

Saudi Fransi Capital

Annual Report 2021



Table of Contents

Business Highlights 3

Overview of Saudi Fransi Capital 6

Economic Highlights 7

Corporate Governance 12

Financial Statements 20

Business Highlights

37 Years
of championing
the institutional
and individual
investor

Building on our Strength in Capital Markets

Our success and achievements in 2021 stemmed from an ability to rapidly adapt to pandemic-induced challenges such as staff health and wellbeing, adoption of the right technologies, and alternative working arrangements. Due to our success in these areas, we not only grew in our existing activities but also ventured successfully into new initiatives.

Throughout a year of market challenges, Saudi Fransi Capital remained in growth mode. Across Investment Banking, Asset Management, and Securities Brokerage, we extended market leadership and provided new products to the market. Saudi Fransi Capital consistently demonstrated expertise in underwriting, executing complex transactions, and developing investment and asset management products.

Throughout 2021, assets under management and institutional brokerage trading continued to build momentum. We demonstrated to the market what is possible in Saudi Arabia through landmark deals such as initial public offerings (Alkhorayef Water and Power Technologies, Theeb Rent A Car, Tanmiah Food), debt

conversion (Emaar The Economic City), accelerated bookbuilding (Investcorp), sukuk issuances (Saudi Real Estate Refinance Company, Aramco) and investment products. The latter included the first Data Center fund in Saudi Arabia, U.S. and European Real Estate, U.S. Private Equity, and other innovative deals in agritech, space launch, and sustainable homebuilding.

Following these accomplishments, the Banque Saudi Fransi subsidiary reported operating revenue of SAR 426.15 million for 2021 (up 12% from SAR 380.07 million in 2020) and net income (before Zakat and income tax) of SAR 257.88 million (up 68% from SAR 153.27 in 2020).

Investment Banking

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

The Investment Banking business successfully completed eight blockbuster transactions in 2021. The first three IPOs of the year recorded a collective orderbook of SAR 103.4 billion driven by

local and global investors. In addition to co-underwriting Nayifat Finance IPO, we also solely advised Emaar The Economic City on the SAR 2.8 billion capital increase through debt conversion, successfully executed a SAR 479 million Accelerated BookBuilding transaction in the main market, and participated in raising a SAR 6 billion sukuk issuances for Saudi Real Estate Refinance Company. We also supported Aramco's 6 billion USD inaugural multi tranche sukuk issuance.

SFC was the sole advisor for the following:

- The first main market IPO in 2021, AlKhorayef Water and Power Technologies, was also the first and only 2021 transaction to be included in the MSCI small cap index. This honor points to the transaction's success in meeting MSCI inclusion criteria. Institutional offering was 6,320% oversubscribed and retail offering was 1,512% oversubscribed.
- Theeb Rent a Car IPO, the second of the year, was successful in terms of retail coverage despite the 1-day subscription period offering. The institutional tranche was covered 60 times, or equivalent to an oversubscription of 6,000%. The retail tranche was covered 34 times (equivalent to an oversubscription of 3,400%) – at the time, this was the highest retail oversubscription rate in recent history.
- Tanmiah Food IPO was the first poultry company to be listed in the Saudi main market. As the Kingdom of Saudi Arabia Vision 2030 has targeted a 100% self-sufficiency in the poultry industry, this positions the company as a defensive player. Institutional coverage reached 9,534% and retail offering was 1,170.5% oversubscribed, despite retail tranche only being offered for a single day. Saudi Fransi Capital was the sole advisor and bookrunner for the transaction.
- Emaar the Economic City Debt Conversion was the largest debt conversion in the recent years, with a size of SAR 2.83 billion.

SFC also served in the following:

- Growth Opportunities Company for Trading, a subsidiary of Investcorp, sold 100% of its outstanding shares and voting rights in Theeb Rent A Car Company. The offer was made to qualified persons by way of an Accelerated BookBuilding transaction. The sale of the SAR 478 million stake, conducted by SFC as joint bookrunner with EFG Hermes, wrapped in one day.
- Saudi Real Estate Refinance Company's (SRC) SAR 10 billion sukuk program where SFC participated in successfully

raising SAR 6 billion. SFC assisted in the execution of the two landmark sukuk issuances to support the government-backed lenders in the Kingdom's housing market. Its first sukuk offering was issued in March 2021 in two tranches of 7 and 10-years totaling SAR 4 billion, and its second sukuk offering was issued in December 2021 in one tranche of 10-years totaling SAR 2 billion.

- For the Nayifat Finance Company IPO, worth SAR 1.2 billion, Saudi Fransi Capital was co-underwriter and joint bookrunner.
- Aramco's 6 billion USD inaugural multi tranche Sukuk issuance was supported by Saudi Fransi Capital as joint bookrunner.

Reflecting the caliber of this work, MEA finance named SFC the "Best Investment Bank" in Saudi Arabia. In addition, SFC earned recognition as Best Equity House and Best Investment Bank in Saudi Arabia in the EMEA Finance's Middle East Banking Awards.

Asset Management

We are delighted to have reached historic highs in both our assets under management and firm profitability for 2021 while recording high, double-digit growth in both.

Saudi Fransi Capital launched Saudi Data Center Fund I, Saudi Arabia's first private fund initiative of its kind. Saudi Data Center Fund I is a private, closed-end investment fund, compliant with Shariah principles and organized under the laws of the Saudi Arabian Capital Market Authority. The initial fund raising efforts amounted to SAR 1.5 billion, which will be utilized to build, own, and operate six (6) Data Centers across two (2) availability zones with a combined initial capacity of 24 megawatts (MW). Saudi Fransi Capital is collaborating with Al Moammar Information Systems (MIS) in this unique initiative. MIS has been appointed as the design-builder for the design and construction phase as well as having ongoing responsibilities for facilities management.

Saudi Fransi Capital successfully divested two of its US multi-city, last mile logistics portfolios in a combined sale exceeding \$400 million (SAR 1.5 billion). These portfolios were located across 22 sub-markets across the US, and were acquired in conjunction with joint venture partners in the US on behalf of separate account mandates that are managed by Saudi Fransi Capital on behalf of its clients. Investors in both portfolios recorded an internal rate of return (IRR) of nearly 73% and 28%. These sales mark the second and third successful exits for Saudi Fransi Capital from global real estate. This is following the successful exit of its earlier multi-city, last mile logistics

portfolio at the end of 2019 for an approximate \$620 million, recording an IRR of close to 15%. Since the launch of its global real estate program in 2017, Saudi Fransi Capital has invested in more than 25 assets and portfolios across the US and Europe with approximate asset values in excess of \$2.9 billion. The firm's international real estate program investments span across 15 million square feet of storage space in logistics, 2,100 apartment units in multi-family housing, 2.2 million square feet of leasable area in core and suburban office, and six high-end senior housing facilities.

In addition, we continued to grow our global advisory platform with several deals in U.S. and European Real Estate and a very successful fundraising in U.S. private equity. We also participated in very innovative private placements in areas such as agritech, space launch, and sustainable homebuilding.

Saudi Fransi Capital's success in real estate investment was demonstrated with a 2021 MEA Finance Award for Best REIT Management Firm, an honor reserved for firms that make significant and innovative contributions to the banking industry in the Middle East.

In recognition of the consistently strong, risk-adjusted three-year performance relative to its peers, one of our funds, Al Qasr GCC Real Estate & Construction Equity Trading Fund, received the Refinitiv Lipper Fund Award for 2021.

As with every year, we strive to deliver first and foremost on our investment performance targets for our investors, and 2022 will be no different. In terms of projects and initiatives, our main priorities for 2022 include:

- The successful execution of our data center strategy as we move into the project's construction and development phase.
- The launch of at least one development initiative in the tourism and hospitality space.
- Continued expansion of our 2 listed REITs.
- The launch of a domestic and regional venture capital program.
- The launch of an Islamic fixed income strategy.

Securities Brokerage

We expanded our institutional sales trading product offering by focusing on niche services such as bulk liquidation and bulk purchasing. We also significantly expanded our fixed income

offering to our clients by providing investable fixed income ideas.

Our research coverage also grew in several areas including Insurance, Healthcare, Food & Beverages, IT, and Mining sectors. We also published multiple pre-IPO research pieces that supports investment banks nationwide. The expanded research of pre-IPO listing provides more color for new listings to the Saudi capital markets and facilitates easier participation of institutional investors in the Saudi equity market.

Another significant accomplishment included the continued expansion of our international client base, which adds liquidity to the capital markets in Saudi Arabia. Similarly, we delivered the first liquidity plan in the Saudi market for a new listing on NOMU. We also executed special deals part of the Accelerated Book Building (ABB) transaction totaling around SAR 475 million.

We always seek to offer other products and services. Currently, we are evaluating the possibility of expanding our custody business and introducing Securities Borrowing and Lending, which will facilitate short selling. We are working on becoming a liquidity manager for a direct listing into the Saudi equity market, which is expected from us as pioneers in providing these type of services in the Saudi capital markets.

At SFC, we place the utmost priority on the client's journey and experience, which increasingly takes place in the digital realm. In light of this, Saudi Fransi Capital is undergoing a comprehensive digital transformation. We seek to overhaul the investors' initial digital touchpoints, including the website, mobile applications, and the trading platforms. We also seek to upgrade all backend architecture that supports our varied activities. As alluded to earlier, the priority is to make each client's journey and experience as seamless as possible.

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.

Overview of Saudi Fransi Capital

Our history begins in 1985, when Banque Saudi Fransi offered securities brokerage in Saudi equities. One year later, we launched our first asset management fund. From that time on, we have expanded our offerings and capitalized on evolving financial services trends. By 2008, the bank had three establishments to undertake securities brokerage, asset management and investment banking advisory businesses. In 2011, the entities merged into a wholly owned subsidiary to form what is now known as Saudi Fransi Capital.

Saudi Fransi Capital is the investment arm of Banque Saudi Fransi, where it was trademarked with a paid up capital of 500 million Saudi Riyals as a closed joint stock company. It is licensed by the Capital Market Authority to conduct the full range of investment activities including dealing, arranging, managing, advising, and custody of securities business.

Today, we stand as a leading, full-service Saudi-based financial services provider offering investment banking, asset management, debt and equity research, institutional sales and trading, and local and international securities brokerage. We are headquartered in Riyadh and have locations around the Kingdom of Saudi Arabia.

Asset Management

We are one of the leading providers of managed investment solutions for individuals, corporations and institutions. The extensive range of products and services that are offered reflects our drive to satisfy each client's unique needs. Today, our range of products covers equity, fixed income, money markets, and alternative investments such as real estate, hedge funds, structured products, and private equity. Our products cover all major asset classes. It includes all our public and private funds, and, our closed-ended private placements.

Investment Banking

We are actively involved in raising capital through the equity and debt capital markets and providing strategic and mergers and acquisitions advisory in the Kingdom of Saudi Arabia and the region. Our services include advising and arranging sukuk and bonds, initial public offerings, rights issue, private placements, mergers and acquisitions, and capital and debt restructuring. We also provide advisory services for companies abroad that wish to cross list on the Saudi stock exchange.

Securities Brokerage

Our brokerage services are comprised of local, regional and global equity markets, swaps on equity, exchange-traded funds, options, fixed income and margin lending facilities both conventional and Sharia compliant. We provide different interfaces for our trading platform whether the client requires in-person service, over the telephone, or through a web or smart device application.

Specialized Institutional Services

We attend to the needs of financial institutions by constantly developing new and innovative services in sales trading, custody and sukuk agency services. In addition, we facilitate access to the Saudi equity market for qualified foreign investors (QFI) and provide them numerous services. Our clients include banks, mutual funds, pension funds, hedge funds, insurance companies, brokers and other financial institutions around the world.

Equities Research

Through our exclusive focus on Saudi equities, our research provides fundamentally driven investment ideas to a diverse range of users with coverage representing the overall market capitalization across major sectors. Research forms an integral part of our equity sales effort by highlighting key investment themes and uncovering tradable ideas. In addition, we issue strategy reports to assist sophisticated investors in navigating volatile markets.

Economic Highlights



The Global Economy in 2021

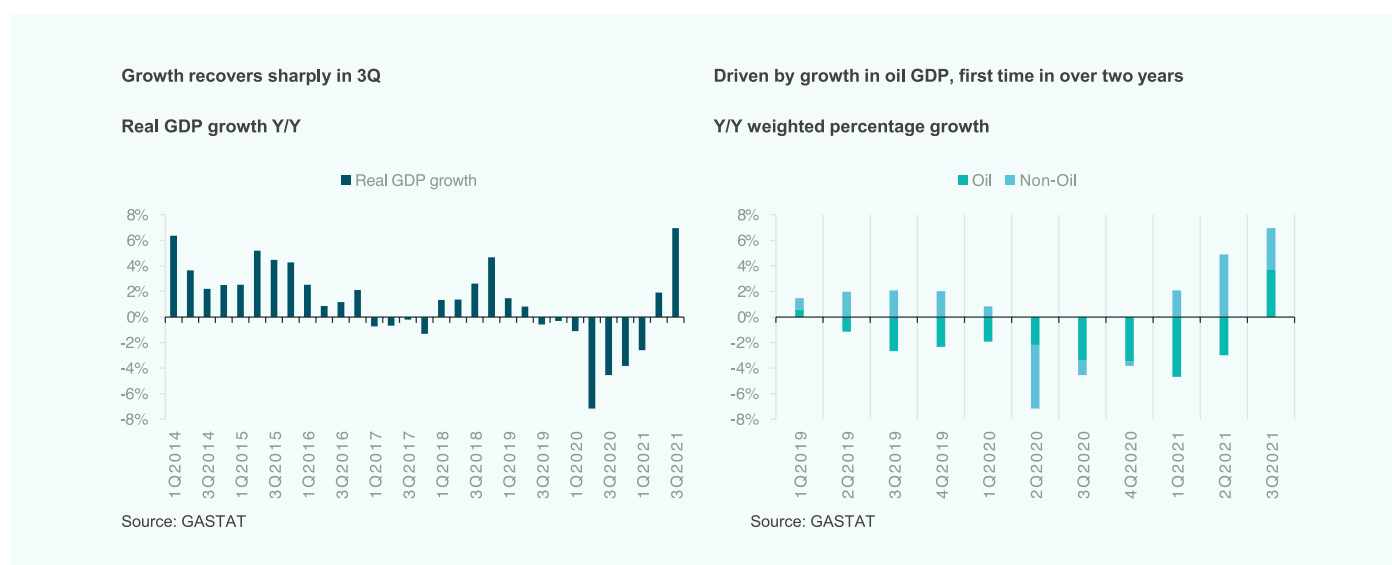
The global economy staged a sharp recovery from a year of COVID disruption, with global growth estimated at 5.8% in 2021 from a contraction of 3.1% in 2020, making it the fastest pace of growth in nearly over three decades (IMF World Economic Outlook, January 2022). This robust growth had been driven by sizable fiscal support, continued accommodative monetary policy, and strong pent-up demand on improved mobility as COVID-related restrictions were gradually eased. Although subsequent COVID variants led some countries to reimpose restrictions, mobility and thereby economic activity broadly picked up the pace and continued to normalize during 2021 as these restrictions were less severe than seen in 2020 at the start of the pandemic.

Brent: The U.S. Energy Information Administration estimated that Brent crude oil averaged at USD71 per barrel in 2021, up from USD42 per barrel in 2020, implying an increase of 69% Year on Year. The rising prices had been reflective of the growth in global oil demand, which outpaced the growth in oil production, resulting in falling global oil inventories throughout

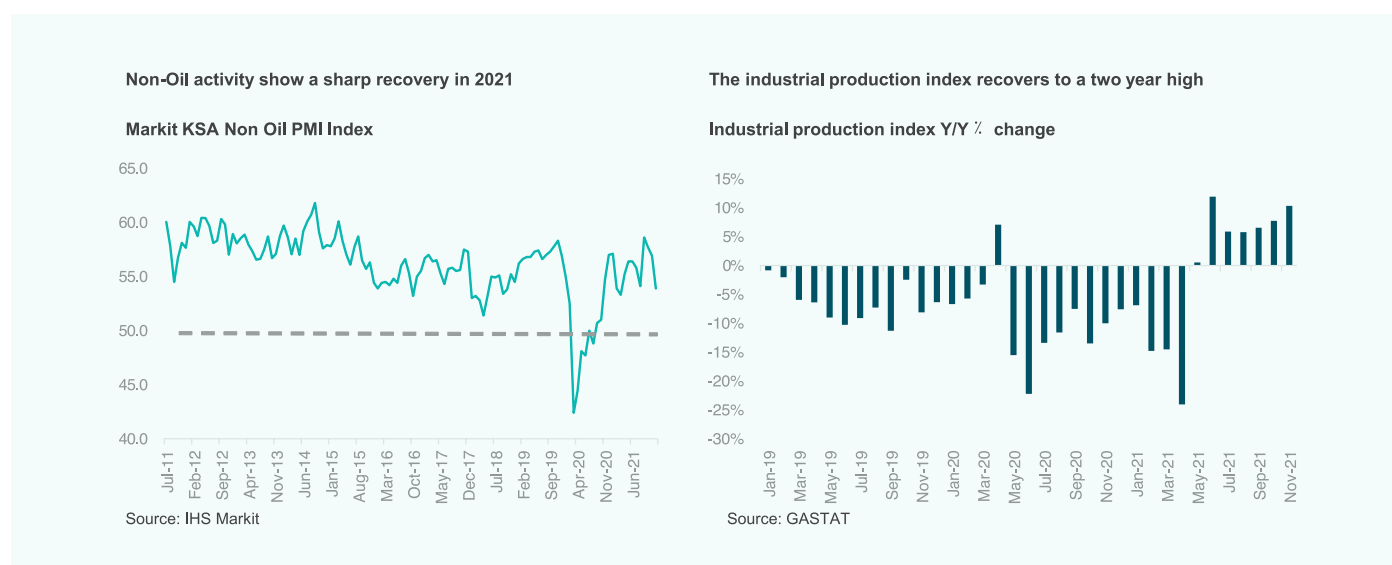
the year. Global oil demand recovered sharply as business activities and mobility improved through much of 2021, further aided by strong support from loose fiscal and monetary policies globally. Meanwhile, the overall oil production increase remained constrained, despite the reversal of voluntary cut in oil production by Saudi Arabia during 2Q2021 and OPEC member countries' implementing production increase.

The Saudi Economy in 2021

In its budget for 2022, the Ministry of Finance estimates Saudi Arabia's real GDP growth at 2.9% for 2021, recording a sharp recovery from a contraction of 4.1% in 2020. This recovery had been driven by the rise in non-oil GDP estimated at 4.8%. Meanwhile, Oil GDP took a hit on account of voluntary production cut implemented by KSA in 1Q21. However, a reversal of the latter coupled with further increased production under the agreement by the OPEC country members in June provided a strong boost to Oil GDP during 2H2021. Overall, Saudi Arabia's oil production is estimated to have shrunk by 1.4% to 9.1 million barrels/day in 2021, resulting in an estimated slight contraction in Oil GDP during the year.

Graph 1: Strong recovery in Real GDP Growth during 3Q21

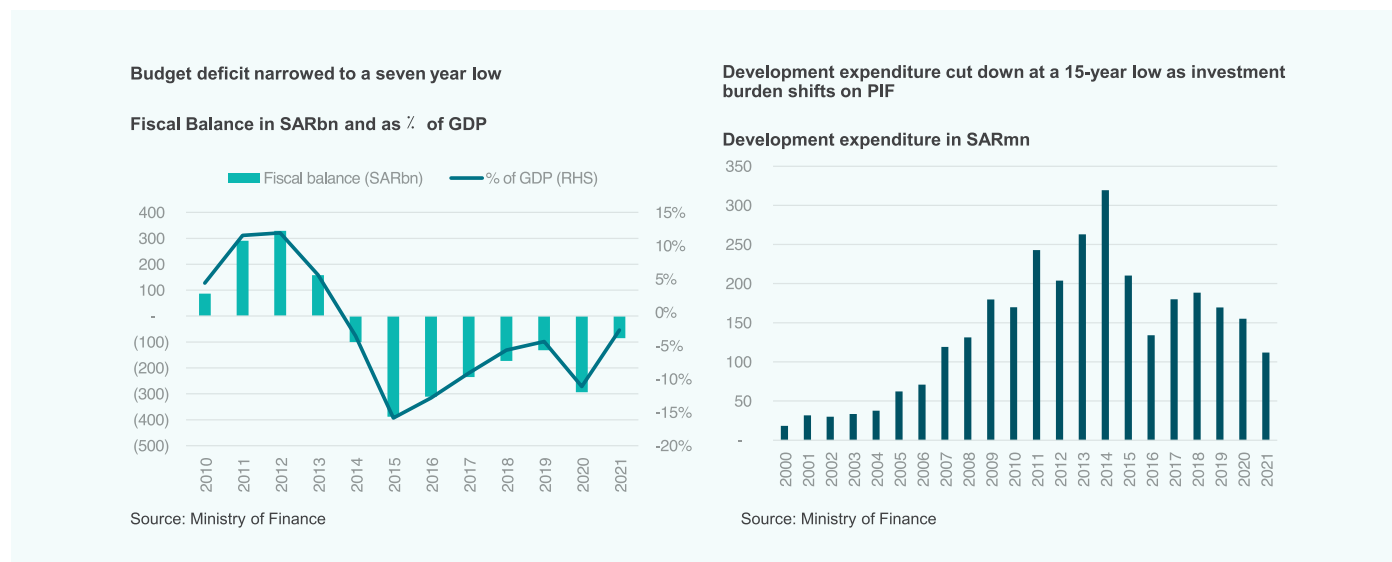
High-frequency data indicate a robust non-oil recovery momentum, which continued throughout 2021, with strong activity in the private sector. In some months, KSA non-oil PMI shows recovery in economic activity had even surpassed pre-pandemic levels, on improved demand. Latter had been primarily reflective of pent-up demand as economic activity and mobility across the sectors gradually normalized following a year of COVID-related restrictions. While subsequent COVID waves and new variants continued to limit this recovery, particularly as participation in religious pilgrims for Umrah and Hajj remained constrained in 2021, private sector recovery momentum was largely sustained. This was also reflected in 9M21 expenditure GDP, which indicated a strong recovery in private consumption up 9.7 Y/Y. Meanwhile, cement demand, also reflective of a robust consumption, reached the highest level in the last four years at 53.4mm tons in 2021; and the Industrial Manufacturing index sustained its growth during the latter half of 2021.

Graph 2: Non-Oil activity recovery momentum also sustained throughout 2021

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

Fiscally, the country's position improved significantly thanks to rising oil prices coupled with higher oil production and continued implementation of measures to improve fiscal spending efficiency. Budget documents of the Ministry of Finance estimate the budget deficit for 2021 at SAR85 billion (USD22.7 billion, 2.7% of GDP), the lowest deficit recorded by KSA in the last seven years and narrowing from 11.1% of GDP at SAR294 billion in 2020.

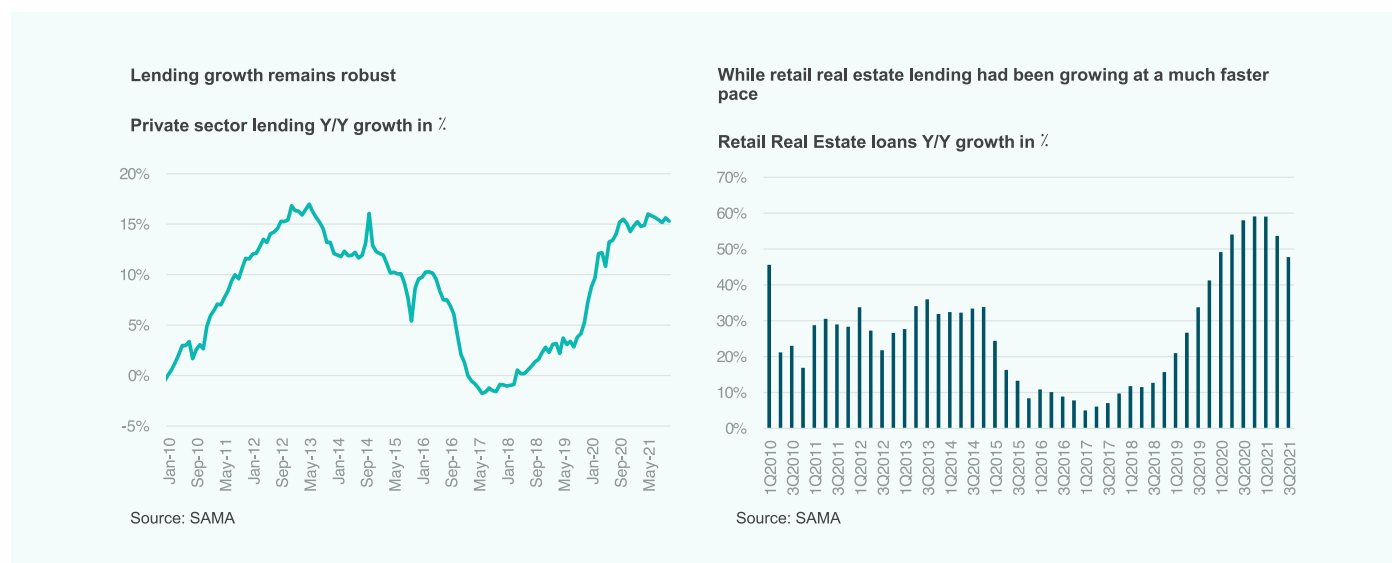
Graph 3: Meanwhile fiscal position of the country improved markedly



Meanwhile, the financial sector liquidity remained adequate, and the banking sector was well capitalized throughout the recovery in 2021. The Saudi banks' regulatory capital to risk-weighted assets and regulatory Tier-1 capital to risk-weighted assets stood 19.5% and 18.3%, respectively in 3Q21, though slightly lower from 20.3% and 18.7% at the end of 2020. Banks' loan quality also shows no signs of stress, with the ratio of non-performing loans (NPLs) to total loans slightly improving to 2.0% as of 3Q2021, down from 2.2% in 4Q2020. However, in this regard, SAMA did extend the deferred payment program until 1Q2022 to continue supporting private sector lending for SMEs impacted by COVID.

Ample liquidity with the banks and a robust private sector lending growth in 2021 had provided strong support to overall growth dynamics. As per SAMA's latest statistics, lending to the private sector by Saudi Banks recorded a decent growth of 15.2% Y/Y with the total stock of loans granted at SAR2,023 billion (USD539 billion) in November 2021, up from SAR1,755 billion (USD467 billion) in November last year. Meanwhile, during the same period, total deposits increased to SAR 2,071 billion (USD 552 billion) from SAR 1,934 billion (USD 516 billion) one year earlier, taking the simple loan-to-deposit ratio to 97.64% in November 2021, up from 90.74%.

Lastly, indicative of adequate liquidity within the banking sector, Saudi banks increased their holding of domestic bonds by 10.3% to SAR 471 billion (USD125.6 billion) through to November 2021.

Graph 4: Strong credit demand has been supportive of overall growth dynamics

Tadawul All Share Index (TASI) ended the year at a fourteen-year high level at 11,282 points, implying a gain of 29.8%. The total market capitalization reached SAR10,009 billion (USD2,669 billion) at the end of 2021, recording a growth of 9.97% compared with 2020. While TASI gained throughout the year thanks to sustained momentum of recovery in economic activity, it declined in the 4Q21 on rising concerns of the re-emergence of COVID infections and uncertainties around global central banks tightening their monetary policies. Media and Entertainment was the best performing sector with 127.6% gain during the year, followed by Software & Services with 103.3% gain.

2022 Outlook

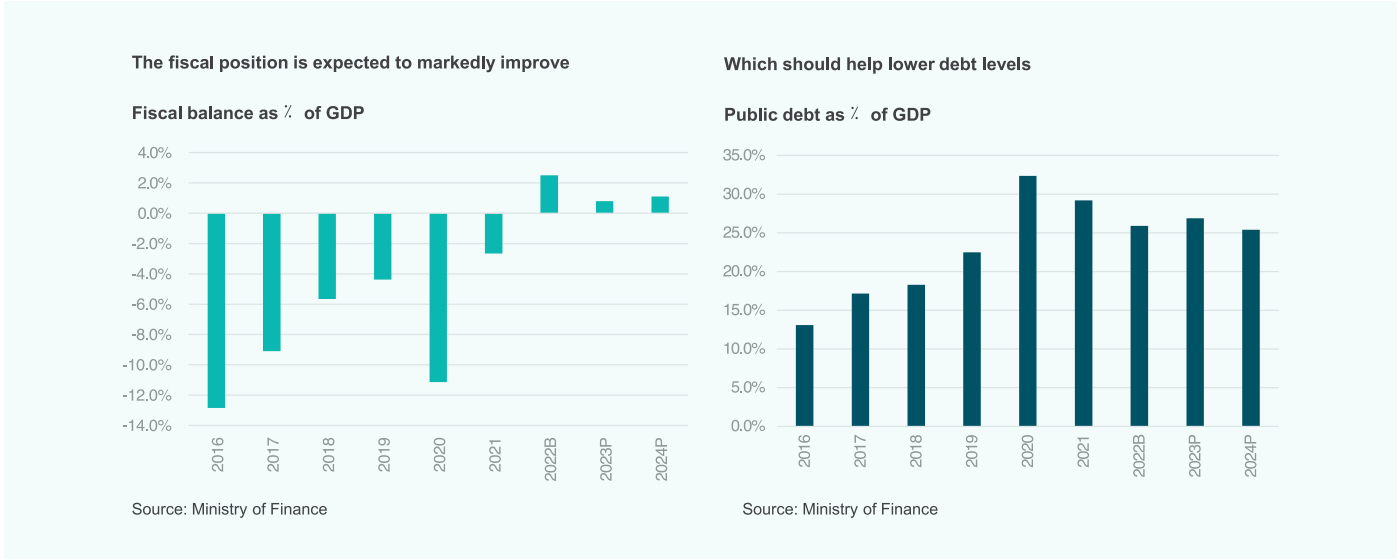
In its latest January 2022 World Economic Outlook (WEO), the IMF estimated the global growth to moderate to 4.4% in 2022 from a robust uptick of 5.9% in 2021. The global growth estimate for 2022 has been revised downward by 0.5ppt compared to October 2021 WEO, reflecting disruptions from the new COVID variant, earlier than expected tightening by the US FED, continued supply chain bottlenecks, and the slowdown in China's real estate. However, the Fund sees rising inflationary pressure due to supply chain disruptions and rising energy prices as a key risk to the global outlook, which could warrant a faster pace of tightening by the central banks. This is in addition to the risks of the increasing geopolitical tensions and re-emergence of COVID variants leading to a prolonged pandemic-related economic disruption.

However, unlike the global economies, strong recovery momentum manifests a robust growth outlook for KSA in 2022. Although forecasts for KSA's real GDP growth by the IFIs remain slightly conservative at 4.8% (IMF) and 4.9% (World Bank), the Ministry of Finance expects growth at a much faster pace of 7.4% in 2022. This strong growth comes from higher Oil GDP coupled with continued recovery in the non-oil economy. KSA's oil production is already up 10.6% Y/Y in December 2021, with OPEC members committed to further increasing production during 1Q22, boosting Oil GDP from a low base in 2021. Meanwhile, non-oil sectors would benefit from improved consumer sentiment thanks to higher oil prices and continued recovery from COVID-related restrictions - social distancing measures were only lifted in 4Q21, and the decision to open the Mosques at full capacity should lead to more religious participation in 2022. Moreover, the investment backdrop is also positively geared through increased spending by the state-owned investment funds, where the budget for 2022 outlines plans for investments of SAR12.4trn up to 2030, led by the National Investment Strategy, The Shareek Program, and Public Investment Fund.

Regarding the budget for 2022, the government plans for a surplus of SAR90bn (USD24bn, 2.5% of GDP) in 2022, driven by a mix of higher revenues and spending cuts. While tax revenues are expected to decline by 4% Y/Y, higher revenue estimates for 2022 are primarily driven by higher oil revenues assumption, driven by increased production and higher oil prices. However, the government pressed further with the spending retrenchment by envisaging an 18% cut in development expenditure to nearly a 16-year low and a 4% drop in current spending. Latter is mainly driven by a 60% cut in "Grants" and a 20% decrease in the purchase of Goods and Services.

The budgeted surplus also aids a strong growth outlook, as the government plans to utilize the surplus in supporting the PIF and development funds to accelerate the implementation of key projects in addition to bolstering government reserves with SAMA, which are projected to rise to SAR350bn in 2022. Meanwhile, a stable nominal public debt level at SAR938bn likely means an improved private investment backdrop as new domestic debt issuance by the government is only expected to refinance maturing debts.

Graph 5: Improved fiscal position provides room to extend crucial support for the recovery



Corporate Governance

In compliance with the Capital Markets Authority's circular related to implementing corporate governance standards and requirements, the company has developed a governance structure by creating a governing body of committees and by continuously developing and improving the governance policies and procedures. The 5-year term of the Board of Directors ended on 20/12/2021 and a new 3-year term has commenced. The Board of Directors' membership in other companies is presented in the following table.

Member Name	Membership Classification	Membership Tenure	Membership in Other Companies
Eng. Talal Al-Maiman	Chairman Non-Executive	Ongoing	Vice Chairman at Banque Saudi Fransi Board Member at Kingdom Holding Company Chairman at Kingdom Real Estate Development Company Board Member at Tasnee (National Industrialization Company) Vice Chairman at flynas Company Board Member at Trade Center Company Board Member at Real Estate Investment Company Board Member at Kingdom Schools Board Member at Kingdom Investment and Development Company Board Member at Jeddah Economic Company
Mr. Rayan Fayeze	Vice Chairman Non-Executive	Ongoing	Board Member at Banque Saudi Fransi Board Member at Human Resources Development Fund Board Member at King Salman Park Board Member at Sports Boulevard Board Member at Al-Ula Development Company
Ms. Elizabeth Critchley	Board Member Non-Executive	Ongoing	Board Member at Ripplewood Advisors Limited Deputy Chairman of the Board at AS Citadele Banka Board Member at RA MENA Holdings Board Member at RA Special Acquisition Corporation Board Member at EFG Hermes Board Member at Windmill Hill Asset Management Board Member at South Hampstead Junior School Hardship Fund
Mr. Abdulaziz Binhassan	Board Member Independent Non-Executive	Ongoing	Chairman at Al Alamiya for Insurance Board Member at Al Faisaliah Group
Mr. Mazen AlTamimi	Board Member Non-Executive	Ended on 20/12/2021	Board Member at Allianz Saudi Fransi
Mr. Yousef AlYousefi	Board Member Independent Non-Executive	Ended on 20/12/2021	Board Member at Mediterranean and Gulf Cooperative Insurance and Reinsurance Board Member at Saudi Airlines Catering Company Board Member at Saudi Post Board Member at Saudi Automotive Services Company (SASCO) Board Member at Pawame
Ms. Huda Al-Lawati	Board Member Independent Non-Executive	Appointed on 29/12/2021	Board Member at Young Arab Leaders Board Member at Hala
Mr. Salam AlKhunaizi	Board Member Executive	Appointed on 29/12/2021	—

Board Meetings (Four Meetings)

Member Name	Board Meeting (1) 21/03/2021	Board Meeting (2) 28/06/2021	Board Meeting (3) 21/09/2021	Board Meeting (4) 06/12/2021
Eng. Talal Al-Maiman	✓	✗	✓	✓
Mr. Rayan Fayez	✓	✓	✓	✓
Mr. Mazen Al-Tamimi	✓	✓	✓	✓
Mr. Yousef AlYousefi	✓	✓	✓	✓
Ms. Elizabeth Critchley	✓	✗	✓	✓
Mr. Abdulaziz Bin Hassan	✓	✓	✓	✓

Board of Directors' Committees

Executive Committee

The primary function of the Executive Committee is to approve the long-term business and strategic objectives and make sure that they are being achieved. The Committee recommends to the Board of Directors the annual budget and mid-term plan. In addition, it reviews and approves the changes related to the corporate governance structure and management structure including but not limited to entering into partnerships, joint ventures, disinvestments, expansions and acquisitions. It is also responsible for overseeing compliance of governance principles stipulated by the Capital Market Authority and other applicable regulatory authorities. In addition, it ensures the effectiveness of internal control environment and monitors compliance of all regulations. The Committee validates and approves major capital projects and investments, strategic and non-ordinary contracts, as well as excessive exposure in the normal course of business. Two meetings were held in the year 2021. The members of the Executive Committee are as follow:

Member Name	Membership Classification	Membership Tenure
Mr. Rayan Fayez	Chairman, Non-Executive	Ongoing
Mr. Mazen Tamimi	Member, Non-Executive	Ongoing
Mr. Adel Mallawi	Member, Non-Executive	Ongoing
Mr. Salam AlKhunaizi	Member, Executive	Appointed on 08/03/2021

Executive Committee (EC) Meetings

Member Name	EC Meeting (1) 12/09/2021	EC Meeting (2) 04/11/2021
Mr. Rayan Fayez	✓	✓
Mr. Mazen Tamimi	✓	✓
Mr. Adel Mallawi	✓	✓
Mr. Salam AlKhunaizi	✓	✓

Nomination and Remuneration Committee

The primary function of the Nomination and Remuneration Committee is to evaluate and recommend to the board an efficient remuneration policy and to monitor its implementation. The Committee is responsible for fairly and adequately rewarding the executives and employees to attract and retain those who add value and help the organization achieve its objectives. It reviews and recommends to the board of directors the policies and structure for remuneration of executives and employees and specific requests from the management for implementation of special remuneration packages including annual performance bonus and other performance linked incentives. Four meetings were held in the year 2021. The members of the Nomination and Remuneration Committee are as follow:

Member Name	Membership Classification	Membership Tenure
Mr. Yousef Al-Yousefi	Chairman, Independent, Non-Executive	Ended on 20/12/2021
Eng. Talal Al-Maiman	Member, Non-Executive	Ongoing
Mr. Rayan Fayez	Member, Non-Executive	Ongoing

Nomination and Remuneration Committee (NRC) Meetings

Member Name	NRC Meeting (1) 11/04/2021	NRC Meeting (2) 19/09/2021	NRC Meeting (3) 05/12/2021	NRC Meeting (4) 19/12/2021
Mr. Yousef AlYousefi	✓	✓	✓	✓
Eng. Talal Al-Maiman	✓	✗	✓	✓
Mr. Rayan Fayez	✓	✓	✓	✓

Audit Committee

The primary function of the Audit Committee is to examine and evaluate the adequacy and effectiveness of Saudi Fransi Capital's governance, risk management process, internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the strategic goals and objectives. In doing so, the Audit Committee will take guidance from the implementing regulations issued by the Capital Market Authority of Saudi Arabia. It recommends to the board the appointment, dismissal and remuneration of the external auditors, ensures their independence and approves any activity that is beyond the scope of the audit work assigned. It also reviews the interim and annual financial statements prior to presentation to the board of directors, and give opinion and recommendations with respect thereto. Four meetings were held in the year 2021. The members of the Audit Committee are as follow:

Member Name	Membership Classification	Membership Tenure
Mr. Abdulaziz Binhassan	Chairman, Independent, Non-Executive	Ongoing
Dr. Abdullah AlShehri	Member, Non-Executive	Ongoing
Mr. Adel Mallawi	Member, Non-Executive	Appointed on 14/06/2021

Audit Committee (AC) Meetings

Member Name	AC Meeting (1) 16/03/2021	AC Meeting (2) 14/06/2021	AC Meeting (3) 13/09/2021	AC Meeting (4) 01/12/2021
Mr. Abdulaziz Binhassan	✓	✓	✓	✓
Dr. Abdullah AlShehri	✓	✓	✓	✓
Mr. Adel Mallawi	-	✓	✓	✓

Compliance Committee

The primary function of the Compliance Committee is to assess and oversee compliance with applicable laws, rules and regulations. The committee seeks input from Compliance and AML/CTF division and provide guidance and status updates on companywide compliance issues to the Board. It annually reviews the policies and procedures of Compliance and AML/CTF. The committee reviews compliance reports and provides guidance and recommendation to the Board, Executive and Audit Committee where needed. It also monitors the corrective actions of regulatory inspection findings and audit findings relevant to Compliance and ensures they are properly rectified. Four meetings were held in the year 2021. The members of the Compliance Committee are as follow:

Member Name	Membership Classification	Membership Tenure
Mr. Abdulaziz Binhassan	Chairman, Independent, Non-Executive	Ongoing
Mr. Salam AlKhunaizi	Member, Executive	Appointed on 08/03/2021
Mr. Nawwaf AlOtaibi	Member, Executive	Ongoing
Mr. Ibrahim AlGhanem	Member, Executive	Ongoing
Mr. Khalid AlMetairi	Member, Executive	Ongoing

Compliance Committee (CC) Meetings

Member Name	CC meeting (1) 16/03/2021	CC meeting (2) 14/06/2021	CC meeting (3) 13/09/2021	CC Meeting (4) 01/12/2021
Mr. Abdulaziz Binhassan	✓	✓	✓	✓
Mr. Salam AlKhunaizi	✓	✓	✓	✓
Mr. Nawwaf AlOtaibi	✓	✓	✓	✓
Mr. Ibrahim AlGhanem	✓	✓	✓	✓
Mr. Khalid AlMetairi	✓	✓	✓	✓

Risk Committee

The primary function of the Risk Committee is to assess and oversee risk within the company. The committee seeks input from Risk Management and provide guidance and status updates on companywide risks to the Board. It annually reviews the policies and procedures of Risk Management. In addition, reviews significant investments, divestments and other significant transactions (i.e. acquisitions and joint ventures) and make, as appropriate, recommendations to the Board. Two meetings were held in the year 2021. The members of the Risk Committee are as follow:

Member Name	Membership Classification	Membership Tenure
Mr. Mazen Al-Tamimi	Chairman, Non-Executive	Ongoing
Ms. Elizabeth Critchley	Member, Non-Executive	Ongoing
Mr. Ravishankar Visvanathan	Member, Non-Executive	Ongoing
Mr. Mutasim Mufti	Member, Non-Executive	Joined on 18/03/2021

Risk Committee Meetings

Member Name	RC meeting (1) 16/06/2021	RC meeting (2) 29/11/2021
Mr. Mazen Al-Tamimi	✓	✓
Ms. Elizabeth Critchley	✓	✓
Mr. Ravishankar Visvanathan	✓	✓
Mr. Mutasim Mufti	✓	✗

Board and Executive Remuneration for the Year 2021

The table below presents the compensation and remuneration, in Saudi Riyals, paid to the members of the board and six of the most senior executives during 2021 including the CEO and CFO if they are not part of the top five.

Items	Executive Board Members	Non-Executive Board Members	Independent Board Members	Executives with the Largest Remuneration
Allowance for attendance of the board of directors' sessions	-	42,000	24,000	-
Allowances for attendance of the committees' sessions	-	45,000	36,000	-
Salaries and wages	-	-	-	6,551,940
Allowances	-	-	-	1,400,388
Periodic and Annual Remunerations	-	1,190,959	590,959	11,890,000
Incentive Plans	-	-	-	1,723,573
Commissions	-	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-	-
Total	-	1,227,959	650,959	19,842,328

Note: There are no arrangements or agreements whereby a board member or a senior executive waives any compensation or remuneration.

Fines, Penalties and Regulatory Restrictions

The CMA did not impose a financial penalty on Saudi Fransi Capital.

Annual Audit Assessment of the Effectiveness of the Company's Internal Control Procedures

Internal audit is an independent function within Saudi Fransi Capital that reports directly to the Audit Committee as set by the Board of Directors. It provides management with reasonable assurance about the adequacy of internal controls, the effectiveness of risk management and the company's compliance with policies and procedures as well as applicable rules and regulations. In order to achieve this, risk-based auditing methodology is followed by reviewing the audit universe of the Company and adjusting the audit plan to include new products and services the Company introduces. Internal Audit works with Risk Management, Legal, and Compliance, Anti Money Laundering, and Counter Terrorism Financing divisions to ensure the adequate coverage of associated risks and the application of implemented controls to mitigate them. Moreover, the Audit Committee judiciously monitors the level of effectiveness of the internal audit controls in order to limit the exposure of companywide risks and to ensure the timely implementation of internal audit's recommendation. Based on the annual assessment of the effectiveness of the Company's internal control procedures, there was no fundamental weakness identified in the internal systems and controls of the firm and the Audit Committee views that internal audit controls have been designed to provide comprehensive review of the company's activities, works effectively, and is being continuously monitored. Nonetheless, the management continuously endeavours to enhance and further strengthen the internal control system.

Financial Highlights for the Last Five Years

The table below presents a summary of the last five years' financial highlights. All amounts in Saudi Riyals unless otherwise stated.

Financial Highlights	2017	2018	2019	2020	2021
Total Assets	2,363,163,284	2,575,267,512	2,945,635,183	2,425,148,039	3,370,387,505
Total Liabilities	1,120,373,860	1,253,582,864	1,546,742,211	1,400,740,268	2,139,689,465
Net Income	70,067,209	79,778,648	77,109,146	124,851,350	218,295,101

Loans to Saudi Fransi Capital

The Company has obtained overdraft facilities from Banque Saudi Fransi for the value of SAR 3,343,750,000 and USD 175,000,000 for a period of one year and is renewed annually. As of December 31, 2021, the outstanding balance was SAR 1,767,539,422.

Board Acknowledgment

Except as already disclosed in related party note, the Board of Directors declares that there are:

- No contracts or businesses during the financial year 2021 to which Saudi Fransi Capital is a party and where there is an interest for a member of the Board of Directors, Chief Executive Officer, senior executives or any person related to any of them.
- No interest and contractual securities to the board members and senior executives in shares of Saudi Fransi Capital. There was no change on those interests during 2021.
- No deals between the firm and any related party.

Risk Management



The primary objectives of the Risk Management function is to ensure that Saudi Fransi Capital's asset and liability profile, trading positions, and credit and operational activities do not expose to losses that could threaten the viability of the firm. The Risk Management Department helps ensure that risk exposures do not become excessive relative to the firm's capital base and financial position. In all circumstances, all activities giving rise to risk are identified, measured, managed and monitored. Risk policy and procedures provides ways to identify the risks, tolerance limits to monitor and processes to manage the breaches.

The Board of Directors and management are responsible for defining the firm's risk appetite, developing a risk management strategy, establishing an overall risk culture, and approving the exposure limit structure for different types of risks. The board is ultimately responsible for ensuring that an adequate and effective system of internal controls is established and implemented, and that an effective risk management framework is in place.

Credit Risk

The firm assigns appropriate limits for counterparty exposure and aging analysis for receivables to manage its credit risk. The Risk Management D also performs continuous portfolio risk reviews and highlights key observations and exceptions, if any, to senior management and the Risk Committee.

Market Risk

Market risk is made up of key risks – commission rate risk, foreign exchange risk and equity price risk. Saudi Fransi Capital manages market risk through the establishment of risk limits, which restrains extra risk taking. These risk limits are established using a variety of dynamic risk measurement tools including sensitivity analysis, value-at-risk and stress test methodologies.

Liquidity Risk

Saudi Fransi Capital manages its balance sheet liquidity by collating the projected cash flows and liquidity profiles of its financial assets and liabilities, with the aim of addressing various liquidity needs, such as routine expenses, cyclical market fluctuations, future changes in market conditions, or a change in the appetite of liquidity providers.

The firm also monitors limits for current ratios, liquidity coverage, and the ratio of cumulative gap to total liabilities on a regular basis to ensure that Saudi Fransi Capital is self-funded during stressed scenarios. The Liquidity Coverage Ratio (LCR) ensures that Saudi Fransi Capital has adequate stock of unencumbered, high-quality liquid assets that can be converted instantly into cash to meet the firm's liquidity needs for 30 calendar days.

- **Contingency Funding Plan:** Saudi Fransi Capital draws a contingency funding plan at the beginning of each year to address any liquidity crises. The company carefully s triggers where contingency fund is required. The contingency funding plan clearly assesses the sources of funding through diverse resources and is presented to the board for approval.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Saudi Fransi Capital uses a Risk Control Self-Assessment (RCSA) approach to identify operational risks and appropriate controls to ensure steady functioning of work environment. This operational risk framework enables the firm to comprehend inherent risk level, residual risk level and to highlight such risks to the team in order to proactively identify existing and emerging risks and effectively manage, transfer, avoid, or mitigate their impact.

More details on financial risks are provided under Note 16 of the financial statement.



Financial Statements

**SAUDI FRANSI CAPITAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

**SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Pages
Independent auditor's report	1-2
Statement of financial position	3
Statement of income	4
Statement of comprehensive income	5
Statement of changes in shareholder's equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 52



Independent auditor's report to the shareholder of Saudi Fransi Capital Company (A Saudi Closed Joint Stock Company)

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Fransi Capital Company (the "Company") as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2021;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the management and those charged with governance for the financial statements

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east



Independent auditor's report to the shareholder of Saudi Fransi Capital Company (A Saudi Closed Joint Stock Company) (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

March 29, 2022



SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2021	2020
Assets			
Current assets			
Cash and bank balances	3	1,289,073,836	995,079,282
Margin / Murabaha financing	4	1,767,000,191	1,353,498,660
Prepayments and other receivables – net	6	58,033,757	26,674,261
Loans to employees - net	7	1,373,608	1,384,804
Advance income tax		13,173,718	8,667,178
Total current assets		3,128,655,110	2,385,304,185
Non-current assets			
Property, equipment and intangible assets	8	27,775,677	23,719,133
Investments held at fair value through other comprehensive income ("FVOCI")	5	198,054,195	25,000
Loans to employees – net	7	15,902,523	16,099,721
Total non-current assets		241,732,395	39,843,854
Total assets		3,370,387,505	2,425,148,039
Liabilities and Shareholder's equity			
Liabilities			
Current liabilities			
Short-term borrowings	9	1,767,539,422	1,253,644,067
Accrued and other liabilities	10	259,203,556	61,648,110
Deferred income		10,434,916	4,526,458
Employees' benefit obligations	12.4	3,782,272	3,528,626
Zakat and income tax provisions	11	37,061,940	29,820,915
Total current liabilities		2,078,022,106	1,353,168,176
Non-current liability			
Employees' benefit obligations	12.4	61,667,359	47,572,092
Total non-current liability		61,667,359	47,572,092
Total liabilities		2,139,689,465	1,400,740,268
Shareholder's equity			
Share capital	1	500,000,000	500,000,000
Statutory reserve		150,000,000	134,044,673
Retained earnings		591,300,968	388,961,194
Re-measurement reserve for FVOCI debt investments		91,225	-
Re-measurements reserve of employees' benefit obligations		(10,694,153)	1,401,904
Total shareholder's equity		1,230,698,040	1,024,407,771
Total liabilities and shareholder's equity		3,370,387,505	2,425,148,039

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2021	2020
Operating income			
Income from brokerage services - net		163,272,395	149,996,297
Income from asset management services - net		165,347,914	139,039,093
Income from advisory and investment banking services – net		51,720,664	41,933,552
Income from margin / Murabaha financing		39,477,601	45,948,855
Realized gain on redemption of trading securities		3,048,508	-
Dividend income		209,959	-
Custody services related fees		3,068,071	3,155,881
Total operating income		426,145,112	380,073,678
Operating expenses			
Salaries and employees' related benefits		(152,079,494)	(143,118,907)
Other general and administrative expenses	14	(48,000,519)	(80,073,303)
Expected credit loss ("ECL") on financial assets	16.2	(687,677)	(5,234,677)
Marketing expenses		(318,736)	(75,456)
Total operating expenses		(201,086,426)	(228,502,343)
Income from operations		225,058,686	151,571,335
Other income / (expenses)			
Special commission expense on short-term borrowings	15.1	(12,170,649)	(15,510,946)
Special commission income		42,262,381	15,745,476
Others		2,728,868	1,463,235
Income before zakat and income tax		257,879,286	153,269,100
Zakat expense	11.1	(37,706,801)	(24,081,988)
Income tax expense	11.1	(1,877,384)	(4,335,762)
		(39,584,185)	(28,417,750)
Net income for the year		218,295,101	124,851,350

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2021	2020
Net income for the year		218,295,101	124,851,350
Other comprehensive income:			
Items that will not be reclassified subsequently to the statement of income			
- Net fair value changes including allowance for ECL of debt instruments		91,225	-
- Re-measurement (loss)/gain on employees' benefit obligations, net	12.3	(12,096,057)	663,449
Other comprehensive (loss)/income for the year		(12,004,832)	663,449
Total comprehensive income for the year		206,290,269	125,514,799

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
 (All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Re-measurements reserve of employees' benefit obligations	Re-measurement reserve for FVOCI debt investments	Total
Balance at January 1, 2021	500,000,000	134,044,673	388,961,194	1,401,904	-	1,024,407,771
Net income for the year	-	-	218,295,101	-	-	218,295,101
Other comprehensive loss for the year	-	-	-	(12,096,057)	91,225	(12,004,832)
Total comprehensive income for the year	-	-	218,295,101	(12,096,057)	91,225	206,290,269
Transfer to statutory reserve	-	15,955,327	(15,955,327)	-	-	-
December 31, 2021	500,000,000	150,000,000	591,300,968	(10,694,153)	91,225	1,230,598,040
Balance at January 1, 2020	500,000,000	121,559,538	776,594,979	738,455	-	1,398,892,972
Net income for the year	-	-	124,851,350	-	-	124,851,350
Other comprehensive loss for the year	-	-	-	663,449	-	663,449
Total comprehensive income for the year	-	-	124,851,350	663,449	-	125,514,799
Transfer of loss on disposal of equity investments held at FVOCI	-	-	(500,000,000)	-	-	(500,000,000)
Transfer to statutory reserve	-	12,485,135	(12,485,135)	-	-	-
Balance at December 31, 2020	500,000,000	134,044,673	388,961,194	1,401,904	-	1,024,407,771

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31,	
		2021	2020
Cash flows from operating activities			
Income before zakat and income tax		257,879,286	153,269,100
<u>Adjustments for non-cash charges and other items</u>			
Depreciation and amortization	8	3,656,648	3,124,589
Employees' benefit obligations - LTIP	12.2	(908,584)	4,193,364
Provision for employees' end of service benefits ("EOSB")	12.1	7,731,581	6,598,684
ECL on doubtful receivable and others, net	6 & 16.2.1	592,715	5,242,177
ECL on investments classified as debt instruments	16.2.1	91,225	-
Charge / (reversal) of ECL on loans to employees - net	16.2.1	3,737	(7,500)
Gain on disposal of property and equipment		(181,000)	-
<u>Changes in working capital</u>			
Margin / Murabaha financing		(413,501,531)	138,291,013
Prepayments and other receivables		(31,952,211)	2,026,853
Advance income tax		(9,060,670)	(6,510,329)
Loans to employees - net		204,657	169,664
Short-term borrowings		513,895,355	(140,346,226)
Accrued and other liabilities		197,555,446	5,544,036
Deferred income		5,908,458	(10,371,597)
Employees' benefit obligations - Employees' EOSB paid	12.1	(4,570,141)	(3,413,301)
Zakat and income tax paid	11.2	(27,789,030)	(33,601,125)
Net cash generated from operating activities		499,555,941	124,209,402
Cash flows from investing activities			
Additions to property, equipment and intangible assets	8	(7,713,192)	(11,646,633)
Disposal of property, equipment, and intangible assets		181,000	-
Purchase of FVOCI investments		(198,029,195)	-
Net cash utilized in investing activities		(205,561,387)	(11,646,633)
Cash flow from financing activity			
Dividend paid during the year	15.1	-	(500,000,000)
Cash utilized in financing activity		-	(500,000,000)
Net change in cash and bank balances		293,994,554	(387,437,231)
Cash and bank balances at the beginning of the year		995,079,282	1,382,516,513
Cash and bank balances at the end of the year	3	1,289,073,836	995,079,282

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Fransi Capital Company (the "Company") is a Closed Joint Stock Company. The Company was registered as a limited liability Company in the Kingdom of Saudi Arabia under commercial registration number 1010231217 issued in Riyadh on Rabi-Al Awwal 26, 1428H (corresponding to April 14, 2007). The Company was converted from a limited liability company to a closed joint stock company on Rabi Al-Awwal 29, 1438H (corresponding to December 28, 2016) which is the date of new commercial registration. The Company's statutory financial statements are prepared from January 1 and to the end of December of each Gregorian year.

The registered address of the Company is P.O. Box 3735, Riyadh 12313, Kingdom of Saudi Arabia. The Company is 100% owned by Banque Saudi Fransi (the "Bank").

The Company obtained Capital Market Authority ("CMA") license number 07052-05 on Muharam 19, 1428H (corresponding to February 7, 2007), and obtained the commencement letter from CMA on Muharam 4, 1429H (corresponding to January 13, 2008).

The licensed activities are to act as a principal, underwriter, and agent to provide dealing of securities, managing, arranging, advisory and custody services for securities activities.

During the year ended December 31, 2010, the management of the Bank resolved to merge CAAM Saudi Fransi Company Limited and Calyon Saudi Fransi Limited (together "the Merged Companies") into Fransi Tadawul Company and change its name to Saudi Fransi Capital Company. The CMA Board of Commissioners issued a resolution dated Safar 26, 1432H (corresponding to January 30, 2011) (the merger date) approving the merger of the associated companies into the Company, change of its name, increase in paid-up share capital to Saudi Riyals 500 million and amending its licensed activities with immediate commencement of its activities under new license number 11153-37.

The Company is in the process of deregistering the commercial records of the merged companies CAAM Saudi Fransi Company Limited with the commercial registration number 1010235891 dated Rajab 4, 1428H (corresponding to July 18, 2007) and Calyon Saudi Fransi Limited with the commercial registration number 1010241446 dated Dhul Qa'dah 29, 1428H (corresponding to February 11, 2008).

The Company's ownership structure is set out below:

Shareholder	Country of origin		December 31, 2021	December 31, 2020
Banque Saudi Fransi	Saudi Arabia	Number of shares	500,000	500,000
		Share capital (SR)	500,000,000	500,000,000

The Bank has Saudi and Non-Saudi shareholders. The percentage holding of Saudi and Non-Saudi shareholders in the Bank as at December 31, 2021 is 100% and Nil (December 31, 2020: 86.99% and 13.01%) respectively.

These financial statements were approved by the Company's Board of Directors on March 29, 2022.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with IFRS

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

(ii) Historic cost convention

These financial statements have been prepared:

- under the historical cost convention except for:
 - fair valuation of investments held at fair value through other comprehensive income ("FVOCI")
 - employees' end of service benefits ("EOSBs") carried at present value using projected unit credit method
- using accrual basis of accounting.

(iii) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR") which is the functional currency of the Company.

(iv) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs that are endorsed in the kingdom of Saudi Arabia requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Mutual fund as equity

The Company has made investments in mutual funds. These have been classified as equity by the management. Judgement has been exercised with respect to the classification. It fulfils the definition of equity as there is no put option / redemption clause available to investor, there is guaranteed return or repayment etc.

(v) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021:

- *Covid-19-Related Rent Concessions – amendments to IFRS 16, and*
- *Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The Company also elected to adopt the following amendment:

- *Annual Improvements to IFRS Standards 2018-2020 Cycle, and*
- *Deferred Tax related to Assets and Liabilities arising from Single Transaction – amendments to IAS 12*

The amendments listed above did not have any impact on the financial statements of the Company.

(vi) New standards not yet effective and not early adopted by the Company

Certain new accounting standards and amendments to accounting standards and interpretations have been published that are effective for annual periods beginning on or after January 1, 2022 but have not been early adopted by the Company. These standards are not expected to have a material impact on the financial statement of the Company.

(vii) Going concern

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

2.2 Cash and bank balances

Cash and bank balances include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

Cash and bank balances are carried at amortized cost in the statement of financial position.

2.3 Financial instruments

2.3.1 Classification and measurement of financial assets

2.3.1.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company records financial instruments on a 'trade date' basis.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. For financial assets or financial liabilities held at fair value through statement of income, the transaction costs are expensed in the statement of income. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognized for debt financial assets measured at amortized cost, which results in an ECL charge being recognized in the statement of income when an asset is newly originated.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets

On initial recognition, the Company classifies its financial assets in the following measurement categories:

- Amortized cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through statement of income ("FVSI")

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include:

- past experience on how the cash flows for these assets were collected;
- how the asset's performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- how managers are compensated.

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

Debt securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVSI.

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the SPPP test does not pass, and the related financial asset is classified and measured at FVSI.

**SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)**

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets (continued)

The SPPP assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP"), and that are not designated at FVSI, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowance recognized and measured as described in Note 2.3.2. Profit earned from these financial assets is recognized in the statement of income using the effective commission rate method.

Fair value through statement of income ("FVSI"): If debt instrument's cash flows do not represent solely SPPP or if it is not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt investment measured at FVSI, where cashflows do not represents solely SPPP, is recognized in the statement of income, within "Net gain/(loss) on investments mandatorily measured at FVSI", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are held for trading are presented separately from debt investments that are mandatorily measured at FVSI, within "Net gain / (loss) in investments designated at FVSI or held for trading".

Fair value through other comprehensive income ("FVOCI"): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in statement of income. When the debt financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the year.

Currently bank balances, margin / Murabaha financing receivables, loans to employees - net and other receivables are classified as held at amortized cost. There are certain sukuks which have been classified as FVOCI. There are no debts securities classified as FVSI.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets (continued)

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. On disposal, fair value gains/losses are transferred directly from fair value reserve to retained earnings. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income when the Company's right to receive payments is established.

The Company has irrevocably elected/designated investments in shares of an unquoted equity and mutual funds units in two funds in the real estate and financing sector, respectively, as held as FVOCI.

2.3.2 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortized cost. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- (i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
- (ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- (iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- (iv) Financial instrument in Stage 1 has their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- (v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- (vi) Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

Stage 1: (Initial recognition) 12-month expected credit losses

Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses

Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company, that are subjected to ECL review include bank balances, margin / Murabaha financing, loans to employees - net and other receivables.

The impact of ECL on the financial assets of the Company other than loans to employees and receivables from customers is immaterial. A significant exposure of the Company is held as placement with the Bank which has a sound credit rating as at the reporting date and the Company considers that it has low credit risk. The rating of the Bank as at December 31, 2021 was A-2 (December 31, 2020: "A-2") as per Standard and Poor's (S&P).

ECL on margin / Murabaha financing is Nil due to the factors mentioned in Note 2.3.2.3.

For ECL measurement on loans to employees and other receivables please refer Note 2.3.2.3.

The Company considers that the remaining financial assets are immaterial and have low credit risk.

2.3.2.1 Stages of impairment under IFRS 9

The impairment approach of IFRS 9 provides a framework for Expected Credit Losses ("ECL") where in, the assets have to be segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial asset. The three stages differ in terms of recognition of expected credit losses and the presentation of special commission income.

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Company's existing credit risk management standards for acceptable credit quality. Overall, the financial assets falling under this category have the following characteristics at minimum:

- Adequate capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability to fulfil its obligations.

Stage 2 - Financial Assets with significant increase in credit risk

These are financial assets whose credit quality has deteriorated significantly since origination but do not have objective evidence of impairment.

Stage 3 - Credit impaired financial assets

Financial assets classified under this category have exceeded either the objective thresholds set by the Company i.e., have defaulted or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

The Company considers "Default" event when the obligor is unlikely to pay for its credit obligations in full, without recourse by the Company to the actions such as realizing security (if held).

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.2 Transfer criteria

Margin / Murabaha financing

The transfer criteria are based on the breaches in the Company's equity proportion. As and when the Company revises the margin and liquidation benchmarks, the transfer criterion is modified accordingly to reflect the appropriate credit risk in each of the stages.

Stage 1 to Stage 2

- Any significant increase in credit risk would trigger transfer of an asset from Stage 1 to stage 2 depending on the level of deterioration.
- As and when the collateralization level of the client breaches 125% and subsequently margin is called, the asset would be migrated to Stage 2.

Stage 2 to Stage 3

- For an asset in Stage 2, if the client's collateralization level falls below 100%, the client shall be considered credit impaired, and the asset would be moved to Stage 3.

Loans to employees and other receivables

Stage 1 to Stage 2

- If the loan of the employees and other receivables is more than 30 days past due.

Stage 2 to Stage 3

- If the loan of the employees and other receivable is more than 90 days past due.

2.3.2.3 Expected credit loss measurement

Margin / Murabaha financing

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.3.2.1.

Significant increase in credit risk:

A decrease in collateral percentage below 125% is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

Definition of default:

For the purpose of default rate calculation, the Company has used the liquidation events as trigger for defaults. The default rate as at reporting date equals the number of accounts defaulting in the next 12 months from reporting date divided by the total number of performing accounts during the reporting month.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.3 Expected credit loss measurement (continued)

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Company has never suffered any loss on liquidations since incorporation by recovering the amounts fully. Therefore, the historical experience relating to LGD has been 0%. Given the nature and extent of the collateral held against the Company's margin financing exposures, the management considers the credit risk of the exposures to be minimal. In accordance with the policy of the Company, the margin financing facilities should be 200% collateralized and the facility is liquidated if the collateral coverage ratio drops below the liquidation level of 144%. Therefore, generally, no exposure is classified as stage 2 as it is already liquidated at 144%. Hence, even though there might be small probability of default, the ECL would result in zero impairment provision, as the pledged collateral (in the form of cash or liquid securities) covers the exposure at least to 150%. The over-collateralized nature of the exposure has been observed and expected to result in a loss given default ("LGD") of 0%.

EAD represents the expected exposure in the event of a default. The Company 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.

Loans to employees and other receivables

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.3.2.1.

Significant increase in credit risk:

For each exposure any increase in past due days from 30 days is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.3 Expected credit loss measurement (continued)

Definition of default:

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

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company 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 Company; 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.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering binomial distribution of total borrowers and total defaults. The choice of confidence level is subjective and a confidence level of below 90% is used for calculation of PD.

LGD is the magnitude of the likely loss if there is a default. As the Company has no loss history, an expert judgment-based model has been developed, based on the available information with the Company. Market value is calculated at initiation. A discount of 20% is applied to the market value to estimate the current market value. This is further discounted by 10% to adjust for the other direct and indirect costs to realize the receipts from the collateral to arrive at the total market value of the exposure. A coverage analysis is done between the market value and outstanding amount to arrive at the LGD.

EAD represents the expected exposure in the event of a default. The Company 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.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.3 Financial liabilities

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVSI where transactions cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of income.

Subsequently, all special commission bearing financial liabilities other than those held at FVSI are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

2.3.4 Fair valuation of financial instruments

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

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

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

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

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

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

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

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

2.3.5 Derecognition of financial instruments

A financial asset is derecognized, when the contractual rights to receive the cash flows from the financial asset expire or the asset is transferred, and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.6 Offsetting of financial instruments

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

2.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the expenditure that is directly attributable to the acquisition of the items and borrowing cost (where applicable). All other repair and maintenance costs are recognized in the statement of income as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will follow to the Company and the cost of that item can be measured reliably.

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

	Years
Leasehold improvements	5 to 10 Years
Furniture and office equipment	4 to 10 Years
Motor vehicles	4 Years

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

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

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

2.5 Intangible assets

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

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

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.5 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

2.6 Impairment of non-financial assets

Property and equipment and other non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.7 Short-term borrowings

Short-term borrowings are initially recognized at fair value, net of transaction costs incurred. Short-term borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2. Significant accounting policies (continued)

2.7 Short-term borrowings (continued)

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Short-term borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income as other income or finance costs.

Short-term borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.8 Accrued and other liabilities

Liabilities are recognized for amounts to be paid for goods or services received, whether or not billed to the Company. The Company is carrying these at amortized cost.

2.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.10 Employees' benefits obligations

2.10.1 Employees' end of service benefits ("EOSBs")

The provision for employees' end of service benefits ("EOSBs") is made based on an actuarial valuation of the Company's liability under the Saudi Arabian Labour Law.

In accordance with the provisions of IAS 19 "Employee benefits", management carries out an exercise to assess the present value of its obligations, using the projected unit credit method. Under this method an assessment is made of the employees' expected service life with the Company and expected salary at the date of leaving the service.

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

Past service costs are recognized in the statement of income on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The defined benefit liability in the statement of financial position comprises the present value of the defined benefit obligation (using a discount rate).

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.10 Employees' benefits obligations (continued)

2.10.2 Other long-term employees' benefits obligations

The Company has other long-term employees' benefits obligations (i.e., ex-gratia benefits and long-term incentive plan) that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service and upon the satisfaction of certain conditions. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

2.13 Zakat and income taxes

The Company is subject to Zakat and income tax in accordance with the regulation of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat and income taxes are charged to the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred tax is provided in full, if material, using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

Deferred tax relating to items recognized outside statement of income is recognized either in statement of comprehensive income or directly in equity.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.13 Zakat and income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Value added tax ("VAT")

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the receivable, including VAT.

2.14 Determination of control over investment funds

The Company acts as a Fund Manager to a number of mutual funds. Determining whether the Company controls such a mutual fund usually focuses on the assessment of its aggregate economic interests of the Company in the Fund (comprising any carried profits and expected management fees) and the investor's rights to remove the fund manager. As a result, the Company has concluded that it acts as an agent for the investors in those mutual funds in all cases, and therefore has not consolidated these funds.

2.15 Assets held in trust or in a fiduciary capacity

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are treated as off-balance sheet items in these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.16 Revenue

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

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

Based on the above five steps the revenue recognition policies for the various revenue streams are as follow:

Brokerage income

Brokerage income is recognized when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Company is satisfied when the Company 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 Company will have no further commitments.

Asset management fees

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

This fee compensates and contributes to single performance obligation, the Company'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.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.16 Revenue (continued)

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognized when services are determined as complete in accordance with the underlying agreement, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of 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.

Dividend income

Dividend income is recognized when the right to receive dividend is established.

Underwriting fees

Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee

Custody fee is received upfront and amortized over the period of the service (deferred income).

2.17 Special commission income

Income from margin financing

Income from margin financing facilities is recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the customer.

Income from Murabaha financing

Income from Murabaha is received upfront and amortized through the life of the Murabaha (deferred income) on effective commission rate basis.

The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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

Income from deposits

Income from deposits is recognized on an accrual basis based on effective commission rate method.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.18 Expenses

Marketing expenses are those which specifically relate to promotion and advertising. All other expenses, other than employees' costs, financial charges and expenses allocated by Banque Saudi Fransi are classified as 'other general and administrative expenses'.

2.19 Finance cost

Expenses from short-term borrowing are recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the Bank.

2.20 Leases

Right of use asset ("RoU") / lease liabilities

At the inception of a contract, the Company assesses 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 a consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of use assets

The Company applies cost model and measures the right of use asset at cost;

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, at the commencement date, the RoU asset would equate 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. they need to be added to the RoU asset value.

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Company measures the lease liability by:

1. Increasing the carrying amount to reflect the interest on the lease liability,
2. Reducing the carrying amount to reflect the lease payments made: and
3. Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

Short-term and low values leases

Payments associated with short-term leases and leases of low value assets are recognized on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

2.21 Foreign currencies transactions and balances

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at the dates of the transaction. Assets and liabilities denominated in foreign currencies at the period-end are translated into Saudi Arabian Riyals at the exchange rates prevailing at the statement of financial position date. Realized and unrealized gains or losses on exchange are credited or charged to the statement of income.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.22 Contingent assets and liabilities

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

2.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 Cash and bank balances

	As of December 31, 2021	As of December 31, 2020
Cash in hand	10,000	10,000
Cash at bank - current accounts (Note 3.1)	<u>1,289,063,836</u>	<u>995,069,282</u>
	<u>1,289,073,836</u>	<u>995,079,282</u>

3.1 This represents account maintained with the Bank. SAR denominated balances earn special commission income which is linked to Saudi Inter Bank Offer Rate (SIBOR + agreed spread).

4 Margin / Murabaha financing

The Company extends margin / Murabaha financing facilities to its customers to invest in the Saudi Stock Exchange, international stock exchanges and investment funds. These facilities are extended up to a maximum period of 2 years and bear fixed / floating special commission rates based on Benchmark rate plus agreed spread except for Murabaha facilities which are at fixed rates.

5 Fair value through other comprehensive income (FVOCI)

	As of December 31, 2021	As of December 31, 2020
Mutual funds	105,177,698	-
Sukuk	92,851,497	-
Equities	25,000	25,000
Total	<u>198,054,195</u>	<u>25,000</u>

5.1 This represents investment in sukuk, real estate and financing funds and Sakan Company for Real Estate Finance (an associated company - related party). The investment in Sakan Company for Real Estate finance amounts to SAR 25,000.

The credit quality of investments is disclosed in Note 16.2.1.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

6 Prepayments and other receivables – net

	Note	As of December 31, 2021	As of December 31, 2020
Receivable from customers and third party funds		41,589,831	16,422,761
Receivable from Company managed mutual funds	6.1	6,051,526	5,168,954
Insurance receivables		-	3,620,235
Prepayments		3,646,955	3,342,225
Collateral deposits		1,250,000	1,250,000
Other receivables		6,220,992	1,968,178
Total prepayments and other receivables – gross		<u>58,759,304</u>	<u>31,772,353</u>
Allowance for ECL on doubtful receivables:			
- Receivables from customers		(725,547)	(1,477,857)
- Insurance receivables		-	(3,620,235)
	6.2	<u>(725,547)</u>	<u>(5,098,092)</u>
Prepayments and other receivables – net		<u>58,033,757</u>	<u>26,674,261</u>

6.1 This represents amounts receivable from the managed mutual funds (related parties) against management fee and expenses paid on their behalf.

6.2 Movement in allowance for ECL on doubtful receivables is as follows:

	Note	As of December 31, 2021	As of December 31, 2020
Balance at the beginning of the year		(5,098,092)	(5,301,870)
Charge for the year	16.2	(592,715)	(5,242,177)
Write-offs		<u>4,965,260</u>	<u>5,445,955</u>
Closing balance at the end of the year		<u>(725,547)</u>	<u>(5,098,092)</u>

7 Loans to employees - net

The Company has established an employee housing loan program that offers eligible employees, an opportunity to buy or construct residential units. These loans are repayable by the employees over a period of up to 25 years.

	Note	As of December 31, 2021	As of December 31, 2020
Loans to employees - current portion		1,373,608	1,384,804
Loans to employees - non-current portion		<u>15,902,523</u>	<u>16,099,721</u>
	7.1 & 16.2.1	<u>17,276,131</u>	<u>17,484,525</u>

7.1 This balance is net of ECL amounting to Saudi Riyals 113,527 (2020: Saudi Riyals 109,790). Charge for the year amounts to SR 3,737.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

8 Property, equipment and intangible assets

2021	Leasehold improvements	Furniture and office equipment	Motor vehicles	Softwares	Capital work-in-progress	Total
Cost						
As at January 1	14,617,563	19,667,138	553,360	29,931,195	15,751,004	80,520,260
Additions during the year	-	2,413,755	371,326	180,292	4,747,819	7,713,192
Transfers from CWIP	108,630	820,752	-	2,080,360	(3,009,742)	-
Disposals	-	-	(485,560)	-	-	(485,560)
As at December 31	14,726,193	22,901,645	439,126	32,191,847	17,489,081	87,747,892
Accumulated depreciation / amortization						
As at January 1	13,559,226	16,081,434	553,360	26,607,107	-	56,801,127
Charge for the year (Note 14)	768,482	1,748,275	77,828	1,062,063	-	3,656,648
Disposals	-	-	(485,560)	-	-	(485,560)
As at December 31	14,327,708	17,829,709	145,628	27,669,170	-	59,972,215
Net book value						
At December 31	398,485	5,071,936	293,498	4,522,677	17,489,081	27,775,677

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

8 Property, equipment, and intangible assets (continued)

2020	Leasehold improvements	Furniture and office equipment	Motor vehicles	Softwares	Capital work-in-progress	Total
Cost						
As at January 1	14,384,004	17,814,914	553,360	26,528,397	9,592,952	68,873,627
Additions during the year	34,648	413,974	-	-	11,198,011	11,646,633
Transfers from CWIP	198,911	1,438,250	-	3,402,798	(5,039,959)	-
Write-offs	-	-	-	-	-	-
As at December 31	14,617,563	19,667,138	553,360	29,931,195	15,751,004	80,520,260
Accumulated depreciation / amortization						
As at January 1	12,691,789	14,927,247	553,360	25,504,142	-	53,676,538
Charge for the year (note 14)	867,437	1,154,187	-	1,102,965	-	3,124,589
As at December 31	13,559,226	16,081,434	553,360	26,607,107	-	56,801,127
Net book value At December 31	1,058,337	3,585,704	-	3,324,088	15,751,004	23,719,133

Capital work-in-progress ("CWIP") includes advances given to suppliers for purchase of property and equipment and construction of certain leasehold improvements.

Intangibles represent cost of various softwares used by the Company for the purpose of accounting and record keeping of the various revenue streams that encompass the Company's business activities.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

9 Short-term borrowings

The Company has obtained overdraft facilities from the Bank in order to finance its lending book including margin / Murabaha facilities extended to customers as follows:

As of December 31, 2021				
S. No	Currency	Facility limit	Outstanding balance Saudi Riyals	Rate of commission
1	Saudi Riyals	3,343,750,000	1,395,900,638	Three-months average Benchmark rate + agreed spread
2	US Dollars	175,000,000	<u>371,638,784</u>	Three-months average Benchmark rate + agreed spread
			<u>1,767,539,422</u>	
As of December 31, 2020				
			Saudi Riyals	
1	Saudi Riyals	2,937,500,000	883,074,059	Three-months average Benchmark rate + agreed spread
2	US Dollars	150,000,000	<u>370,570,008</u>	Three-months average Benchmark rate + agreed spread
			<u>1,253,644,067</u>	

As at December 31, 2021, the special commission expense payable is Saudi Riyals 1.298 million (2020: Saudi Riyals 0.934 million).

10 Accrued and other liabilities

	As of December 31, 2021	As of December 31, 2020
Accrued expenses	72,163,254	56,250,172
Accounts payable	<u>187,040,302</u>	<u>5,397,938</u>
Total	<u>259,203,556</u>	<u>61,648,110</u>

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

11 Zakat and income taxes

	As of December 31, 2021	As of December 31, 2020
Zakat	36,686,940	25,175,380
Income tax	375,000	4,645,535
Total	37,061,940	29,820,915

The Company maintains a provision of Saudi Riyals 37.06 million (2020: Saudi Riyals 29.82 million) for zakat and income tax as of December 31, 2021 which includes provision for the current period amounting to Saudi Riyals 36.391 million (2020: Saudi Riyals 28.85 million) and reversal/provision from prior year amounting to Saudi Riyals 3.49 million (2020: Saudi Riyals 0.428 million) recorded in current year. Zakat and income tax have been calculated in accordance with the Saudi Arabian Zakat and Income Tax Regulations and charged to the statement of income.

11.1 Movement in provision for zakat and income tax

The movement in the provision for zakat and income tax is as follows:

	As of December 31, 2021		
	Zakat	Income tax	Total
Balance at the beginning of the year	25,175,380	4,645,535	29,820,915
Provision - for current year	36,086,939	-	36,086,939
Provision - for prior years	1,619,862	1,877,384	3,497,246
	37,706,801	1,877,384	39,584,185
Payments	(25,327,847)	(2,461,183)	(27,789,030)
Advance payment utilized	(867,394)	(3,686,736)	(4,554,130)
Balance at the end of the year	36,686,940	375,000	37,061,940
	As of December 31, 2020		
	Zakat	Income tax	Total
Balance at the beginning of the year	33,858,222	3,506,147	37,364,369
Provision - for current year	24,575,380	4,270,535	28,845,915
Provision - for prior years	-	65,227	65,227
Provision reversal - for prior years	(493,392)	-	(493,392)
	24,081,988	4,335,762	28,417,750
Payments	(32,764,830)	(836,295)	(33,601,125)
Advance payment utilized	-	(2,360,079)	(2,360,079)
Balance at the end of the year	25,175,380	4,645,535	29,820,915

11.1.1 Zakat is payable at the rate of 2.5 percent calculated on higher of adjusted net income and approximate zakat base attributable to Saudi shareholders of the Company.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

11.2 Status of final assessments

The Company has filed its zakat and income tax declarations for the years from 2007 to 2021. ZATCA finalized the assessments for the years from 2007 to 2019. For the years from 2007 to 2012 and from 2015 to 2017 ZATCA finalized the assessments with an additional zakat and income tax liability of Saudi Riyals 25.7 million. The Company has filed an appeal against these assessments with the Initial Committee and Appeal Committee for General secretariat of tax committees and it is pending for hearing. The zakat and income tax declaration of the Company for the year ended December 31, 2021 will be due for filing by April 30, 2022.

With respect to CAAM Saudi Fransi (the "Merged Company"), the Company has received an assessment relating to returns filed for the period from 2007 to 2010 with an additional zakat and income tax liability of Saudi Riyals 3.6 million. The Company had filed an appeal against this assessment with the Initial Committee for General secretariat of tax committees which issued its decision by reducing additional zakat and income tax liability to Saudi Riyals 1.3 million. The Company has filed an appeal against this revised assessment with the Appeal Committee for General secretariat of tax committees which issued its decision in August 2021 by partial acceptance and the Company will notify ZATCA to act accordingly. The Bank has issued a bank guarantee on behalf of the Company in respect of appealed amount of Saudi Riyals 1.3 million on behalf of the Company in favor of ZATCA.

11.3 Impact of changing shareholding percentage on Zakat base

During the year 2019, the Bank submitted a request to ZATCA to update the shareholding percentage of the group to be 100% Saudi entity. In January 2022, ZATCA has accepted the Bank's position as a Zakat payer only with an effective date starting January 2021.

Consequently, the Company has submitted a claim to ZATCA to refund advance tax payments made in 2021 amounting to Saudi Riyals 3.43 million.

Furthermore, the Bank is planning to submit a consolidated zakat return for the year 2021 for the Banque Saudi Fransi Group, in accordance with Ministerial Resolution 1005. The Company's zakat liabilities charged in these financial statements are an allocation of zakat liabilities of Banque Saudi Fransi Group. These liabilities are payable by the Company to the Bank, who ultimately settles them with ZATCA.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

12 Employees' benefit obligations

12.1 Employees' end of service benefits ("EOSBs") and ex-gratia benefits

Employees' end of service benefits ("EOSBs")

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans, and the benefit payment obligation are met when they fall due (i.e., upon termination of employment, resignation, or retirement).

Ex-gratia benefits

Ex-gratia benefits pertain to the other long-term benefits for those employees who reached retirement age. The normal retirement age is 58 for males and 53 for females. The Company allows late retirement up until 63 years.

The amounts recognized in the statement of financial position and the movements in the EOSB obligation over the year are as follows:

	For the year ended December 31, 2021		
	End of service benefits	Ex-gratia benefits	Total
Balance at the beginning of the year	41,745,001	1,536,478	43,281,479
Current service cost	6,183,766	232,799	6,416,565
Past service cost	-	-	-
Interest expense	1,273,024	41,992	1,315,016
	7,456,790	274,791	7,731,581
Benefits transferred from BSF	-	-	-
Total amount recognized in statement of income	7,456,790	274,791	7,731,581
Remeasurements due to actuarial loss	11,872,817	214,707	12,087,524
Benefits paid	(4,498,141)	(72,000)	(4,570,141)
Balance at the end of the year	56,576,467	1,953,976	58,530,443

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

12 Employees' benefit obligations (continued)

12.1 Employees' end of service benefits ("EOSBs") and ex-gratia benefits (continued)

	For the year ended December 31, 2020		
	End of service benefits	Ex-gratia benefits	Total
Balance at the beginning of the year	39,487,808	1,435,545	40,923,353
Current service cost	4,596,987	175,482	4,772,469
Past service cost	-	18,833	18,833
Interest expense	1,303,531	58,836	1,362,367
Benefits transferred from BSF	5,900,518	253,151	6,153,669
Total amount recognized in statement of income	445,015	-	445,015
	6,345,533	253,151	6,598,684
Remeasurements due to actuarial gains	(777,239)	(50,018)	(827,257)
Benefits paid	(3,311,101)	(102,200)	(3,413,301)
Balance at the end of the year	41,745,001	1,536,478	43,281,479

12.2 Long-term incentive plan

The Company operates a Long-Term Incentive Plan ("LTIP"). This scheme is available only to selected employees in any given eligible year. The benefit of each eligible year vests over the three years from the end of each respective eligible year. The "award rate" for each LTIP is 17% of the scheme salary at the end of the vesting period. The benefit is payable provided that SFC achieves a consecutive net income growth for all three financial years within the vesting period. As at 31 December 2021, the maturity of the provision is shown in the table below:

Long-term incentive plan:	December 31, 2021	December 31, 2020
Current	3,782,272	3,528,626
Non-current	3,136,916	4,290,613
Balance at the end of the year	6,919,188	7,819,239

As of December 31, 2021, the Company recognized re-measurement due to actuarial loss amounting to SAR 8,533 (December 31, 2020: SAR 163,808) on LTIP.

The amounts recognized in the statement of financial position and the movements in the LTIP over the year are as follows:

	December 31, 2021	December 31, 2020
Opening balance	7,819,239	3,462,067
(Reversal) / charge for the year recognized in the statement of income	(908,584)	4,193,364
Remeasurement loss due to actuarial valuation recognized in other comprehensive income	8,533	163,808
Closing balance	6,919,188	7,819,239

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

12 Employees' benefit obligations (continued)

12.3 Re-measurement (losses)/gains

The total re-measurement loss/gain on employees' benefit obligation is presented in the table below:

Re-measurement (losses)/gains from:	Note	December 31, 2021	December 31, 2020
- Employees' end of service benefits	12.1	(12,087,524)	827,257
- Long-term incentive plan	12.2	(8,533)	(163,808)
Re-measurement (loss)/gain on employees' benefit obligations, net		(12,096,057)	663,449

12.4 Provision for employees' benefit obligations

The total provision for employees' benefit obligations are as follows:

	Note	December 31, 2021	December 31, 2020
Current:			
Long-term incentive plan	12.2	3,782,272	3,528,626
Non-current:			
- Employees' end of service benefits	12.1	58,530,443	43,281,479
- Long-term incentive plan	12.2	3,136,916	4,290,613
Total non-current employees' benefit obligations		61,667,359	47,572,092

12.5 Key actuarial assumptions

	As at December 31, 2021	As at December 31, 2020
End of service benefits:		
Discount rate	2.65%	3.20%
Salary growth rate	4.00%	1.50%
Duration of liability (in years)	10.8	9.4
Ex-gratia benefits:		
Discount rate	3.2%	3.60%
Salary growth rate	4%	1.50%
Long-term incentive plan:		
Discount rate	2.65%	2.00%
Salary growth rate	4.00%	1.50%

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

12 Employees' benefit obligations (continued)

12.6 Sensitivity analysis for actuarial assumptions

December 31, 2021	Change in assumption		Impact on employees' benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	+ 100 bp	- 100 bp	(7,882,116)	1,933,834
Salary growth rate	+ 100 bp	- 100 bp	1,807,955	(7,867,633)
Mortality	+ 20%	- 20%	(3,331,666)	3,300,863
Attrition rate	+ 20%	- 20%	(4,558,065)	1,970,518
Ex-gratia benefits:				
Discount rate	+ 100 bp	- 100 bp	(216,223)	252,744
Salary growth rate	+ 100 bp	- 100 bp	248,064	(216,611)
Mortality	+ 20%	- 20%	(10,076)	10,126
Attrition rate	+ 20%	- 20%	(365,076)	452,054
Long-term incentive plan:				
Discount rate	+ 100 bp	- 100 bp	(19,551)	20,134
Salary growth rate	+ 100 bp	- 100 bp	30,182	(29,593)
Withdrawal rate	+ 20%	- 20%	(21,965)	22,144
Mortality rate	+ 20%	- 20%	(507)	507
December 31, 2020				
December 31, 2020	Change in assumption		Impact on employees' benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	+ 100 bp	- 100 bp	(3,157,649)	3,601,921
Salary growth rate	+ 100 bp	- 100 bp	3,628,225	(3,237,007)
Mortality	+ 20%	- 20%	(4,576)	4,590
Attrition rate	+ 20%	- 20%	(90,551)	156,633
Ex-gratia benefits:				
Discount rate	+ 100 bp	- 100 bp	(144,224)	167,235
Salary growth rate	+ 100 bp	- 100 bp	169,170	(148,349)
Mortality	+ 20%	- 20%	(7,087)	7,053
Attrition rate	+ 20%	- 20%	(295,311)	240,782
Long-term incentive plan:				
Discount rate	+ 100 bp	- 100 bp	(20,386)	20,994
Salary growth rate	+ 100 bp	- 100 bp	20,890	(20,686)
Withdrawal rate	+ 20%	- 20%	(15,150)	15,150
Mortality rate	+ 20%	- 20%	(204)	204

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

12 Employees' benefit obligations (continued)

12.7 As at December 31, 2021, the expected cash flows over the next years valued on an undiscounted basis are shown in the table below:

	December 31, 2021	December 31, 2020
End of service benefits:		
1 year	4,965,514	5,178,542
2 to 4 years	13,795,059	14,697,590
5 years and above	35,881,139	29,734,616
	<u>54,641,712</u>	<u>49,610,748</u>
Ex-gratia benefits:		
1 year	95,457	137,413
2 to 4 years	52,458	258,134
5 years and above	877,122	761,322
	<u>1,025,037</u>	<u>1,156,869</u>
Long-term incentive plan:		
1 year	3,782,272	3,699,517
2 to 4 years	3,136,916	7,257,390
5 years and above	-	-
	<u>6,919,188</u>	<u>10,956,907</u>

13 Contingencies and commitments

As of December 31, 2021, the Company has outstanding commitments amounting to Saudi Riyals 32.3 million (2020: Saudi Riyals 21.6 million) on account of investments and payments for purchases of goods and services. As of December 31, 2021, the Company has approved margin / Murabaha financing facility limits amounting to Saudi Riyals 3,012 million (2020: Saudi Riyals 2,872 million) to customers, out of which limits amounting to Saudi Riyals 1,767 million (2020: Saudi Riyals 1,353 million) are unutilized as of December 31, 2021.

As of December 31, 2021, the Company is subject to a litigation in the normal course of its business. The Company believes that the outcome of the pending legal case will not have a material impact on the Company's financial statements.

14 Other general and administrative expenses

	Notes	Year ended 31 December	
		2021	2020
Legal and professional fees		4,466,821	40,657,844
Information technology related expenses		21,182,777	16,619,017
Rentals and premises related expenses		7,032,740	7,850,298
Travel and entertainment expenses		6,119,636	7,645,754
Depreciation and amortization	8	3,656,648	3,124,589
Remuneration of Board of Directors	15.1	1,794,745	1,842,136
Other		3,747,152	2,333,665
Total		<u>48,000,519</u>	<u>80,073,303</u>

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

15 Related party matters

15.1 Related party transactions

In the ordinary course of its activities, the Company transacts business with related parties. In the opinion of the management and the Board of Directors, the related party transactions are carried out on an arm's length basis.

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	<u>Year ended 31 December</u>	
	<u>2021</u>	<u>2020</u>
Banque Saudi Fransi (shareholder):		
Income:		
Custody fee earned	<u>360,000</u>	360,000
Underwriting commission earned	-	20,000,000
Special commission income on deposits	<u>40,150,726</u>	15,745,476
Income from brokerage services	<u>5,926,894</u>	4,857,557
Income under Service Level Agreements ("SLA") - Note 15.1.1	<u>1,923,099</u>	1,704,456
Expenses:		
Expenses incurred under Service Level Agreements ("SLA") - Note 15.1.1	<u>14,389,829</u>	19,121,750
Commodity traders fees paid	<u>119,208</u>	825,548
Expenses incurred on behalf of the Company	<u>7,653,152</u>	8,579,402
Special commission expense on short-term borrowing	<u>12,170,649</u>	15,510,946
Dividends paid during the year	-	500,000,000
Allianz Saudi Fransi (associate):		
Management fee	-	275,593
Contribution and fees paid on account of staff saving plan	-	1,442,548
Directors, other shareholders, and their affiliates:		
Income:		
Subscription fee earned	<u>385,014</u>	538,824
Special commission income on margin financing / Murabaha facilities extended	<u>1,440,815</u>	191,769
Custody fee earned	<u>200,000</u>	200,000
Income from brokerage services	<u>2,288,131</u>	3,437,360
Expenses:		
Company's contribution paid to General Organization for Social Insurance (GOSI)	<u>5,622,174</u>	5,461,567
Board of Directors related expenses (Note 14)	<u>1,794,745</u>	1,842,136
Mutual funds:		
Income	-	-

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

15 Related party matters (continued)

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

	Year ended 31 December	
	2021	2020
Short term benefit	<u>26,220,558</u>	<u>28,619,409</u>
Long term benefit	<u>3,330,000</u>	<u>1,447,848</u>
Employees' EOSBs	<u>3,423,090</u>	<u>6,162,867</u>

15.1.1 The Company has entered into Service Level Agreements ("SLA") with the Bank for providing various services. Significant outsourced services include information technology, system security, premises, and certain other services.

15.2 Related party balances

Significant year-end balances arising from transactions with related parties are included in the statement of financial position under various financial statement line items and respective notes.

16 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value commission rate risk), credit risk, liquidity risk and operational risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the statement of financial position include cash and bank balances, investments held at FVOCI, receivables against margin / Murabaha financing, other receivables, loans to employees - net, short-term borrowings, accrued expenses, and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Risk management responsibilities are held as follows:

Business Unit Management: Primarily responsible for risk management. The process of assessing, evaluating, and measuring risk is ongoing and is integrated into the day-to-day activities of the business. This process includes implementing the Company's risk management framework, identifying issues, and taking remedial action where required. Business unit management is also accountable for reporting to the governance bodies within the Company.

Risk Function: Primarily accountable for risk management reporting, providing oversight and independent reporting to management and the Board.

Internal Audit Function: Provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the Board through the Company's Audit Committee.

Compliance and AML Function: Responsible for monitoring and assessment of business compliance with CMA Prudential Rules, including Anti Money Laundering & Counter terrorist financing regulations.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

16 Financial instruments and risk management (continued)

16.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices / commission rates.

a) Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. Transactions in other foreign currencies are not material. Since US Dollar is pegged to SAR, therefore, there is no foreign exchange risk.

b) Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than as a result of foreign currency and commission rate movements), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Exposure

The Company is exposed to price risk on the mutual funds investment held at FVOCI as at December 31, 2021.

Sensitivity

The effect on the Company's equity investments held at FVOCI due to reasonable possible changes in prices, will all other variables held constant is as follows

December 31, 2021	Change in market price	Change in equity
Mutual funds	+/- 10% change in market prices %	+/- SAR 10,517,770

c) Cash flow and fair value commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial positions and cash flows.

Exposure

The Company's commission rate risks arise mainly from its bank balances, margin / Murabaha financing, short-term borrowings and sukuk investments. The Company on a regular basis monitors changes in the commission rates and acts accordingly. The Company's receivables from margin financing include both fixed and floating commission rate instruments.

The Company's fixed rate receivables (all Murabaha contracts and fixed rate margin financing contracts) are carried at amortized cost and therefore not subject to fair value commission rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of changes in market commission rates.

The Company's floating rate instruments are carried at amortized cost, therefore, these do not affect the fair value of instrument, but cash flows / income is affected.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

16 Financial instruments and risk management (continued)

16.1 Market risk (continued)

Sensitivity

With 10% change in the underlying Benchmark rate with all the variables held constant, the income / cash flows for the year will increase / decrease as follows:

December 31, 2021	Change in interest rate	Change in income / cash flows
Bank balance	+/- 10% change in Benchmark rate	SAR 989,315 / (SAR 989,315)
Margin financing (floating rate)	+/- 10% change in Benchmark rate	SAR 647,948 / (SAR 1,557,816)
Short term borrowing	+/- 10% change in Benchmark rate	(SAR 902,383) / SAR 1,001,198
December 31, 2020	Change in interest rate	Change in income / cash flows
Bank balance	+/- 10% change in Benchmark rate	SAR 1,847,732 / (SAR 1,847,732)
Margin financing (floating rate)	+/- 10% change in Benchmark rate	SAR 1,503,341 / (SAR 1,196,110)
Short term borrowing	+/- 10% change in Benchmark rate	(SAR 620,270) / SAR 2,026,776

The Company is exposed to fair value commission rate risk on its fixed rate sukuk investment. With +/- 10% in an interest rate, the fair value of the sukuk will change by SAR 367,256.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

16 Financial instruments and risk management (continued)

16.1 Market risk (continued)

The table below summarizes the Company's exposure to commission rate risks. The amounts are classified on the earlier date of the contractual maturity or the repricing date.

Commission rate risk	No maturity	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
December 31, 2021						
Assets						
Cash and bank balances	1,289,063,836	-	-	-	10,000	1,289,073,836
Margin / Murabaha financing	-	325,373,534	1,441,626,657	-	-	1,767,000,191
Investments held at fair value through other comprehensive income ("FVOCI")	-	-	-	92,851,498	-	92,851,498
Other receivables	-	-	-	-	53,136,802	53,136,802
Loans to employees - net	-	347,182	1,026,425	15,902,524	-	17,276,131
Total financial assets	1,289,063,836	325,720,716	1,442,653,082	108,754,022	53,146,802	3,219,338,458
Short-term borrowings	-	325,912,765	1,441,626,657	-	-	1,767,539,422
Accrued and other liabilities	-	-	-	-	258,089,189	258,089,189
Total financial liabilities	-	325,912,765	1,441,626,657	-	258,089,189	2,025,628,611
Net commission rate sensitivity gap	1,289,063,836	(192,049)	1,026,425	108,754,022	(204,942,387)	1,193,709,847

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

16 Financial instruments and risk management (continued)

16.1 Market risk (continued)

Commission rate risk	No maturity	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
December 31, 2020						
Assets						
Cash and bank balances	995,069,282	-	-	-	10,000	995,079,282
Margin / Murabaha financing	-	217,238,078	1,136,260,582	-	-	1,353,498,660
Other receivables	-	-	-	-	23,332,036	23,332,036
Loans to employees - net	-	344,257	1,040,547	16,099,721	-	17,484,525
Total financial assets	995,069,282	217,582,335	1,137,301,129	16,099,721	23,342,036	2,389,394,503
Short-term borrowings	-	217,383,485	1,036,260,582	-	-	1,253,644,067
Accrued and other liabilities	-	-	-	-	59,664,516	59,664,516
Total financial liabilities	-	217,383,485	1,036,260,582	-	59,664,516	1,313,308,583
Net commission rate sensitivity gap	995,069,282	198,850	101,040,547	16,099,721	(36,322,480)	1,076,085,920

* The short-term borrowings are payable to the Bank (the "Parent Company") and are renewed annually.

16.2 Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

Exposure

Cash and cash equivalents are deposited with the Bank, which has sound credit ratings and is a related party. The accrued income mainly relates to amounts due on account of asset management services and is settled within a short period. The receivables relate to Murabaha trading portfolios and have adequate coverage ratios. The portfolios are closely monitored, and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Company's exposure is sufficiently collateralized. Sukuks are issued by the financial institutions with sound credit ratings. The maximum credit exposure equals the carrying amount of the sukuks, placements and other assets.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

16 Financial instruments and risk management (continued)

16.2 Credit risk (continued)

16.2.1 Credit quality analysis

The following table sets out the credit analysis for financial assets:

As at December 31, 2021	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and bank balances	1,289,063,836	-	10,000	1,289,073,836
Margin/Murabaha financing	-	-	1,767,000,191	1,767,000,191
Investments held at fair value through other comprehensive income ("FVOCI") - Sukuk	92,851,498	-	-	92,851,498
Other receivables	-	-	53,136,802	53,136,802
Loans to employees - net	-	-	17,276,131	17,276,131
Total	1,381,915,334	-	1,837,423,124	3,219,338,458
As at December 31, 2020	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and bank balances	995,069,282	-	10,000	995,079,282
Margin/Murabaha financing	-	-	1,353,498,660	1,353,498,660
Other receivables	-	-	23,332,036	23,332,036
Loans to employees - net	-	-	17,484,525	17,484,525
Total	995,069,282	-	1,394,325,221	2,389,394,503

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

16 Financial instruments and risk management (continued)

16.2 Credit risk (continued)

Loss allowance on loans to employees

	<u>December 31, 2021</u>			Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
Gross amount	17,389,658	-	-	17,389,658
Expected credit loss	(113,527)	-	-	(113,527)
	<u>17,276,131</u>	-	-	<u>17,276,131</u>
	<u>December 31, 2020</u>			Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
Gross amount	17,594,315	-	-	17,594,315
Expected credit loss	(109,790)	-	-	(109,790)
	<u>17,484,525</u>	-	-	<u>17,484,525</u>

At December 31, the credit risk exposure for receivable against margin / Murabaha financing by geographic region is as follows:

	2021	2020
Saudi Arabia	<u>1,767,000,191</u>	<u>1,353,498,660</u>

At December 31, the credit risk exposure for receivables against margin lending by type of customer is as follows:

	2021	2020
Corporate customers	30,338,589	42,809,992
Retail customers	<u>1,736,661,602</u>	<u>1,310,688,668</u>
	<u>1,767,000,191</u>	<u>1,353,498,660</u>

At December 31, the credit risk exposure for sukuk investment by geographic region is as follows:

	2021	2020
Saudi Arabia	<u>92,851,498</u>	-

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

16 Financial instruments and risk management (continued)

16.2 Credit risk (continued)

During the year, the following losses were recognized in statement of income in relation to impaired financial assets other than FVOCI debt investments:

	Note	2021	2020
ECL for other receivables	6.2	(592,715)	(5,242,177)
ECL for debt instruments		(91,225)	-
ECL for loans to employees	7.1	(3,737)	7,500
		<u>(687,677)</u>	<u>(5,234,677)</u>

16.3 Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The Company's liquidity management process is as follows:

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

The following analyses the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances, unless material, as the impact of discounting is immaterial.

	2021	Less than 1 year	Total
Short-term borrowings		1,767,539,422	1,767,539,422
Accrued and other liabilities		258,089,189	258,089,189
		<u>2,025,628,611</u>	<u>2,025,628,611</u>
	2020		
Short-term borrowings		1,253,644,067	1,253,644,067
Accrued and other liabilities		59,664,516	59,664,516
		<u>1,313,308,583</u>	<u>1,313,308,583</u>

For the presentation of liquidity gap between financial assets and financial liabilities for the year ended December 31, 2021 and 2020, please see Note 16.1.

16.4 Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency, and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective in managing operational risk is to ensure control of the Group's resources by protecting the assets of the Company and minimizing the potential for financial loss.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring, and measuring the risks associated with operations. The management of operational risk has a key objective of minimizing the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

17 Capital risk management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholder by pricing products and services commensurate with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor, and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth. For capital adequacy working, refer to Note 18.1.

17.1 Capital Adequacy

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

In accordance with Article 74(b) of the Prudential Rules issued by the CMA (the "Rules"), given below are the disclosures of the capital base, minimum capital requirement and total capital ratio as of December 31:

	2021	2020
Capital Base:		
Tier 1 Capital	1,226,084	1,021,084
Tier 2 Capital	-	-
Total Capital Base	1,226,084	1,021,084
Minimum Capital Requirement:		
Market Risk	3,522	286
Credit Risk	566,718	383,571
Operational Risk	54,926	57,126
Total Minimum Capital Required	625,166	440,983
Capital Adequacy Ratio:		
Tier-I – capital ratio	1.96	2.32
Tier-II – capital ratio	-	-
Surplus / (deficit) in Capital	600,918	580,101

- a) The above information has been extracted from the Company's annual Capital Adequacy Model for the year ended December 31, 2021 to be submitted to CMA.
- b) The Capital Base consists of Tier 1 Capital and Tier 2 Capital calculated as per Article 4 and 5 of the Rules respectively. The Minimum Capital Requirements for Market, Credit & Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.
- c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.
- d) Certain information as required by Pillar III of the Prudential Rules will be made available to the public on the Company's website, however, this information is not subject to review or audit by the external auditors of the Company.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

18 Fair value estimation

As at December 31, 2021 and 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values

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

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

18 Fair value estimation (continued)

The table below presents the financial assets and financial liabilities at their fair values based on the fair value hierarchy.

At December 31, 2021	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets not measured at fair value					
Cash and bank balances	1,289,073,836	-	-	1,289,073,836	1,289,073,836
Margin / Murabaha financing	1,767,000,191	-	-	1,767,000,191	1,767,000,191
Other receivables	54,386,802	-	-	54,386,802	54,386,802
Loans to employees - net	17,276,131	-	-	17,276,131	17,276,131
Financial assets measured at fair value					
Investments held at FVOCI	198,054,195	42,343,347	50,508,150	105,202,698	198,054,195
	3,325,791,155	42,343,347	50,508,150	3,232,939,658	3,325,791,155
Financial liabilities not measured at fair value					
Short-term borrowings	1,767,539,422	-	-	1,767,539,422	1,767,539,422
Accrued and other liabilities	258,089,189	-	-	258,089,189	258,089,189
	2,025,628,611	-	-	2,025,628,611	2,025,628,611

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

18 Fair value estimation (continued)

At December 31, 2020	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets not measured at fair value					
Cash and bank balances	995,079,282	-	-	995,079,282	995,079,282
Margin / Murabaha financing	1,353,498,660	-	-	1,353,498,660	1,353,498,660
Other receivables	23,332,036	-	-	23,332,036	23,332,036
Loans to employees - net	17,484,525	-	-	17,484,525	17,484,525
Financial assets measured at fair value					
Investments held at FVOCI	25,000	-	-	25,000	25,000
	2,389,419,503	-	-	2,389,419,503	2,389,419,503
Financial liabilities not measured at fair value					
Short-term borrowings	1,253,644,067	-	-	1,253,644,067	1,253,644,067
Accrued and other liabilities	59,664,516	-	-	59,664,516	59,664,516
	1,313,308,583	-	-	1,313,308,583	1,313,308,583

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended December 31, 2021 and 2020, there were no transfers into or out of Level 3 fair value measurements.

The fair values of financial position financial instruments not measured at fair value are not significantly different from the carrying values included in the financial statements. The fair values of cash and bank balances, other receivables, loan to employees and accrued and other liabilities which are carried at amortized cost, are not significantly different from the carrying values included in the 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 financial instrument. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

Margin / Murabaha financing classified as level 3 has been valued using expected cash flows discounted at Company's weighted average cost of capital.

Investments, except for sukuks, are classified in level 3 are carried at cost as it approximates fair value.

Sukuk investments are quoted in an active market but not actively traded.

Short-term borrowings classified as level 3 has been valued based on the expected cashflows discounted using the market rate as at December 31, 2021.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (All amounts in Saudi Riyals unless otherwise stated)

19 Financial instruments by category

All financial assets and financial liabilities for the years ended December 31, 2021 and 2020, are classified under amortized cost category except for investment held at FVOCI, which is classified and measured at fair value.

	Measurement category	As at December 31, 2021	As at December 31, 2020
Financial assets			
Cash and bank balances	Amortized cost	1,289,073,836	995,079,282
Margin / Murabaha financing	Amortized cost	1,767,000,191	1,353,498,660
Investments	Investments held at FVOCI	198,054,195	25,000
Other receivables	Amortized cost	54,386,802	23,332,036
Loans to employees - net	Amortized cost	17,276,131	17,484,525
Total financial assets		<u>3,325,791,155</u>	<u>2,389,419,503</u>
Financial liabilities			
Short-term borrowings	Amortized cost	1,767,539,422	1,253,644,067
Accrued and other liabilities	Amortized cost	258,089,189	59,664,516
Total financial liabilities		<u>2,025,628,611</u>	<u>1,313,308,583</u>

20 Assets held under fiduciary capacity

As of December 31, 2021, cash held under fiduciary capacity amounting to Saudi Riyals 8.1 billion (2020: Saudi Riyals 7.1 billion) was kept in a pool account with the Bank. These amounts were kept with the Company by its customers for the purpose of investment in the local, international equity markets and investment funds.

Further, as of December 31, 2021, shares amounting to Saudi Riyals 106 million (2020: Saudi Riyals 78 million) were kept by the Company on behalf of the customers under equity swap arrangements.

The mutual funds' assets related to the funds' unit holders managed by the Company amounted to Saudi Riyals 5.2 billion as of December 31, 2021 (2020: Saudi Riyals 5.3 billion).

21 Impact of Covid-19

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies experienced multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date. The Company continues to evaluate the current situation through conducting stress-testing scenarios of expected movements in key macroeconomic indicators (e.g., oil prices, GDP, etc.) and its impact on key credit, liquidity, operational and solvency ratios, and performance indicators in addition to other risk management practices. The management of the Company will continue to follow the Government policies and advice and, in parallel, will do its utmost to continue the Company's operations in the best and safest way possible without jeopardizing the health of its employees.

السعودي الفرنسي كابيتال

Saudi Fransi Capital

