fransi's interests.

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

(27/D) Board Risk Committee:

The Board Risk Committee comprises five members at present, including members of the Board of Directors and other specialists. The committee members hold experience in risk management, academic and practical qualifications that enable them to perform the committee responsibilities and take appropriate decisions, and experience in the financial and administrative affairs, the committee held four meetings during 2023. The Committee's members and meetings during the year are as follows:

			DATE OF MEETINGS					
	NAME	TYPE OF MEMBERSHIP	FIRST MEETING 14/02/2023	SECOND MEETING 17/5/2023	THIRD MEETING 31/08/2023	FOURTH MEETING 22/11/2023	TOTAL	ATTENDANCE PERCENTAGE
1	Abdullatif Al Othman	Chairman Independent	✓	✓	✓	✓	4	100%
2	Khalid Al Omran	Independent Member	✓	✓	✓	✓	4	100%
3	Khalid AlSharif	Non-Executive Member	✓	✓	✓	✓	4	100%
4	Vanessa Eastham Fisk	Member (from outside the Board)	✓	✓	✓	✓	4	100%
5	Brian Byagaba	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:
- Require and review development of strategies, objectives and comprehensive policies for risk management that are consistent with the nature and volume of the Bank's activities, risk profile, risk appetite and risk tolerance for the bank taking into account cyber and technology risks and ensuring that the operationalization of these policies, and regular review & update based on the Bank's internal and external changing factors;
- Require assessment and periodic review of Risk Appetite (acceptable level of risk faced by the Bank) and monitoring to ensure that the Bank does not go beyond such level;
- Require establishment of bank-wide risk measurement methodologies for quantifying risks;
- Require and review management assessment of risks covering credit, market, operational (including technology), cyber /information security, business continuity, fraud, reputational, strategic, AML risk and other material risks;
- Review the adequacy of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP);
- Provide detailed reports to the board on risk exposures and the recommended measures to manage such risks;
- Review periodically the adequacy of the Bank's risk management systems and management's assessment of the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Bank in order to determine areas of inadequacy therein, maintenance of the risk register and recommend appropriate measures;
- Review the organizational structure for risk management and providing recommendations regarding the same before approval by the BoD;
- Review any issues raised by the Audit Committee that may affect the Bank's risk management; and
- Set up a comprehensive Credit Risk Management process including recommending formulation of the Credit Policy.

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

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

The Board of Directors of Banque Saudi Fransi is keen to support the largest possible segment of society and all stakeholders in all fields and to adopt ESG practices, the Board formed ESG Board Committee, in which consists of three members. The Committee held one meeting in 2023. The Committee's members and the meeting attendance record during 2023 are as follows:

			DATE OF MEETING		
	NAME	TYPE OF MEMBERSHIP	FIRST MEETING 30/11/2023	TOTAL	ATTENDANCE PERCENTAGE
1	Abdullatif Al Othman	Chairman Independent	✓	1	100%
2	Bader Al Issa	Independent Member	✓	1	100%
3	Rayan Fayez	Non-Executive Member	✓	1	100%

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

(27/F) Board Strategy Committee:

The Board Strategy Committee consists of five members of the Board of Directors, and the committee members holds academic and administrative qualifications that enable them to perform the duties assigned to them. The Committee held four meetings during 2023. The Committee's members and meetings during the year are as follow:

			DATE OF MEETINGS					
	NAME	TYPE OF MEMBERSHIP	FIRST MEETING 16/02/2023	SECOND MEETING 14/05/2023	THIRD MEETING 29/08/2023	FOURTH MEETING 30/11/2023	TOTAL	ATTENDANCE PERCENTAGE
1	Talal Al Maiman	Chairman Non-Executive	✓	✓	✓	✓	4	100%
2	Bader Al Issa	Independent Member	✓	✓	✓	✓	4	100%
3	Khalid Al Omran	Independent Member	X	✓	✓	✓	3	75%
4	Rayan Fayez	Non-Executive Member	✓	X	✓	✓	3	75%
5	Abdulaziz Algudaimi*	Independent Member	✓	✓	✓	✓	4	100%

* Appointed as a member of Board Strategy Committee as of 19/02/2023.

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

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

A General Assembly Meeting was held during 2023. The following is the attendance report of the meeting:

	NAME	ATTENDANCE RECORD EXTRAORDINARY GENERAL ASSEMBLY MEETING 24/05/2023
1	Mazin Al Romaih (Chairman of the Board and Executive Committee)	✓
2	Talal Al Maiman (Vice Chairman of the Board and Chairman of Board Strategy Committee)	✓
3	Abdulrahman Al Rashed	✓
4	Bader Al Issa (Chairman of the Audit Committee)	✓
5	Abdullatif Al Othman (Chairman of the Board Risk Committee, Chairman of Environment, Social and Governance Board Committee)	✓
6	Ghazi Al Rawi (Chairman of Nomination and Remuneration Committee)	✓
7	Khalid Al Omran	✓
8	Rayan Fayez	✓
9	Khalid Al Sharif	✓
10	Abdulaziz Algudaimi*	✓
Attendance percentage		**100%**

* Appointed as a member of the Board of Directors as of 31/01/2023.

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

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

To ensure compliance with SAMA Banks Remuneration Rules, and to ensure alignment with local and international remuneration best-practices, the Board Nomination and Remuneration Committee (NRC) commissioned an independent recognized third-party to conduct a review of Banque Saudi Fransi's remuneration policy and practices. Accordingly, the NRC and the Board of Directors took into account the outcomes of the assessment when reviewing and approving Banque Saudi Fransi's revised remuneration policies. The scope of this review applies to the remuneration and remuneration practices of the Banque Saudi Fransi's employees and Executive Management.

Remunerations and compensations of the Board of Directors, committees' members and Executive Management are as follows:

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

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

BOARD MEMBERS REMUNERATION (IN THOUSANDS OF SAUDI RIYALS)																	
		FIXED REMUNERATIONS							VARIABLE REMUNERATIONS								
		CERTAIN AMOUNT	ALLOWANCE FOR ATTENDING BOARD'S SESSIONS	TOTAL ALLOWANCE FOR ATTENDING COMMITTEES' SESSIONS	BENEFITS IN KINDS	A STATEMENT OF WHAT MEMBERS OF THE BOARD HAVE RECEIVED AS WORKERS, ADMINISTRATIVE OR AS A RETURN FOR TECHNICAL, ADMINISTRATIVE OR CONSULTING WORK	THE REMUNERATION OF THE CHAIRMAN OF THE BOARD, THE MANAGING DIRECTOR OR THE SECRETARY IF HE IS A MEMBER	TOTAL*	PERCENTAGE OF PROFITS	PERIODIC REMUNERATIONS	SHORT-TERM INCENTIVE PLANS	LONG-TERM INCENTIVE PLAN	GRANTED SHARES (THE VALUE MUST BE INSERTED)	TOTAL	LEAVING INDEMNITY	SUM TOTAL*	EXPENSES ALLOWANCES
First: Independent members:																	
1	Bader Al Issa	420	15	39	–	–	–	474	–	–	–	–	–	–	–	474	–
2	Abdullatif Al Othman	420	15	15	–	–	–	450	–	–	–	–	–	–	–	450	–
3	Ghazi Al Rawi	420	15	39	–	–	–	474	–	–	–	–	–	–	–	474	–
4	Khalid Al Omran	420	15	36	–	–	–	471	–	–	–	–	–	–	–	471	–
5	Abdulaziz Algudaimi*	385	15	12		–	–	412	–	–	–	–	–	–	–	412	–
Total		**2,065**	**75**	**141**	**–**	**–**	**–**	**2,281**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,281**	**–**
Second: Non-executive members:																	
1	Mazin Al Romaih	–	15	21	–	–	3,750	3,786	–	–	–	–	–	–	–	3,786	–
2	Talal Al Maiman	420	15	48	–	–	–	483	–	–	–	–	–	–	–	483	–
3	Abdulrahman Al Rashed	420	15	36				471								471	
4	Rayan Fayez	420	15	33	–	–	–	468	–	–	–	–	–	–	–	468	–
5	Khalid Al Sharif	420	15	33	–	–	–	468	–	–	–	–	–	–	–	468	–
Total		**1,680**	**75**	**171**	**–**	**–**	**3,750**	**5,676**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,676**	**–**
Third: Executive members:																	
1	N/A	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

* Appointed as a member of the Board of Directors as of 31/01/2023.

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

(29/B) Committees' members remunerations:

COMMITTEES' MEMBERS REMUNERATIONS (IN THOUSANDS OF SAUDI RIYALS)					
	COMMITTEES	FIXED REMUNERATIONS (EXCEPT ATTENDING SESSIONS ALLOWANCE)	ALLOWANCE FOR ATTENDING SESSIONS	TOTAL	NOTES
Audit Committee members					
1	Bader Al Issa	–	24	24	
2	Ghazi Al Rawi	–	24	24	
3	Mamdoh Al Majed	200	24	224	
4	Khalid Al Faddagh	200	24	224	
5	Homood Al Tuwaijri	200	24	224	
Total		**600**	**120**	**720**	
Nomination and Remuneration Committee members					
1	Ghazi Al Rawi	–	15	15	
2	Talal Al Maiman	–	15	15	
3	Abdulrahman Al Rashed	–	15	15	
4	Khalid Al Omran	–	15	15	
5	Mansoor Al Mansoor	200	15	215	
Total		**200**	**75**	**275**	
Board Risk Committee members					
1	Abdullatif Al Othman	–	12	12	
2	Khalid Al Omran	–	12	12	
3	Khalid Al Sharif	–	12	12	
4	Vanessa Fisk	200	12	212	
5	Brian Byagaba	200	12	212	
Total		**400**	**60**	**460**	
Executive Committee members					
1	Mazin Al Romaih	–	21	21	
2	Abdulrahman Al Rashed	–	21	21	
3	Talal Al Maiman	–	21	21	
4	Rayan Fayez	–	21	21	
5	Khalid Al Sharif	–	21	21	
Total		**–**	**105**	**105**	
Environment, Social and Governance Board Committee members					
1	Abdullatif Al Othman	–	3	3	
2	Bader Al Issa	–	3	3	
3	Rayan Fayez	–	3	3	
Total		**–**	**9**	**9**	
Board Strategy Committee members					
1	Talal Al Maiman	–	12	12	
2	Bader Al Issa	–	12	12	
3	Rayan Fayez	–	9	9	
4	Khalid Al Omran	–	9	9	
5	Abdulaziz Algudaimi*	–	12	12	
Total		**–**	**54**	**54**	

* Appointed as a member of the Board Strategy Committee as of 19/02/2023.

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

(29/C) Senior Executives remunerations:

REMUNERATIONS OF FIVE SENIOR EXECUTIVES, INCLUDING CEO AND CFO (IN THOUSANDS OF SAUDI RIYALS)												
FIXED REMUNERATIONS				VARIABLE REMUNERATIONS								
SALARIES	ALLOWANCES	IN-KIND BENEFITS	TOTAL	PERIODIC REMUNERATIONS	PROFITS	SHORT-TERM INCENTIVE PLANS	LONG-TERM INCENTIVE PLANS	GRANTED SHARES (INSERT THE VALUE)	TOTAL	END-OF-SERVICE AWARD	TOTAL EXECUTIVES' REMUNERATION FOR THE BOARD, IF ANY*	AGGREGATE
11,138	5,845	247	17,230	–	–	15,500	–	6,390	21,890	0	0	39,120

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
21,067	11,234	508	32,809	–	–	29,591	–	15,089	44,680	2,880	0	80,369

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

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

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

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

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

For the year 2023, the Board of Directors appointed a specialized external party to conduct a comprehensive assessment on the performance and effectiveness of the Board & its relevant committees. The performance evaluation is based on international best practices and by using key performance indicators linked to the extent to which BSF strategic objectives have been achieved, the quality of risk management, efficiency of the internal control systems, corporate governance, board and committees' structure and members experience and skills among other indicators.

The results of the evaluation and related recommendations were presented to the Board of Directors, in order to identify solutions to enhance the effectives of the Board of Directors and its committees.

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

The Bank shall pay adequate attention to the training and preparation of the Board members, and to develop the members skills and knowledge in the fields related to the activities of the Bank, as such a workshop was presented to the members of the Board of Directors on Anti-Money Laundering and Counter Terrorist Financing by Compliance Group in addition to a workshop on Artificial Intelligence Productivity which was presented by a specialized third party.

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

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

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

There was no change in the Joint Auditors for Financial Year FY 2023 and the first quarter of 2024 versus FY2022. The Board of Directors and General Assembly had approved Ernst & Young (EY) & KPMG as the Joint External Auditors of the Bank to perform the quarterly and annual audit of financial statements for FY 2023.

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

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

(36) Declarations of the Board of Directors:

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

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

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

(37) Risk Management:

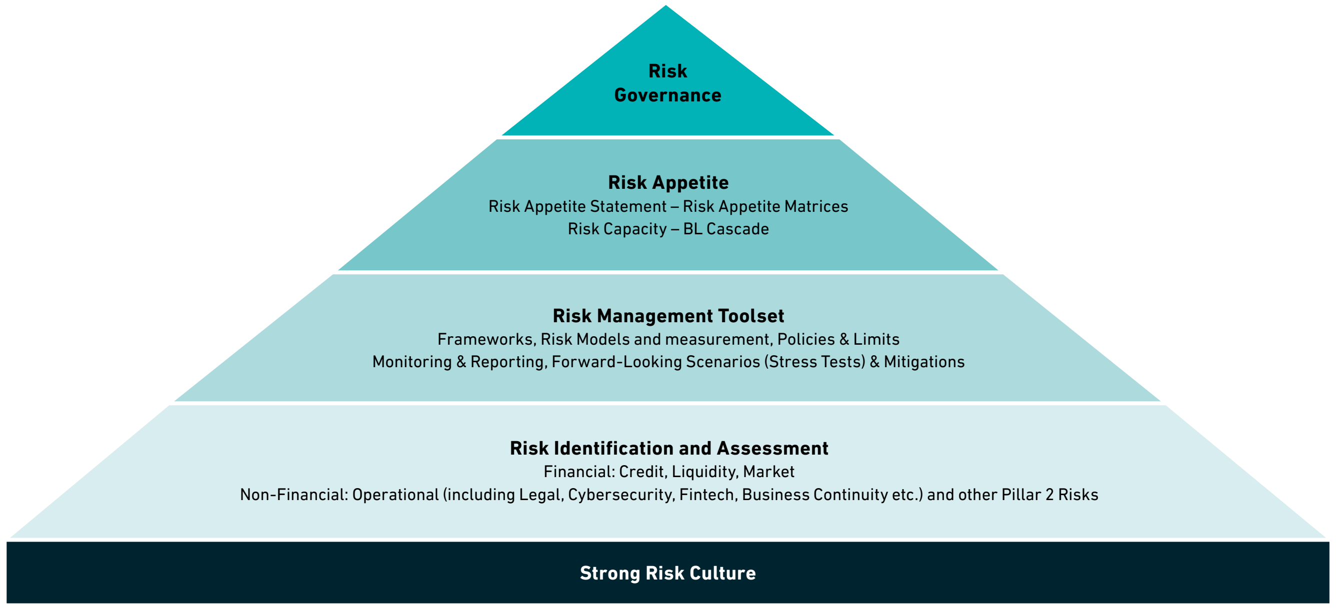
Effective risk management is fundamental to the success and resilience of the Bank and key to the Bank's overall long-term strategy. BSF has a strong, disciplined risk culture where managing risk is a responsibility shared between the three lines of defense: Business Lines and Functions, Risk Management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

(37) Risk Management: continued

Risk Management Framework

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

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



Risk Management Principles

BSF's Risk Management Principles can be summarized as:

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

Risk Governance

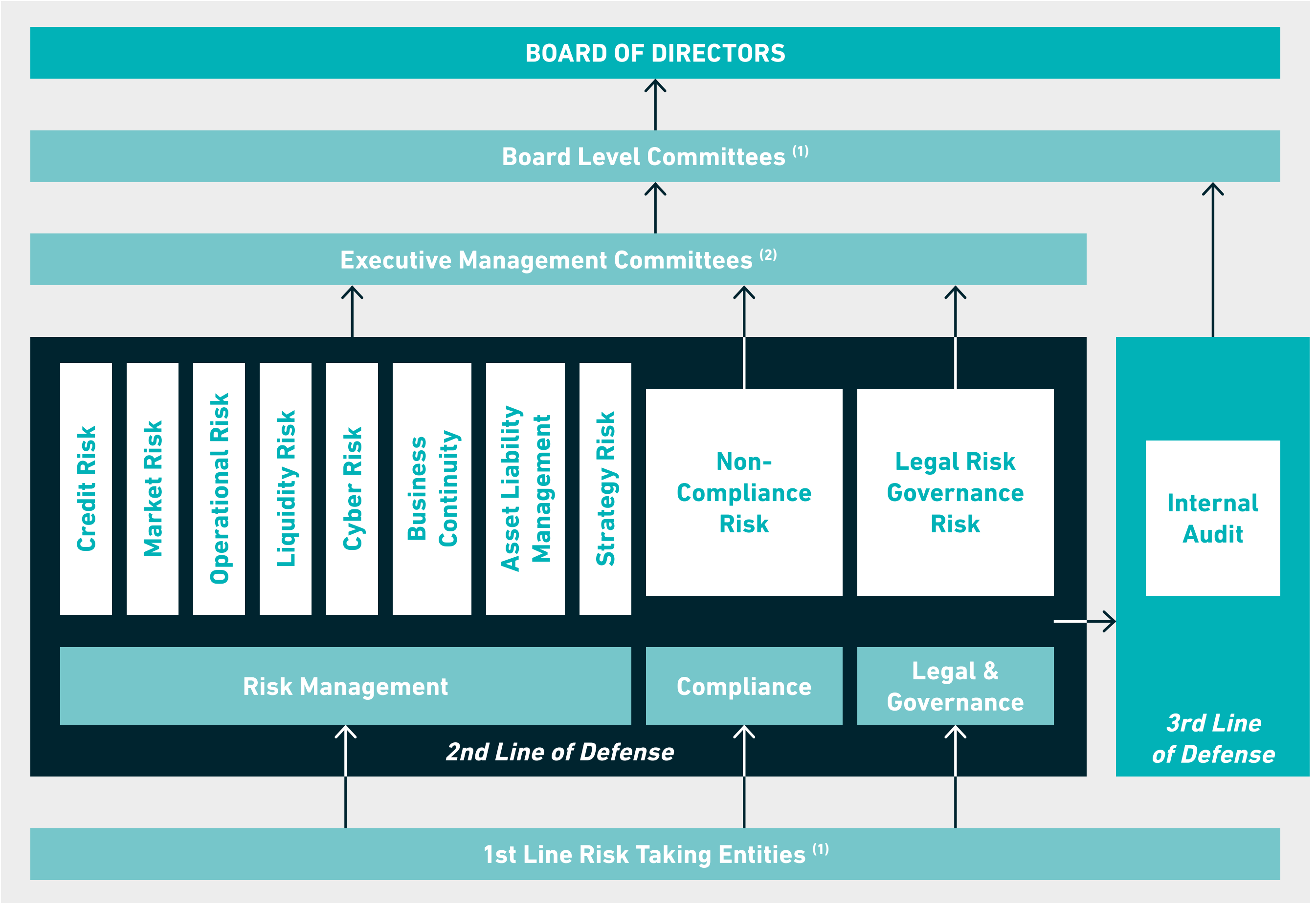
Effective risk management begins with effective risk governance. The Bank has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced executive management team. Its Risk Management framework is predicated on the 3 Lines of Defense model:

- The First Line of Defense (Business lines and functions) incur and owns the risks, ensure that risks generated are identified, assessed, managed with the Risk Appetite and Product policies, in compliance with relevant limits.
- The Second Line of Defense (Risk Management, Compliance and Legal) to establish Risk Appetite, limits, measurement models, frameworks, policies, and assurance practice in accordance with the Risk Management principles, best practices and Regulatory requirements.
- The Third Line of Defense (Audit) provides enterprise-wide independent, objective assurance over the design and operation of the Bank's internal control, risk management and governance processes.

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

(37) Risk Management: continued

Risk Governance Structure



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

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

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

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

A. Risk Appetite, Capital Planning and Regulations:

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

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

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

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

Capital Planning: The Bank showed a degree of sophistication in various aspects of its Balance sheet evolution for its ICAAP and Annual / Semi-Annual Stress Testing scenarios incorporating a Medium-Term Capital and Profitability Plan Business Growth strategy, asset quality and concentration, Funding pattern and non-financial risks with Mitigating Actions. It comprehensively covers Pillar 2 Risks, Basel 3 enhancements and gives the Bank preparedness to plan its strategy and franchise under any market conditions. It was favorably reviewed by SAMA. In addition, BSF successfully developed and submitted a comprehensive Recovery Plan as per the new SIFI Law to SAMA in Q2 23, providing a nuanced understanding of the extremely rare sequence of events and a wider range of feasible Recovery Actions relating to Solvency, liquidity and controls that will obviate these tail outcomes.

Regulatory Initiatives: Basel III Reforms Capital Computations came in effect from January 2023, for which the Bank is deeply committed to its transversal program across Credit, Market and Operation Risks through integration of SAS and Finastra modules to its critical Core Banking Solution. The new regulations represent an overhaul of the framework of Capital Adequacy Ratio (CAR) computation across Risk types and has resulted in an improvement of the CAR, mainly on recognition of a wider variety of collateral and a relatively favorable history of operational losses.

B. Credit Risk Management:

The Bank's credit portfolio is managed in accordance with the 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) comprehensively incorporates industry good practices, regulatory guidelines (e.g. Large Exposures, Related Party and Management of Problem Loans) and business stakeholder expectations. The Risk Rating Standards further enhances guidance on aspects related to Risk Rating and overrides 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.

Key priorities for Credit Risk include:

- Enabling resilient portfolio growth while managing concentration
- Early identification and pro-active exposure management of Problem accounts to reduce Non-Performing Assets in future and ensuring a strong Provision Coverage
- Drive process efficiencies through Corporate Credit Transformation (CCT) initiatives (including knowledge sharing, intensive portfolio and sector reviews, contract monitoring) and reducing Turnaround Time (TAT) for Corporate and Retail. The advances in the Core Banking system has also contributed to this.

In addition, a key initiative this year has been the implementation of the Early Warning Signals (EWS) framework, a SAMA driven initiative, integrated into the Bank's systems through a workflow and analytical tool for efficient operationalization in pro-active Credit decision making and monitoring. This has been successfully implemented in 2023.

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

C. Market Risk Management:

Market risk is the risk that the fair value will fluctuate due to changes in market variables such as interest rates, FX rates and equity prices. BSF classifies market risk exposures into trading, non-trading or banking book. Market risk within the trading and banking book is managed and monitored using various indicators such as VAR, stress testing and sensitivity analyses, on a daily basis. It also performs daily stress testing in order to estimate the potential economic loss based on a defined set of significant changes in market conditions (i.e. extreme adverse market movements).The Bank applies on a daily basis a VAR methodology based on historical rates evolution observed in the market, The Bank has clearly defined policies and procedures related to market risk activities, as well as a comprehensive set of market risk limits (together with loss alerts) for the trading book which are reviewed at least annually, and independently monitored by the dedicated Market Risk department.

The FRTB framework (Standardized Approach) was implemented in Q1 2023 as part of the Basel III Reforms and has increased the capital requirements to some extent owing to the integration of equity investments in funds from subsidiaries.

D. Operational Risk Management:

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

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

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

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

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

A broader scope of Risk Management takes into consideration financial risks, operational risks, and strategic risks via prompting an enhanced risk culture across the Bank where all members share the responsibility of identifying risks and actively participating in the risk management process. A comprehensive refresh of Bank wide Register and update of the Control Testing framework has been successfully achieved in 2023 capturing all material risks. This establishes a central repository of all material risks across processes in the Bank (including subsidiaries), evaluates the potential impact and likelihood and facilitates appropriate Risk Mitigation strategies. The project, initiated in 2022 also continues to enhance the Key Risk Indicators (KRIs).

Furthermore, the Bank has transitioned to Operational risk Capital/Risk Weighted Assets computation by Modified Standardized Approach under Basel 3 Reforms, with capital saves on account of favorable historical Loss Experience.

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

E. Business Continuity Management:

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

BCM Program is sponsored by the Board and managed through one of the Management committees, which is the Risk Management Committee, that meets on a quarterly basis to direct, monitor and ensure BCM lifecycle implementation. In 2023 Business Continuity division has enhanced and leveraged the organization capability with regard of ensuring continuous services in case of major incidents or crisis that disrupting Banque Saudi Fransi normal operations.

Several projects have been implemented covering aspects of technology, power infrastructure, recovery sites, remote access, planning, testing, exercising, and training. Current BSF disaster recovery center hosts critical systems and applications that are necessary to sustain the organizations important functions. Furthermore, BSF has 3 regional recovery sites hosting more than 350 desks, in addition to providing more than 1,260 laptops to key staff for remote access, in order to resume critical daily office functions.

In September 2023, BSF-BCM renewed its ISO-22301 certification for the second year.

F. International Financial Reporting Standards (IFRS):

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

Further, now that the Bank's input processes are automated and policies are well established, a number of improvements were made since 2021. in the estimation of the Risk Components on the IFRS9 technology platform processes and in analytics, The models are regularly validated to keep them fit-for-purpose including YE 2023 thus ensuring precision in IFRS 9 ECL estimates and SAMA's requirements. This includes a close review of Staging Effectiveness and calibration.

The current year's improvements in Analytics include internal Retail LGD Models and their term structures and Retail Macroeconomic Models. Wholesale Macroeconomic Models, Risk Rating models have already been developed & validated meeting SAMA requirements with a full suite of models and Policies and Processes to ensure Rating system effectiveness, It may be mentioned that a close review by Credit Risk Division (with assistance of Risk Strategy) has resulted in a rationalization of the Non-Performing Loan (to Loans & Advances) ratio and consistent improvement in Provision Coverage. BSF thus ensures precision in Provision estimates and a very nuanced Capital Planning and Stress Testing regime, with a positive impact on decision making.

G. Corporate Information Security Division:

In its continuous pursuit for excellence, BSF Board of Directors recognize Cybersecurity as strategic enabler to accomplish corporate mission and achieve business goals, and hence, treat Cybersecurity as high priority. BSF and its Board of Directors are firmly committed to maintain high standards of Cybersecurity over its assets and information. The Vision of Cybersecurity 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 Cybersecurity function at BSF in its steadfast endeavor to transcend the threat of everchanging threat landscapes and risk of emerging technologies has adopted several cybersecurity controls during the year including establishing cybersecurity Cyber & Digital Crimes function and Implementation of user behavioral solution with prevention and detective scenarios in place. Multiple cybersecurity initiatives are adopted during the year to strengthen cybersecurity capabilities for discovering and manage cyber threats and exposures, perform effective incident response, strengthening Cyber Resilience and to influence and drive secure behaviors and culture within the organization.

The Bank has also established the Data Privacy Office in line with the Personal Data Protection Law where cybersecurity together with Data Privacy office provide a powerful set of complementary measures and tools to protect individuals' personal data and their privacy. The organization is committed to safeguarding customers information and so implements rigorous data security standards. BSF is also certified on the latest version of Payment card industry: Data Security Standard V4.0 and ISO 27001:2013.

The cybersecurity Function at BSF with its adoption of executive mandates for cybersecurity, strong governance structure, security strategy, security processes, compliance to National and international cybersecurity regulations, standards and framework, ensuring robust cybersecurity and privacy measures is supplementing BSF efforts in meeting their environmental, social, and governance (ESG) targets.

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

G. Corporate Information Security Division: continued

The components of Cybersecurity include the following:

- **Cybersecurity Leadership:** Cybersecurity in BSF is an independent entity under Risk Management Group and managed by Senior Level Executive – Chief Information Security Officer (CISO) who is responsible for establishing and maintaining the enterprise vision, strategy, and program on cybersecurity. The BSF Cybersecurity Governance Committee consisting of Group Heads from all relevant Groups who support the overall cybersecurity governance in BSF. Cybersecurity inputs are also provided to Management & Board committees.
- **BSF Cybersecurity Strategy:** BSF Board of Directors have approved the four years Cybersecurity 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 cybersecurity and hence have established, approved and implemented Cybersecurity policies, procedures, baselines and standards to ensure alignment with industry best practices and national and international security standards and regulation.
- **Cybersecurity Governance Function:** BSF Corporate Information Security Division is staffed with qualified resources to fulfill the cybersecurity responsibilities. Ensuring that detailed security standards and procedures are established, delivering risk-based cybersecurity solutions that address people, process and technology and cybersecurity solutions in a business context. BSF has also adopted strategy to attract and retain the best talents in Cybersecurity 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 cybersecurity expertise.
- **Security Awareness program for staff, customers & Third Parties:** 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 customers & third parties. Periodic phishing exercise, other awareness drills, and targeted training are carried out to influence and drive secure behaviors and culture within the organization
- **Risk Management Framework:** BSF Corporate Information Security Division adopts a risk-based approach to manage Cybersecurity risk to detect, analyze, evaluate, communicate and mitigate cybersecurity risk.
- **Continuous Compliance program:** BSF Corporate information Security Division maintains a continuous compliance status against Payment Card Industry Data Security Standard (PCI DSS) certification – the rigorous data security standards that BSF applies in protecting customers' information, reducing credit card fraud and thereby enhancing customer confidence. Corporate Information Security has also robust methodologies to ensure compliance with mandates of SAMA Cybersecurity Framework, SAMA Counter Fraud Framework, SAMA Cyber Threat Intelligence Principles, mandates from National Cybersecurity Authority and compliance to SWIFT Customer Security Framework.
- **24/7 Cybersecurity 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.
- **Cyber & Digital Crime:** Dedicated function is established under cybersecurity to support the Anti-Fraud function of BSF and is staffed with skilled and trained staff and supported with technologies including the implementation of user behavioral solution with prevention and detective scenarios in place.
- **Cyber Resilience:** Cybersecurity adopts a forward learning approach where security testing is conducted proactively to ensure the security investments are effective and providing assurance to regulatory requirements.
- **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

H. Real Estate Finance Risk:

The Bank's total outstanding residential real estate finance portfolio as of 31 December 2023 was SAR 15,439 Million. The Bank has developed adequate policies and procedures to ensure that the appropriate insurance coverage is in place to hedge against potential financial losses associated with residential real estate portfolio. However, risk elements which are not part of the insurance coverage are dealt with according to the Bank's internal risk management framework.

Following are the different types of insurance covers that the Bank has utilized to hedge various risks associated with its residential real estate finance portfolio.

(i) Life Insurance: The life insurance provides financial protection in the event of death resulting from natural or accidental events or specified cause as per the insurance policy in order to recover the outstanding finance amount from insurance company.

(ii) Disability Insurance: The disability insurance provides financial protection to recover the outstanding financing amount in the event that the policyholder becomes fully and permanently disabled and is unable to work or engage in an income earning activity.

(iii) Property Insurance: Property insurance provides coverage for physical damage or loss to the property caused by events such as fire, flood, or natural disasters etc. This is aimed to mitigate the financial impact of property damage, allowing the Bank to recover the costs due to unexpected / unforeseen events.

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

A. Internal Control Framework (ICF):

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

The Bank has an Internal Control Policy, intended to strengthen the governance of Internal Control processes and operations in accordance with systems and controls framework set-out in the Bank's Corporate Governance Manual, approved by the Board of Directors and guidelines on Internal Controls, issued by the Saudi Central Bank (SAMA).

This policy sets out key internal control objectives and principles for BSF as well as duties of the Board, the Board's Audit Committee, the Board Risk Committee, Executive Management and related management committees and control functions; Risk Management, Compliance, Internal Audit and other functions of BSF. The policy also sets the role of the External Auditors within the parameters of BSF control framework.

The Board and its Committees are independent from Management, and are responsible for providing oversight for the development and performance of internal controls. The Board approves and oversees the implementation of the bank's overall risk strategy including risk appetite, risk tolerance and policies relating to risk management, compliance, compensation, code of conduct, related party transactions and corporate governance.

The Executive Management at Banque Saudi Fransi is responsible for the implementation and effectiveness of the internal control environment, in line with the directives of the Saudi Central Bank (SAMA), other regulatory bodies 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. Business units are accountable and fully responsible for managing risks in their respective areas of activity as the first line of defense while other control functions i.e. Risk Management Group, Compliance Group, Legal and Governance Group, Human Resources Group and Finance Group play the role of the second line of defense.

Internal Audit (the third line of defense) provides a reasonable assurance, based on the highest level of independence and objectivity, on the effectiveness of governance, risk management and internal controls. Moreover, the Board of Directors, through the Board Audit Committee are provided with periodic reports that clarify the level of effectiveness of the internal control environment.

B. Internal Audit Group (IAG):

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

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

C. Compliance Group (CPG):

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

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

Being a 2nd Line of Defense (LoD) function, Compliance group has a key role and is an effective contributor in achieving the strategic mission and objectives of the Bank. Significant emphasis had been placed to further support the financial technologies for banking operations and simultaneously enhance the overall Compliance Program (i.e. Compliance policies, processes, tools and skill set) to implement the guidelines, regulations, and rules received from the regulatory bodies throughout the year. This is achieved by close monitoring of the business activities and its adherence to the regulations and internal controls requirements.

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

C. Compliance Group (CPG): continued

Among others, one of the focus areas of the Compliance Group is to continuously contribute to an effective and efficient internal control framework within the Bank. The integrity, accuracy and transparency are the fundamental pillars of our framework, to not only reduce the financial crimes and anti-money laundering & fraud risks, but also to meet and exceed the level of compliance, soundness of financial transactions, and implementation of the regulatory requirements, principles and initiatives of the Saudi Central Bank and the regulatory bodies in the Kingdom.

Anti-Money Laundering and Terrorist Financing & Suspicious Transactions

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

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

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

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

D. Risk Management Group (RMG):

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

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

E. Results of reviewing the effectiveness of internal controls:

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

The Audit Committee reviews, on quarterly basis, reports related to the Bank's internal control, issued by the Internal Audit and Compliance Groups.

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

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

The Bank-in general-complies with all regulations and instructions issued by regulatory authorities on governance, such as the Key Principles of Governance in Financial Institutions operating in the Kingdom of Saudi Arabia issued by the Saudi Central Bank, the Corporate Governance Regulations issued by the Capital Markets Authority, and the Companies Law issued by the Ministry of Commerce. The Bank affirms that it continues to 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 accordance with the highest professional standard and best practices to keep abreast of any developments and to ensure the implementation of effective governance in all the Bank's businesses

In alignment with the Bank dedication to Environmental, Social, and Governance (ESG) principles, in 2023 BSF received the approval for its ESG Policy Framework from the General Assembly which revolves around the key pillars that defines the focus areas which are aligned with the material issues selected for BSF as part of the materiality assessment. As part of our commitment, BSF continues to disclose ESG reports, which highlights our achievements to assure our shareholders and stakeholders our commitment to this journey.

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

The Principles of Conduct and Business Ethics document of Banque Saudi Fransi has been aligned to comply with SAMA's Instructions 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 Board of Director is to ensure the implementation of its Code of Conduct and Professional Ethics and to monitor and control any violations thereof. If the Bank employees do not adhere to these principles, the necessary measures will be taken and penalties shall be imposed in accordance with the internal work regulations and penalties of Banque Saudi Fransi.

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

Details of the bank's social contributions:

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

BSF thrives to expand the role of corporate social responsibility to maintain a sustainability mindset. By achieving these strategic goals, we believe we have created the necessary foundations to advance BSF's sustainability agenda and position the Bank to effectively support the objectives of Vision 2030, as well as the United Nations Sustainable Development Goals. 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 2023, the bank has conducted several CSR initiatives involving raising awareness about the country's national donation platform "Ehsan" as well as international fund raising for the King Salman Humanitarian Aid and Relief Center via the platform "Sahem".

We have also offered discounts and rates for our special needs customers called Purple Saturday. Offer was from 29 July to August 31st as well as other CSR related activities progressing to 2024.

BSF participation in 2023:

PROGRAM NAME
The Saudi National Platform for Charitable Work "Ehsan".,
Universities Student visits to the bank in collaboration with Al Nahda non-profit organization
Sponsorship of educational labs for Madac non-profitable academy (ongoing)
Fund raising for the King Salman Humanitarian Aid and Relief Center via the platform "Sahem"
Purple Saturday Initiative (offering special discount on products for people with disabilities)

Government related initiatives:

Saudi Export and Import Bank
- Banque Saudi Fransi signed a guarantees program agreement with Saudi Export and Import Bank "Exim" to finance the Saudi Exporter. The EXIM Guarantee program support exporting Saudi products, Saudi services and execution contracts for Saudi Companies
- Banque Saudi Fransi signed a Memorandum of Understanding with Saudi Export and Import Bank "Exim ". The MoU aims to support Non-Oil exports activities

Associations Support Fund
- Banque Saudi Fransi signed a cooperative framework agreement with Associations Support Fund "ASF". The framework agreement is passing a portion of BSF donations to the targeted associations through ASF.

King Salman Humanitarian and Relief Center
- As part of Banque Saudi Fransi strategic relation with ksrelief, we have participated in ksrelief initiatives by sponsoring:
- Parent Insurance Program.
- Welcoming kit to the newly onboarded employees.
- Walaa program.
- Participating in Sudan campaign.
- Sponsoring Riyadh International Humanitarian Forum.

Um AlQura University "UQ"
- As a part of the strategic relation between Banque Saudi Fransi and Um AlQura University. BSF participated in UQ activities by sponsoring:
- The 22nd scientific forum for Haj, Umrah and visit Research.
- The graduation ceremony for the year of 2023.
- The profession forum hosted by UQ as a diamond sponsor.

Social Development Bank "SDB"
- BSF have participated in sponsoring Empretec International Forum as a Platinum sponsor organized by SDB.

General Food Security Authority "GFSA"
- BSF have participated in the awareness campaign organized by GFSA regarding food waste by Media contribution through BSF's digital channels.

(43) Communication with shareholders:

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

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

	SHARE BOOK DATE	REQUEST REASONS
1	31/12/2023	Companies Procedures
2	14/12/2023	Other
3	12/12/2023	Other
4	06/11/2023	Companies Procedures
5	28/09/2023	Other
6	07/08/2023	Dividends file
7	30/06/2023	Other
8	19/06/2023	Other
9	24/05/2023	General Assembly
10	28/05/2023	Dividends file
11	18/05/2023	Other
12	30/03/2023	Other
13	09/03/2023	Other
14	05/01/2023	Other
15	29/12/2022	Other

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

FINANCIAL STATEMENTS

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banque Saudi Fransi (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, which include material accounting policies 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional 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 2023, the gross loans and advances of the Group were SAR 182 billion against which an expected credit loss ("ECL") allowance of SAR 2.6 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. The key areas of judgement include: 1. Categorisation of loans and advances into Stage 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. 2. Assumptions used in the ECL model for determining the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including but not limited to assessment of financial condition of counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages. Application of these judgements and estimates, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2023. *Refer to the summary of significant accounting policy note 3 (H) for the impairment of financial assets; note 2 (e) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to ECL losses on financial assets and the impairment assessment methodology used by the Group; note 7 which contains the disclosure of impairment against loans and advances; and note 33 (c) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	– We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy and model methodology. – We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. – We assessed the design and implementation, and tested the operating effectiveness of the key controls (including Information Technology ("IT") general and application controls) over: • the ECL model, including governance over the model, and any model updates during the year, including approval of credit and impairment committee of key inputs and assumptions; • the classification of loans and advances into stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures; • the IT systems and applications underpinning the ECL model; and • the integrity of data inputs into the ECL model. – For a sample of customers, we assessed: • the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information; • management's computations for ECL; and • for selected loans and advances, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment. – We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio. – We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions. – We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2023. – 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. We assessed the adequacy of disclosures in the consolidated financial statements.
Valuation of derivative financial instruments	
As at 31 December 2023, the positive and negative fair value of derivatives held by the Group amounted around SAR 5.6 billion and SAR 5.9 billion, respectively. The Group has entered into various derivative transactions, including commission rate swaps, commission rate futures and options, forward foreign exchange contracts, currency options and others. The valuation of these derivative contracts are subjective as it takes into account a number of assumptions and model calibrations. 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. *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 (J) for the accounting policy relating to derivative financial instruments and hedge accounting; and note 11 which discloses the derivative positions as at the reporting date.*	– We assessed the design and implementation, and tested the operating effectiveness, of the key controls over management's process for valuation of derivatives and hedge accounting, including the testing of relevant automated controls covering the fair valuation process for derivatives. – We selected a sample of derivatives and: • Matched 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 reperform valuations of the derivatives and compared the result with management's valuation; • Involved our specialists to assist us to reperforming the hedge effectiveness test and compared the results with management's results.; and 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

Other Information included in the Bank's Annual Report
Management is responsible for the other information in the Group's annual report. Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia, and the Bank's By-Laws, and for such internal control as management determines 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Audit Committee, is 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, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements
Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulation 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.

Ernst & Young Professional Services	KPMG Professional Services
Rashid S. Roshod Certified Public Accountant License Number 366	**Dr. Abdullah Hamad Al Fozan** Certified Public Accountant License Number 348

3 Sha'ban 1445H
(13 February 2024)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 AND 2022

SAR '000	NOTES	2023	2022
ASSETS			
Cash and balances with SAMA	4	10,558,759	11,325,586
Due from banks and other financial institutions, net	5	4,113,165	4,795,111
Investments, net	6	48,467,289	44,517,549
Positive fair value of derivatives	11	5,658,824	6,582,980
Loans and advances, net	7	179,391,223	159,011,525
Investment in associate, net	8	9,695	9,695
Property, equipment and right of use assets, net	9	2,038,231	1,739,307
Other real estate, net		343,359	342,050
Other assets, net	10	2,802,304	3,754,316
Total assets		253,382,849	232,078,119
LIABILITIES AND EQUITY			
Liabilities			
Due to SAMA	12	5,065,895	8,004,403
Due to banks and other financial institutions	13	13,879,375	8,766,039
Customers' deposits	14	172,208,983	157,592,320
Negative fair value of derivatives	11	5,985,332	7,383,707
Debt securities and term loans	15	8,634,026	4,515,254
Other liabilities	16	6,488,017	7,071,071
Total liabilities		212,261,628	193,332,794
Equity			
Share capital	17	12,053,572	12,053,572
Statutory reserve	18	12,053,572	12,053,572
General reserve	18	982,857	982,857
Other reserves	19	(1,423,083)	(2,090,067)
Retained earnings		11,428,181	9,768,005
Proposed dividend	28	1,197,738	1,079,633
Treasury shares	38	(171,616)	(102,247)
Equity attributable to the shareholders of the Bank		36,121,221	33,745,325
Tier 1 Sukuk	20	5,000,000	5,000,000
Total equity		41,121,221	38,745,325
Total liabilities and equity		253,382,849	232,078,119

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

SAR '000	NOTES	2023	2022
Special commission income	22	13,218,031	8,307,199
Special commission expense	22	5,382,834	1,880,646
Net special commission income		7,835,197	6,426,553
Fee and commission income	23	1,491,777	1,423,040
Fee and commission expense	23	577,102	526,179
Net fee and commission income		914,675	896,861
Exchange income, net		455,222	474,684
Trading income, net	24	114,016	201,748
Dividend income		15,213	13,397
(Losses) / gains on FVOCI / non-trading investments, net		(16,260)	3,524
Other operating income	25	5,931	508
Total operating income		9,323,994	8,017,275
Salaries and employee related expenses	31	1,741,583	1,494,960
Rent and premises related expenses		67,464	73,122
Depreciation and amortization	9	250,658	221,428
Other operating and general and administrative expenses	26	962,001	864,065
Total operating expenses before impairment charge		3,021,706	2,653,575
Impairment charge for expected credit losses on loans and advances, net	7d	1,668,817	1,363,944
Impairment reversal for investments, financial assets and others, net	7e	(74,362)	(4,147)
Total operating expenses, net		4,616,161	4,013,372
Net income for the year before Zakat		4,707,833	4,003,903
Zakat for the year	29	485,100	428,773
Net income for the year		4,222,733	3,575,130
Basic and diluted earnings per share (SAR)	27	3.33	2.79

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

SAR '000	NOTES	2023	2022
Net income for the year		**4,222,733**	3,575,130
Other comprehensive income/(loss):			
Items that cannot be recycled back to consolidated statement of income in subsequent periods			
Movement in Equity instruments at fair value through other comprehensive income			
Net change in the fair value	19	**29,099**	(107,100)
Actuarial (loss) / gain on defined benefit plans	19	**(4,662)**	9,349
Items that can be recycled back to consolidated statement of income in subsequent periods			
Debt instruments at fair value through other comprehensive income			
Net change in the fair value	19	**180,990**	(750,554)
Net change in ECL	19	**(99)**	3,207
Loss / (income) transferred to consolidated statement of income	19	**6,650**	(3,524)
Cash flow hedge			
Net change in the fair value	19	**(364,058)**	(1,372,295)
Loss / (income) transferred to consolidated statement of income	19	**819,064**	(97,857)
Total other comprehensive income / (loss) for the year		**666,984**	(2,318,774)
Total comprehensive income for the year		**4,889,717**	1,256,356

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

						OTHER RESERVES							
SAR '000	NOTES	SHARE CAPITAL	STATUTORY RESERVE	GENERAL RESERVE	RETAINED EARNINGS	FVOCI	ACTUARIAL GAIN/ (LOSS) ON DEFINED BENEFIT PLANS	CASH FLOW HEDGE	PROPOSED DIVIDEND	TREASURY SHARES	TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS	TIER 1 SUKUK	TOTAL EQUITY
2023													
Balance at the beginning of the year		**12,053,572**	**12,053,572**	**982,857**	**9,768,005**	**(850,259)**	**11,080**	**(1,250,888)**	**1,079,633**	**(102,247)**	**33,745,325**	**5,000,000**	**38,745,325**
Net income for the year		–	–	–	**4,222,733**	–	–	–	–	–	**4,222,733**	–	**4,222,733**
Net change in the fair value	19	–	–	–	–	**209,990**	–	**(364,058)**	–	–	**(154,068)**	–	**(154,068)**
Actuarial loss		–	–	–	–	–	**(4,662)**	–	–	–	**(4,662)**	–	**(4,662)**
Net amount transferred to consolidated statement of income	19	–	–	–	–	**6,650**	–	**819,064**	–	–	**825,714**	–	**825,714**
Total comprehensive income for the year		–	–	–	**4,222,733**	**216,640**	**(4,662)**	**455,006**	–	–	**4,889,717**	–	**4,889,717**
Final dividend paid for 2022	28	–	–	–	–	–	–	–	**(1,079,633)**	–	**(1,079,633)**	–	**(1,079,633)**
Interim dividend paid for 2023	28	–	–	–	**(1,140,213)**	–	–	–	–	–	**(1,140,213)**	–	**(1,140,213)**
Proposed final dividend 2023	28	–	–	–	**(1,197,738)**	–	–	–	**1,197,738**	–	–	–	–
Tier 1 Sukuk related cost		–	–	–	**(224,606)**	–	–	–	–	–	**(224,606)**	–	**(224,606)**
Net change in treasury shares	38	–	–	–	–	–	–	–	–	**(69,369)**	**(69,369)**	–	**(69,369)**
Balance at the end of the year		**12,053,572**	**12,053,572**	**982,857**	**11,428,181**	**(633,619)**	**6,418**	**(795,882)**	**1,197,738**	**(171,616)**	**36,121,221**	**5,000,000**	**41,121,221**
2022													
Balance at the beginning of the year		12,053,572	12,053,572	982,857	8,398,887	7,712	1,731	219,264	1,019,956	(51,881)	34,685,670	5,000,000	39,685,670
Net income for the year		–	–	–	3,575,130	–	–	–	–	–	3,575,130	–	3,575,130
Net change in the fair value	19	–	–	–	–	(854,447)	–	(1,372,295)	–	–	(2,226,742)	–	(2,226,742)
Actuarial gain		–	–	–	–	–	9,349	–	–	–	9,349	–	9,349
Net amount transferred to consolidated statement of income	19	–	–	–	–	(3,524)	–	(97,857)	–	–	(101,381)	–	(101,381)
Total comprehensive income for the year		–	–	–	3,575,130	(857,971)	9,349	(1,470,152)	–	–	1,256,356	–	1,256,356
Final dividend paid for 2021	28	–	–	–	–	–	–	–	(1,019,956)	–	(1,019,956)	–	(1,019,956)
Interim dividend paid for 2022	28	–	–	–	(901,488)	–	–	–	–	–	(901,488)	–	(901,488)
Proposed final dividend 2022	28	–	–	–	(1,079,633)	–	–	–	1,079,633	–	–	–	–
Tier 1 Sukuk related cost		–	–	–	(224,891)	–	–	–	–	–	(224,891)	–	(224,891)
Net change in treasury shares	38	–	–	–	–	–	–	–	–	(50,366)	(50,366)	–	(50,366)
Balance at the end of the year		12,053,572	12,053,572	982,857	9,768,005	(850,259)	11,080	(1,250,888)	1,079,633	(102,247)	33,745,325	5,000,000	38,745,325

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

SAR '000	NOTE	2023	2022
OPERATING ACTIVITIES			
Net income for the year before zakat		**4,707,833**	4,003,903
Adjustments to reconcile net income before zakat to net cash generated from / (used in) operating activities:			
Accretion of discounts on investments not held as FVSI, net		**62,581**	209,980
Loss / (gain) on FVOCI		**16,260**	(3,524)
Depreciation and amortization	9	**250,658**	221,428
(Gain) / loss on disposal of property, equipment and right of use assets, net		**(124)**	37
Impairment charge for expected credit losses on loans and advances	7d	**1,798,293**	1,548,321
Impairment reversal for investments, financial assets and others, net	7e	**(74,362)**	(4,147)
Long term incentive scheme provision		**46,544**	26,053
Reversal of provision for other real estate		**–**	(9,356)
Operating income before changes in operating assets and liabilities		**6,807,683**	5,992,695
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA	4	**(304,138)**	(474,922)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**(924,711)**	(955,928)
Investments held as FVSI, trading		**(153,193)**	141,251
Loans and advances		**(22,177,991)**	(12,668,781)
Other assets		**2,329,612**	(4,723,199)
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		**2,174,828**	(7,209,758)
Customers' deposits		**14,616,663**	15,642,112
Other liabilities		**(1,643,275)**	4,714,217
		725,478	457,687
Zakat paid		**(654,539)**	(858,390)
Net cash generated from / (used in) operating activities		**70,939**	(400,703)
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment not held as FVSI		**21,724,894**	7,902,341
Purchase of investments not held as FVSI		**(25,391,959)**	(9,741,926)
Purchase of property and equipment and RoU	9	**(549,695)**	(375,699)
Proceeds from sale of property and equipment		**237**	690
Net cash used in investing activities		**(4,216,523)**	(2,214,594)
FINANCING ACTIVITIES			
Issuance of debt securities and term loans	15	**4,125,000**	4,500,000
Dividends paid	28	**(2,219,846)**	(1,921,444)
Payment of lease liability		**(98,072)**	(101,322)
Tier 1 sukuk related cost		**(224,606)**	(224,891)
Purchase of treasury shares		**(115,913)**	(66,231)
Net cash from financing activities		**1,466,563**	2,186,112
Decrease in cash and cash equivalents		**(2,679,021)**	(429,185)
Cash and cash equivalents at the beginning of the year		**5,797,919**	6,227,104
Cash and cash equivalents at the end of the year	30	**3,118,898**	5,797,919
Special commission received during the year		**12,627,492**	7,507,523
Special commission paid during the year		**4,746,479**	1,310,093
Supplemental non-cash information			
RoU assets		**86,529**	70,614
Lease liability		**27,548**	24,254
Net changes in fair value and transfers to consolidated statement of income	19	**666,984**	(2,318,774)

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. General
Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 04, 1977). The Bank formally commenced its activities on Muharram 01, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 04, 1410H (corresponding to September 05, 1989), through its 82 branches (2022: 82 branches) in the Kingdom of Saudi Arabia, employing 3,154 people (2022: 3,105 people).

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

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

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

The Bank formed a subsidiary Sur Multi Family Office Limited registered in United Kingdom having 100% share in equity. The objective of this subsidiary is to provide a wide range of wealth management services to BSF's high net worth clients and their families.

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

2. Basis of preparation
a) Statement of compliance
These consolidated financial statements of the Group as at and for the year ended December 31, 2023 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed 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.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association / By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Bank shall present the amended Articles of Association / By-Laws to the shareholders in their General Assembly meeting for their ratification.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

2. Basis of preparation continued

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.

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:

(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 Group'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 Group's internal credit grading model, which assigns Probability of Default (PD) to the individual grades
   - The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
   - The segmentation of financial assets when their ECL is assessed on a collective basis
   - Development of ECL models, including the various formulas, and
   - Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

ii) Fair value measurement (note 36)

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

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

v) Determination of control over investees

vi) Depreciation and amortization

vii) Defined benefit plan

viii) Government grant (note 12)

3. Summary of material accounting policies

The material 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, 2022. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 01, 2023 replacing, amending or adding to the corresponding accounting policies set out in 2022 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 annual reporting period beginning on January 01, 2023 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
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	January 01, 2023
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.	January 01, 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.	January 01, 2023
Amendment to IAS 12 – International tax reform – pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	January 01, 2023
Amendments to IAS 8	Definition of accounting estimates	January 01, 2023

New Standards not yet effective

STANDARD, INTERPRETATION, AMENDMENTS	DESCRIPTION	EFFECTIVE DATE
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 01, 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

3. Summary of significant accounting policies continued

STANDARD, INTERPRETATION, AMENDMENTS	DESCRIPTION	EFFECTIVE DATE
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 01, 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 01, 2024
IFRS S1 & IFRS S2, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 01, 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Available for optional adoption/ effective date deferred indefinitely

3.2 Accounting policies

A. Basis of consolidation

The consolidated financial statements comprise 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 (JB), Sakan real estate financing, Sofinco Saudi Fransi, BSF Markets Limited, BSF Finance Limited, Saudi Fransi Digital Ventures and Sur Multi Family Office. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

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

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

Specifically, the Group controls an investee if and only if the Group has:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other voting holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights granted by equity instruments such as shares

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- 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 2023	OWNERSHIP INTEREST 2022
Saudi Fransi Capital (SFC)	Kingdom of Saudi Arabia	**100%**	100%
Saudi Fransi for Finance Leasing (JB)	Kingdom of Saudi Arabia	**100%**	100%

Apart from the above subsidiaries, the Bank also owns Saudi Fransi Insurance Agency, Sakan Real Estate Financing, Sofinco Saudi Fransi, BSF Markets Limited, BSF Finance Limited, Saudi Fransi Digital Ventures, and Sur Multi Family Office having 100% share in equity. BSF Markets Limited and BSF Finance Limited are incorporated in the Cayman Islands. Sofinco Saudi Fransi, Saudi Fransi Insurance Agency and Sakan Real Estate Financing have no material impact on the Group financial statements.

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

B. 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 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 Bank's share of net assets of the associate, less any impairment in the value of individual investments. The Bank's shares of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Bank's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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3. Summary of significant accounting policies continued

The statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains on transactions are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Group's share of profit of an associate is shown on the face of the statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of income.

When the Bank ceases to equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount 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.

C. Classification of financial assets

On initial recognition, a financial asset is classified into following categories: amortized cost, FVOCI or FVSI.

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVSI:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Asset at Fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVSI:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in consolidated statement of income.

Equity Instruments: On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at Fair value through statement of income (FVSI)

All financial assets not classified as measured at amortised cost or FVOCI are classified at FVSI.

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

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

Business model assessment

The Group 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 Group'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 Group'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 Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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 Group considers:
- contingent events that would change the amount and timing of cash flows
- leverage features
- prepayment and extension terms
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements) and
- features that modify consideration of the time value of money e.g. periodical reset of interest rates.

Designation at FVSI

At initial recognition, the Group has designated certain financial assets at FVSI.

Reclassification

Reclassification of financial assets is warranted when business model for managing financial assets is changed.

The following are not considered to be changes in business model:
- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- A temporary disappearance of a particular market for financial assets; or
- A transfer of financial assets between parts of the Groups's assets with different business models.

Conditions for reclassification of financial assets

Reclassifications are expected to be infrequent. Such changes must be determined by the Group's senior management and approved by the Board Executive Committee as a result of external or internal changes and must be significant to Group's operations and demonstrable to external parties. Accordingly, a change in Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group acquires, disposes of or terminates a business line.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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3. Summary of significant accounting policies continued

Timing of reclassification of financial assets

If the Group reclassifies financial assets, it is required to apply the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in reclassification. On reclassification, all previously recognized gains, losses (including impairment gains or losses) or profits are not restated. A change in the objective of the Group's business model must be affected before the reclassification date.

Financial assets reclassification impact

FROM	TO	REQUIREMENT
Amortized Cost	FVSI	Measure fair value at reclassification date and recognize difference between fair value and Amortized Cost in statement of income
Amortized Cost	FVOCI	Measure fair value at reclassification date and recognize any difference in OCI
FVOCI	Amortized Cost	Cumulative gain or loss previously recognized in OCI is removed from equity and applied against the fair value of the financial asset at the reclassification date
FVOCI	FVSI	Asset continues to be recognized at fair value and the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to statement of income
FVSI	Amortized Cost	Fair value at the reclassification date becomes the new gross carrying amount
FVSI	FVOCI	Asset continues to be measured at fair value but subsequent gains and losses are recognized in OCI rather than statement of income

D. Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees, letter of credit and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest rate (EIR).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in consolidated statement of income.

E. Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the 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 Group.

F. Derecognition

Financial assets

The Group 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 Group 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 Group 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 Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group 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 Group 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 Group 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 Group 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 Group 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 Group is recognized as a separate asset or liability.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

G. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group 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 Group recalculates the gross carrying amount of the financial asset using the original effective commission rate of the asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in consolidated statement of income. For floating-rate financial assets, the original effective commission rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs of fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group 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 Group 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.

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3. Summary of significant accounting policies continued

H. Impairment

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVSI:
- financial assets that are debt instruments
- lease receivables
- financial guarantee contracts issued
- loan commitments issued
- bank balances
- related party balances
- letter of credit

Equity instruments are not subject to impairment under IFRS 9.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as 'Stage1' financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired.

Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group 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 Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:
- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate
- lease receivables: the discount rate used in measuring lease receivables.
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets

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

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

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise
- it is becoming probable that the borrower will enter Grouppruptcy 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 assessing whether an investment in sovereign debt is credit-impaired, the Group 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, letter of credit and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loan and debts securities are written off (either partially or fully) when there is no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when the cash is received and are included in "Impairment charge for expected credit losses on loans and advances, net" in the consolidated statement of income

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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3. Summary of significant accounting policies continued

I. Financial guarantees, letter of credits and loan commitments

'Financial guarantees' are contracts that require the Group 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 Group 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 loan at a below market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principle of ISFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognized.

- The Group issued no loan commitment that are measured at FVSI.
- Liabilities arising from financial guarantees and loan commitments are included within provisions.

J. Derivatives financial instruments and hedge accounting

Derivative financial instruments including forward foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, and currency and commission rate options (both written and purchased) are measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

The Group is using IAS-39 for Hedge Accounting.

The treatment of changes in their fair value depends on their classification into the following categories:

(i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in Gain / (Loss) on FVSI Financial Instruments, net. 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 Group 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 Group 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 are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting.

A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income together with change in the fair value of the hedged item attributable to the hedged risk under non-trading gains / losses in the consolidated statement of income.

For hedged items measured at 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.

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a micro fair value hedge relationship include fixed rate corporate and small business loans, fixed rate debt instruments at FVOCI and fixed rate issued long-term deposits. These hedge relationships are assessed for prospective and retrospective hedge effectiveness on a monthly basis. If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively.

If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVOCI, changes in fair value that were recorded in the income statement whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the income statement to OCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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3. Summary of significant accounting policies continued

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that could affect the consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged item affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time such asset or liability is 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 Group 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 consolidated statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the consolidated statement of income, the net cumulative gain or loss recognised in "other comprehensive income" is transferred immediately to the consolidated statement of income for the period.

K. Foreign currencies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot rates prevailing at transaction dates. Monetary assets and liabilities at year-end denominated in foreign currencies are translated into Saudi Arabian Riyals at rates of exchange prevailing at the reporting date.

The foreign currency gain or loss on monetary items is the difference between 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 spot exchange rate at the end of the year.

All differences arising on non-trading activities are taken to other non-operating income in the consolidated statement of income, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in foreign entity.

Foreign currency differences arising from the translation of the following items are recognized in OCI:
- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI; and
- qualifying cash flow hedges to the extent that the hedge is effective.

As at the reporting date, the assets and liabilities of foreign operations are translated into Saudi Arabian Riyals at the rate of exchange as at the statement of financial position date, and their consolidated statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of income.

L. Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position as the Group retains substantially all the risks and rewards of ownership. When substantially all the risks and rewards of ownership remain with the Group. These assets are continued to measure in accordance with related accounting policies for investments held as FVSI, FVOCI and other investments held at amortized cost. The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in "Due to SAMA" or "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective yield basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "Cash and balances with SAMA", "Due from banks and other financial institutions" or "Loans and advances", as appropriate. The difference between purchase and resale price is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

M. Settlement and trade date accounting

All regular way purchases and sales of financial assets are recognized and derecognized in the consolidated statement of financial position on the settlement date i.e. the date on which the asset is acquired from or delivered to the counter party. The Group 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 Group becomes a party to the contractual provisions of the instrument.

N. Fair value measurement

The Group measures financial instruments, such as, derivatives and equity instruments and non-financial assets such as investment properties, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principle or, in its absence, the most advantageous market to which the Group has access at that date. The Fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses the valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

3. Summary of significant accounting policies continued

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 Group has an established control framework with respect to the measurement of fair values. This framework includes a Market Risk Department, which is independent of front office management and reports to the Chief Risk Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- calibration of model valuations;
- a review and approval process for new models and changes to models involving Risk Division

To dynamically address valuation issues, within the Market Risk Committee, which is held every quarter, a Valuation Sub-Committee may be held to review and determine by consensus adjustments of valuation methodologies at the request of the Market Risk Committee members.

The Market Risk Committee comprises of Chief Executive Officer, the Chief Financial Officer, the Chief Treasury & Investment Officer, the Head of Institutional Banking Group, the Chief Risk Officer and the Head of Market Risk.

O. Deposits, debt securities issued and subordinated liabilities

When the Group designates a financial liability as at FVSI, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve.

On initial recognition of the financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with
- the impact on profit or loss of expected changes in fair value of the related instruments.

P. Tier 1 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies Sukuk issued (as equity) with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Group subject to certain terms and conditions and essentially mean that the remedies available to sukuk holders are limited in number and scope and very difficult to exercise.

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

Q. Dividend

A provision is made for the amount of dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

R. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Freehold land is not depreciated. Changes in the expected useful life are accounted for by changing the period or method, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. On-going repairs and maintenance are expensed as incurred.

The cost of other property and equipment is depreciated and 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 to10 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.

Software (Intangible Assets)

Intangible assets comprise of internally developed software and externally acquired software's. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use.
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits. Adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised (straight line) from the point at which the asset is ready for use.

S. Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estates 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 consolidated statement of income. Gains or losses on disposal are recognised in the consolidated statement of income.

Collateral valuation

To mitigate its credit risks on financial assets, the Group 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 Group'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 Group 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 Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at fair value. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

3. Summary of significant accounting policies continued

T. Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

U. Accounting for leases

Right of Use Asset (RoU)/Lease Liabilities

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the group and the group can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

The Group applies the cost model, and measures right of use assets 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.

Generally, the RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. These would need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

After the commencement date, Group 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;
III. 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.

V. Cash and cash equivalents

For the purpose of the statement of cash flows, "cash and cash equivalents" include notes and coins on hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

W. End of service benefits

Benefits payable to the employees of the Group 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 Group 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 Group recognizes the following changes in the net defined benefit obligation under 'salaries and employee related expenses' in the consolidated statement of income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

The assumptions used to calculate the scheme obligations include assumptions such as expected future salaries growth, expected employee resignation rates, and discount rate to discount the future cash flows.

X. Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Y. Treasury shares and share based payment to employee

These are recorded at cost and presented as a deduction from the equity as adjusted for any transaction cost, and gains or losses on sale of such shares. Subsequent to their acquisition, these are carried at the amount equal to consideration paid. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

These stocks are acquired by the Group with the approval of SAMA, primarily for discharging its obligation under its employee share-based payment plans.

The Group has adopted the equity-settled share-based payments to employees. The Group 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.

Z. Zakat

Zakat

The Group is subject to Zakat in accordance with the regulations of ZATCA (Zakat, Tax & Customs Authority). Zakat expense is charged to the consolidated statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Value Added tax ("VAT")

The Group 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 Group and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

AA. Investment management, brokerage and corporate finance services

The Group offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors. The Group's share of investment in these funds is included in the investments and fees earned are disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

3. Summary of significant accounting policies continued

AB. Islamic banking products

In addition to the conventional banking products, the Group 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) **Tawarruq** is a form of Murabaha transactions where the Bank purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

These non-commission based banking products are included in "loans and advances" and are in conformity with the related accounting policies described in these consolidated financial statements.

AC. Government grant

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Group 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 consolidated statement of income on a systematic basis over the periods in which the Group 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 Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

AD. Revenue/expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or the amortized cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and royalty/reward points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. Transaction costs include fees and commission paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

All fees paid or received between parties to the contract (e.g. between a lender and a borrower) that are included in the calculation of the effective interest rate (EIR) are amortized over the expected life of the financial instrument, unless they relate to a shorter period. The shorter period is used when the variable to which the fees, transaction costs, premiums or discounts relate is repriced to market rates before the expected maturity of the financial instrument. For financial instruments measured at FVSI, fees are recognised in consolidated statement of income in full when the instrument is initially recognised.

Measurement of amortized cost and special commission income and expense

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

AE. Fees and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the special commission income / expense as applicable.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. 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.

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

The Group has concluded that revenue from rendering of various services related to share trading, 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 revenue from fund management and fee services related to credit card is recognized over the period of time.

Brokerage income

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

Asset management fees

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

This fee compensates and contributes to single performance obligations, the Group's obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

3. Summary of significant accounting policies continued

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognised based on services rendered under the applicable service contract.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of the performance obligation (i.e., monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

Underwriting fees

Underwriting fees are recognized when the Group has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee

Custody fee is received upfront and amortised over the period of the service (deferred income).

AF. Customer Loyalty Program

The Group 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 Group allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative standalone selling price. The amount of revenue allocated to reward points is deferred and released to the income statement when reward points are redeemed.

The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

AG. Exchange income/(loss)

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

AH. Trading income/(loss)

Net income from other financial instruments at FVSI relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVSI.

Results arising from trading activities include all gains and losses from changes in fair values, related special commission income or expense including dividends for financial assets and financial liabilities held for trading and foreign exchange differences. This includes any ineffectiveness recorded in hedging transactions.

AI. Dividend income

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

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

AJ. Interest rate benchmark reform

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 Group 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 consequence 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 Group 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 Group applied the policies on accounting for modifications to the additional changes.

4. Cash and balances with SAMA

SAR '000	2023	2022
Cash on hand	**1,068,081**	973,736
Current account	**19,690**	–
Statutory deposit	**9,470,988**	9,166,850
Money market placements	**–**	1,185,000
Total	**10,558,759**	11,325,586

Cash and balances with SAMA include Islamic related products of SAR Nil million (2022: SAR Nil million).

In accordance with the Banking Control Law and regulations issued by Saudi Central Bank (SAMA), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its deposit liabilities calculated on monthly averages at the end of reporting period. The statutory deposits with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents.

5. Due from banks and other financial institutions, net

SAR '000	2022	2022
Current accounts	**1,637,224**	2,795,573
Money market placements	**2,476,846**	2,001,842
	4,114,070	4,797,415
Less: impairment	**(905)**	(2,304)
Total	**4,113,165**	4,795,111

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 187 million (2022: SAR Nil million).

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

	DECEMBER 31, 2023			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2023	**4,754,180**	**43,235**	**–**	**4,797,415**
Transfer from 12-month ECL	**–**	**–**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**–**	**–**	**–**	**–**
Net change for the year	**(647,947)**	**(35,398)**	**–**	**(683,345)**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2023	**4,106,233**	**7,837**	**–**	**4,114,070**

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2022	5,316,259	7,885	–	5,324,144
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	(562,079)	35,350	–	(526,729)
Write-offs	–	–	–	–
Balance as at December 31, 2022	4,754,180	43,235	–	4,797,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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5. Due from banks and other financial institutions, net continued

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

	DECEMBER 31, 2023			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2023	353	1,951	–	2,304
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge / (reversal) for the year	237	(1,636)	–	(1,399)
Write-offs	–	–	–	–
Balance as at December 31, 2023	590	315	–	905

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance as at January 01, 2022	114	66		180
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge/(reversal) for the year	239	1,885	–	2,124
Write-offs	–	–	–	–
Balance as at December 31, 2022	353	1,951	–	2,304

6. Investments, net

a) Investment securities are classified as follows:

SAR '000	2023	2022
Investment at amortized cost – gross	24,656,529	26,051,032
Less: impairment	(16,311)	(7,895)
Investment at amortized cost, net	24,640,218	26,043,137
Investments at FVOCI – Debt instruments	23,249,397	18,085,275
Investments at FVOCI – Equity/ other investments	355,737	320,393
Total FVOCI	23,605,134	18,405,668
Investment at FVSI – Debt instruments and equity	221,937	68,744
Total	48,467,289	44,517,549

b) Investments held at fair value through statement of income (FVSI)

Investments by type of securities

	DOMESTIC		INTERNATIONAL		TOTAL	
SAR '000	2023	2022	2023	2022	2023	2022
Fixed-rate securities	168,181	60,459	53,756	3,800	221,937	64,259
Floating-rate securities	–	–	–	–	–	–
Equities	–	4,485	–	–	–	4,485
Total	168,181	64,944	53,756	3,800	221,937	68,744

The analysis of the composition of investments is as follows:

	2023			2022		
SAR '000	QUOTED	UNQUOTED	TOTAL	QUOTED	UNQUOTED	TOTAL
Fixed-rate securities	221,937	–	221,937	64,259	–	64,259
Floating-rate securities	–	–	–	–	–	–
Equities	–	–	–	4,485	–	4,485
Total	221,937	–	221,937	68,744	–	68,744

c) Investments held at fair value through other comprehensive income (FVOCI)

Investments by type of securities

	DOMESTIC		INTERNATIONAL		TOTAL	
SAR '000	2023	2022	2023	2022	2023	2022
Fixed-rate securities	13,107,310	8,893,525	6,008,807	4,915,935	19,116,117	13,809,460
Floating-rate securities	3,322,080	3,204,689	811,200	1,071,126	4,133,280	4,275,815
Equities	345,482	310,162	10,255	10,231	355,737	320,393
Total	16,774,872	12,408,376	6,830,262	5,997,292	23,605,134	18,405,668

The analysis of the composition of investments is as follows:

	2023			2022		
SAR '000	QUOTED	UNQUOTED	TOTAL	QUOTED	UNQUOTED	TOTAL
Fixed-rate securities	18,589,600	526,517	19,116,117	13,447,995	361,465	13,809,460
Floating-rate securities	1,516,839	2,616,441	4,133,280	1,763,143	2,512,672	4,275,815
Equities	145,320	210,417	355,737	110,040	210,353	320,393
Investments at FVOCI, net	20,251,759	3,353,375	23,605,134	15,321,178	3,084,490	18,405,668

The following table shows the type of assets:

	DOMESTIC		INTERNATIONAL		TOTAL	
SAR '000	2023	2022	2023	2022	2023	2022
Debt instruments	16,429,390	12,098,214	6,820,007	5,987,061	23,249,397	18,085,275
Equity investments	345,482	310,162	10,255	10,231	355,737	320,393
Total	16,774,872	12,408,376	6,830,262	5,997,292	23,605,134	18,405,668

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

	DOMESTIC		INTERNATIONAL		TOTAL	
SAR '000	2023	2022	2023	2022	2022	2022
Fixed-rate securities	23,800,132	21,264,330	–	–	23,800,132	21,264,330
Floating-rate securities	840,086	4,778,807	–	–	840,086	4,778,807
Total	24,640,218	26,043,137	–	–	24,640,218	26,043,137

The analysis of the composition of investments is as follows:

	2023			2022		
SAR '000	QUOTED	UNQUOTED	TOTAL	QUOTED	UNQUOTED	TOTAL
Fixed-rate securities	17,048,521	6,751,611	23,800,132	17,942,612	3,321,718	21,264,330
Floating-rate securities	607,591	232,495	840,086	4,549,325	229,482	4,778,807
Investments held at amortized cost, net	17,656,112	6,984,106	24,640,218	22,491,937	3,551,200	26,043,137

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

6. Investments, net continued

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

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt instrument investments				
Balance at January 01	**44,136,307**	**–**	**–**	**44,136,307**
Transfer from 12-month ECL	**–**	**–**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**–**	**–**	**–**	**–**
Transfer from lifetime ECL credit impaired	**–**	**–**	**–**	**–**
Net change for the year	**3,769,619**	**–**	**–**	**3,769,619**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2023	**47,905,926**	**–**	**–**	**47,905,926**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt instrument investments				
Balance at January 01	43,316,349	–	–	43,316,349
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Transfer from lifetime ECL credit impaired	–	–	–	–
Net change for the year	819,958	–	–	819,958
Write-offs	–	–	–	–
Balance as at December 31, 2022	44,136,307	–	–	44,136,307

Amortized cost

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**26,051,032**	**–**	**–**	**26,051,032**
Transfer from 12-month ECL	**–**	**–**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**–**	**–**	**–**	**–**
Net change for the year	**(1,394,503)**	**–**	**–**	**(1,394,503)**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2023	**24,656,529**	**–**	**–**	**24,656,529**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	28,711,856	–	–	28,711,856
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	(2,660,824)	–	–	(2,660,824)
Write-offs	–	–	–	–
Balance as at December 31, 2022	26,051,032	–	–	26,051,032

FVOCI – Debt instruments

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**18,085,275**	**–**	**–**	**18,085,275**
Transfer from 12-month ECL	**–**	**–**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**–**	**–**	**–**	**–**
Net change for the year	**5,164,122**	**–**	**–**	**5,164,122**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2023	**23,249,397**	**–**	**–**	**23,249,397**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	14,604,493	–	–	14,604,493
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net change for the year	3,480,782	–	–	3,480,782
Write-offs	–	–	–	–
Balance as at December 31, 2022	18,085,275	–	–	18,085,275

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, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**25,422**	**–**	**–**	**25,422**
Transfer from 12-month ECL	**–**	**–**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**–**	**–**	**–**	**–**
Transfer from lifetime ECL credit impaired	**–**	**–**	**–**	**–**
Net charge for the year	**8,317**	**–**	**–**	**8,317**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2023	**33,739**	**–**	**–**	**33,739**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	20,730	–	–	20,730
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Transfer from lifetime ECL credit impaired	–	–	–	–
Net charge for the year	4,692	–	–	4,692
Write-offs	–	–	–	–
Balance as at December 31, 2022	25,422	–	–	25,422

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6. Investments, net continued

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

Amortized cost

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	7,895	–	–	7,895
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge for the year	8,416	–	–	8,416
Write-offs	–	–	–	–
Balance as at December 31, 2023	16,311	–	–	16,311

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	6,410	–	–	6,410
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net reversal for the year	1,485	–	–	1,485
Write-offs	–	–	–	–
Balance as at December 31, 2022	7,895	–	–	7,895

FVOCI

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	17,527	–	–	17,527
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net reversal for the year	(99)	–	–	(99)
Write-offs	–	–	–	–
Balance as at December 31, 2023	17,428	–	–	17,428

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	14,320	–	–	14,320
Transfer from 12-month ECL	–	–	–	–
Transfer from lifetime ECL not credit impaired	–	–	–	–
Net charge for the year	3,207	–	–	3,207
Write-offs	–	–	–	–
Balance as at December 31, 2022	17,527	–	–	17,527

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

g) Investments by type of securities

SAR '000	DOMESTIC 2023	DOMESTIC 2022	INTERNATIONAL 2023	INTERNATIONAL 2022	TOTAL 2023	TOTAL 2022
Fixed-rate securities	37,091,359	30,225,293	6,062,563	4,919,735	43,153,922	35,145,028
Floating-rate securities	4,162,741	7,984,412	811,200	1,071,126	4,973,941	9,055,538
Equities	345,482	314,647	10,255	10,231	355,737	324,878
Allowance for impairment	(16,311)	(7,895)	-	-	(16,311)	(7,895)
Total	41,583,271	38,516,457	6,884,018	6,001,092	48,467,289	44,517,549

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

SAR '000	2023 QUOTED	2023 UNQUOTED	2023 TOTAL	2022 QUOTED	2022 UNQUOTED	2022 TOTAL
Fixed-rate securities	35,861,713	7,292,209	43,153,922	31,456,330	3,688,698	35,145,028
Floating-rate securities	2,124,488	2,849,453	4,973,941	6,312,870	2,742,668	9,055,538
Equities	145,320	210,417	355,737	114,525	210,353	324,878
	38,131,521	10,352,079	48,483,600	37,883,725	6,641,719	44,525,444
Allowance for impairment	(1,712)	(14,599)	(16,311)	(1,866)	(6,029)	(7,895)
Total	38,129,809	10,337,480	48,467,289	37,881,859	6,635,690	44,517,549

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

SAR '000	2023	2022
Government and quasi government	34,765,826	30,286,351
Corporate	5,228,776	6,519,826
Banks and other financial institutions	8,472,687	7,711,372
Total	48,467,289	44,517,549

j) Shariah based investments:

Investment securities designated as at FVOCI:

SAR '000	2023	2022
Debt instruments		
Sukuk	11,917,829	8,753,366
Total	11,917,829	8,753,366

Investments held at amortised cost:

SAR '000	2023	2022
Debt instruments		
Sukuk	20,009,183	20,491,497
Other	547,556	580,504
Allowance for impairment	(15,936)	(7,473)
Total	20,540,803	21,064,528

Trading Investment securities include Islamic related products of SAR 168 million (2022: SAR 64 million).

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7. Loans and advances, net

a) Loans and advances are classified as follows:

Held at Amortized cost

	2023			
SAR '000	OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
Performing loans and advances – gross	**147,636,954**	**668,238**	**31,809,240**	**180,114,432**
Non performing loans and advances, net	**1,727,150**	**19,094**	**174,537**	**1,920,781**
Total loans and advances	**149,364,104**	**687,332**	**31,983,777**	**182,035,213**
Allowance for impairment	**(2,368,159)**	**(35,612)**	**(240,219)**	**(2,643,990)**
Loans and advances held at amortised cost, net	**146,995,945**	**651,720**	**31,743,558**	**179,391,223**

	2022			
SAR '000	OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
Performing loans and advances – gross	130,156,440	586,647	29,099,056	159,842,143
Non performing loans and advances, net	4,038,589	20,175	111,160	4,169,924
Total loans and advances	134,195,029	606,822	29,210,216	164,012,067
Allowance for impairment	(4,696,609)	(38,798)	(265,135)	(5,000,542)
Loans and advances held at amortised cost, net	129,498,420	568,024	28,945,081	159,011,525

An unwinding modification loss of SAR 99 million (2022: SAR 171 million) is included as part of loan and advances.

The above includes Shariah based loans and advances as below:

SAR '000	2023	2022
Overdraft & Commercial Loans		
Tawarruq	**74,676,536**	63,226,625
Murabaha	**21,134,958**	19,639,867
Others	**6,269,721**	5,268,270
Allowance for impairment	**(1,130,119)**	(1,782,243)
Total	**100,951,096**	86,352,519

SAR '000	2023	2022
Credit Card & Consumer Loans		
Tawarruq	**17,463,853**	16,097,452
Murabaha	**8,489,324**	8,156,378
Others	**6,035,876**	4,858,388
Allowance for impairment	**(234,815)**	(257,491)
Total	**31,754,238**	28,854,727

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

An analysis of changes in gross carrying value for Loans and Advances is, as follows:

	DECEMBER 31, 2023			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**147,548,454**	**12,185,639**	**4,277,974**	**164,012,067**
Transfer from 12-month ECL	**(4,844,809)**	**4,475,694**	**369,115**	**–**
Transfer from lifetime ECL not credit impaired	**1,960,344**	**(3,689,920)**	**1,729,576**	**–**
Transfer from Lifetime ECL credit impaired	**80,020**	**18,362**	**(98,382)**	**–**
Net change for the year	**23,044,432**	**(712,549)**	**(153,892)**	**22,177,991**
Write-offs	**–**	**–**	**(4,154,845)**	**(4,154,845)**
Balance as at December 31, 2023	**167,788,441**	**12,277,226**	**1,969,546**	**182,035,213**

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	134,589,045	14,022,436	3,934,102	152,545,583
Transfer from 12-month ECL	(3,307,476)	3,141,115	166,361	–
Transfer from lifetime ECL not credit impaired	2,174,569	(4,490,566)	2,315,997	–
Transfer from Lifetime ECL credit impaired	20,875	884,010	(904,885)	–
Net change for the year	14,071,441	(1,371,356)	47,002	12,747,087
Write-offs	–	–	(1,280,603)	(1,280,603)
Balance as at December 31, 2022	147,548,454	12,185,639	4,277,974	164,012,067

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

Overdraft & Commercial Loans

	DECEMBER 31, 2023			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**118,193,805**	**11,932,997**	**4,068,227**	**134,195,029**
Transfer from 12-month ECL	**(4,567,745)**	**4,311,744**	**256,001**	**–**
Transfer from lifetime ECL not credit impaired	**1,850,424**	**(3,540,685)**	**1,690,261**	**–**
Transfer from Lifetime ECL credit impaired	**3**	**13,076**	**(13,079)**	**–**
Net change for the year	**20,231,591**	**(799,282)**	**(199,142)**	**19,233,167**
Write-offs	**–**	**–**	**(4,064,092)**	**(4,064,092)**
Balance as at December 31, 2023	**135,708,078**	**11,917,850**	**1,738,176**	**149,364,104**

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	107,440,769	13,792,995	3,734,442	124,968,206
Transfer from 12-month ECL	(3,065,920)	2,966,997	98,923	–
Transfer from lifetime ECL not credit impaired	2,069,087	(4,355,728)	2,286,641	–
Transfer from Lifetime ECL credit impaired	15	878,382	(878,397)	–
Net change for the year	11,749,854	(1,349,649)	(1,515)	10,398,690
Write-offs	–	–	(1,171,867)	(1,171,867)
Balance as at December 31, 2022	118,193,805	11,932,997	4,068,227	134,195,029

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7. Loans and advances, net continued

Credit Cards

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	562,135	18,953	25,734	606,822
Transfer from 12-month ECL	(22,503)	11,375	11,128	–
Transfer from lifetime ECL not credit impaired	8,705	(14,630)	5,925	–
Transfer from Lifetime ECL credit impaired	2,192	926	(3,118)	–
Net change for the year	87,371	6,602	1,834	95,807
Write-offs	–	–	(15,297)	(15,297)
Balance as at December 31, 2023	637,900	23,226	26,206	687,332

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	479,227	43,508	39,182	561,917
Transfer from 12-month ECL	(19,485)	9,520	9,965	–
Transfer from lifetime ECL not credit impaired	25,545	(34,916)	9,371	–
Transfer from Lifetime ECL credit impaired	2,371	731	(3,102)	–
Net change for the year	74,477	110	3,796	78,383
Write-offs	–	–	(33,478)	(33,478)
Balance as at December 31, 2022	562,135	18,953	25,734	606,822

Consumer Loans

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	28,792,514	233,689	184,013	29,210,216
Transfer from 12-month ECL	(254,561)	152,575	101,986	–
Transfer from lifetime ECL not credit impaired	101,215	(134,605)	33,390	–
Transfer from Lifetime ECL credit impaired	77,825	4,360	(82,185)	–
Net change for the year	2,725,470	80,131	43,416	2,849,017
Write-offs	–	–	(75,456)	(75,456)
Balance as at December 31, 2023	31,442,463	336,150	205,164	31,983,777

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	26,669,049	185,933	160,478	27,015,460
Transfer from 12-month ECL	(222,071)	164,598	57,473	–
Transfer from lifetime ECL not credit impaired	79,937	(99,922)	19,985	–
Transfer from Lifetime ECL credit impaired	18,489	4,897	(23,386)	–
Net change for the year	2,247,110	(21,817)	44,721	2,270,014
Write-offs	–	–	(75,258)	(75,258)
Balance as at December 31, 2022	28,792,514	233,689	184,013	29,210,216

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, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	421,205	1,799,671	2,779,666	5,000,542
Transfer from 12-month ECL	(27,475)	15,660	11,815	–
Transfer from lifetime ECL not credit impaired	36,103	(917,834)	881,731	–
Transfer from Lifetime ECL credit impaired	5,762	7,443	(13,205)	–
Net charge / (reversal) for the year	74,251	(55,274)	1,779,316	1,798,293
Write-offs	–	–	(4,154,845)	(4,154,845)
Balance as at December 31, 2023	509,846	849,666	1,284,478	2,643,990

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	526,450	1,828,983	2,377,391	4,732,824
Transfer from 12-month ECL	(19,274)	16,816	2,458	–
Transfer from lifetime ECL not credit impaired	51,113	(740,238)	689,125	–
Transfer from Lifetime ECL credit impaired	11,445	422,939	(434,384)	–
Net charge / (reversal) for the year	(148,529)	271,171	1,425,679	1,548,321
Write-offs	–	–	(1,280,603)	(1,280,603)
Balance as at December 31, 2022	421,205	1,799,671	2,779,666	5,000,542

An analysis of changes in loss allowance by each class of financial instrument is, as follows:

Overdraft & Commercial Loans

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	269,344	1,759,301	2,667,964	4,696,609
Transfer from 12-month ECL	(14,739)	14,071	668	–
Transfer from lifetime ECL not credit impaired	18,067	(892,396)	874,329	–
Transfer from Lifetime ECL credit impaired	1	4,578	(4,579)	–
Net charge / (reversal) for the year	157,668	(79,999)	1,657,973	1,735,642
Write-offs	–	–	(4,064,092)	(4,064,092)
Balance as at December 31, 2023	430,341	805,555	1,132,263	2,368,159

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	345,680	1,796,224	2,238,352	4,380,256
Transfer from 12-month ECL	(14,824)	13,938	886	-
Transfer from lifetime ECL not credit impaired	36,243	(720,300)	684,057	-
Transfer from Lifetime ECL credit impaired	4	419,742	(419,746)	-
Net charge / (reversal) for the year	(97,759)	249,697	1,336,282	1,488,220
Write-offs	-	-	(1,171,867)	(1,171,867)
Balance as at December 31, 2022	269,344	1,759,301	2,667,964	4,696,609

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

7. Loans and advances, net continued

Credit Cards

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	15,217	4,494	19,087	38,798
Transfer from 12-month ECL	(745)	331	414	–
Transfer from lifetime ECL not credit impaired	1,456	(3,304)	1,848	–
Transfer from Lifetime ECL credit impaired	1,230	534	(1,764)	–
Net charge / (reversal) for the year	(4,143)	2,086	14,168	12,111
Write-offs	–	–	(15,297)	(15,297)
Balance as at December 31, 2023	13,015	4,141	18,456	35,612

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	15,354	14,072	32,573	61,999
Transfer from 12-month ECL	(1,794)	751	1,043	–
Transfer from lifetime ECL not credit impaired	7,891	(11,325)	3,434	–
Transfer from Lifetime ECL credit impaired	1,342	449	(1,791)	–
Net charge / (reversal) for the year	(7,576)	547	17,306	10,277
Write-offs	–	–	(33,478)	(33,478)
Balance as at December 31, 2022	15,217	4,494	19,087	38,798

Consumer Loans

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	136,644	35,876	92,615	265,135
Transfer from 12-month ECL	(11,991)	1,258	10,733	–
Transfer from lifetime ECL not credit impaired	16,580	(22,134)	5,554	–
Transfer from Lifetime ECL credit impaired	4,531	2,331	(6,862)	–
Net charge / (reversal) for the year	(79,274)	22,639	107,175	50,540
Write-offs	–	–	(75,456)	(75,456)
Balance as at December 31, 2023	66,490	39,970	133,759	240,219

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	165,416	18,687	106,466	290,569
Transfer from 12-month ECL	(2,656)	2,127	529	–
Transfer from lifetime ECL not credit impaired	6,979	(8,613)	1,634	–
Transfer from Lifetime ECL credit impaired	10,099	2,748	(12,847)	–
Net charge / (reversal) for the year	(43,194)	20,927	72,091	49,824
Write-offs	–	–	(75,258)	(75,258)
Balance as at December 31, 2022	136,644	35,876	92,615	265,135

d) The movement in the allowance for impairment charge for expected credit on loans and advances losses for the year ended December 31, is as follows:

SAR '000	NOTE	2023	2022
Impairment charge for expected credit losses on loans and advances, net	7c	1,798,293	1,548,321
Recoveries of written off loans		(129,476)	(184,377)
Total charge for the year		1,668,817	1,363,944

e) The movement in the allowance for impairment reversal for investments financial assets and others for the year ended December 31, is as follows:

SAR '000	NOTE	2023	2022
Impairment charge/(reversal) on due from banks, net	5	(1,399)	2,124
Impairment reversal on off statement of financial position, net	21	(81,533)	(10,645)
Impairment charge/(reversal) on amortized cost, net	6 (f)	(99)	1,485
Impairment charge on FVOCI, net	6 (f)	8,416	3,207
Impairment charge/(reversal) on other assets, net		253	(318)
Total reversal for the year		(74,362)	(4,147)

f) Loans and advances include finance lease receivables (Ijarah products), which are analyzed as follows:

SAR '000	2023	2022
Gross receivable from finance leases		
Less than 1 year	1,698,948	2,083,481
1 to 3 years	3,332,002	2,453,306
3 to 5 years	2,987,543	2,381,282
More than 5 years	4,854,214	3,513,461
Unearned future finance income on finance lease	(1,326,508)	(925,514)
Net receivable from finance leases	11,546,199	9,506,016
Allowance for impairment	(74,842)	(176,553)
Total	11,471,357	9,329,463

8. Investment in associate, net

SAR '000	2023	2022
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 (2022: 27%) in the Banque BEMO Saudi Fransi incorporated in Syria.

The Group's share of Banque Bemo Saudi Fransi – Syria financial statements:

SAR '000	BANQUE BEMO SAUDI FRANSI – SYRIA 2023	2022
Total assets	500,532	636,471
Total liabilities	379,642	534,629
Total equity	120,890	101,842
Total income	119,212	59,202
Total expenses	25,418	39,141

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

Property and equipment

SAR '000	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	FURNITURE, EQUIPMENT & VEHICLES	COMPUTER AND SOFTWARE	TOTAL
Cost					
Balance as at January 01, 2022	687,586	96,467	325,447	682,976	1,792,476
Additions during the year	38,157	15,115	17,918	271,143	342,333
Disposals and retirements	–	(731)	(3,737)	(2,882)	(7,350)
Balance as at December 31, 2022	725,743	110,851	339,628	951,237	2,127,459
Additions during the year	**10,968**	**44,075**	**31,957**	**392,755**	**479,755**
Disposals and retirements	**–**	**–**	**(2,862)**	**(1,818)**	**(4,680)**
Balance as at December 31, 2023	**736,711**	**154,926**	**368,723**	**1,342,174**	**2,602,534**
Accumulated depreciation and impairment losses					
Balance as at January 01, 2022	326,943	70,585	223,275	263,469	884,272
Depreciation and amortization charge	25,250	9,305	18,486	97,773	150,814
Disposals and retirements	–	(731)	(3,041)	(2,851)	(6,623)
Balance as at December 31, 2022	352,193	79,159	238,720	358,391	1,028,463
Depreciation and amortization charge	**25,294**	**9,186**	**23,117**	**106,532**	**164,129**
Disposals and retirements	**–**	**–**	**(2,750)**	**(1,817)**	**(4,567)**
Balance as at December 31, 2023	**377,487**	**88,345**	**259,087**	**463,106**	**1,188,025**
Net book value					
As at December 31, 2023	**359,224**	**66,581**	**109,636**	**879,068**	**1,414,509**
As at December 31, 2022	373,550	31,692	100,908	592,846	1,098,996

Property and equipment as at December 31, 2023 include work in progress amounting to SAR 627 million (2022: SAR 308 million). Computer and software include software having a net book value of SAR 768 million (2022: SAR 533 million).

Right-of-use assets

SAR '000	2023 LAND & BUILDING	2023 FURNITURE, EQUIPMENT & VEHICLES	2023 TOTAL
Balance at January 01	**638,216**	**2,095**	**640,311**
Additions during the year	**93,763**	**–**	**93,763**
Disposals and retirements	**(23,823)**	**–**	**(23,823)**
Depreciation and amortization	**(85,816)**	**(713)**	**(86,529)**
Balance as at December 31, 2023	**622,340**	**1,382**	**623,722**

SAR '000	2022 LAND & BUILDING	2022 FURNITURE, EQUIPMENT & VEHICLES	2022 TOTAL
Balance at January 01	674,757	2,802	677,559
Additions during the year	44,419	3,776	48,195
Disposals and retirements	(14,239)	(590)	(14,829)
Depreciation and amortization	(66,721)	(3,893)	(70,614)
Balance as at December 31, 2022	638,216	2,095	640,311

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

SAR '000	2023	2022
Net book value		
Property and equipment	**1,414,509**	1,098,996
Right-of-use assets	**623,722**	640,311
Total	**2,038,231**	1,739,307

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

SAR '000	2023	2022
Depreciation and amortization		
Property and equipment	**164,129**	150,814
Right-of-use assets	**86,529**	70,614
Total	**250,658**	221,428

10. Other assets

SAR '000	2023	2022
Accounts receivable	**432,277**	1,122,840
Collateral posted on derivatives and repo margin	**2,122,292**	2,375,976
Others	**247,735**	255,500
Total	**2,802,304**	3,754,316

The Group maintains an ECL provision amounting to SAR 0.5 million (2022: SAR 0.2 million) for the exposure related to other assets.

11. Derivatives

In the ordinary course of business, the Group 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 Group'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 Group also holds structured derivative which are fully back to back in accordance with the Group's risk management strategy.

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11. Derivatives continued

Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and the management of risk. Part of the risk management process involves managing the Group'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 Group 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 Group uses forward foreign exchange contracts and currency rate swaps to hedge against currency risks. In addition, the Group uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures.

The Group 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 Group is exposed to variability in future special commission income cash flows on non-trading assets and liabilities which bear variable commission rate. The Group 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 Group 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
2023				
Cash inflows (assets)	**1,282,071**	**1,741,954**	**881,525**	**–**
Cash out flows (liabilities)	**(1,918,150)**	**(1,831,557)**	**(571,468)**	**–**
Net cash (outflow) / inflow	**(636,079)**	**(89,603)**	**310,057**	**–**
2022				
Cash inflows (assets)	689,797	937,354	208,509	–
Cash out flows (liabilities)	(1,309,297)	(1,428,521)	(251,929)	–
Net cash outflow	(619,500)	(491,167)	(43,420)	–

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

SAR '000	2023	2022
Special commission income	**1,047,222**	733,587
Special commission expense	**(1,866,286)**	(635,730)
Net (loss) / gain on cash flow hedges transferred to consolidated statement of income	**(819,064)**	97,857

The following tables show the positive and negative fair values of derivative financial instruments held, together with their notional amounts analyzed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk. The net hedging gain/(loss) from cash flow hedge strategy related to loans and advances amounting to SAR (773) million (2022: SAR 99 million) and investments amounting to SAR (46) million (2022: SAR (1) million).

			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
2023							
Held for trading							
Commission rate swaps	**5,003,368**	**4,896,728**	**226,574,092**	**10,811,558**	**30,280,007**	**121,005,943**	**64,476,584**
Commission rate futures and options	**137,000**	**137,000**	**14,150,831**	**2,510,899**	**1,610,000**	**8,046,707**	**1,983,225**
Forward foreign exchange contracts & currency swaps	**123,405**	**32,134**	**18,807,236**	**13,757,602**	**3,236,322**	**1,813,312**	**–**
Currency options	**11,850**	**11,850**	**1,896,012**	**74,972**	**368,299**	**1,452,741**	**–**
Others	**17,752**	**17,752**	**833,428**	**423,271**	**389,870**	**20,287**	**–**
Held as fair value hedges							
Commission rate swaps	**4,021**	**117,017**	**8,375,000**	**–**	**–**	**6,375,000**	**2,000,000**
Held as cash flow hedges							
Commission rate swaps	**361,428**	**772,851**	**36,186,500**	**2,490,000**	**6,606,250**	**27,090,250**	**–**
Total	**5,658,824**	**5,985,332**	**306,823,099**	**30,068,302**	**42,490,748**	**165,804,240**	**68,459,809**

			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
2022							
Held for trading							
Commission rate swaps	6,134,158	5,859,651	207,931,197	12,288,359	30,552,758	112,962,911	52,127,169
Commission rate futures and options	229,298	229,298	25,127,912	102,300	9,118,574	12,121,175	3,785,863
Forward foreign exchange contracts & currency swaps	110,907	81,096	25,157,176	13,006,942	6,353,579	5,195,635	601,020
Currency options	20,568	20,568	1,905,281	811,468	345,937	747,876	–
Others	37,039	37,039	1,262,606	560,861	701,745	–	–
Held as fair value hedges							
Commission rate swaps	20,638	43,146	4,130,063	–	–	2,907,563	1,222,500
Held as cash flow hedges							
Commission rate swaps	30,372	1,112,909	25,570,000	1,486,000	1,440,000	22,644,000	–
Total	6,582,980	7,383,707	291,084,235	28,255,930	48,512,593	156,579,160	57,736,552

Derivative portfolio include Shariah based derivatives with notional amount of SAR 30,752 million (2022: SAR 27,387 million).

The following table shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value.

SAR '000 DESCRIPTION OF HEDGED ITEMS	FAIR VALUE	HEDGE INCEPTION VALUE	RISK	HEDGING INSTRUMENT	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE
2023						
Floating commission rate investments	**1,013,126**	**1,092,000**	**Cash flow**	**Commission rate swap**	**–**	**78,874**
Floating commission rate loans	**34,761,951**	**35,094,500**	**Cash flow**	**Commission rate swap**	**361,428**	**693,977**
Fixed commission rate investments	**1,895,471**	**2,000,000**	**Fair value**	**Commission rate swap**	**–**	**104,529**
Fixed commission rate debt securities	**6,366,533**	**6,375,000**	**Fair value**	**Commission rate swap**	**4,021**	**12,488**
2022						
Floating commission rate investments	1,348,945	1,392,000	Cash flow	Commission rate swap	1,678	44,733
Floating commission rate loans	23,138,518	24,178,000	Cash flow	Commission rate swap	28,694	1,068,176
Fixed commission rate investments	1,508,996	1,505,063	Fair value	Commission rate swap	20,638	16,705
Fixed commission rate debt securities	2,598,559	2,625,000	Fair value	Commission rate swap	–	26,441

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11. Derivatives continued

The Bank has posted SAR 2,006 million (2022: SAR 2,081 million) and received SAR 779 million (2022: SAR 1,052 million) collaterals under Credit Support Annex (CSA) agreements and European Market Infrastructure Regulation (EMIR).

The Bank does not have ineffective portion of hedges that have been transferred to consolidated statement of income during 2023 and 2022.

The Bank has calculated the Credit Valuation Adjustment (CVA) based on an internal model to derive the difference between the risk-free portfolio and the true portfolio value that takes into account the possibility of a counterparty's default. CVA represents the market value of the counterparty credit risk. CVA is an adjustment to the fair value (or price) of derivative instruments to account for counterparty credit risk (CCR). Thus, CVA is viewed as the price of CCR. This price depends on counterparty credit spreads as well as on the market risk factors that drive derivatives' values and, therefore, exposure. The impact on the CVA is not material in nature to the consolidated financial statements.

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the counter party.

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC derivatives contracts are traded on exchanges and cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

12. Due to SAMA

SAR '000	2023	2022
Current accounts	–	19,134
Deposit	1,070,850	3,557,904
Government grant	4,066,531	4,591,880
Modification impact, net	(71,486)	(164,515)
Total	**5,065,895**	8,004,403

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

2023		
DATE OF RECEIPT	FINAL MATURITY DATE	PRINCIPAL AMOUNT (SAR '000)
Sep 30, 2020	Jan 04, 2024	1,448,255
May 11, 2020	Feb 11, 2025	785,000
May 21, 2020	Feb 20, 2025	869,000
Jul 16, 2020	Apr 16, 2025	489,403
Mar 29, 2020	Dec 29, 2024	474,873
Total		**4,066,531**

2022		
DATE OF RECEIPT	FINAL MATURITY DATE	PRINCIPAL AMOUNT (SAR '000)
Sep 30, 2020	Jan 04, 2024	1,448,255
Mar 29, 2020	Mar 29, 2023	525,127
May 11, 2020	Feb 11, 2025	785,000
May 21, 2020	Feb 20, 2025	869,000
Jul 16, 2020	Apr 16, 2025	489,403
Mar 29, 2020	Dec 29, 2024	474,873
Dec 25, 2020	Mar 30, 2023	222
Total		4,591,880

13. Due to banks and other financial institutions

SAR '000	2023	2022
Current accounts	466,229	243,553
Money market deposits	4,389,864	7,956
Repos	9,023,282	8,514,530
Total	**13,879,375**	8,766,039

Due to banks and other financial institutions include Islamic related products of SAR 2,366 million (2022: SAR Nil million).

14. Customers' deposits

SAR '000	2023	2022
Demand	76,411,540	91,181,332
Saving	878,229	1,053,846
Time	90,199,493	60,275,249
Other	4,719,721	5,081,893
Total	**172,208,983**	157,592,320

Other customers' deposits include SAR 3,123 million (2022: SAR 3,322 million) related to margins held for irrevocable commitments.

Time deposits include Shariah approved customer deposits as below:

SAR '000	2023	2022
Murabaha and other Islamic deposit	38,811,788	28,648,099
Total	**38,811,788**	28,648,099

Customers' deposits include foreign currency deposits as follows:

SAR '000	2023	2022
Demand	8,605,236	9,628,628
Saving	34,507	41,279
Time	9,458,790	11,559,890
Other	1,859,645	2,151,305
Total	**19,958,178**	23,381,102

Foreign currency deposits mainly include deposits in USD amounting to SAR 16,278 million (2022: SAR 18,788 million).

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15. Debt securities and term loans
During 2022 the Bank has established a USD 4 Billion Euro Medium term Note (MTN) Programme. The issuer under the programme is BSF Finance Limited, operating as a special purpose entity for the guarantor Banque Saudi Fransi. In 2023 the Bank established a USD 4 Billion Trust Certificate Issuance Programme. The issuer under the programme is BSF Sukuk Company, which operates as a special purpose entity for the guarantor Banque Saudi Fransi.

Debt Securities and term loans issued by the Bank under its various programs include:

ISSUE DATE	TYPE	MARKET	TENURE	CURRENCY	VALUE	TERM	MATURITY
Nov 23 2022	Bond	London stock exchange	5 Years	USD	700 Million	5.5% Semi Annual	Nov 23 2027
Dec 22 2022	Term Loan facility	Syndicated Facility – International FI Lenders	3 years	USD	500 Million	SOFR + 70 bps Quarterly	Dec 22 2025
May 31 2023	Sukuk	London stock exchange	5 years	USD	900 Million	4.75% Semi Annual	May 31 2028
Jun 21 2023	Term Loan facility	Syndicated Facility – International FI Lenders	2.5 years	USD	50 Million	SOFR + 70 bps Quarterly	Dec 22 2025
Jul 18 2023	Sukuk	Private placement	4 years	USD	100 Million	5.47% Semi Annual	Jul 18 2027
Nov 09 2023	Bond	Private placement	3 years	USD	50 Million	SOFR + 115 bps Quarterly	Nov 09 2026

Movement of the debt securities and term loans during the year is as follows:

SAR '000	2023	2022
Balance at beginning of the year	**4,515,254**	–
Debt securities and term loans issued	**4,125,000**	4,500,000
Debt securities and term loans payment	**–**	–
Other adjustments	**(6,228)**	15,254
Balance at the end of the year	**8,634,026**	4,515,254

16. Other liabilities

SAR '000	2023	2022
Accounts payable and accrued expenses	**2,984,136**	3,153,507
Collateral received on derivatives	**779,250**	1,051,516
Settlement of zakat liability for prior years	**–**	241,707
Lease liability	**663,118**	719,119
ECL provision on off statement of financial position	**196,101**	277,634
Others	**1,865,412**	1,627,588
Total	**6,488,017**	7,071,071

17. 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, 2022: 1,205 million shares of SAR 10 each).

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

SAR '000	2023 (%)	2022 (%)	2023	2022
Saudi shareholders	**100**	100	**12,053,572**	12,053,572
Total	**100**	100	**12,053,572**	12,053,572

18. Statutory and general reserve
In accordance with Saudi Arabian Banking Control Law and the By-Laws of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, the Bank has reached the required limits and no further transfers are required from the net income for the year ended December 31, 2023 (2022: SAR Nil). The statutory reserve is not available for distribution.

The Bank had appropriated SAR 983 million to general reserve from retained earnings in the prior years.

19. Other reserves

SAR '000	CASH FLOW HEDGES	FVOCI INVESTMENTS	ACTUARIAL GAINS/(LOSSES) ON DEFINED BENEFIT PLANS	TOTAL
2023				
Balance at January 01	**(1,250,888)**	**(850,259)**	**11,080**	**(2,090,067)**
Net change in fair value	**(364,058)**	**210,089**	**–**	**(153,969)**
Transfer to consolidated statement of income	**819,064**	**6,650**	**–**	**825,714**
Impairment reversal for expected credit losses	**–**	**(99)**	**–**	**(99)**
Actuarial loss on defined benefit plans	**–**	**–**	**(4,662)**	**(4,662)**
Net movement during the year	**455,006**	**216,640**	**(4,662)**	**666,984**
Balance as at December 31, 2023	**(795,882)**	**(633,619)**	**6,418**	**(1,423,083)**
2022				
Balance at January 01	219,264	7,712	1,731	228,707
Net change in fair value	(1,372,295)	(857,654)	–	(2,229,949)
Transfer to consolidated statement of income	(97,857)	(3,524)	–	(101,381)
Impairment charge for expected credit losses	–	3,207	–	3,207
Actuarial gain on defined benefit plans	–	–	9,349	9,349
Net movement during the year	(1,470,152)	(857,971)	9,349	(2,318,774)
Balance as at December 31, 2022	(1,250,888)	(850,259)	11,080	(2,090,067)

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.

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

These Sukuk 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 Sukuk 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 Sukuk 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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21. Commitments and contingencies

a) Legal proceedings

As at December 31, 2023, there were 79 (2022: 102) legal proceedings outstanding against the Group. The Group has made adequate provision against these legal cases. The related legal advice indicates that it is unlikely that any significant loss will arise. As at December 31, 2023, the Group maintains a legal provision amounting to SAR 14 million (2022: SAR 23 million) for legal proceedings outstanding against the Group.

b) Capital commitments

As at December 31, 2023 the Group had capital commitments of SAR 438 million (2022: SAR 39 million) in respect of property and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit, which represent irrecoverable assurances that the Group 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 Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent 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 Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) The contractual maturity structure for the Group's commitments and contingencies that are payable on demand subject to the terms and conditions are as follows:

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
2023					
Letters of credit	**5,274,992**	**2,827,716**	**177,398**	**71,633**	**8,351,739**
Letters of guarantee	**12,551,029**	**22,720,943**	**11,072,750**	**290,150**	**46,634,872**
Acceptances	**2,395,664**	**2,218,355**	**211,720**	**–**	**4,825,739**
Irrevocable commitments to extend credit	**111,924**	**1,906,902**	**6,438,248**	**2,461,813**	**10,918,887**
Total	**20,333,609**	**29,673,916**	**17,900,116**	**2,823,596**	**70,731,237**
2022					
Letters of credit	6,287,304	2,838,840	608,680	59,595	9,794,419
Letters of guarantee	12,876,001	16,557,457	10,579,734	182,740	40,195,932
Acceptances	1,311,216	996,810	104,607	–	2,412,633
Irrevocable commitments to extend credit	2,536,884	476,324	5,415,064	3,015,393	11,443,665
Total	23,011,405	20,869,431	16,708,085	3,257,728	63,846,649

In addition to the commitments disclosed above the outstanding unused portion of non-firm commitments which can be revoked unilaterally at any time by the Group was SAR 70,890 million (2022: SAR 63,570 million).

Commitment and contingencies balance related to Shariah based products were SAR 9,889 million (2022: SAR 8,007 million).

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

SAR '000	2023	2022
Government and quasi government	**–**	–
Corporate	**65,532,668**	58,084,541
Banks and other financial institutions	**5,175,390**	5,747,406
Other	**23,179**	14,702
Total	**70,731,237**	63,846,649

iii) The following table shows the CCF (credit conversion factor) adjusted credit exposure amount of off statement of financial position items:

	DECEMBER 31, 2023			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**31,938,575**	**2,325,850**	**556,680**	**34,821,105**
Transfer from 12-month ECL	**(497,634)**	**489,472**	**8,162**	**–**
Transfer from lifetime ECL not credit impaired	**712,292**	**(914,607)**	**202,315**	**–**
Transfer from lifetime ECL credit impaired	**767**	**7,047**	**(7,814)**	**–**
Net change for the year	**5,652,408**	**(313,219)**	**(184,390)**	**5,154,799**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2023	**37,806,408**	**1,594,543**	**574,953**	**39,975,904**

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	28,257,723	2,178,077	474,244	30,910,044
Transfer from 12-month ECL	(946,020)	925,650	20,370	–
Transfer from lifetime ECL not credit impaired	392,709	(526,669)	133,960	–
Transfer from lifetime ECL credit impaired	–	686	(686)	–
Net change for the year	4,234,163	(251,894)	(71,208)	3,911,061
Write-offs	–	–	–	–
Balance as at December 31, 2022	31,938,575	2,325,850	556,680	34,821,105

iv) Movement of ECL provision on off statement of financial position:

	DECEMBER 31, 2023			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	**14,057**	**12,457**	**251,120**	**277,634**
Transfer from 12-month ECL	**(155)**	**155**	**–**	**–**
Transfer from lifetime ECL not credit impaired	**4,632**	**(4,871)**	**239**	**–**
Transfer from lifetime ECL credit impaired	**203**	**–**	**(203)**	**–**
Net reversal for the year	**(4,098)**	**(1,104)**	**(76,331)**	**(81,533)**
Write-offs	**–**	**–**	**–**	**–**
Balance as at December 31, 2023	**14,639**	**6,637**	**174,825**	**196,101**

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Balance at January 01	17,261	15,093	255,925	288,279
Transfer from 12-month ECL	(337)	335	2	–
Transfer from lifetime ECL not credit impaired	1,302	(2,090)	788	–
Net charge / (reversal) for the year	(4,169)	(881)	(5,595)	(10,645)
Write-offs	–	–	–	–
Balance as at December 31, 2022	14,057	12,457	251,120	277,634

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21. Commitments and contingencies continued

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:

	2023		2022	
SAR '000	ASSETS	RELATED LIABILITIES	ASSETS	RELATED LIABILITIES
FVOCI	8,889,076	8,573,950	9,190,112	8,514,530
Amortised Cost	454,765	449,332	–	–
Total	9,343,841	9,023,282	9,190,112	8,514,530

22. Special commission income and expense

SAR '000	2023	2022
Special commission income		
Loans and advances		
– Overdraft and Commercial Loans	9,730,739	5,777,196
– Consumer Loans and Credit Cards	1,581,155	1,361,203
	11,311,894	7,138,399
Investments		
– FVOCI	802,308	420,560
– Amortised Cost	864,327	626,449
	1,666,635	1,047,009
Due from SAMA, banks and other financial institutions	239,502	121,791
Total	13,218,031	8,307,199
Special commission expense		
Customers' deposits	4,036,539	1,504,411
Due to SAMA, banks and other financial institutions	863,084	370,564
Debt securities and term loans	483,211	5,671
Total	5,382,834	1,880,646
Net special commission income	7,835,197	6,426,553

Fee amortization of SAR 257 million (2022: SAR 291 million) has been included in Special commission income being integral part of the effective interest rate on financial assets.

Net Special commission income related to Islamic related products were SAR 6,140 million (2022: SAR 4,671 million).

23. Fees and commission income, net

SAR '000	2023	2022
Fees and commission income		
– Share trading, brokerage, fund management and corporate finance	327,313	392,843
– Trade finance	458,618	417,900
– Card products	458,568	426,912
– Other banking services	247,278	185,385
Total fees and commission income	1,491,777	1,423,040
Fees and commission expense		
– Share trading and brokerage	50,333	78,604
– Card products	488,713	416,163
– Other banking services	38,056	31,412
Total fees and commission expense	577,102	526,179
Fees and commission income, net	914,675	896,861

Unamortized balance of commission received in advance SAR 702 million (2022: SAR 593 million) out of which loan processing fees will be recognized in special commission income.

24. Trading income, net

SAR '000	2023	2022
Derivatives, net	104,157	200,823
Securities, net	9,859	925
Total	114,016	201,748

25. Other operating income

SAR '000	2023	2022
Gains on disposal of property and equipment	214	166
Other	5,717	342
Total	5,931	508

26. Other operating and general and administrative expenses

SAR '000	2023	2022
Non-claimable tax and penalties	88,452	83,380
Repair & maintenance, utilities and IT cost	259,983	204,043
Insurance and legal cost	86,718	112,996
Professional and consultancy fees	176,919	141,428
Communication, publication and advertisement charges	216,708	146,925
Stationery and supplies	12,481	10,948
Travel and entertainment	20,329	15,374
Others and other operating expenses	100,411	148,971
Total	962,001	864,065

Auditor's remuneration

SAR '000	2023	2022
Audit fee and other certification of the Bank	7,258	5,935
Audit fee and other certification of the subsidiaries	750	774
Total	8,008	6,709

27. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2023 and 2022 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 7.6 million shares as of December 31, 2023 (December 31, 2022: 5.8 million shares).

28. Interim and final net dividend

The Board of Directors have proposed final net dividend of SAR 1,198 million (2022: SAR 1,080 million) i.e. SAR 1.00 (2022: SAR 0.90) 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 1,140 million (2022: SAR 901 million) i.e. SAR 0.95 (2022: SAR 0.75) net per share.

SAR '000	2023	2022
Interim net dividend	1,140,213	901,488
Final proposed net dividend	1,197,738	1,079,633
Total	2,337,951	1,981,121

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29. Zakat
The dividends are paid to the Saudi shareholders after deduction of Zakat as follows:

Saudi shareholders
Zakat attributable to Saudi Shareholders for the year amounted to SAR 485 million (2022: SAR 429 million) which is deducted from their share of dividend.

Zakat Settlement
The Group has calculated Zakat accruals for the year 2023 based on the Zakat rules for financing activities in accordance with MR 2215 dated March 14, 2019 corresponding to Rajab 07, 1440H.

As a major event, in the year 2018, the Bank reached a settlement agreement with ZATCA, to settle the Zakat Liability amounting to SAR 1,510.67 million for previous years and until the end of the financial year 2017. The settlement agreement requires the Bank to settle 20% of the agreed Zakat Liability in 2018 and the remaining to be settled over the period of five years, accordingly the Bank has adjusted Zakat for the previous years and until the end of financial year 2017, through its Retained Earnings. The Bank has settled the full amount of SAR 1,510.67 million at the end of December 31, 2023.

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	2023	2022
Zakat provision for the current year	486,622	412,697
(Excess) / shortage provision for the prior years	(1,522)	16,076
Zakat charge for the current year	**485,100**	428,773

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

SAR '000	2022	2022
Cash and balances with SAMA excluding statutory deposit (note 4)	1,087,771	2,158,736
Due from banks and other financial institutions with a maturity of three months or less from the date of acquisition	2,031,127	3,639,183
Total	**3,118,898**	5,797,919

Due from banks and other financial institutions maturing after three months from the date of acquisition were SAR 2,083 million (2022: SAR 1,158 million).

31. Employees compensation practices

SAR '000 CATEGORIES OF EMPLOYEES	2023 NUMBER OF EMPLOYEES	FIXED COMPENSATION	VARIABLE COMPENSATION	TOTAL COMPENSATION	FORMS OF PAYMENT
Senior management	20	39,947	29,701	69,648	Cash / shares
Employees engaged in risk taking activities	359	215,354	92,320	307,674	Cash / shares
Employees engaged in control functions	426	139,061	24,720	163,781	Cash / shares
Other employees	2,349	580,822	126,169	706,991	Cash / shares
Outsourced employees	756	99,188	24,193	123,381	Cash
Total	**3,910**	**1,074,372**	**297,103**	**1,371,475**	

SAR '000 CATEGORIES OF EMPLOYEES	2022 NUMBER OF EMPLOYEES	FIXED COMPENSATION	VARIABLE COMPENSATION	TOTAL COMPENSATION	FORMS OF PAYMENT
Senior management	19	34,438	22,640	57,078	Cash
Employees engaged in risk taking activities	390	231,282	120,618	351,900	Cash
Employees engaged in control functions	429	130,389	19,975	150,364	Cash
Other employees	2,267	541,619	104,513	646,132	Cash
Outsourced employees	616	84,573	19,731	104,304	Cash
Total	3,721	1,022,301	287,477	1,309,778	

Number of employees represents only the closing balance.

SAR '000	2023	2022
Total compensation	1,370,855	1,309,778
Other employee related costs	370,728	185,182
Total salaries and employee related costs	**1,741,583**	1,494,960

The above table includes deferred variable compensation of SAR 27.4 million (2022: SAR 23.6 million).

Senior management:
This comprises the functions, roles and responsibilities entrusted to those positions who take, propose and implement strategic decisions and manage the Bank's business processes including senior management positions that requires SAMA's non-objection for appointment.

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 Group. 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 functions that have a responsibility independent from management to provide objective assessment, reporting and/or assurance including: (Risk Management, Compliance, Internal Audit).

Other employees:
This includes all other employees of the Group, excluding those already reported under the above categories.

Salient Features of Banque Saudi Fransi's Remuneration Policy
Governance of Remuneration
As per SAMA Banks Remuneration Rules, Human Resources together with the control functions of the Bank (Risk Management, Compliance, Internal Audit) participate in the design of the remuneration system, as initial "Recommenders", to effectively delineate how remuneration tools address misconduct risk or other imprudent risk-taking behaviours. Furthermore, Risk Management is involved in the review of the remuneration system to ensure that an adequate risk-based remuneration practice is in place, and to assess its adequacy and effectiveness as an integral part of the Bank's risk management framework.

Additionally, an Incentives Oversight Committee (IOC) has been formed, which includes the Chief Human Capital Officer, Chief Risk Officer, Chief Compliance Officer, Chief Strategy and Finance Officer, Head of Legal and Governance, and the Chief Audit Executive. The IOC is a management-level committee, which meets on a quarterly basis to provide internal governance on and ensure that all incentive plans are properly balanced for risk and reflective of BSF's compensation philosophy, strategic objectives and business unit goals, and shares its recommendations with the NRC.

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31. Employees compensation practices continued

The Board of Directors (the Board) of the Bank is responsible for the overall design and oversight of the remuneration system which promotes prudent risk-taking behaviours and business practices and accordingly has not delegated this responsibility to senior management. The Board also ensures that an annual review of the remuneration (internally through Internal Audit or externally commissioned by a recognized firm) is carried out independently and without the intervention of senior management, where the review assesses the Bank's compliance with SAMA Banks Remuneration Rules and any relevant laws, regulations, principles and standards, as well as the Bank's internal policies that are prepared according to SAMA Banks Remuneration Rules. The Board takes into account the results of such a review when making decisions related to remuneration.

The Board is ultimately responsible for promoting effective governance, sound remuneration practices, ethical behaviour and compliance with laws, regulations, and internal conduct standards, and for ensuring accountability for misconduct; in addition to the following:

a) Overseeing and holding senior management accountable for implementing and participating in the design of the remuneration system that effectively delineates how remuneration tools address misconduct risk or other imprudent risk-taking behaviour.
b) Engaging actively with senior management, including challenging senior management's remuneration assessments and recommendations if warranted when serious or recurring misconduct occurs and ensure that root cause analysis is performed, lessons learned are promulgated bank-wide and new policies are adopted, as necessary, to prevent it from happening again.

The Board reviews, and if satisfies, approves the remunerations of the senior management based on the recommendations of the Nomination and Remuneration Committee (NRC).

The General Assembly, upon the proposal of the Board, lays down the terms of reference of the Nomination and Remuneration Committee (NRC), which includes its work controls, responsibilities, procedures for appointing committee members, their membership duration and remuneration, which includes, on a summarized fashion, the following:

Nomination and Remuneration Committee (NRC):

Composition of the NRC

- Members of the NRC shall be appointed by a majority vote of the Board. Such appointment is subject to SAMA's written "No-objection";
- The Board may appoint Non-Executive and Independent Directors or persons other than Board members either from shareholders or others, provided that the Chairmen of the Committee shall be a Board independent director;
- The NRC shall be comprised of at least three (3) members and shall not exceed five (5) members;
- Executive Directors may not be members of this Committee;
- The NRC should include at least two (2) independent members;
- It is preferable that a member is not be a member in more than two committees;
- The CMA & SAMA shall be notified with the names of the members and the types of their memberships in such within five (5) business days from their appointment, and shall be notified also about any changes thereto within five business (5) days of the date of such changes;
- NRC members must work with a sense of intent with the necessary care and attention to benefit the stakeholders in addition to performing his/her duties away from any external influence, whether from within or from outside BSF, and he/she must not provide personal reconciliation or the interests of those he/she represents to the interests of BSF, shareholders and other stakeholders.

Authority and Purpose of the NRC

Purpose of the NRC

- The NRC represents and assists the Board of Directors (the Board) of Banque Saudi Fransi (the Bank) in fulfilling its oversight responsibilities relating to:
  I. Identifying and recommending nominees for selection as executive, non-executive and independent directors of the Board and external committee members;
  II. Determining the incentives system and approving the compensations in accordance with SAMA's rules, applicable laws and regulations; and
  III. Review Human Resources functions and activities in line with the "Nomination & Remuneration Committee (NRC) Charter".

Terms of Reference (Mandate) of the NRC (including but not limited to):

- 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 the 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.

The NRC, upon the proposal of the CEO, lays down the terms of reference of the Incentives Oversight Committee (IOC), which is a management-level committee that meets on a quarterly basis to provide internal governance on and ensure that all incentive plans are properly balanced for risk and reflective of BSF's compensation philosophy, strategic objectives and business unit goals. Incentive-related changes, once vetted by the IOC, are further recommended by the IOC to the NRC and then the Board of Directors, in line with the DoA. The IOC's membership, authority and terms of reference, are summarized as follows:

Incentives Oversight Committee (IOC):

Composition of the IOC

a) Membership

- The IOC is comprised of the following members:
  I. Chief Executive Officer (as an Invitee – on need basis)
  II. Chief Human Capital Officer (as the Chair of the IOC)
  III. Chief Risk Officer (as the Vice Chair of the IOC)
  IV. Chief Strategy and Finance Officer, Chief Compliance Officer, Chief Legal and Governance Officer (as members)
  V. Chief Audit Executive (as a non-voting member, from an observation and monitoring standpoint)

- Other IOC members may be appointed by the CEO upon the recommendation of the CHCO and the CRO.

Authority and Purpose of the IOC

- 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;
- 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;
- The IOC is responsible for establishing the processes for incentive plan administration and payments; and
- 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.

Banque Saudi Fransi's Remuneration Policy – Remuneration Philosophy and Principles

Banque Saudi Fransi's Remuneration Philosophy is centred around 4 key Remuneration Principles, which in turn are aligned to the Bank's overall strategic direction to support its achievement in the short, medium and long-term. These four (4) Remuneration Principles underpin the design and execution of the Bank's remuneration policy and practices:

1st Reward Principle: Pay for Performance:

The Bank's policy ensures, through fixed and variable forms of remuneration, 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 remuneration 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

31. Employees compensation practices continued

3rd Reward Principle: Competitiveness:
The Bank monitors market trends closely and reviews its remuneration against a selected peer group of organizations. 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 remuneration policy ensures that the correct risk mitigation measures are applied, such as variable compensation deferral and clawback arrangements, as appropriate.

Banque Saudi Fransi's Remuneration Policy – Remuneration Structure and Review
It is Banque Saudi Fransi's philosophy to provide competitive compensation and benefits packages to attract, motivate and retain a high performing employee workforce.

Banque Saudi Fransi's remuneration structure comprises of the following three (3) components:

Fixed Remuneration:
Which comprises of the basic salary and cash allowances:
- Housing Allowance;
- Transportation Allowance;
- Other Consolidated Allowances (Ramadan, December and Travel allowances);

Variable Remuneration:
which is performance-based and comprises of the annual performance bonus plan, incentive plan, and the long-term incentive plan; and

Benefits:
which comprises of the various monetary and non-monetary benefits provided by Banque Saudi Fransi, such as the saving plan, medical insurance, life / disability insurance, among other types benefits.

Banque Saudi Fransi frequently assesses the extent to which its remuneration levels are competitive in the marketplace. Thus, and as the Bank deems appropriate, an annual review of local and international markets to collect relevant benchmarks is conducted, while taking into account the following:
- The Bank's competitive compensation strategy and relevant competitive trends;
- Changes in the Bank's human resources or compensation approaches;
- The Bank's profitability and general affordability;
- Segmentation of the Bank's talent pool; and
- Market volatility and demand (e.g., inflation rate).

In conducting the annual review of remuneration benchmarks, the Bank seeks the support of multiple reputable external vendors to conduct the compensation and benefits surveys and analyse the results.

Banque Saudi Fransi's Remuneration Policy – Fixed Remuneration
The Bank strives to achieve internal and external equity with respect to the Fixed Remuneration of all employees through the implementation of a Fixed Remuneration structure.

The Bank also provides employees with fair opportunities for increasing their Fixed Remuneration in recognition of their strong performance, and to ensure that they maintain a quality standard of living, through conducting an annual salary review cycle where fixed remuneration increases are based on several factors, including individual performance as well as internal and external equity.

Banque Saudi Fransi's Remuneration Policy – Job-based Allowances
The Bank provides a number of job-based allowances which are linked to the nature of the job, which include, but not limited to, the following:
- Cash Handling Allowance; and
- Shift Allowance

Banque Saudi Fransi's Remuneration Policy – Performance Based Variable Remuneration
Banque Saudi Fransi strives to provide all full-time employees in the Bank with opportunities to earn Variable Remuneration.

Variable Remuneration is based on performance which is in turn is measured at various levels, according to the nature and the seniority of the job role: performance at the bank-level, group / division / team-level and, lastly, individual level.

The type and size of the Variable Remuneration award for each employee is based on the nature and seniority of the job role, and remains in line with the budgetary considerations and guidelines determined by the Bank on a year-to-year basis, in line with business priorities.

Banque Saudi Fransi's utilizes different forms of Variable Remuneration to attract, incentivize, compensate and retain strong performing employees. Performance based Variable Remuneration comes in the following forms:

Incentive Plan
Incentive Plans are designed to drive sales / debt collection & recovery, but are also designed to ensure that the right behaviours are also reinforced, and high-risk activities are minimized or mitigated.

Incentive Plans target specific frontline / customer-facing job roles under Retail Banking, as well as debt collectors and recovery agents under Consumer Assets Collections.

Incentive Plans are monitored by the Incentives Oversight Committee (IOC) to ensure that they are properly balanced for risk and are reflective of the Bank's compensation philosophy, strategic objectives and business unit goals.

Annual Bonus Plan
The bonus pool (or funding) takes into account the net income of the Bank, where the size of the bonus pool relatively grows in successful years, and is reduced in unsuccessful years where the Bank fails to meet its net income target.

The bonus pool's distribution takes into account the job role, individual performance, group/division performance, and bank-wide performance.

Lastly, all values are then adjusted equally and on relative basis (either on upward or downward basis) to fit the available bank-wide bonus pool / budget.

Control functions are 'ring-fenced' and therefore are not adjusted for bank-wide performance nor are they adjusted based on the bonus pool / budget availability. This is done to ensure the independence of these control functions so that these functions remain distant from the financial performance of the Bank.

The bonuses of employees classified as Senior Management or Material Risk Takers (MRTs) shall also be subject to Bonus Deferral, where at least 40% of the annual performance bonus is deferred over 3 years, and where the deferred amounts are converted to BSF Shares. Deferred bonuses are released in a phased manner, where a third of the deferred amount is released each subsequent year following the bonus cycle.

While vesting, deferred bonuses are subject to leaver provisions covering the various possible reasons of separation of employment, where different events impact employees' entitlement to (or forfeiture) of unvested portions of deferred bonus, based on the scenario in question (which includes, among others, resignation, termination, retirement, etc.).

31. Employees compensation practices continued

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) aims to enhance the Bank's ability to attract, retain and motivate qualified members of the executive and senior management, as well as key and high potential employees, and to advance the interests of the shareholders of the Bank by providing these employees with equity ownership opportunities.

The Bank's LTIP is a form of Restricted Stock Plan, where selected participants are allocated Banque Saudi Fransi shares that are subject to a number of vesting conditions, including a minimum share retention period of 3 years (the shares' vesting period) and are also subject to the employee's continuous employment as well as the attainment of the Bank's long-term goals.

The LTIP is an annual rolling plan and nominations and allocations take place annually.

LTIP awards are based on a grant value, in Saudi Arabian Riyal (SAR), which is determined by the NRC and defined for each participant based on the employee's seniority or grade. The value (in SAR) is then converted to Banque Saudi Fransi shares based on the average Bank share price over the preceding 3 months prior to the LTIP's award date. The actual number and value of shares that vest (after the 3 years vesting period has passed) will depend on the share price upon vesting as well as the Bank's performance against the vesting condition, which applies a leverage or multiplier against the allocated number of shares, thus either increasing or decreasing the final payout, in shares, depending on the performance of the Bank as a whole.

While vesting, LTIP awards are subject to leaver provisions covering the various possible reasons of separation of employment, where different events impact employees' entitlement to (or forfeiture) of unvested portions of LTIP awards, based on the scenario in question (which includes, among others, resignation, termination, retirement, etc.).

Banque Saudi Fransi's Remuneration Policy – Alignment of Remuneration to Misconduct Risk and Other Risks

The overall objective of Banque Saudi Fransi's remuneration system is focused on promoting effective risk management and the financial soundness and stability of the bank. Accordingly:

- The Bank's remuneration system encourages effective governance, sound remuneration practices, ethical behavior and compliance with laws, regulations, and internal conduct standards, and employees are held accountable for ensuring that their own conduct is consistent with the Bank's values and standards.
- The type and total amount paid in performance-based Variable Remuneration reflects the time horizon of the risk involved.
- The balance between Fixed Remuneration and Variable Remuneration (in other words, the 'pay mix' or proportion of variable remuneration to fixed remuneration) varies according to the nature of business carried out, the type of role and the seniority of the role within the Bank.
- The Bank, in line with its Delegation of Authority, retains the option to pay executive level employees a portion of their total remuneration through a form of Long Term Incentive Plan (LTIP) in order to ensure that a significant portion of the total remuneration is linked to the long-term performance of the Bank.
- The Bank ensures that a substantial portion (between a minimum of 40% and a maximum of 60%) of the Variable Remuneration of senior and executive employees in the Bank in addition to material risk-takers (MRT's) (inclusive of both the Annual Performance Bonus, and the Long-term Incentive Plan) is subject to deferral with a minimum vesting period of not less than three years.
- The proportion of Variable Remuneration to be deferred, its form (which shall be in shares), and the vesting period are determined based on the nature of the business, its risks and the seniority and activities of the concerned senior and executive employee or material risk-takers (MRT's), and in line with SAMA Banks Remuneration Rules.

Serious incidents of misconduct may result in the following consequences as per SAMA guidelines:

Remuneration Adjustment

Where BSF applies mechanisms to adjust variable remuneration, through **"In-year Adjustment"**, or **"Malus"**, or **"Clawback"** arrangements, which can reduce the variable remuneration before or after it is awarded or paid, in line with SAMA guidelines This allows Banque Saudi Fransi to adjust remuneration to account for risks that have subsequently occurred, including misconduct.

In-year Adjustment:

where Banque Saudi Fransi adjusts, on a downward basis, an employee's anticipated annual variable remuneration award (either the current-year's anticipated annual performance bonus, or the current-year's anticipated Long Term Incentive Award grant/or allocation) to reflect the impact of a negative event or behaviour;

Malus:

where Banque Saudi Fransi reduces the value of all or part of deferred remuneration based on ex post risk adjustment before it has vested. The Malus provision is time-bound to outstanding installments of deferred bonuses, as well as outstanding LTI award entitlements;

Clawback:

where an employee has to return ownership of an amount of variable remuneration (which shall only include deferred portions of the annual performance bonus, and LTI awards) paid in the past or which have already vested (but not yet paid) back to Banque Saudi Fransi, under certain conditions;

Human Resources together with the control functions of the Bank (Risk Management, Compliance, Internal Audit) participate in remuneration decision-making, as to ensure effective remuneration incentives in addressing misconduct risk or other imprudent risk-taking behaviours.

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	2023	2022
Defined benefit obligation at the beginning of the year	**499,715**	507,694
Current service cost charge for the year	**51,764**	49,596
Interest cost	**25,131**	13,771
Benefits paid	**(41,866)**	(61,997)
Unrecognized actuarial gain	**4,662**	(9,349)
Defined benefit obligation at the end of the year	**539,406**	499,715

SAR '000	2023	2022
Charge for the year		
Current service cost	**51,764**	49,596
Interest cost	**25,131**	13,771
Total	**76,895**	63,367

PRINCIPAL ACTUARIAL ASSUMPTIONS (IN RESPECT OF THE EMPLOYEE BENEFIT SCHEME)	2023	2022
Discount rate	**5.4% p.a**	5.3% p.a
Expected rate of salary increase	**5.0% p.a**	5.0% 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, 2023 and 2022 to the discount rate, salary escalation rate, withdrawal assumptions and mortality rates.

SAR '000	2023	2022
Discount rate – decrease by 0.5%	**565,919**	524,715
Future salary growth – increase by 0.5%	**565,887**	524,522
Retirement age – increase by one year	**535,827**	498,992

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit liability as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions are correlated. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

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31. Employees compensation practices continued

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its employees. The total amount expensed during the year in respect of this plan was SAR 70 million (2022 SAR 57 million).

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

SAR '000	2023	2022
Below 1 year	47,448	44,510
Above 1 year	491,958	455,205
Total	**539,406**	499,715

32. Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group'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 Group'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 Group'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 Group's total assets and liabilities as at December 31, 2023 and 2022, its total operating income and expenses and its net income attributable to equity holders of the Group for the years then ended by operating segments, are as follows:

SAR '000	RETAIL BANKING	CORPORATE BANKING	TREASURY	INVESTMENT BANKING AND BROKERAGE	TOTAL
2023					
Total assets	44,030,393	136,408,923	70,830,279	2,113,254	253,382,849
Loans and advances, net	42,324,626	135,649,652	–	1,416,945	179,391,223
Total liabilities	70,428,713	104,477,499	36,594,817	760,599	212,261,628
Customers' deposits	69,214,006	102,994,977	–	–	172,208,983
Total operating income	3,578,943	4,266,928	1,009,156	468,967	9,323,994
Total operating expenses before impairment charge	1,691,613	759,573	342,277	228,243	3,021,706
Impairment charges for financial assets, net	(38,762)	1,631,326	1,891	–	1,594,455
Net income for the year before zakat	1,926,092	1,876,029	664,988	240,724	4,707,833
Net special commission income	3,400,359	3,736,192	528,454	170,192	7,835,197
Fees and commission income, net	112,795	524,900	–	276,980	914,675
Exchange income, net	60,769	5,352	389,101	–	455,222
Trading income, net	–	–	110,716	3,300	114,016
Inter-segment revenue	2,644,582	1,546,848	(4,191,430)	–	–
Depreciation and amortization	167,569	51,937	26,060	5,092	250,658
2022					
Total assets	38,411,305	122,840,810	68,634,685	2,191,319	232,078,119
Loans and advances, net	37,047,708	120,539,784	–	1,424,033	159,011,525
Total liabilities	78,542,043	81,980,544	31,204,920	1,605,287	193,332,794
Customers' deposits	77,321,225	80,271,095	–	–	157,592,320
Total operating income	2,256,868	3,543,948	1,765,791	450,668	8,017,275
Total operating expenses before impairment charge	1,459,660	673,774	305,893	214,248	2,653,575
Impairment charges for financial assets, net	(6,061)	1,370,005	(4,367)	220	1,359,797
Net income for the year before zakat	803,269	1,500,169	1,464,265	236,200	4,003,903
Net special commission income	2,058,847	3,080,134	1,167,044	120,528	6,426,553
Fees and commission income, net	123,895	458,727	–	314,239	896,861
Exchange income, net	53,799	4,736	416,149	–	474,684
Trading income, net	20,170	–	179,890	1,688	201,748
Inter-segment revenue	1,273,626	662,119	(1,935,745)	–	–
Depreciation and amortization	157,774	38,566	21,949	3,139	221,428

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

SAR '000	RETAIL BANKING	CORPORATE BANKING	TREASURY	INVESTMENT BANKING AND BROKERAGE	TOTAL
2023					
Statement of financial position assets	42,390,291	136,259,957	60,847,081	1,974,721	241,472,050
Commitments and contingencies	252,017	39,723,887	–	–	39,975,904
Derivatives	–	–	4,222,720	–	4,222,720
2022					
Statement of financial position assets	37,113,373	121,124,736	58,478,330	1,969,291	218,685,730
Commitments and contingencies	338,924	34,482,181	–	–	34,821,105
Derivatives	–	–	3,979,804	–	3,979,804

Credit exposure comprises the carrying value of statement of financial position assets excluding cash, property and equipment, positive fair value of derivative, other assets & other real estate. The credit equivalent value of commitments, contingencies and derivatives are included in credit exposure.

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33. Financial Risk Management

Credit Risk

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Committee, which has the responsibility to monitor the overall risk process within the Group.

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 Group 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 Group assesses the probability of default of counterparties using internal rating tools with an overlay of credit assessment, where necessary. In addition, the Group also uses external ratings from major rating agencies where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group'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 Group 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 Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group'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 Group 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 Group's performance to developments affecting a particular industry or geographical location.

The Group 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 Group 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 Group regularly reviews its risk management policies and systems to reflect changes in market conditions and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. For analysis of investments by counterparty and the details of the composition of investments, and loans and advances, refer to notes 6 and 7, respectively. Information on credit risk relating to derivative instruments is provided in note 11 and for commitments and contingencies in note 21. The information on Groups maximum credit exposure by business segment is given in note 32.

The Group's internal credit rating grades:

RATING GRADE	DESCRIPTION	PD-RANGE	MID-POINT
Performing			
A+	Exceptional	0-0.02%	0.0030%
A	Excellent	0-0.02%	0.0100%
B+	Very Good	0.02%-0.04%	0.0221%
B	Good	0.04%-0.08%	0.0585%
C+	Very Satisfactory	0.08%-0.16%	0.1464%
C	Satisfactory	0.16%-0.32%	0.3047%
C-	Fairly Satisfactory	0.32%-0.64%	0.5333%
D+	Pass	0.64%-0.85%	0.8059%
D	Mediocre	0.85%-1.28%	1.2213%
D-	Very Mediocre	1.28%-2.56%	2.1793%
E+	Weak	2.56%-5.12%	4.8860%
E	Special Mention	5.12%-15.0%	10.9544%
E-	Special Mention	15.0%-40.0%	24.8933%
Non-Performing			
F	Standard	100.00%	100.00%
Z	Doubtful	100.00%	100.00%
Y	Loss	100.00%	100.00%

Geographical concentration

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

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2023						
Assets						
Cash and balances with SAMA						
Cash in hand	1,068,081	–	–	–	–	1,068,081
Balances with SAMA	9,490,678	–	–	–	–	9,490,678
Due from banks and other financial institutions, net						
Current account	–	163,179	629,569	790,035	54,090	1,636,873
Money market placements	982,970	1,118,174	375,148	–	–	2,476,292
Investments, net						
Held as FVSI	168,181	53,756	–	–	–	221,937
FVOCI	16,774,872	4,750,710	1,329,839	653,942	95,771	23,605,134
Investments held at amortised cost	24,640,218	–	–	–	–	24,640,218
Investment in associate, net	–	9,695	–	–	–	9,695
Positive fair value of derivatives						
Held for trading	1,067,775	47	4,079,255	146,298	–	5,293,375
Held as fair value hedges	–	–	4,021	–	–	4,021
Held as cash flow hedges	25,199	–	320,631	15,598	–	361,428
Loans and advances, net						
Overdraft and commercial loans	145,662,533	1,333,412	–	–	–	146,995,945
Credit cards	651,720	–	–	–	–	651,720
Consumer loans	31,743,558	–	–	–	–	31,743,558
Property, equipment and right of use assets, net	2,038,231	–	–	–	–	2,038,231
Other assets and other real estate, net	1,360,130	4,762	1,480,248	300,523	–	3,145,663
Total assets	235,674,146	7,433,735	8,218,711	1,906,396	149,861	253,382,849

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33. Financial Risk Management continued

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2023						
Liabilities						
Due to SAMA, banks and other financial institutions						
Current accounts	31,985	361,630	51,015	4,395	17,204	466,229
Money market deposits	10,355,090	670,585	6,353,333	–	1,100,033	18,479,041
Customers' deposits						
Demand	76,266,646	73,569	10,086	28	61,211	76,411,540
Saving	878,229	–	–	–	–	878,229
Time	89,620,921	578,572	–	–	–	90,199,493
Other	4,713,795	174	143	–	5,609	4,719,721
Negative fair value of derivatives						
Held for trading	844,045	253,157	3,903,847	94,415	–	5,095,464
Held as fair value hedges	–	–	117,017	–	–	117,017
Held as cash flow hedges	199,287	–	493,828	79,736	–	772,851
Debt securities and term loans	–	2,058,577	–	6,575,449	–	8,634,026
Other liabilities	5,219,093	1,891	1,223,951	43,082	–	6,488,017
Total liabilities	188,129,091	3,998,155	12,153,220	6,797,105	1,184,057	212,261,628
Commitments and contingencies						
Letters of credit	7,305,477	114,496	61,875	245,892	623,999	8,351,739
Letters of guarantee	42,649,224	567,918	2,954,489	202,448	260,793	46,634,872
Acceptances	4,776,666	49,073	–	–	–	4,825,739
Irrevocable commitments to extend credit	10,918,887	–	–	–	–	10,918,887
Total	65,650,254	731,487	3,016,364	448,340	884,792	70,731,237
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	2,644,935	58,589	1,204,636	314,560	–	4,222,720
Total	2,644,935	58,589	1,204,636	314,560	–	4,222,720
Commitments and contingencies exposure						
Letters of credit	2,935,031	22,899	12,375	49,178	124,800	3,144,283
Letters of guarantee	25,608,346	305,457	1,492,762	101,224	130,538	27,638,327
Acceptances	4,776,666	49,073	–	–	–	4,825,739
Irrevocable commitments to extend credit	4,367,555	–	–	–	–	4,367,555
Total	37,687,598	377,429	1,505,137	150,402	255,338	39,975,904

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	973,736	–	–	–	–	973,736
Balances with SAMA	10,351,850	–	–	–	–	10,351,850
Due from banks and other financial institutions, net						
Current account	–	149,564	590,263	2,034,945	18,797	2,793,569
Money market placements	406,064	845,337	750,141	–	–	2,001,542
Investments, net						
Held as FVSI	64,944	3,800	–	–	–	68,744
FVOCI	12,408,375	4,221,850	1,111,275	664,168	–	18,405,668
Investments held at amortised cost	26,043,137	–	–	–	–	26,043,137
Investment in associate, net	–	9,695	–	–	–	9,695
Positive fair value of derivatives						
Held for trading	1,353,005	6,273	4,966,797	205,895	–	6,531,970
Held as fair value hedges	–	–	20,638	–	–	20,638
Held as cash flow hedges	1,169	2,445	25,070	1,688	–	30,372
Loans and advances, net						
Overdraft and commercial loans	127,868,564	1,629,856	–	–	–	129,498,420
Credit cards	568,017	7	–	–	–	568,024
Consumer loans	28,945,081	–	–	–	–	28,945,081
Property, equipment and right of use assets, net	1,739,307	–	–	–	–	1,739,307
Other assets and other real estate, net	2,075,012	11,433	1,663,221	346,700	–	4,096,366
Total assets	212,798,261	6,880,260	9,127,405	3,253,396	18,797	232,078,119

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33. Financial Risk Management continued

SAR '000	SAUDI ARABIA	MIDDLE EAST	EUROPE	NORTH AMERICA	OTHER COUNTRIES	TOTAL
2022						
Liabilities						
Due to SAMA, banks and other financial institutions						
Current accounts	19,133	203,812	19,870	12,943	6,929	262,687
Money market deposits	8,892,899	7,956	5,998,339	–	1,608,561	16,507,755
Customers' deposits						
Demand	91,020,097	69,091	4,835	28	87,281	91,181,332
Saving	1,053,846	–	–	–	–	1,053,846
Time	60,275,249	–	–	–	–	60,275,249
Other	5,076,923	–	73	–	4,897	5,081,893
Negative fair value of derivatives						
Held for trading	1,077,631	290,487	4,461,507	398,027	–	6,227,652
Held as fair value hedges	–	–	43,146	–	–	43,146
Held as cash flow hedges	286,697	–	716,682	109,530	–	1,112,909
Debt securities and term loans	–	1,876,094	–	2,639,160	–	4,515,254
Other liabilities	6,021,365	13,355	1,014,155	22,196	–	7,071,071
Total liabilities	173,723,840	2,460,795	12,258,607	3,181,884	1,707,668	193,332,794
Commitments and contingencies						
Letters of credit	8,155,349	198,137	281,792	–	1,159,141	9,794,419
Letters of guarantee	36,144,811	564,833	3,191,224	230,352	64,712	40,195,932
Acceptances	2,412,480	153	–	–	–	2,412,633
Irrevocable commitments to extend credit	11,158,028	285,637	–	–	–	11,443,665
Total	57,870,668	1,048,760	3,473,016	230,352	1,223,853	63,846,649
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	1,901,057	166,954	1,778,010	133,783	–	3,979,804
Total	1,901,057	166,954	1,778,010	133,783	–	3,979,804
Commitments and contingencies exposure						
Letters of credit	3,089,264	39,628	56,358	–	231,828	3,417,078
Letters of guarantee	22,102,191	311,967	1,632,067	115,176	41,373	24,202,774
Acceptances	2,412,480	153	–	–	–	2,412,633
Irrevocable commitments to extend credit	4,731,493	57,127	–	–	–	4,788,620
Total	32,335,428	408,875	1,688,425	115,176	273,201	34,821,105

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

SAR '000	SAUDI ARABIA	
	2023	2022
Non performing loans and advances, net		
Overdraft & Commercial Loans	**1,727,150**	4,038,589
Credit Cards	**19,094**	20,175
Consumer Loans	**174,537**	111,160
Total	**1,920,781**	4,169,924
Lifetime ECL credit impaired		
Overdraft & Commercial Loans	**1,132,263**	2,667,964
Credit Cards	**18,456**	19,087
Consumer Loans	**133,759**	92,615
Total	**1,284,478**	2,779,666

c) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

1. Due from banks and other financial institutions

SAR '000	DECEMBER 31, 2023			
	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Investment grade	**4,105,597**	**–**	**–**	**4,105,597**
Non-investment grade	**636**	**7,837**	**–**	**8,473**
Unrated	**–**	**–**	**–**	**–**
Carrying amount	**4,106,233**	**7,837**	**–**	**4,114,070**

SAR '000	DECEMBER 31, 2022			
	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Investment grade	4,753,267	–	–	4,753,267
Non-investment grade	913	43,235	–	44,148
Unrated	–	–	–	–
Carrying amount	4,754,180	43,235	–	4,797,415

2. Loans and advances to customers at amortized cost

SAR '000	DECEMBER 31, 2023			
	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)	**33,208,967**	**–**	**–**	**33,208,967**
Good quality (C+ to C)	**49,062,011**	**1,819,920**	**–**	**50,881,931**
Satisfactory quality (C- to E+)	**53,437,100**	**6,638,571**	**2,993**	**60,078,664**
Unrated (consumer loans and credit cards)	**32,080,363**	**124,566**	**26,312**	**32,231,241**
Special mention (E to E-)	**–**	**3,694,169**	**19,460**	**3,713,629**
Impaired	**–**	**–**	**1,920,781**	**1,920,781**
Carrying amount	**167,788,441**	**12,277,226**	**1,969,546**	**182,035,213**

SAR '000	DECEMBER 31, 2022			
	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost				
Very strong quality including sovereign (A+ to B)	29,551,867	27	–	29,551,894
Good quality (C+ to C)	45,062,080	791,152	–	45,856,974
Satisfactory quality (C- to E+)	43,579,858	5,831,672	14,334	49,422,122
Unrated (consumer loans and credit cards)	29,354,173	216,589	15,980	29,586,742
Special mention (E to E-)	476	5,346,199	77,736	5,424,411
Impaired	–	–	4,169,924	4,169,924
Carrying amount	147,548,454	12,185,639	4,277,974	164,012,067

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33. Financial Risk Management continued

The following table sets out information about the credit quality of Loans and advances to customers at amortized cost on a product basis.

I) Overdraft & Commercial Loans

SAR '000	DECEMBER 31, 2023 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)	**33,208,967**	**–**	**–**	**33,208,967**
Good quality (C+ to C)	**49,062,011**	**1,819,920**	**–**	**50,881,931**
Satisfactory quality (C- to E+)	**53,437,100**	**6,638,571**	**2,993**	**60,078,664**
Special mention (E to E-)	**–**	**3,459,359**	**8,033**	**3,467,392**
Impaired	**–**	**–**	**1,727,150**	**1,727,150**
Carrying amount	**135,708,078**	**11,917,850**	**1,738,176**	**149,364,104**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Overdraft & Commercial Loans				
Very strong quality including sovereign (A+ to B)	29,551,867	27	–	29,551,894
Good quality (C+ to C)	45,062,080	791,152	–	45,853,232
Satisfactory quality (C- to E+)	43,579,858	5,831,672	14,334	49,425,864
Special mention (E to E-)	–	5,310,146	15,304	5,325,450
Impaired	–	–	4,038,589	4,038,589
Carrying amount	118,193,805	11,932,997	4,068,227	134,195,029

II) Credit Cards

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Credit Cards				
Unrated	**637,900**	**9,897**	**2,722**	**650,519**
Special mention	**–**	**13,329**	**4,390**	**17,719**
Impaired	**–**	**–**	**19,094**	**19,094**
Carrying amount	**637,900**	**23,226**	**26,206**	**687,332**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Credit Cards				
Unrated	562,074	16,430	3,046	581,550
Special mention	61	2,523	2,513	5,097
Impaired	–	–	20,175	20,175
Carrying amount	562,135	18,953	25,734	606,822

III) Consumer Loans

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Consumer Loans				
Unrated	**31,442,463**	**114,669**	**23,590**	**31,580,722**
Special mention	**–**	**221,481**	**7,037**	**228,518**
Impaired	**–**	**–**	**174,537**	**174,537**
Carrying amount	**31,442,463**	**336,150**	**205,164**	**31,983,777**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Loans and advances to customers at amortized cost: Consumer Loans				
Unrated	28,792,099	200,159	12,934	29,005,192
Special mention	415	33,530	59,919	93,864
Impaired	–	–	111,160	111,160
Carrying amount	28,792,514	233,689	184,013	29,210,216

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, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at amortized cost				
Investment grade	**18,997,373**	**–**	**–**	**18,997,373**
Unrated	**5,659,156**	**–**	**–**	**5,659,156**
Carrying amount	**24,656,529**	**–**	**–**	**24,656,529**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at amortized cost				
Investment grade	22,493,803	–	–	22,493,803
Unrated	3,557,229	–	–	3,557,229
Carrying amount	26,051,032	–	–	26,051,032

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33. Financial Risk Management continued

FVOCI

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at FVOCI				
Investment grade	**19,686,478**	**–**	**–**	**19,686,478**
Unrated	**3,562,919**	**–**	**–**	**3,562,919**
Carrying amount	**23,249,397**	**–**	**–**	**23,249,397**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Debt investment securities at FVOCI				
Investment grade	14,851,201	–	–	14,851,201
Unrated	3,234,074	–	–	3,234,074
Carrying amount	18,085,275	–	–	18,085,275

Investment grade refers to the external credit ratings of debt instruments with low default risk (from AAA to BBB-). The Group maintains an internal rating grades for customers who issued unrated securities (A+ to C).

4. Commitment and contingencies

SAR '000	DECEMBER 31, 2023 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	**11,966,988**	**–**	**–**	**11,966,988**
Good quality (C+ to C)	**12,672,624**	**93,391**	**–**	**12,766,015**
Satisfactory quality (C- to E+)	**13,166,796**	**1,095,467**	**5,527**	**14,267,790**
Special mention (E to E-)	**–**	**405,685**	**13,085**	**418,770**
Impaired	**–**	**–**	**556,341**	**556,341**
Carrying amount	**37,806,408**	**1,594,543**	**574,953**	**39,975,904**

SAR '000	DECEMBER 31, 2022 12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	8,861,093	923	–	8,862,016
Good quality (C+ to C)	10,758,375	115,622	–	10,873,997
Satisfactory quality (C- to E+)	12,319,106	1,410,318	5,136	13,734,560
Special mention (E to E-)	–	798,988	13,336	812,324
Impaired	–	–	538,208	538,208
Carrying amount	31,938,574	2,325,851	556,680	34,821,105

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

SAR '000	2023	2022
Investment securities		
Investment grade	**221,937**	68,744
Total carrying amount	**221,937**	68,744

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 Group 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 Group'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:
- change in significant increase in credit risk (SICR) from origination
- days past due count
- slippage in rating notches

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

Stage 1: When loans are first recognised, the Group 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 Group 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 Group 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 factors like fall in ratings by one to five notches (depending on the portfolio) since credit origination along with qualitative factors, including a backstop based on delinquency.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Such qualitative indicators include forbearance, covenant breaches and deterioration in credit quality of guarantors.

As a backstop, the Group 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 Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Credit risk grades

The Group 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

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33. Financial Risk Management continued

CORPORATE EXPOSURES	RETAIL EXPOSURES	ALL EXPOSURES
– Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes. – Data from credit reference agencies, press articles, changes in external credit ratings – Quoted bond and credit default swap (CDS) prices for the borrower where available – Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	– Internally collected data and customer behavior – e.g. utilization of credit card facilities – Affordability metrics – External data from credit reference agencies including industry-standard credit scores	– Payment record – this includes overdue status as well as a range of variables about payment ratios – Utilization of the granted limit – Requests for and granting of forbearance – Existing and forecast changes in business, financial and economic conditions

i) Generating the term structure of PD
Credit Risk grades mapped to probabilities, Credit transition probabilities and Macroeconomic inputs determine the term structure of Probability of Default. The Group 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 Group employs analytical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. Forward looking predictions of key macro-economic indicators e.g. GDP growth, inflation, unemployment or CDS spreads are translated analytically into the impact on Risk Factors, especially PD. For most of corporate portfolio exposures, key macro-economic indicators include: Government debt to GDP ratio, expectation of stock market return / volatility and interest rate forecast. While for retail portfolio, key macro-economic indicators include: unemployment rate, export of goods and services and banking claims on private sector.

Based on advice from the Group's Classification and Impairment Committee and economic experts and consideration of a variety of external actual and forecast information, the Group 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 Group then uses these forecasts to adjust its estimates of PDs.

ii) Definition of 'Default'
The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower, is classified as non performing, or is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In exceptional cases, this criteria may be rebutted based on reasonable and supportable information (e.g. administrative oversight, delay in receipt of receivables from entities with strong credit standing) after following a rigorous review and governance process.

In assessing whether a borrower is in default. The Group 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 Group; 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 Group for regulatory capital purposes.

iii) Modified financial assets
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

The Group 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 significant, 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:
- rating as at reporting date and the modified terms;
- rating at initial origination and the original contract terms

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect special commission income and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group 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. After classification as credit-impaired, the customer should demonstrate good payment behavior for at least a period of twelve months, prior to being considered for upgrade.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities' to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms may include granting concession in interest rate and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Group's special department for distressed assets continues to monitor the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognised.

The table below includes Stage 2 and 3 corporate financial assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Group.

SAR '000	2023	2022
Amortized cost of financial assets modified during the period	41,939	138,128
Net modification loss	(748)	(5,469)

The table below shows the gross carrying amount of previously modified corporate financial assets for which loss allowance has changed to 12 month ECL measurement during the period:

DECEMBER 31, 2023 SAR '000	POST AND PRE MODIFICATION	
	GROSS AMOUNT	ECL
Facilities that have cured and now measured as 12 months ECL (stage 1)	–	–
Facilities that reverted to (Stage 2 and 3) Life-Time ECL having once cured	–	–

Forbearance in retail financial assets does not have a material bearing on the consolidated financial statements.

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33. Financial Risk Management continued

iv) Incorporation of forward looking information

The Group 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 Group 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 Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and losses. The values of macroeconomic variables under the three scenarios employed in ECL computation for the corporate portfolio are presented below. The other portfolios constitute a relatively smaller share of the ECL allowance.

ECONOMIC INDICATORS	2023	2022
General government debt to GDP ratio	**Upside 23.48** **Base case 25.71** **Downside 32.55**	Upside 23.32 Base case 23.75 Downside 30.87
Tadawul All Share Index	**Upside 12,470** **Base case 12,267** **Downside 11,315**	Upside 11,337 Base case 11,144 Downside 10,305
Government Bond Yields 1 Year	**Upside 4.02** **Base case 3.92** **Downside 1.69**	Upside 3.29 Base case 3.21 Downside 1.71

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years. The Group 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 2023 ECL MODEL			FORECAST CALENDAR YEARS USED IN 2022 ECL MODEL		
ECONOMIC INDICATORS	2024	2025	2026	2023	2024	2025
General government debt to GDP ratio	**25.71**	**26.45**	**27.02**	23.75	23.28	23.14
Tadawul All Share Index	**12,267**	**12,943**	**13,083**	11,144	11,580	11,768
Government Bond Yields 1 Year	**3.92**	**3.01**	**3.00**	3.21	2.88	2.86

The table below shows the ECL computed under each of the three different economic scenarios employed for credit provisioning under IFRS 9:

SAR '000	DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	DEBT INSTRUMENT AT AC	DEBT INSTRUMENT AT FVOCI	LOANS AND ADVANCES	OFF STATEMENT OF FINANCIAL POSITION	TOTAL
2023						
Most likely (base case)	**905**	**16,311**	**17,428**	**2,630,619**	**195,926**	**2,861,189**
More optimistic (upside)	**905**	**16,311**	**17,428**	**2,607,712**	**195,692**	**2,838,048**
More pessimistic (downside)	**905**	**16,311**	**17,428**	**2,698,097**	**196,743**	**2,929,484**
Closing provision	**905**	**16,311**	**17,428**	**2,643,990**	**196,101**	**2,874,735**
2022						
Most likely (base case)	2,304	7,895	17,527	4,988,245	277,557	5,293,528
More optimistic (upside)	2,304	7,895	17,527	4,980,411	277,497	5,285,634
More pessimistic (downside)	2,304	7,895	17,527	5,037,071	277,874	5,342,671
Closing provision	2,304	7,895	17,527	5,000,542	277,634	5,305,902

ECL is calculated as the probability-weighted amount after application of 40%, 30% and 30% weights to the outcome of Base Case, Upside and Downside scenarios respectively.

v) 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 Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. The estimates are also sensitive to forward looking macroeconomic information.

EAD represents the expected exposure in the event of a default. The Group 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 Group 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 Group considers a longer period. The maximum contractual period extends to the date at which the Group 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 Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group'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 Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group 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 Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Sensitivity of ECL allowance:

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

ASSUMPTIONS SENSITIZED SAR '000	ECL IMPACT 2023	ECL IMPACT 2022
Macro-economic factors:		
Increase in Debt to GDP by 15%	**68,209**	71,804
Decrease in TADAWUL STOCK INDEX by 15%	**36,554**	54,685
Scenario weightages:		
Base scenario sensitized by +/- 5% with corresponding change in downside	**3,415**	2,457
Base scenario increase by +/- 5% with corresponding change in upside	**1,157**	395

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33. Financial Risk Management continued

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 Grouping sector is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous. For portfolios in respect of which the Group 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)

SAR '000	DECEMBER 31, 2023 OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
From 1 day to 30 days	1,963,286	60,503	766,813	2,790,602
From 31 days to 90 days	1,891,845	17,715	231,571	2,141,131
From 91 days to 180 days	243,624	–	–	243,624
More than 180 days	148,397	–	–	148,397
Loans and advances held at amortised cost	**4,247,152**	**78,218**	**998,384**	**5,323,754**

SAR '000	DECEMBER 31, 2022 OVERDRAFT & COMMERCIAL LOANS	CREDIT CARDS	CONSUMER LOANS	TOTAL
From 1 day to 30 days	3,381,331	8,502	557,774	3,947,607
From 31 days to 90 days	607,004	7,024	161,280	775,308
From 91 days to 180 days	5,520	–	–	5,520
More than 180 days	122,152	–	–	122,152
Loans and advances held at amortized cost, net	4,116,007	15,526	719,054	4,850,587

In exceptional cases, financial assets past due more than 90 days are considered performing based on reasonable and supportable information (e.g. administrative oversight, delay in receipt of receivables from entities with strong credit standing) after following a rigorous review and governance process.

e) Economic sector risk concentrations for the loans and advances and allowance for impairment losses are as follows:

SAR '000	PERFORMING	NON PERFORMING, NET	ALLOWANCE FOR IMPAIRMENT LOSSES	LOANS AND ADVANCES, NET
2023				
Government and quasi Government	–	–	–	–
Banks and other financial institutions	3,039,336	–	(1,480)	3,037,856
Agriculture and fishing	3,146,808	10	(63,765)	3,083,053
Manufacturing	20,362,895	459,406	(521,077)	20,301,224
Mining and quarrying	3,934,799	–	(5,226)	3,929,573
Electricity, water, gas and health services	16,795,604	19,265	(27,476)	16,787,393
Building and construction	14,315,496	746,553	(561,917)	14,500,132
Commerce	38,238,002	248,095	(771,129)	37,714,968
Transportation and communication	6,083,774	3,896	(12,170)	6,075,500
Services	25,714,812	71,483	(201,127)	25,585,168
Consumer loans and credit cards	32,477,478	193,631	(275,831)	32,395,278
Others	16,005,428	178,442	(202,792)	15,981,078
Total	**180,114,432**	**1,920,781**	**(2,643,990)**	**179,391,223**
2022				
Government and quasi Government	–	–	–	–
Banks and other financial institutions	1,580,868	–	(3,971)	1,576,897
Agriculture and fishing	3,038,352	11	(39,249)	2,999,114
Manufacturing	18,979,754	1,611,487	(1,257,700)	19,333,541
Mining and quarrying	4,590,966	–	(6,973)	4,583,993
Electricity, water, gas and health services	13,991,157	21,665	(17,963)	13,994,859
Building and construction	17,359,469	798,582	(1,377,850)	16,780,201
Commerce	29,228,621	562,494	(735,176)	29,055,939
Transportation and communication	6,054,357	3,887	(13,268)	6,044,976
Services	19,822,168	853,425	(1,032,060)	19,643,533
Consumer loans and credit cards	29,685,703	131,335	(303,933)	29,513,105
Others	15,510,728	187,038	(212,399)	15,485,367
Total	159,842,143	4,169,924	(5,000,542)	159,011,525

f) Collateral

The Group 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 (excluding the effect of overcollateralization) as security for loans that are credit-impaired as at December 31, are as follows:

SAR '000	2023	2022
Collateral coverage – less than 50%	1,416,637	3,501,447
Collateral coverage – 51% to 70%	–	–
Collateral coverage – more than 70%	504,144	668,477
Total	**1,920,781**	4,169,924

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34. Market Risk
Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as Interest rates, Foreign Exchange rates and Equity prices. The Group 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 Group 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 Group 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 Group 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 Group 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 Group's ALM and Market Risk committees for their review.

The Group's VaR related information for the year ended December 31, 2023 and 2022 are follows:

SAR '000	FOREIGN EXCHANGE RATE	SPECIAL COMMISSION RATE RISK	OVERALL TRADING
2023			
VaR as at December 31, 2023	**75**	**4,781**	**4,935**
Average VaR for 2023	**122**	**5,806**	**5,892**
Maximum VaR for 2023	**524**	**10,833**	**10,860**
Minimum VaR for 2023	**5**	**1,972**	**2,195**
2022			
VaR as at December 31, 2022	58	5,728	5,747
Average VaR for 2022	210	6,116	6,048
Maximum VaR for 2022	555	10,876	10,007
Minimum VaR for 2022	8	1,571	1,571

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 Group 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 Group'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, 2023 and 2022, 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, 2023 and 2022 for the effect of assumed changes in special commission rate. The sensitivity of equity is analyzed by maturity of the asset or swap. All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in SAR thousands.

	DECEMBER 31, 2023						
		SENSITIVITY OF SPECIAL COMMISSION INCOME	SENSITIVITY OF EQUITY				
SAR '000 CURRENCY	BPS CHANGE		6 MONTHS OR LESS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
USD	**+100**	**19,765**	**(2,363)**	**(27,844)**	**(214,029)**	**(230,250)**	**(474,486)**
	-100	**(19,765)**	**2,363**	**27,844**	**214,029**	**230,250**	**474,486**
SAR	**+100**	**626,752**	**(8,597)**	**(2,625)**	**(57,657)**	**(115,989)**	**(184,868)**
	-100	**(626,752)**	**8,597**	**2,625**	**57,657**	**115,989**	**184,868**

	DECEMBER 31, 2022						
		SENSITIVITY OF SPECIAL COMMISSION INCOME	SENSITIVITY OF EQUITY				
SAR '000 CURRENCY	BPS CHANGE		6 MONTHS OR LESS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
USD	+100	60,692	(948)	(5,212)	(62,245)	(19,281)	(87,686)
	-100	(60,692)	948	5,212	62,245	19,281	87,686
SAR	+100	658,920	(11,875)	(54,377)	(320,844)	(177,303)	(564,399)
	-100	(658,543)	11,875	54,377	320,844	177,303	564,399

Special commission rate sensitivity of assets, liabilities and derivatives
The Group 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 Group's Treasury.

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

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34. Market Risk continued

The Group 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 Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2023						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	1,068,081	1,068,081
Balances with SAMA	–	–	–	–	9,490,678	9,490,678
Due from banks and other financial institutions, net						
Current account	24,629	–	–	–	1,612,244	1,636,873
Money market placements	2,314,496	161,796	–	–	–	2,476,292
Investments, net						
Held as FVSI	–	–	53,756	168,181	–	221,937
Held as FVOCI, net	2,499,821	3,141,130	9,485,100	8,123,346	355,737	23,605,134
Held at amortised cost, net	607,591	1,628,131	6,998,723	15,405,773	–	24,640,218
Investment in associate, net	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	482,110	248,044	2,379,076	2,026,776	157,369	5,293,375
Held as fair value hedges	4,021	–	–	–	–	4,021
Held as cash flow hedges	361,411	17	–	–	–	361,428
Loans and advances, net						
Credit cards and consumer loans	738,413	468,424	15,183,422	15,963,575	41,444	32,395,278
Overdraft and commercial loans	87,510,899	54,742,483	2,586,514	365,704	1,790,345	146,995,945
Property, equipment and right of use assets, net	–	–	–	–	2,038,231	2,038,231
Other assets and other real estate, net	2,122,292	–	–	–	1,023,371	3,145,663
Total assets	96,665,683	60,390,025	36,686,591	42,053,355	17,587,195	253,382,849

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2023						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	69,769	–	–	–	396,460	466,229
Money market deposits	13,261,107	1,197,403	25,488	–	3,995,043	18,479,041
Customers' deposits						
Demand	1,562,585	–	–	–	74,848,955	76,411,540
Saving	878,229	–	–	–	–	878,229
Time	69,270,266	20,911,982	17,245	–	–	90,199,493
Other	–	–	–	–	4,719,721	4,719,721
Negative fair value of derivatives						
Held for trading	3,507,475	78,287	465,837	975,854	68,011	5,095,464
Held as fair value hedges	12,488	–	–	104,529	–	117,017
Held as cash flow hedges	701,764	71,087	–	–	–	772,851
Debt securities and term loans	2,245,316	–	6,388,710	–	–	8,634,026
Other liabilities	784,614	–	–	–	5,703,403	6,488,017
Total equity	–	–	–	–	41,121,221	41,121,221
Total liabilities and equity	92,293,613	22,258,759	6,897,280	1,080,383	130,852,814	253,382,849
Commission rate sensitivity						
– On statement of financial position	4,372,070	38,131,266	29,789,311	40,972,972	(113,265,619)	–
Commission rate sensitivity						
– Off statement of financial position	(20,428,475)	(8,944,342)	31,257,512	(1,884,695)	–	–
Total commission rate sensitivity gap	(16,056,405)	29,186,924	61,046,823	39,088,277	(113,265,619)	–
Cumulative commission rate sensitivity gap	(16,056,405)	13,130,519	74,177,342	113,265,619	–	–

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	973,736	973,736
Balances with SAMA	1,185,000	–	–	–	9,166,850	10,351,850
Due from banks and other financial institutions						
Current account	–	–	–	–	2,793,569	2,793,569
Money market placements	2,001,542	–	–	–	–	2,001,542
Investments, net						
Held as FVSI	3,800	–	–	60,459	4,485	68,744
Held as FVOCI, net	2,424,346	3,439,160	10,094,217	2,127,552	320,393	18,405,668
Held at amortized cost, net	4,940,711	5,563,342	9,332,581	6,206,503	–	26,043,137
Investment in associate	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	4,444,308	441,845	339,564	1,186,585	119,668	6,531,970
Held as fair value hedges	20,638	–	–	–	–	20,638
Held as cash flow hedges	25,331	–	5,041	–	–	30,372
Loans and advances, net						
Credit cards and consumer loans	625,255	739,556	13,140,213	14,999,963	8,118	29,513,105
Overdraft and commercial loans	84,844,212	40,256,643	2,113,860	789	2,282,916	129,498,420
Property, equipment and right of use assets, net	–	–	–	–	1,739,307	1,739,307
Other assets and other real estate	2,375,976	–	–	–	1,720,390	4,096,366
Total assets	102,891,119	50,440,546	35,025,476	24,581,851	19,139,127	232,078,119

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34. Market Risk continued

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON COMMISSION	TOTAL
2022						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	262,687	262,687
Money market deposits	4,947,449	6,225,310	907,631	–	4,427,365	16,507,755
Customers' deposits						
Demand	1,965,089	–	–	–	89,216,243	91,181,332
Saving	1,053,846	–	–	–	–	1,053,846
Time	48,526,479	11,484,544	264,226	–	–	60,275,249
Other	–	–	–	–	5,081,893	5,081,893
Negative fair value of derivatives						
Held for trading	67,572	303,998	3,095,877	2,674,043	86,162	6,227,652
Held as fair value hedges	16,705	–	26,441	–	–	43,146
Held as cash flow hedges	–	15,924	1,096,985	–	–	1,112,909
Debt securities and term loans	1,876,094	–	2,639,160	–	–	4,515,254
Other liabilities	1,051,516	–	–	–	6,019,555	7,071,071
Total equity	–	–	–	–	38,745,325	38,745,325
Total liabilities and equity	59,504,750	18,029,776	8,030,320	2,674,043	143,839,230	232,078,119
Commission rate sensitivity – On statement of financial position	43,386,369	32,410,770	26,995,156	21,907,808	(124,700,103)	–
Commission rate sensitivity – Off statement of financial position	(15,544,463)	(8,660,265)	26,016,178	(1,811,450)	–	–
Total commission rate sensitivity gap	27,841,906	23,750,505	53,011,334	20,096,358	(124,700,103)	–
Cumulative commission rate sensitivity gap	27,841,906	51,592,411	104,603,745	124,700,103	–	–

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 Group has a significant exposure as at December 31, 2023 and 2022 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.

	2023			2022		
SAR '000 CURRENCY EXPOSURES	CHANGE IN CURRENCY RATE IN %	EFFECT ON NET INCOME	EFFECT ON EQUITY	CHANGE IN CURRENCY RATE IN %	EFFECT ON NET INCOME	EFFECT ON EQUITY
USD	**+5**	**1,818**	**–**	+5	(1,874)	–
EUR	**-3**	**(1,040)**	**–**	-3	(84)	–

There is no material impact on equity and net income due to change in other foreign currencies.

iii) Currency Position

The Group 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 Group had the following significant net exposures denominated in foreign currencies:

SAR '000	2023 LONG/(SHORT)	2022 LONG/(SHORT)
US Dollar	**(3,750)**	(56,250)
Euro	**34,658**	2,813
Pound Sterling	**22,996**	20,271
Other	**19,892**	32,774
Total	**73,796**	(392)

iv) Equity Price Risk

Equity price risk refers to the risk of decrease in fair values of equities in the Group'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 Group's equity investments held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant is as follows:

	2023		2022	
SAR '000 MARKET INDICES	CHANGE IN EQUITY PRICE %	EFFECT ON MARKET VALUE	CHANGE IN EQUITY PRICE %	EFFECT ON MARKET VALUE
Tadawul	**+5**	**7,266**	+5	5,726
Tadawul	**-5**	**(7,266)**	-5	(5,726)

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

35. Liquidity Risk

Liquidity risk is the risk that the Group 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 Group 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 Group'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 Group'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.
These demand deposit balances are payable on demand.

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35. Liquidity Risk continued

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2023						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	1,068,081	1,068,081
Balances with SAMA	–	–	–	–	9,490,678	9,490,678
Due from banks and other financial institutions, net						
Current account	–	–	–	–	1,636,873	1,636,873
Money market placements	513,890	161,796	1,800,606	–	–	2,476,292
Investments, net						
Held as FVSI	–	–	53,756	168,181	–	221,937
Held as FVOCI, net	1,340,408	2,274,223	10,657,924	8,976,842	355,737	23,605,134
Held at amortised cost, net	–	1,395,636	7,606,314	15,638,268	–	24,640,218
Investment in associate, net	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	133,216	290,785	2,578,460	2,290,914	–	5,293,375
Held as fair value hedges	–	–	4,021	–	–	4,021
Held as cash flow hedges	46,138	24,073	291,217	–	–	361,428
Loans and advances, net						
Credit cards and consumer loans	215,637	720,365	15,269,780	15,693,818	495,678	32,395,278
Overdraft and commercial loans	20,009,243	38,924,981	45,075,792	42,020,409	965,520	146,995,945
Property, equipment and right of use assets, net	–	–	–	–	2,038,231	2,038,231
Other assets and other real estate, net	–	–	–	–	3,145,663	3,145,663
Total assets	22,258,532	43,791,859	83,337,870	84,788,432	19,206,156	253,382,849

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2023						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	466,229	466,229
Money market deposits	14,683,901	1,663,928	2,131,212	–	–	18,479,041
Customers' deposits						
Demand	–	–	–	–	76,411,540	76,411,540
Saving	–	–	–	–	878,229	878,229
Time	68,303,793	18,147,539	3,748,161	–	–	90,199,493
Other					4,719,721	4,719,721
Negative fair value of derivatives						
Held for trading	64,418	291,548	2,546,129	2,193,369	–	5,095,464
Held as fair value hedges	–	–	12,488	104,529	–	117,017
Held as cash flow hedges	–	52,903	719,948	–	–	772,851
Debt securities and term loans	–	–	8,634,026	–	–	8,634,026
Other liabilities	29,192	62,391	273,043	298,492	5,824,899	6,488,017
Total equity	–	–	–	–	41,121,221	41,121,221
Total liabilities and equity	83,081,304	20,218,309	18,065,007	2,596,390	129,421,839	253,382,849

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	–	–	–	–	973,736	973,736
Balances with SAMA	1,185,000	–	–	–	9,166,850	10,351,850
Due from banks and other financial institutions						
Current account	–	–	–	–	2,793,569	2,793,569
Money market placements	836,950	308,514	856,078	–	–	2,001,542
Investments, net						
Held as FVSI	3,800	–	–	60,459	4,485	68,744
Held as FVOCI, net	717,073	870,618	13,519,627	2,977,957	320,393	18,405,668
Held at amortized cost, net	1,749,354	5,333,861	12,523,937	6,435,985	–	26,043,137
Investment in associate	–	–	–	–	9,695	9,695
Positive fair value of derivatives						
Held for trading	111,404	364,288	3,241,926	2,814,352	–	6,531,970
Held as fair value hedges	–	–	7,825	12,813	–	20,638
Held as cash flow hedges	25,331	–	5,041	–	–	30,372
Loans and advances, net						
Credit cards and consumer loans	241,054	699,551	13,182,776	15,022,058	367,666	29,513,105
Overdraft and commercial loans	21,299,145	29,163,057	42,155,354	35,946,710	934,154	129,498,420
Property, equipment and right of use assets, net	–	–	–	–	1,739,307	1,739,307
Other assets and other real estate	–	–	–	–	4,096,366	4,096,366
Total assets	26,169,111	36,739,889	85,492,564	63,270,334	20,406,221	232,078,119

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2022						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	262,687	262,687
Money market deposits	5,472,651	6,225,457	4,809,647	–	–	16,507,755
Customers' deposits						
Demand	–	–	–	–	91,181,332	91,181,332
Saving	–	–	–	–	1,053,846	1,053,846
Time	48,572,004	8,550,894	3,152,351	–	–	60,275,249
Other	–	–	–	–	5,081,893	5,081,893
Negative fair value of derivatives						
Held for trading	89,159	354,096	3,109,251	2,675,146	–	6,227,652
Held as fair value hedges	–	–	27,240	15,906	–	43,146
Held as cash flow hedges	–	15,924	1,096,985	–	–	1,112,909
Debt securities and term loans	–	–	4,515,254	–	–	4,515,254
Other liabilities	34,577	293,980	268,228	395,500	6,078,786	7,071,071
Total equity	–	–	–	–	38,745,325	38,745,325
Total liabilities and equity	54,168,391	15,440,351	16,978,956	3,086,552	142,403,869	232,078,119

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 Groups and loans and advances to customers. The cumulative maturities of commitments & contingencies are given in note 21 (c-i) of the consolidated financial statements.

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35. Liquidity Risk continued

b) Analysis of financial liabilities by remaining undiscounted contractual maturities

The following table summarizes the maturity profile of the Group's financial liabilities as at December 31, 2023 and 2022 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 Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history. These demand deposit balances are payable on demand.

SAR '000	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
2023						
Due to SAMA, banks and other financial institutions						
Current accounts	**–**	**–**	**–**	**–**	**466,229**	**466,229**
Money market deposits	**14,815,604**	**1,748,793**	**2,133,368**	**–**	**–**	**18,697,765**
Customers' deposits						
Demand	**–**	**–**	**–**	**–**	**76,411,540**	**76,411,540**
Saving	**–**	**–**	**–**	**–**	**878,229**	**878,229**
Time	**69,512,387**	**17,309,778**	**5,470,382**	**–**	**–**	**92,292,547**
Other	**–**	**–**	**–**	**–**	**4,719,721**	**4,719,721**
Debt securities and term loans	**31,531**	**325,200**	**10,340,666**	**–**	**–**	**10,697,397**
Total	**84,359,522**	**19,383,771**	**17,944,416**	**–**	**82,475,719**	**204,163,428**
2022						
Due to SAMA, banks and other financial institutions						
Current accounts	–	–	–	–	262,687	262,687
Money market deposits	5,543,790	6,400,004	4,881,797	–	–	16,825,591
Customers' deposits						
Demand	–	–	–	–	91,181,332	91,181,332
Saving	–	–	–	–	1,053,846	1,053,846
Time	49,001,337	8,871,513	3,158,015	–	–	61,030,865
Other	–	–	–	–	5,081,893	5,081,893
Debt securities and term loans	22,930	144,375	5,077,500	–	–	5,244,805
Total	54,568,057	15,415,892	13,117,312	–	97,579,758	180,681,019

36. Fair values of financial assets and liabilities

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

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability

The fair values of on statement of financial position financial instruments are not significantly different from their carrying amounts included in the consolidated financial statements.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Group 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 Group 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 Group and the counterparty where appropriate.

Valuation Framework

The Group 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 Group 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 Groups Market Risk Committee in order to take appropriate actions accordingly.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging) or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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36. Fair values of financial assets and liabilities continued

SAR '000	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2023					
Financial assets					
Derivative financial instruments	**5,658,824**	**–**	**5,658,824**	**–**	**5,658,824**
Financial investments designated at FVSI					
– Fixed rate securities	**221,937**	**72,877**	**149,060**	**–**	**221,937**
– Equity	**–**	**–**	**–**	**–**	**–**
Total	**221,937**	**72,877**	**149,060**	**–**	**221,937**
Financial investments at FVOCI					
– Fixed rate securities	**19,116,117**	**13,680,978**	**5,435,139**	**–**	**19,116,117**
– Floating rate securities	**4,133,280**	**842,362**	**3,290,918**	**–**	**4,133,280**
– Equity	**355,737**	**145,320**	**–**	**210,417**	**355,737**
Total	**23,605,134**	**14,668,660**	**8,726,057**	**210,417**	**23,605,134**
Total	**29,485,895**	**14,741,537**	**14,533,941**	**210,417**	**29,485,895**
Financial Liabilities					
Derivative financial instruments negative fair value	**5,985,332**	**–**	**5,985,332**	**–**	**5,985,332**
Total	**5,985,332**	**–**	**5,985,332**	**–**	**5,985,332**
2022					
Financial assets					
Derivative financial instruments	6,582,980	–	6,582,980	–	6,582,980
Financial investments designated at FVSI					
– Fixed rate securities	64,259	3,800	60,459	–	64,259
– Equity	4,485	4,485	–	–	4,485
Total	68,744	8,285	60,459	–	68,744
Financial investments at FVOCI					
– Fixed rate securities	13,809,460	11,724,170	2,085,290	–	13,809,460
– Floating rate securities	4,275,815	1,183,819	3,091,996	–	4,275,815
– Equity	320,393	110,040	–	210,353	320,393
Total	18,405,668	13,018,029	5,177,286	210,353	18,405,668
Total	25,057,392	13,026,314	11,820,725	210,353	25,057,392
Financial Liabilities					
Derivative financial instruments negative fair value	7,383,707	–	7,383,707	–	7,383,707
Total	7,383,707	–	7,383,707	–	7,383,707

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	2023	2022
Balance at the beginning of the year	**210,353**	121,167
Transfer from level 2	**–**	–
Additions during the year	**6,247**	90,413
Change in the value	**(6,183)**	(1,227)
Balance at the end of the year	**210,417**	210,353

Level 3 investment instruments include private equity portfolio of SAR 16 million (2022: SAR 91 million) which has been valued at cost as their market value is not significantly different from the carrying values. The remaining level 3 portfolio of SAR 194 million (2022: SAR 119 million) invested in funds which were valued based on the valuation techniques using their latest financial statements. The acquisition value of those funds was SAR 202 million (2022: SAR 121 million).

The fair values of on-statement of financial position financial instruments, except for loans and advances and financial instruments held at amortized cost are not significantly different from the carrying values included in the consolidated financial statements. The fair values of commission bearing customers' deposits, debt securities, due from and due to banks which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

The estimated fair values of the investments held at amortized cost are based on quoted market prices when available or pricing models when used in case of bonds. Consequently, differences can arise between carrying values and fair value estimates. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique.

Derivative products valued using a valuation technique with market observable inputs are mainly commission rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and commission rate curves. Other investments in level 2 are valued based on market observable date including broker rates etc.

The fair values of investments held at amortized cost are SAR 23,988 million (2022: SAR 25,217 million) against carrying value of SAR 24,640 million (2022: SAR 26,043 million). It includes level 1 investment amounting to SAR 2,149 million (2022: SAR 420 million), level 2 investment amounting to SAR 21,291 million (2022: SAR 24,220 million) and level 3 investment amounting to SAR 548 million (2022: SAR 577 million).

The Group uses the discounted cash flow method using current yield curve to arrive at the fair value of loans and advances (level 3 instruments) after adjusting internal credit spread which is SAR 179,455 million (2022: SAR 159,810 million). The carrying values of those loans and advances are SAR 179,391 million (2022: SAR 159,012 million).

37. Related party transactions and balances

In the ordinary course of its activities, the Group 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 with related parties have been defined as per regulatory guidelines which also include relationships with entities with common directorships or common key management personal.

a) The balances as at December 31, 2023 and 2022 resulting from such transactions included in the consolidated financial statements are as follows:

SAR '000	2023	2022
Associates		
Investments	**9,695**	9,695
Due to banks and other financial institutions	**8,462**	8,204
Directors, senior management, shariah members and their affiliates (key management personal)		
Loans and advances	**7,442,827**	9,201,213
Investments	**1,021,721**	957,941
Due from banks and other financial institutions	**395,625**	–
Other assets	**25,736**	17,783
Customers' deposits	**10,020,831**	10,645,043
Due to banks and other financial institutions	**2,822,190**	900,000
Other liabilities	**4,550**	6,542
Derivatives at fair value, net	**(13,772)**	(45,733)
Commitments and contingencies	**3,055,299**	3,224,229
Major shareholders' and their affiliates		
Loans and advances	**671,978**	2,611,976
Customers' deposits	**6,284,014**	1,467,292

The above table includes the balances of related parties with major shareholders and their affiliates and entities having common directorships or common key management personal amounting to SAR 7,469 million (2022: SAR 11,201 million), SAR 1,021 million (2022: SAR 958 million), SAR 2,814 million (2022: SAR 900 million), SAR 8,735 million (2022: SAR 10,971 million) related to loans and advances, investments, due to banks and other financial institutions and customers' deposits respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

37. Related party transactions and balances continued

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

SAR '000	2023	2022
Special commission income		
– Directors, senior management, shariah members and their affiliates (key management personal)	671,220	339,109
– Major shareholders' and their affiliates	139,813	79,699
Total Special commission income	811,033	418,808
Special commission expense		
– Directors, senior management, shariah members and their affiliates (key management personal)	256,253	86,429
– Major shareholders' and their affiliates	221,188	22,768
– Associates	368	103
Total Special commission expense	477,809	109,300
Fees, commission income and others, net	89,355	32,181
Directors' fees	9,318	9,513
Other general and administrative expenses	196,715	249,984

Major shareholder represent a shareholder having more than 5% of shareholding.

c) The credit exposure of related party balances by stage analysis

	DECEMBER 31, 2023			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Directors, senior management, shariah members (key management personal) and major shareholders' and their affiliates				
Loans and advances	8,055,456	59,349	–	8,114,805
Investments	1,021,721	–	–	1,021,721
Due from banks and other financial institutions	395,625	–	–	395,625
Commitments and contingencies	3,054,543	756	–	3,055,299

	DECEMBER 31, 2022			
SAR '000	12 MONTH ECL	LIFETIME ECL NOT CREDIT IMPAIRED	LIFETIME ECL CREDIT IMPAIRED	TOTAL
Directors, senior management, shariah members (key management personal) and major shareholders' and their affiliates				
Loans and advances	11,487,671	325,518	–	11,813,189
Investments	957,941	–	–	957,941
Commitments and contingencies	3,173,128	51,101	–	3,224,229

As at December 31, 2023, the Group maintains an ECL provision amounting to SAR 7 million (2022: SAR 84 million) for related party exposure

The below table shows the total amount of salaries and employee related benefits to the Group's key management personnel are as follows:

SAR '000	2023	2022
Short term benefit	64,791	50,907
Long term benefit (deferral bonus)	4,857	6,171
Long term incentive plan	11,450	11,353
Total	81,098	68,431

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

38. Treasury Shares

The below table demonstrates Banque Saudi Fransi's outstanding obligations under the Bank's Long Term Incentive Plan (LTIP), by annual cycle, in chronological order.

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, 2021	March 31, 2022	March 31, 2023
Maturity date	April 01, 2024	April 01, 2025	April 01, 2026
Grant price – SAR	31.455	51.141	37.338
Vesting period	3 years	3 years	3 years
Vesting conditions	Employees remain in service, meets performance and service criteria	Employees remain in service, meets performance and service criteria	Employees remain in service, meets performance and service criteria
Method of settlement	Equity	Equity	Equity
Valuation model	Monte-Carlo	Monte-Carlo	Monte-Carlo
Fair value per share on grant date-SAR	29.318	46.745	30.862

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 47 million (2022: SAR 26 million).

	2023	2022
Number of shares allocated for LTI calculation at the beginning of the year	4,234,340	4,162,042
Vested / forfeited during the year	(1,559,520)	(1,169,410)
Allocated during the year, net	1,814,587	1,241,708
Number of shares allocated for LTI calculation at the yearend	4,489,407	4,234,340

Total number of unallocated treasury shares under LTI plan as of December 31, 2023 was 3.1 million shares (December 31, 2022: 1.5 million shares).

39. Capital risk management

The Group actively manages its capital base to cover the risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision including the framework and guidance regarding the implementation of capital reforms under Basel III ("Basel III Accord") which has been adopted by the Group's regulator, SAMA. The Basel III capital ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to risk-weighted assets ("RWA") at or above agreed minimum level.

40. Capital Adequacy

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

SAMA through its Circular Number 391000029731 dated Rabi Al-Awwal 15, 1439H (December 03, 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2020 and 2021 effective from March 31, 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

40. Capital Adequacy continued

The RWAs, total capital and related ratios as at December 31, 2023 are presented as per Basel III final reform issued by SAMA (circular number 44047144) affective from January 01,2023 while the prior period is based on the previous Basel III regulations. The Bank is in compliant with all the regulatory ratios in the current and previous years.

SAR '000	2023	2022
Credit Risk RWA	212,627,655	199,328,125
Operational Risk RWA	7,594,969	13,681,882
Market Risk RWA	2,800,566	1,662,442
Total RWA	223,023,190	214,672,449
Common Equity Tier I Capital	37,204,728	35,571,463
Additional Tier I Capital	5,000,000	5,000,000
Tier I Capital	42,204,728	40,571,463
Tier II Capital	1,363,733	2,200,323
Total Tier I & II Capital	43,568,461	42,771,786
Capital Adequacy Ratio %		
Common Equity Tier I ratio	16.68%	16.57%
Tier I ratio	18.92%	18.90%
Tier I + Tier II ratio	19.54%	19.92%

41. Investment management, brokerage and corporate finance services

The Group 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. Determining whether the Group controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Group 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 Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds. However, the Group 's share of these funds is included in the FVOCI investments and fees earned are disclosed under related party transactions.

The Group through its subsidiary offers investment management services to its customers, which include management of certain investment funds in consultation with professional investment advisors, having net asset value of SAR 23,985 million (2022: SAR 26,727 million). These include certain Islamic mutual funds with total assets under management of SAR 2,422 million (2022: SAR 1,671 million).

42. IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major profit rate benchmarks are 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 an interest rate benchmark, including the replacement of an existing London Inter-Bank Offer Rate ("LIBOR") with an alternative Risk-Free Rate ("RFR").

Management had put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the Group has actively approached customers for awareness and led communication and negotiations with affected counterparties. As of December 31, 2023, all of the impacted financial instruments have transitioned to alternate reference rate. The Group has no exposure to any other LIBOR rates.

43. Climate Related Risk

The relevance and urgency of climate change, and its associated financial impact, have rapidly risen up companies' agendas over the past few years due to the increasingly prevalent risks over the short, medium, and long-term horizons. Addressing and mitigating climate change is a complex challenge, and one in which the banking sector will play a central role.

The banking sector will be increasingly impacted by climate risk through accelerating stakeholder expectations, regulatory development, and market pressures. Banks are exposed to climate-related risks through their lending and investment activities, which can be susceptible to heightened climate-sensitive sectors and assets.

Therefore, it is vital that BSF fully identify, assess and manage its climate-related risks and their impact on the Group's principal risk categories, such as credit risk, reputational risk, and liquidity risk. BSF will achieve this by categorizing the crucial physical and transitional risks that may impact the business.

Physical risks

Physical risks are weather events and longer-term shifts in climate that are driven by climate change. These can be acute events, such as hurricanes, floods, wildfires, or chronic changes that result in sea level rise, increased ambient temperatures, and desertification. The nature, severity, and timing of extreme weather events are uncertain, but globally we are seeing a surge in their frequency and the impact on economies is becoming increasingly evident. Physical risks may impact a business through damage to property, stranded assets, and supply chain disruption.

Transitional risks

Associated with this shift, which can depend on the nature, speed, uptake and significance of changes imposed. Transition risks can include accelerating regulatory expectations, technology advancements, reputational damage and market risks.

Although climate change presents challenges to BSF and the broader banking sector, there are also significant opportunities for the Group to capitalize upon. The transition to a low-carbon economy will require new products and services (such as green and climate bonds), increased resource efficiency will lead to cost savings and access to new markets.

BSF will extend its comprehensive risk management processes to embed climate-related risks within its core procedures. As part of future climate risks assessments, BSF will consider the following to measure, manage and monitor climate-related risks within the business:
- The key sectors and areas of business that will be impacted by climate change
- Associating and estimating the financial impact of the identified risks
- Possible mitigation measures the Group can implement

BSF recognizes this is an evolving subject and will require the Group to work holistically to contribute to its complexity. A better fundamental understanding of these risks will allow the Group to make more informed financial decisions and engage with stakeholders more effectively on the topic.

44. Comparative figures

Certain prior period figures have been reclassified to conform to the current period's presentation, which are not material in nature to the consolidated financial statements.

45. Subsequent event

Subsequent to the year ended December 31, 2023, the Bank via BSF Sukuk Company Limited issued USD 700 million senior unsecured trust certificates (the "Certificates) under its USD 4 Billion Trust Certificate Programme. The certificates mature on January 25, 2029.

46. Board of Directors approval

The consolidated financial statements were approved by the Board of Directors on February 05, 2024 corresponding to Rajab 24, 1445H.

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