SNB CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND
AUDITOR'S REPORT

SNB Capital Company
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of SNB Capital Company

Opinion
We have audited the consolidated financial statements of SNB Capital Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter
The consolidated financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on those financial statements dated 21 March 2022.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Board of Directors are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of SNB Capital Company (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of SNB Capital Company (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
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.

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

Riyadh: 4 Ramadhan 1444H
(26 March 2023)

SNB كابيتال

SNB Capital Company
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December
(Expressed in Saudi Riyals '000, unless otherwise stated)

	Notes	***2022***	*2021*
Assets			
Property, equipment and software	4	**163,115**	146,646
Right of use assets	5	**9,354**	8,584
Investment properties	6	**74,648**	75,440
Investment in an associate, net	7	**2,175**	2,161
Financial investments	8	**7,960,758**	2,358,592
Positive fair value of derivative	9	**36,438**	-
Prepayments and other assets	10	**29,185**	42,144
Total non - current assets		**8,275,673**	2,633,567
Financial investments	8	**623,580**	987,366
Prepayments and other assets	10	**1,258,459**	556,980
Murabaha financing	11	**2,337,760**	1,802,031
Cash and cash equivalents	12	**457,409**	453,988
Total current assets		**4,677,208**	3,800,365
Total Assets		**12,952,881**	6,433,932
Equity			
Share capital	13	**1,000,000**	1,000,000
Proposed increase in share capital	13	**500,000**	-
Statutory reserve	15	**535,248**	535,248
Other reserves	8	**(135,919)**	25,479
Share based payment arrangements reserve	14	**19,290**	24,164
Merger reserve	13&34	**-**	500,000
Retained earnings		**3,910,669**	2,604,932
Total equity attributable to equity holders of the Parent		**5,829,288**	4,689,823
Non-controlling interest	16	**764**	764
Total equity		**5,830,052**	4,690,587
Liabilities			
Lease liabilities	17	**9,502**	7,513
Employees benefits	18	**91,207**	93,965
Total non- current liabilities		**100,709**	101,478
Lease liabilities	17	**2,269**	2,269
Borrowings	19	**6,445,984**	1,122,566
Amount due to The Saudi National Bank	19	**14,793**	35,000
Employees benefits	18	**413**	413
Negative fair value of derivatives	-	**-**	4,636
Accounts payable, accruals and other liabilities	21	**558,661**	476,983
Total current liabilities		**7,022,120**	1,641,867
Total liabilities		**7,122,829**	1,743,345
Total Equity and Liabilities		**12,952,881**	6,433,932

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

SNB Capital Company
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the years ended 31 December
(Expressed in Saudi Riyals '000, unless otherwise stated)

	Notes	***2022***	*2021*
Fees from services, net	22		
- Asset management		**787,124**	655,879
- Securities		**497,450**	546,384
- Investment banking		**180,629**	125,948
		1,465,203	1,328,211
Change in fair value of investment carried at FVTPL, net		**(29,045)**	33,264
Income from Murabaha financing and investments carried at amortized cost		**438,486**	58,398
Gain on sale of investment carried at FVTPL, net		**56,762**	-
Gain on sale of investments carried at amortized cost, net		**1,831**	9,961
Dividend income		**68,269**	32,624
Other operating income		**51,912**	24,177
Total operating income		**2,053,418**	1,486,635
Salaries and employee related expenses	23	**(298,569)**	(240,813)
Depreciation and amortization	4,5 &6	**(26,105)**	(22,232)
Other general and administrative expenses	24	**(159,134)**	(168,374)
Total operating expenses		**(483,808)**	(431,419)
Net operating income for the year		**1,569,610**	1,055,216
Finance cost	25	**(121,715)**	(12,293)
Other income		**7,330**	5,023
Share of results in associate	7	**14**	(12)
Total non-operating loss, net		**(114,371)**	(7,282)
Profit for the year before Zakat		**1,455,239**	1,047,934
Zakat for the year	31	**(151,000)**	(96,205)
Net profit for the year after Zakat		**1,304,239**	951,729
Income for the year attributable to:			
- Equity holders of the Parent		**1,304,239**	951,729
- Non-controlling interest	16	**-**	-
		1,304,239	951,729
Basic and diluted earnings per share (SR) – attributable to equity-holders of the Parent	26	**13.04**	9.52

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

SNB Capital Company
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 December
(Expressed in Saudi Riyals '000, unless otherwise stated)

	Notes	***2022***	*2021*
Net profit for the year after Zakat		**1,304,239**	951,729
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
- Net change in fair value of FVOCI equity investments	8	**(21,203)**	28,290
Items that will or may be reclassified to profit or loss in subsequent periods:			
- Re-measurement gain on employees end of service benefits	18 (c)	**1,498**	8,872
- Net change in fair value of FVOCI debt investments	8	**(140,195)**	(4,985)
Total comprehensive income for the year		**1,144,339**	983,906
Attributable to:			
- Equity holders of the Parent		**1,144,339**	983,906
- Non-controlling interest	16	**-**	-
		1,144,339	983,906

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

SNB Capital Company
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(Expressed in Saudi Riyals '000, unless otherwise stated)

	Attributable to equity holders of the Parent									
	Share capital	***Proposed increase in share capital***	***Statutory reserve***	***Other reserves***	***Share based payments arrangements reserve***	***Merger reserve***	***Retained earnings***	***Subtotal***	***Non-controlling interest***	***Total***
Balance at January 1, 2022	1,000,000	-	535,248	25,479	24,164	500,000	2,604,932	4,689,823	764	4,690,587
Net profit for the year after zakat	-	-	-	-	-	-	1,304,239	1,304,239	-	1,304,239
Other comprehensive income/(loss) for the year	-	-	-	(161,398)	-	-	1,498	(159,900)	-	(159,900)
Total comprehensive income for the year	-	-	-	(161,398)	-	-	1,305,737	1,144,339	-	1,144,339
Share based payment arrangements, net for the year.	-	-	-	-	(4,874)	-	-	(4,874)	-	(4,874)
Proposed increase in share capital (note 13)	-	500,000	-	-	-	(500,000)	-	-	-	-
Balance as at 31 December 2022	**1,000,000**	**500,000**	**535,248**	**(135,919)**	**19,290**	**-**	**3,910,669**	**5,829,288**	**764**	**5,830,052**

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

SNB Capital Company
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2021
(Expressed in Saudi Riyals ‘000, unless otherwise stated)

	Attributable to equity holders of the Parent									
	Share capital	*Shares held under employees’ share based payment arrangements*	*Statutory reserve*	*Other reserves*	*Share based payments arrangements reserve*	*Merger reserve*	*Retained earnings*	*Subtotal*	*Non-controlling interest*	*Total*
Balance at 1 January 2021	1,000,000	(247,807)	285,248	2,174	17,334	-	1,213,418	2,270,367	7,491	2,277,858
Net profit for the year after zakat	-	-	-	-	-	-	951,729	951,729	-	951,729
Other comprehensive income for the year	-	-	-	23,305	-	-	8,872	32,177	-	32,177
Total comprehensive income for the year	-	-	-	23,305	-	-	960,601	983,906	-	983,906
Business combination transaction under common control (note 1 and 34)	-	-	250,000	-	-	500,000	678,720	1,428,720	-	1,428,720
Share based payment arrangements, net for the year	-	-	-	-	6,830	-	-	6,830	-	6,830
Effect of transaction with non-controlling interests (note 1)	-	-	-	-	-	-	-	-	(6,727)	(6,727)
Sale of treasury shares (note 1)	-	247,807	-	-	-	-	(247,807)	-	-	-
Balance as at 31 December 2021	1,000,000	-	535,248	25,479	24,164	500,000	2,604,932	4,689,823	764	4,690,587

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

SNB Capital Company
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended 31 December 2022
(Expressed in Saudi Riyals '000, unless otherwise stated)

	Notes	***2022***	*2021*
Cash flows from operating activities:			
Net profit for the year before Zakat		**1,455,239**	1,047,934
Adjustments to reconcile net income to net cash from operating activities:			
Gain on sale of investments carried at amortized cost, net	8	**(1,831)**	(9,961)
Change in fair value of investments carried at FVTPL, net	8	**29,045**	(33,264)
Gain on sale of investments carried at FVTPL, net	8	**(56,762)**	-
Share of results in associates	7	**(14)**	12
Share based payment arrangements charge	14.1	**4,810**	6,830
Fair value Gain on derivatives		**(41,074)**	-
Income from Murabaha financing		**(100,818)**	(49,573)
Depreciation and amortization	5, 6 & 7	**26,105**	22,232
Income from financial investments carried at amortized cost		**(11,948)**	(8,824)
Employees' benefits	18(b)& (c)	**9,541**	9,737
Finance cost	25	**121,715**	12,293
		1,434,008	997,416
Changes in operating assets and liabilities			
Prepayments and other assets		**(688,520)**	(243,500)
Financial investment carried at FVTPL		**(98,384)**	(1,482,379)
Employees' benefits, net		-	(1,618)
Murabaha financing		**(434,911)**	(902,170)
Amounts due to The Saudi National Bank		**(20,207)**	224
Account payable, accruals and other liabilities		**7,638**	31,965
Cash from/(used in) operating activities		**199,624**	(1,600,062)
Employees' benefits paid	18(c) & d	**(14,526)**	(35,619)
Zakat paid	31	**(76,960)**	(60,362)
Net cash from/(used in) operating activities		**108,138**	(1,696,043)
Cash flows from investing activities:			
Purchase of property, equipment and software	5	**(40,247)**	(29,875)
Purchase of investment carried at amortized cost		**(160,041)**	-
Proceeds from disposal of investment carried at amortized cost		**123,940**	153,218
Purchase of investment carried at fair value at FVOCI		**(4,734,452)**	(605,402)
Proceeds from disposal of investment carried at FVTPL		**1,082,151**	1,461,027
Purchase of investment carried at FVTPL		**(1,701,475)**	(336,736)
Cash and cash equivalent acquired through business combination	34	-	493,946
Net cash flows (used in)/from investing activities		**(5,430,124)**	1,136,178
Cash flows from financing activities:			
Lease liabilities addition (payments)	17	**1,989**	(2,805)
Proceeds from bank borrowings	19	**10,510,857**	828,852
Repayments of bank borrowings	19	**(5,120,138)**	-
Finance cost on borrowings paid		**(67,301)**	(4,133)
Other movement in non-controlling interests		-	(6,727)
Net cash flows from financing activities		**5,325,407**	815,187
Net change in cash and cash equivalents		**3,421**	255,322
Cash and cash equivalents at beginning of the year		**453,988**	198,666
Cash and cash equivalents at end of the year	12	**457,409**	453,988

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

(Expressed in Saudi Riyals '000, unless otherwise stated)

	Notes	***2022***	*2021*
NON-CASH SUPPLEMENTARY INFORMATION			
Re-measurement gain / (loss) on employees' end of service benefits	18(c)	**1,498**	8,872
Net change in fair value of FVOCI equity investments	8	**(21,203)**	28,290
Net change in fair value of FVOCI debt investments		**(140,194)**	(4,985)

The accompanying notes 1 through 38 form an integral part of these consolidated financial statements.

1. GENERAL

SNB Capital Company (formerly known as NCB Capital Company) ("the Company" or "SNBC"), a Saudi closed Joint Stock Company, was formed in accordance with Capital Market Authority's Resolution No. 2-83-2005 dated Jumada Al Awal 21, 1426H (June 28, 2005), and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231474 dated 29 Rabi Al Awal 1428H (April 17, 2007). The ownership structure of the Company is detailed in note 13 to these consolidated financial statements.

The Group is mainly operating in Kingdom of Saudi Arabia and United Arab Emirates and its Head Office is located at the following address:

SNB Capital Head Office
SNB Regional Building
King Saud Road
P.O. Box 22216
Riyadh 11495
Saudi Arabia

The objective of the Company is to conduct the following Securities Activities, as defined in the Securities Business Regulations (Regulation No 2-83-2005 dated Jumada Al Awal 21, 1426H issued by the Board of the Capital Market Authority):

a) Dealing;
b) Arranging;
c) Managing;
d) Advising; and
e) Custody

Pursuant to merger agreement executed between The Saudi National Bank (formerly National Commercial Bank) (the Parent Company) and Samba Financial Group, the Board of the Directors of the Company, on February 4, 2021, resolved for the Company to consider and pursue merger discussions with Samba Capital & Investment Management Company (Samba Capital). All the legal and regulatory formalities were completed on 9 July 2021, which represented the effective date (the "effective date") of the merger (the "Merger") and pursuant to which Samba Capital ceased to exist and all of its assets and liabilities were transferred to the Company.

Prior to the merger, SAMBA Capital was a subsidiary of the Parent Company as a result of Parent Company's merger with SAMBA Financial Group. The value for the Merger was agreed between the Parent Company and the Company equal to the carrying value of SAMBA Capital's net assets as of the effective date. However, the Parent Company decided to waive settlement of the agreed value (purchase consideration) from the Company resulting in an increase in Company's equity equal to the agreed value, presented as merger reserve within equity. Moreover, since the Merger represented a business combination transaction under common control, the Company has opted, as an accounting policy, to apply the book value method of accounting. As a result, SAMBA Capital's asset and liabilities transferred to the Company's books at their respective book values on the effective date. Furthermore, the Company opted to consolidate the pre-Merger reserves on a line-by-line basis as well. Breakdown of SAMBA Capital's asset and liabilities as of the effective date is detailed in note 34 to these consolidated financial statements.

1. GENERAL (continued)

These consolidated financial statements include the financial statements of the Company and following subsidiaries up to 31 December 2022 (hereinafter collectively referred to as "the Group"):

Oryx Regional Private Equity Fund
The Company has a 50% (31 December 2021: 50%) ownership interest in Oryx Regional Private Equity Fund (the "Fund"), which was formed on February 12, 2007, as a closed-ended investment fund. The Group acquired control over the Fund as at April 17, 2007. The Fund's objective is to invest in companies which have a strong competitive advantage and good growth potential. The Fund's primary geographic focus for investment is the Middle East and North Africa (MENA) region.

On February 11, 2021, in lieu of the anticipated timelines corresponding to the completion of the liquidation of the Fund, the Fund Board resolved to further extend the life of the Fund till March 20, 2023. As such, the Fund is not considered to be a going concern and the underlying assets and liabilities thereof stand adjusted accordingly.

SNB Capital Dubai Inc.
Effective 1 January 2008, the Company acquired control over SNB Capital Dubai Inc. ("SNBC Dubai") [exempt company with limited liability incorporated in the Cayman Islands] and its subsidiaries from the Bank. The takeover of the business was facilitated by the incorporation of SNB Capital (DIFC) Limited.

The objective of SNCB Capital Dubai Inc. is to source, structure and invest in attractive private equity and real estate development opportunities across emerging markets.

The Company has a 100% (31 December 2021: 100%) ownership interest in SNB Capital Dubai Inc.

The Capital Partnership (Cayman) Holdings Limited
The Capital Partnership (Cayman) Holdings Limited ("TCPCHL"), registered in the Cayman Islands was formed as a special purpose entity with the principal objective of acquisition of The Capital Partnership Group Limited ("TCPG").

The legal formalities in respect of the disposal of ownership interest in TCPG were completed during November 2012. TCPCHL's liquidation proceedings are pending subject to completion of certain legal formalities.

Baco W.L.L. ("Baco")
The Company has 100% (31 December 2021: 100%) ownership in Baco, a limited liability company incorporated in the Kingdom of Bahrain on January 16, 2007, formed for the sole purpose of executing SNB Capital Company's employee share ownership plans.

During the year ended December 31, 2021, Baco, based on a share transfer agreement dated November 07, 2021, transferred 9.3 million shares of SNB Capital, previously held by it, to the Parent Company at nil consideration. Accordingly, these shares, which were previously classified as 'shares held under employees' share based payment arrangements' (treasury shares) in these consolidated financial statements, stand fully derecognised as at December 31, 2021 with a corresponding debit to retained earnings.

1. GENERAL (continued)

SNB Capital Real Estate Investment Company
SNB Capital has 100% (31 December 2021: 100%) ownership in SNB Capital Real Estate Investment Company (REIC). The primary objective of REIC is to hold and register real estate assets on behalf of real estate funds managed by SNB Capital Company.

Samba Investment Real Estate Company (SIREC)
Pursuant to the merger of Samba Capital with SNB Capital, Samba Investment Real Estate Company has become a 100% subsidiary of SNB Capital, which is registered in the Kingdom of Saudi Arabia under commercial registration number 1010715022 dated 23 Shawwal 1438 (corresponding to July 17, 2017). The business objective of SIREC is to deal in real estate investment.

Samba US Logistics Fund L.P (SUSLF)
Pursuant to the merger of Samba Capital with SNB Capital, Samba US Logistics Fund L.P. has become a 100% subsidiary of SNB Capital, an exempted limited partnership, registered on September 9, 2020, and Samba US Logistics Fund G.P. an exempted company, incorporated on July 7, 2020. These entities are governed under the laws of the Cayman Islands and are formed for the purpose of holding and managing principal investments.

SNBC Funding ("SNBCF")
SNB Capital has 100% (31 December 2021: nil) ownership in SNBC Funding, a Company registered in Cayman Islands. The primary objectives of SNBCF unrestricted business activities as per local laws.

SNBC Global Markets ("SNBCGM")
SNB Capital has 100% (31 December 2021: nil) ownership in SNBC Global Markets, a Company registered in Cayman Islands. The primary objectives of SNBCF unrestricted business activities as per local laws.

2. BASIS OF PREPARATION

a) Statement of compliance
These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as 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).

b) Basis of measurement
These consolidated financial statements have been prepared under the historical cost basis using the going concern concept and accrual basis of accounting except as stated otherwise in the below mentioned accounting policies in note 3 to these consolidated financial statements.

c) Functional and presentation currency
These consolidated financial statements have been presented in Saudi Riyals (SR), which is the functional currency of the Company. The functional currency of REIC and SIREC is Saudi Riyals, while the functional currency of SNBC Dubai, TCPHL, the Fund and SUSLF is United States Dollars which is pegged to SR. The functional currency of Baco is Bahraini Dinar. The financial information presented in Saudi Riyals has been rounded off to the nearest thousands, except as otherwise indicated.

2. BASIS OF PREPARATION (continued)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2022 (note 1). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company and to the non-controlling interests. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Structured entities

As part of its business activities, the Group holds investments in various structured entities (such as investment funds) which are not consolidated since the Group does not have control over the respective investee entities. As at the reporting date, these structured investments include a fully owned investee, Jermyn Street Commercial Real Estate Fund VIII L.P., which represents a 'feeder' to a wider structured investment over which the Group does not hold any power over the relevant activities. Accordingly, the Group believes that it does not control the investee and hence the investment is included under financial investments carried at fair value through profit or loss (note 8).

2. BASIS OF PREPARATION (continued)

e) Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and accompanying disclosures and disclosures of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revision to accounting estimates are recognized in the period in which the estimate is revised and any future period affected.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Useful lives of property, equipment and software and investment properties

The management determines the estimated useful lives of property, equipment and software and investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets, physical wear and tear, or end of the lease term. Management reviews the residual value, depreciation method and useful lives annually and future depreciation charges are adjusted prospectively where management believes these differ from previous estimates.

(ii) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that 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 Group estimates the asset’s recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets or groups. 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 based on earnings are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. In determining fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are identified, it is based on discounted future cash flow calculations of future distributable dividends.

(iii) End of service benefits

The present value of Company’s obligation under defined benefit plans is determined using actuarial valuation. This involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

2. BASIS OF PREPARATION (continued)

e) Significant accounting judgements, estimates and assumptions (continued)

(iv) Fair value measurement

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.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall 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 level input that is significant to the entire measurement.

Financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see note 33). For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

2. BASIS OF PREPARATION (continued)

e) Significant accounting judgements, estimates and assumptions (continued)

(ii) Going concern

The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the 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 Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

(iii) Current and non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is classified as current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Determination of normal operating cycle is a matter of management judgement, based on all relevant facts and circumstances of the business operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Foreign currencies

Foreign currency monetary assets and liabilities are retranslated into the functional currency at the rates ruling at the statement of financial position dates. Any differences are taken to the consolidated statement of profit or loss. On consolidation, the results of foreign components are translated into Saudi Riyals at rates approximating to those ruling when the transactions took place. All assets and liabilities of the foreign subsidiaries and equity accounted investees are translated into Saudi Riyals at the rates of exchange ruling on the statement of financial position date. Exchange differences arising on translation are recognized in the foreign exchange retranslation reserve via other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to the consolidated statement of comprehensive income.

b) Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

c) Property, equipment and software

These are stated at cost and presented net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the assets to a working condition for their intended use. When parts of an item of property and equipment and software have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Capital work in progress, if any, is stated at cost less impairment losses, if any and represent construction/ development work pertaining to the asset in progress. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Capital work in progress is not depreciated.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

The cost of other property, equipment and software is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	31 December 2022	*31 December 2021*
Furniture and fixtures	**10 years**	10 years
Equipment	**6 to 7 years**	6 to 7 years
Software	**10 years**	10 years
Motor vehicles	**5 years**	5 years
Leasehold improvements	**Shorter of lease term or useful life**	

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Property, equipment and software (continued)

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required.

Gains and losses on disposals of property, equipment and software are determined by comparing sale proceeds with corresponding carrying amounts. These are recognized in the consolidated statement of profit or loss.

Property, equipment and software are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

d) Investment properties

Investment properties include property (land and/or building) held by the Group to earn rentals or for capital appreciation or for both. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated based on the depreciable amount, which is the cost of an asset or other amount substitute for cost, less its residual value. Depreciation is calculated based on straight line method. Freehold land is not depreciated. When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

The cost of replacing a part of an item of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of investment property are recognized in consolidated statement of profit or loss.

The estimated useful life of building classified as investment properties is 40 years (2021: 40 years).

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Business combinations

Business combinations (other than common control business combination transactions [note 1]) are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in consolidated equity. Gains or losses on disposals to non-controlling interests are also recorded in consolidated equity.

Upon loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of consolidated equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investment or other categories of investment in accordance with the Group's relevant accounting policy.

i.Subsidiaries

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:

i) the Group has power over the entity;
ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of profit or loss from the date of the acquisition or up to the date of disposal, as appropriate.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in former subsidiary is measured at fair value when control is lost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Business combinations (continued)

ii. Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Company and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from Shareholder equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

iii. Associates

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted value or recoverable amount. Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains / losses based on latest available financial statements) less impairment, if any.

iv. Transactions eliminated on consolidation

Inter-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from inter-group transactions are eliminated in full in preparing the consolidated financial statements.

f) Investment in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group’s share of net assets of the associate.

Losses in excess of the cost of the investment in an associate are recognized when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of profit or loss reflects the Group’s share of the results of operations of the associate, while the Group share of other comprehensive income / loss is included in the statement of other comprehensive income. Where there has been a change recognized directly in the equity of the associate, the Group recognises its share of any such changes and presents, when applicable, in the consolidated statement of changes in equity.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss. The recoverable amount of the investment in the associate is considered to be the higher of fair value less costs to sell and its value in use.

Gains or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The reporting dates of the associate and the Group are identical and the associate’s accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities

i) Initial recognition and derecognition

Initial recognition
A financial asset or financial liability (unless it’s a trade receivable / other receivable without a significant financing component) is initially measured at fair value plus, for an item not carried at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

Derecognition
A financial asset (or, where applicable, a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset have expired A financial liability (or a part of financial liability) can only be derecognized when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expired. The Group also derecognizes a financial liability when it undergoes a substantial modification (qualitative or quantitative).

ii) Classification and subsequent measurement of financial assets

<u>Financial Asset carried at amortized cost</u>

A financial asset is measured at amortized cost (AC) if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

<u>Financial Asset at FVOCI</u>
A debt instrument is measured at fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities (continued)

ii) Classification and subsequent measurement of financial assets (continued)

Financial Asset carried at FVTPL
All other financial assets that are not classified as AC or FVOCI are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are classified at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities (continued)

ii) Classification and subsequent measurement of financial assets (continued)

Subsequent measurement
The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets carried at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets carried at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Equity investments carried at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Marked to market gains and losses are recognised in OCI and are never reclassified to profit or loss.

Debt investments carried at FVOCI – These assets are subsequently measured at fair value. Marked to market gains and losses are recognized in OCI and reclassified to profit or loss upon derecognition of investment. Moreover, interest income is recognized in profit or loss. These investments are also subject to ECL measurement.

Classification and subsequent measurement of financial liabilities

The Group classifies its financial liabilities, as held at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest rate (EIR). Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

iii) Impairment in financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets that are debt instruments and are not carried at FVTPL, at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Loss allowances for trade and other related receivables are always measured at an amount equal to lifetime ECL. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the commonly understood definition of 'investment grade'.
12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities (continued)

iii) Impairment in financial assets (continued)

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)

The Group also considers forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECL The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation) and economic forecasts.

iv) Offsetting

Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

v) Write-off

Financial assets are written off when there are no reasonable expectations of recovery. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized as income in the profit or loss.

vi) Interest and dividend income on financial assets

Interest income

Interest income is recognized in the consolidated statement of profit or loss on the effective yield basis.

Dividend income

Dividend income is recognized in the statement of profit or loss when the right to receive dividend is established.

h) Share based payment arrangements

The Group operates an equity-settled share based payment plan for its key management. The grant-date fair value of such share-based payment arrangement granted to employees is recognized as an expense, with a corresponding increase in liability, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Employees’ benefits

Post-employment benefits
The Group’s net obligations in respect of defined unfunded post-employment benefit plan (“the plan”) is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on Government Bonds at the reporting date that have maturity dates approximating the terms of the Group’s obligation. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method to determine the Group’s present value of the obligation. As at the statement of financial position date, the Group’s post-employment defined benefit plan is represented by employees’ end of service benefit plan.

The Company also operates a contribution benefit plan ('the plan') for all the employees wherein all the employees are encouraged to contribute a percentage of the basic salary before any benefits or deductions, and the Company contributes a certain percentage according to specified rules of the plan, based on the number of years of an employee’s enrollment in the plan. Obligations for contributions to the plan are recognized as employee benefit expense in consolidated statement of profit or loss in the period during which related services are rendered by employees.

Termination benefits
Termination benefits are recognized as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer for voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short term benefits
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long terms cash bonus
The Group operates a long term cash bonus scheme, whereby, eligible employees are entitled to receive a cash bonus upon completion of service condition of 3 years from the grant date. The Group’s obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

j) Other income
Other income includes rental income from investment property, items and income from sources that are not incidental or related to the core operations/business of the Company. Rental income from operating leases of investment property is recognized as income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Income from sale of scrap items is generally recognized in profit or loss upon completion of sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Accounts payable, accruals and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

l) Provisions, contingencies and commitments

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Certain provisions are based on management's estimate of the actual amount payable. The provision has been included in 'accounts payable, accruals and other liabilities'.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and is included in 'other income' in the consolidated statement of profit or loss.

Contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognized because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Commitments represent binding agreements of the Group to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties.

m) Zakat

The Company is subject to Zakat in accordance with the regulations of Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the consolidated statement of profit or loss. Additional Zakat, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized and recognized in profit or loss.

n) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease as stipulated in IFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Leases (continued)

i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Leases (continued)

ii) As a Lessor
At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease was for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

o) Revenue recognition
The Group recognizes revenue in accordance with the principles as set out in *IFRS 15 Revenue from contract with customers.* The Group applies the five steps mode stipulated in *IFRS 15* for recognizing revenue, which consists of identifying the contract with the customer; identifying the relevant performance obligations; determining the amount of consideration to be received under the contract; allocating the consideration to each performance obligation; and earning the revenue as the performance obligations are satisfied. The Group recognize revenue when it transfers control over a product or service to a customer.

The Company has the following streams of revenues:

Fee from asset management
Fees charged for managing investment funds and private portfolios are recognized as revenue ratably as the services are provided, based on the applicable service contracts. Such management fees are presented net of rebates and generally calculated as a percentage of net assets of respective funds. The subscription fee is recognized at the time of subscription. Performance fees are presented net of rebates and are calculated as a percentage of the appreciation in the net asset value of a fund above a defined hurdle. Performance fees are earned from some arrangements when contractually agreed performance levels are exceeded within specified performance measurement periods, typically over one year. The fees are recognized when they can be reliably estimated and/or crystallized, and there is deemed to be a low probability of a significant reversal in future periods. This is usually at the end of the performance period or upon early redemption by a fund investor. Once crystallized, performance fees typically cannot be clawed-back.

Fee from securities (brokerage and related activities)
Fee from securities (brokerage and related activities) are recognized upon execution of related deals / transactions and presented in profit or loss net of discounts.

Fee from advisory services
Fee from advisory services are recognized based on services rendered and execution of performance obligation under the applicable service contracts.

Success fee
Success fee is recognized upon satisfaction of the promised performance obligation which generally corresponds to the execution of a specified task or completion of a milestone as agreed with the respective counterparty.

p) Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with banks, with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Assets held for sale

Non-current assets are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in the statement of profit or loss. Once classified as held-for-sale, property and equipment are no longer depreciated, and any equity-accounted investee is no longer equity accounted.

r) Murabaha financing

Murabaha financing is an Islamic financing provided to customers for the purpose of trading of shares listed at Saudi Stock Exchange. Murabaha financing earn commission at commercial rates.

Murabaha financing represents receivable arising in connection with the Margin Lending Contracts. These receivables are held at amortized cost.

s) Operating segment

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. Business segments are determined based on the Group's management and internal reporting structure.

t) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group, and accordingly, are not included in the consolidated financial statements. In the normal course of business, the Group agrees with the clients to invest the fiduciary assets and the commission earned on investing the fiduciary assets are recognized in the consolidated statement of profit or loss when earned.

u) Shares held under employees' shares scheme

Company's own shares which are reacquired (i.e. shares held under employees' shares scheme) are recognized at acquisition price and deducted from equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own shares.

v) Transactions with Non-controlling interest

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

w) Finance costs

Finance cost is recognized using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortized cost of the financial liability. In calculating finance costs, the effective interest rate is applied to the to the amortized cost of the liability.

x) Derivative financial instrument

The Company uses commission rate swaps to hedge its special commission rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value with the changes in fair value recorded in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. In the absence of hedge documentation, the Company considered interest rate swap as trading derivative and all marked to market differences were taken to statement of profit or loss.

(Expressed in Saudi Riyals '000, unless otherwise stated)

4. PROPERTY, EQUIPMENT AND SOFTWARE

	leasehold improvements	*Software*	*Furniture, Fixtures, Equipment and Motor vehicles*	*Capital work in progress (CWIP)*	*Total*
Cost					
Balance at 1 January 2021	-	219,644	59,720	32,735	312,099
Additions	-	-	-	29,876	29,876
Transfers from CWIP	-	36,625	-	(36,625)	-
Transferred due to merger (note 1 and 34)	9,058	-	95,889	-	104,947
Balance at 31 December 2021	9,058	256,269	155,609	25,986	446,922
Balance at 1 January 2022	9,058	256,269	155,609	25,986	446,922
Additions	-	893	-	39,354	40,247
Transfers from CWIP (see note below)	-	51,570	3,151	(54,721)	-
Balance at 31 December 2022	**9,058**	**308,732**	**158,760**	**10,619**	**487,169**
Accumulated depreciation					
Balance at 1 January 2021	-	128,459	55,756	-	184,215
Depreciation charge	-	17,080	2,347	-	19,427
Transferred due to merger (note 1 and 34)	8,867	-	87,767	-	96,634
Balance at 31 December 2021	8,867	145,539	145,870	-	300,276
Balance at 1 January 2022	8,867	145,539	145,870	-	300,276
Depreciation charge	-	22,328	1,450	-	23,778
Balance at 31 December 2022	**8,867**	**167,867**	**147,320**	**-**	**324,054**
Net book value as of 31 December 2021	191	110,730	9,739	25,986	146,646
Net book value as of 31 December 2022	**191**	**140,865**	**11,440**	**10,619**	**163,115**

During the period, management has capitalized an amount of SR 51.57 million to intangibles assets (software) upon completion of the related projects. As at 31 December 2022, capital work in progress mainly represent the software implementation cost, which is under development phase at year end and will be moved to software category once ready for intended use.

(Expressed in Saudi Riyals '000, unless otherwise stated)

5. RIGHT OF USE ASSETS

This represents buildings and office equipment rented under operating lease arrangements. The movement in right-of-use assets during the year ended 31 December as follows:

	Building	*Others*	*Total*
Cost			
Balance at 1 January 2021 and 31 December 2021	15,311	407	15,718
Balance at 1 January 2022	15,311	407	15,718
Addition during the year	**2,116**	**981**	**3,097**
Balance at 31 December 2022	**17,427**	**1,388**	**18,815**
Accumulated depreciation			
Balance at 1 January 2021	4,774	387	5,161
Depreciation for the year	1,953	20	1,973
Balance at 31 December 2021	6,727	407	7,134
Balance at 1 January 2022	6,727	407	7,134
Depreciation for the year	**1,891**	**436**	**2,327**
Balance at 31 December 2022	**8,618**	**843**	**9,461**
Net book value			
Net book value as of 31 December 2021	8,584	-	8,584
Net book value as of 31 December 2022	**8,809**	**545**	**9,354**

6. INVESTMENT PROPERTIES

The Group entered in to a lease arrangement in 2020 with the Parent Company for the lease of its owned land and building located in Jeddah for a period of 5 years at an annual rental of SR 5 million. Therefore, the land and building, having carrying value of SR 77.3 million (as of the date of transfer) were transferred from property, equipment and software to investment properties.

During the year ended 31 December 2022, depreciation on investment properties amounting to SR 0.93 million (2021: SR 0.83 million) has been charged resulting in carrying value of SR 74.6 million (31 December 2021 SR 75.44 million) as of the year end.

The fair value of investment properties amounted to SR 74.05 million as at the reporting date (31 December 2021: SR 73.6 million). The market value of the properties was determined by a Taqeem certified evaluator (Knight Frank) in accordance with Taqeem Regulations in conformity with the International Valuation Standards Council's International Valuation Standards. The key assumptions used in determining the fair value of the investment properties are as follows:

(Expressed in Saudi Riyals '000, unless otherwise stated)

6. INVESTMENT PROPERTIES (continued)

	31 December 2022	*31 December 2021*
Valuation technique	***Investment Method***	*Investment Method*
Discount rate	**11%**	9.5%
Exit yield rate	**8.50%**	7.5%
Inflation	**2.50%**	2.50%

As at the reporting date, the management believes that the decline in market value is only temporary and is not reflective of any impairment. As such, the recoverable amount is believed to be higher than the carrying value.

7. INVESTMENT IN AN ASSOCIATE

	Country of incorporation	***Functional currency***	***Effective ownership interest***	***31 December 2022***	*31 December 2021*
Eastgate Global Carrying Vehicle L.P. (EGCV)	Cayman Islands	USD	100%	**2,175**	2,161
				2,175	2,161

The below table illustrates the movements in the investment in associate:

	31 December 2022	*31 December 2021*
Balance as at 1 January	**2,161**	2,173
Share of results	**14**	(12)
Balance as at 31 December	**2,175**	2,161

Latest financial information (prior to 31 December 2022) of the associates is as follows:

Eastgate Global Carrying Vehicle L.P.	***Assets***	***Liabilities***	***Revenue***	***Profit / (loss)***
2022 (unaudited)	**2,175**	**8**	**-**	**(35)**
2021 (audited)	2,163	52	-	(12)

(Expressed in Saudi Riyals '000, unless otherwise stated)

8. FINANCIAL INVESTMENTS

As at 31 December, financial investments are classified as follows:

	31 December 2022	*31 December 2021*
FVTPL :		
- Investment funds managed by the Group	**431,025**	959,903
- Investment funds managed by other entities	**1,846,101**	959,623
- Investment in debt instruments	**167,868**	-
- Investment in equity securities	**131,831**	29,162
	2,576,825	1,948,688
Amortised cost		
- Investment grade (note a)	**673,214**	640,527
FVOCI :		
- REITs managed by the Group	**17,675**	19,950
- REITs managed by other entities	**134,848**	136,523
- Investment in debt securities (Sukuks) (note c)	**5,181,776**	600,270
	5,334,299	756,743
	8,584,338	3,345,958

In 2022 the Group recognized dividends of SR 68.2 million (2021:SR 32.6 million) from its investments which was recorded in the consolidated statement of profit or loss.

a) This represents Company's investments in local and international Sukuks and bonds carrying profit at commercial rates and maturities up to 2028.

b) As at 31 December 2022, FVOCI reserve amounts to SR 135.9 loss million (31 December 2021: SR 25.4 million gain).

c) This represents investments in local and international Sukuks carrying profit at commercial rate and maturities up to 2033.

d) As of each reporting date, all investments in debt instruments are assessed to have low credit risk as these are either in Government sovereign Sukuk/bonds or issued by reputable and high credit rating financial institutions (both within and outside the Kingdom of Saudi Arabia) and there has been no history of default with any of the Group's investment in debt instruments. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

e) The above mentioned financial investments have been presented in the consolidated statement of financial position as follows:

	31 December 2022	*31 December 2021*
Non-current assets	**7,960,758**	2,358,592
Current assets	**623,580**	987,366
	8,584,338	3,345,958

(Expressed in Saudi Riyals '000, unless otherwise stated)

8. FINANCIAL INVESTMENTS (continued)

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

	31 December 2022		
	Quoted	***Unquoted***	***Total***
Fixed rate securities	**3,625,715**	**757,962**	**4,383,677**
Floating rate securities	**494,982**	**1,144,200**	**1,639,182**
Equity instruments, Mutual Funds, Hedge Funds and Others	**614,049**	**1,947,430**	**2,561,479**
	4,734,746	**3,849,592**	**8,584,338**

	31 December 2021		
	Quoted	*Unquoted*	*Total*
Fixed rate securities	1,128,773	3,777	1,132,550
Floating rate securities	10,015	102,009	112,024
Equity instruments, Mutual Funds, Hedge Funds and Others	1,041,122	1,060,262	2,101,384
	2,179,910	1,166,048	3,345,958

9. DERIVATIVE

Forwards and futures are contractual agreements to buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. The Group has adopted a comprehensive system for the measurement and management of risk relating arising from fluctuations in foreign exchange and to maintain its exposure to currency risks to acceptable levels.

The Group has entered into a forward currency contract that has positive fair value of SR 36.438 million (31 December 2021: Negative fair value of SAR 4.635 million) to sell GBP 83.57 million and receive SR 419.55 million (31 December 2021: Same), with maturity date of December 2026.

Fair value movement on the above derivative contract is classified under 'other operating income' in the consolidated statement of income.

10. PREPAYMENTS AND OTHER ASSETS

	31 December 2022	*31 December 2021*
Accounts receivable - Investment banking and other advisory services	**56,955**	65,039
Accrued income:		
-Asset management	**337,655**	368,165
-Securities and others	**167,169**	113,003
	561,779	546,207
Staff loans and other advances (note a)	**10,612**	25,926
Deposit – Tadawul Post Trade Technology Program (note b)	**500,950**	-
Prepayments and other current assets	**214,303**	15,816
	1,287,644	587,949

(Expressed in Saudi Riyals '000, unless otherwise stated)

10. PREPAYMENTS AND OTHER ASSETS (continued)

a) These represent short term loans / advances to staff deductible against staff salary and generally maturity within 12 months of reporting date.
b) This represents a deposit maintained with Muqassa (The Securities Clearing Centre Company) under Post Trade Technology Program ("PTTP") in respect to the settlement of transactions carried on the Tadawul platform.
c) The above mentioned prepayment and other assets have been presented in the consolidated statement of financial position as follows:

	31 December 2022	*31 December 2021*
Non-current assets	**29,185**	42,144
Current assets	**1,258,459**	556,980
	1,287,644	599,124

11. MURABAHA FINANCING

Murabaha financing is an Islamic financing provided to customers for the purpose of trading of shares listed at Saudi Stock Exchange. Murabaha financing earn commission at commercial rates.

Murabaha financing are carried at amortized cost and are subject to allowance for expected credit losses ("ECL") as per the requirements of IFRS 9 Financial Instruments. Murabaha financing are collateralized by approved coverage of market value of the customer's respective portfolio. The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk on its Murabaha financing. The collateral includes cash and listed equities in Saudi Stock Exchange. The fair value of collateral held by the Group as security for Murabaha financing as at 31 December 2022 is SR 4,605 million (31 December 31: 4,117 million). As the Murabaha financing are fully collateralized, hence no allowance for expected credit losses is made in these consolidated financial statements.

12. CASH AND CASH EQUIVALENTS

	31 December 2022	*31 December 2021*
Balances with banks – current accounts	**457,391**	453,963
Cash in hand	**18**	25
	457,409	453,988

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered negligible.

(Expressed in Saudi Riyals ‘000, unless otherwise stated)

13. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of one hundred million (100,000,000) shares of SR 10 each (31 December 2021: 100 million shares of SR 10 each). The ownership structure of the Company is given below:

	No. of shares held		Percentage ownership	
Description	***2022***	*2021*	***2022***	*2021*
Shares held by The Saudi National Bank	**100,000,000**	100,000,000	**100**	100
	100,000,000	100,000,000	**100**	100

The Board of Directors in their meeting held on 5 Safar 1444H (corresponding to 1 September 2022) resolved to increase the share capital of the Company from SR 1 billion to SR 1.5 billion through transfer of SR 500 million from the account of merger reserve to proposed increase in share capital.

The capital increase was executed pursuant to the Extra Ordinary General Meeting resolution dated 25 Safar 1444H (corresponding to 21 September 2022) and CMA approval numbered 22/7612/6/3 dated 22 Rabi Al-Awal 1444H (corresponding 18 October 2022). The legal formalities in respect of increase in share capital are in progress as at 31 December 2022.

14. SHARE BASED PAYMENT ARRANGEMENTS

14.1 During the year ended 31 December 2019, the Group established a Key Employee Equity Plan (the ‘Plan’ or ‘KEEP’) based on the shares of the Parent Company for the benefit of certain eligible executives. The plan aims at rewarding them for the achievement of long term corporate success in the form of granting the shares of the Parent Company and vests over a period of three years. The cost of the Plan is measured by reference to the fair value of the shares of the Parent Company and recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date'). The expense, recognized for the Plan at each reporting date until the vesting date, reflects the Company's best estimate of the number of shares of the Parent Company that will ultimately vest. The charge or credit to the consolidated statement of profit of loss represents the movement in cumulative expense recognized as at the beginning and end of that year.

During the year ended 31 December 2021, the Group granted 293,383 shares under the KEEP 2021 cycle (KEEP 2020: 509,333 shares) of the Parent Company to eligible employees with a grant date fair value of SR 54 per share (KEEP 2020: SR 34.7 per share).

The total expense recognized for employees' services received during the year ended 31 December 2022, under KEEP amounted to SR 4.8 million (31 December 2021: SR 6.8 million) and is included in ‘salaries and employee related expenses’ with a corresponding increase in the consolidated statement of changes in equity, under the share based payment arrangements reserve. Further, during the year, KEEP 2019 plan was vested and Company settled an amount of SR 9.68 million to the eligible employees.

14.2 As at the reporting date, following are the details of the KEEP cycles:

	Charge for the period		Balance as at	
	2022	*2021*	***2022***	*2021*
Allocation cycle – FY 2019	**(818)**	(941)	**-**	10,502
Allocation cycle – FY 2020	**366**	2,471	**8,728**	8,362
Allocation cycle – FY 2021	**5,262**	5,300	**10,562**	5,300
	4,810	6,830	**19,290**	24,164

(Expressed in Saudi Riyals ‘000, unless otherwise stated)

15. STATUTORY RESERVE

In accordance with the Company’s By-laws and Companies’ Law, the Parent Company transfers minimum 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve currently is not available for distribution.

16. NON-CONTROLLING INTEREST

The non-controlling interest represents the Oryx Regional Private Equity Fund, On February 11, 2021, in lieu of the anticipated timelines corresponding to the completion of the liquidation of the Fund, the Fund Board resolved to further extend the life of the Fund till 20 March 2023. As such, the Fund is not considered to be a going concern and the underlying assets and liabilities thereof stand adjusted accordingly.

17. LEASE LIABILITIES

	Buildings	***Others***	***Total***
Balance as at 1 January 2021	11,322	148	11,470
Accretion of interest	1,117	-	1,117
Payments during the year	(2,657)	(148)	(2,805)
Balance as at 31 December 2021	9,782	-	9,782
Balance as at 1 January 2022	**9,782**	**-**	**9,782**
Addition during the year	**2,090**	**981**	**3,071**
Accretion of interest	**411**	**48**	**459**
Payments during the year	**(1,541)**	**-**	**(1,541)**
Balance as at 31 December 2022	**10,742**	**1,029**	**11,771**

a) The above mentioned lease liabilities have been presented in the consolidated statement of financial position is as follows:

	31 December 2022	*31 December 2021*
Non-current liabilities	**9,502**	7,513
Current liabilities	**2,269**	2,269
	11,771	9,782

The maturity analysis of lease liabilities is disclosed in note 30.

18. EMPLOYEE BENEFITS

	31 December 2022	*31 December 2021*
Employees’ end-of-service benefits (note c)	**70,719**	70,921
Saving plan and other employees termination benefits (note b)	**20,488**	23,044
Cash bonus (note d)	**413**	413
	91,620	94,378

(Expressed in Saudi Riyals ‘000, unless otherwise stated)

18. EMPLOYEE BENEFITS (continued)

a) The above mentioned employee benefits have been presented in the consolidated statements of financial position is as follows:

	31 December 2022	*31 December 2021*
Non-current liabilities	**91,207**	93,965
Current liabilities	**413**	413
	91,620	94,378

b) Total expense in relation to saving plan and other employee termination benefits recognized during the year ended 31 December 2022 amounted to SR 1.18 million (2021: SR 1.03 million).

c) The Group operates an approved unfunded employees’ end of service benefits plan (“EOSB”) for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB during the year ended 31 December is as follows:

	31 December 2022	*31 December 2021*
Balance as at 1 January	**70,921**	57,517
Included in profit or loss:		
- Current service cost	**8,558**	8,698
- Interest cost	**2,348**	1,670
Actuarial gain included in Other Comprehensive Income	**(1,498)**	(8,872)
Liability transferred in due to merger (note 1 and 34)	**-**	22,738
Benefits paid	**(9,610)**	(10,830)
Balance as at 31 December	**70,719**	70,921

Actuarial key assumptions:

The following were the principal actuarial assumptions applied at the reporting date:

	2022	*2021*
Discount rate	**4.65%**	3.40%
Expected rate of salary growth	**3.5%**	3.5%
Retirement age	**60 years**	60 years

At 31 December 2022, the weighted-average duration of the defined benefit obligation was 11.5 years (2021: 7 years).

(Expressed in Saudi Riyals '000, unless otherwise stated)

18. EMPLOYEE BENEFITS (continued)

Sensitivity analysis:
Reasonably possible changes at the reporting date to one of the actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2022		*31 December 2021*	
	Increase (by 1%)	***Decrease (by 1%)***	*Increase (by 0.5%)*	*Decrease (by 0.5%*
Discount rate	**(6,474)**	**7,565**	(7,449)	8,839
Future salary growth	**7,587**	**(6,607)**	8,747	(7,516)

d) The movement in long term bonus plan during the year ended 31 December is as follows:

	2022	*2021*
Balance as at 1 January	**413**	25,202
Payments during the year	**-**	(24,789)
Balance as at 31 December	**413**	413

19. BORROWINGS

	2022	*2021*
The Saudi National Bank (refer note a)	**3,228,215**	1,122,566
Commercial Banks (refer note b)	**989,239**	-
Others (refer note c)	**2,228,530**	-
	6,445,984	1,122,566

a) This represents a financing obtained from The Saudi National Bank ("the Parent" or "the Bank"), at commercial market rates and is repayable in equal quarterly installments ending on December 2023.

b) This represents a loan obtained from a local commercial bank at commercial market rate (2021: nil) and is repayable by February 2023.

c) These represent short-term certificates issued at commercial market rates (2021: nil) and are repayable by May 2023.

(Expressed in Saudi Riyals ‘000, unless otherwise stated)

20. RELATED PARTY TRANSACTIONS

Related parties include the shareholder / Parent Company (The Saudi National Bank), associates and affiliated companies, other entities related to consolidated subsidiaries and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group’s management.

a) Transactions with the Parent Company:

	2022	*2021*
Transactions included in consolidated statement of profit or loss:		
Management and performance fee charged to the Parent Company	**12,326**	19,063
Incentive expense charged by the Parent Company	**6,358**	3,200
IT related expenses charged by the Parent Company	**43,361**	32,889
Premises related expenses charged by the Parent Company	**5,056**	5,070
Finance cost on borrowing from the Parent Company	**71,773**	9,506
Rental income charged to the Parent Company	**5,056**	5,056

	2022	*2021*
Balances included in consolidated statement of financial position:		
Bank balances with the Parent Company	**387,437**	412,424
Amount due to the Parent Company	**37,585**	35,000
Bank borrowings (including accrued finance cost) (note a (a))	**3,228,215**	1,122,566
Assets held in a fiduciary capacity		
Bank’s assets under management	**2,971,320**	3,774,490

a) This represents short term financing obtained from the Parent Company at commercial rates (note 19).

b) Transactions with investment funds managed by the Group:

	2022	*2021*
Transactions included in consolidated statement of profit or loss:		
Management fee earned on funds managed by the Group	**455,126**	511,117
Performance and transaction fee earned on funds managed by the Group	**18,030**	5,816
Balances included in consolidated statement of financial position:		
Investment in funds managed by the Group *	**448,625**	979,853
Management and performance fee receivable from funds managed by the Group **	**169,101**	157,243

* Investment in funds managed by the Group are included in financial investments (note 8)

* * Management and performance fee receivable from funds managed by the Group are included in accounts receivable, prepayments and other assets (note 10)

(Expressed in Saudi Riyals '000, unless otherwise stated)

20. RELATED PARTY TRANSACTIONS (continued)

c) Transactions with key management personnel:

Key management personnel of the Group comprise senior executive management and the Board of Directors. Details of the remuneration charged to the Group's consolidated statement of profit or loss and relevant balances outstanding at the year-end are as follows:

	2022	*2021*
Transactions included in consolidated statement of profit or loss:		
Short term benefits	**19,219**	15,718
KEEP and other long term benefits	**15,240**	6,830
Board of Directors and sub-committees remuneration	**2,800**	2,820
Balances included in consolidated statement of financial position:		
End-of-service benefits	**10,824**	10,811
Loans and advances	**1,579**	691

21. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	31 December 2022	*31 December 2021*
Accrued expenses and other payables (note a)	**228,770**	288,479
Provision for Zakat and withholding tax (note 31)	**174,733**	100,693
Provision for long incentives program (note b)	**9,612**	-
Accrued customer rebates and other current liabilities	**145,546**	87,811
	558,661	476,983

a) Accrued expenses and other payables include staff payables amounting to SR 122.6 million (31 December 2021: SR 105 million).

b) From the year 2022, SNB Capital Company introduced employee long term incentive plan for its employees, which is on cash basis and will vest over the three years' period.

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22. REVENUE

Following is a disaggregation of total revenue by major services provided by the Group and timing of recognition for the years ended 31 December:

	Asset Management		*Securities*		*Investment Banking*		*Total*	
Primary geographical markets:	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*
Kingdom of Saudi Arabia	**941,456**	891,535	**1,091,179**	1,149,327	**183,203**	127,357	**2,215,838**	2,168,219
Others	**54,889**	44,821	**-**	-	**-**	-	**54,889**	44,821
	996,345	936,356	**1,091,179**	1,149,327	**183,203**	127,357	**2,270,727**	2,213,040
Less: directly attributable expenses	**(209,221)**	(280,477)	**(593,729)**	(602,943)	**(2,574)**	(1,409)	**(805,524)**	(884,829)
Fee from services, net	**787,124**	655,879	**497,450**	546,384	**180,629**	125,948	**1,465,203**	1,328,211
Timing of revenue recognition:								
Point-in-time	**996,345**	936,356	**1,050,115**	1,133,650	**161,341**	106,237	**2,207,801**	2,176,243
Over time	**-**	-	**41,064**	15,677	**21,862**	21,120	**62,926**	36,797
	996,345	936,356	**1,091,179**	1,149,327	**183,203**	127,357	**2,270,727**	2,213,040
Less: directly attributable expenses	**(209,221)**	(280,477)	**(593,729)**	(602,943)	**(2,574)**	(1,409)	**(805,524)**	(884,829)
Fee from services, net	**787,124**	655,879	**497,450**	546,384	**180,629**	125,948	**1,465,203**	1,328,211

23. SALARIES AND EMPLOYEE RELATED EXPENSES

	2022	*2021*
Salaries and benefits	**277,583**	221,713
Share based payment arrangements charge (note 14.2)	**4,810**	6,830
Others	**16,176**	12,270
	298,569	240,813

24. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2022	*2021*
IT and communication expenses	**56,550**	92,785
Legal, professional, consultancy and outsourced	**66,073**	54,223
Travel, marketing and training expenses	**12,101**	7,581
Board of Directors and sub-committees remuneration (note 20)	**2,800**	2,820
Withholding tax and others	**21,610**	10,965
	159,134	168,374

(Expressed in Saudi Riyals '000, unless otherwise stated)

25. FINANCE COST

	2022	*2021*
Finance cost on bank borrowings (note 19)	**118,908**	9,506
Finance cost on employee benefits (note 18)	**2,348**	1,670
Finance cost on lease liabilities (note 17)	**459**	1,117
	121,715	12,293

26. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent (SNB Capital Company) by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares.

Details of basic and diluted earnings per share are as follows:

	Basic EPS		***Diluted EPS***	
	2022	*2021*	***2022***	*2021*
Net income for the year attributable to Equity holders of the Parent Company	**1,304,239**	951,729	**1,304,239**	951,729
Weighted-average number of shares outstanding	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Earnings per share	**13.04**	9.52	**13.04**	9.52

27. CONTINGENCIES AND COMMITMENTS

Following are the details of the Group's commitments and contingencies as at 31 December 2022:

Contingencies

a) The Group has received certain claims from customers as part of its operations wherein the management and Group's legal counsel believes that the likelihood of claim being decided against the Group is remote / negligible. Accordingly, no provision has been recognized in the consolidated statement of profit or loss.

b) As at 31 December 2022, the Group had contingent liabilities in respect of bank guarantees amounting to SR 5.2 million.

Commitments

a) As at the reporting date, commitments in respect of private equity investment future capital calls amounting to SR 239.8 million (31 December 2021: SR 3.5 million).

b) As at the reporting date, capital commitments amount to SR 4.5 million (2021: SR 6.03 million) for the acquisition of IT software.

c) Unutilized balance of Murabaha financing commitments as at 31 December 2022 amounts to SR 4.6 million (31 December 2021: SR 7.66 million).

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28. FIDUCIARY ASSETS

The Group holds assets on behalf of its customers. As the Group acts in a fiduciary capacity, these assets are not included in the consolidated statement of financial position. Following is the detail of assets held in a fiduciary capacity:

	31 December 2022	*31 December 2021*
Assets under management		
- Asset management division	**231,023,616**	251,557,618
- Securities division	**1,585,685**	2,228,991
Cash balances held under brokerage accounts	**15,885,975**	19,880,406
Total fiduciary assets	**248,495,276**	273,667,015

Certain of client money cash balances held under brokerage accounts are placed with local banks with the prior consent of the customers.

29. SEGMENT INFORMATION

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
(c) for which discrete financial information is available.

For management purposes, the Group is organized into the following operating segments:

Securities	The Securities Division consists of accounts / portfolios of clients by providing facilities and services in trading Local and international equities. Moreover, it also manages margin lending portfolio.
Investment Banking	The Investment Banking Division is involved in the following activities: Merger and Acquisition Advisory Services, Initial Public Offering Advisory Services, Real Estate Advisory Services and Privatization and Private Placements.
Asset & Wealth Management	The Asset & Wealth Management Division is engaged in the management of clients' assets and in the development and sales of asset management products and services.
SNB Capital Dubai Inc.	SNB Capital Dubai Inc. is an overseas subsidiary and its principal activity is to source, structure and invest in attractive private equity, real estate and other alternative products.

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29. SEGMENT INFORMATION (continued)

	For the year ended 31 December 2022				
Description	*Securities*	*Investment Banking*	*Asset & wealth Management*	*SNB Capital Dubai Inc.*	*Total*
Total operating income	**497,450**	**180,629**	**1,317,910**	**57,429**	**2,053,418**
Total operating expenses	**(163,865)**	**(43,023)**	**(260,039)**	**(16,881)**	**(483,808)**
Net operating income	**333,585**	**137,606**	**1,057,871**	**40,548**	**1,569,610**
Non-operating income / expense - net	**(121,715)**	**-**	**7,344**	**-**	**(114,371)**
Net income (before Zakat and non-controlling interest)	**211,870**	**137,606**	**1,065,215**	**40,548**	**1,455,239**
Reportable segment assets and liabilities					
Total assets	**2,843,337**	**183,580**	**9,838,616**	**87,348**	**12,952,881**
Total liabilities	**3,937,129**	**372,591**	**2,805,081**	**8,028**	**7,122,829**

(Expressed in Saudi Riyals '000, unless otherwise stated)

29. SEGMENT INFORMATION (continued)

	For the year ended 31 December 2021				
Description	*Securities*	*Investment Banking*	*Asset & wealth Management*	*SNB Capital Dubai Inc.*	*Total*
Total operating income	595,957	125,948	721,885	42,845	1,486,635
Total operating expenses	(161,095)	(40,858)	(215,010)	(14,456)	(431,419)
Net operating income	434,862	85,090	506,875	28,389	1,055,216
Non-operating income / expense - net	(8,687)	188	1,153	64	(7,282)
Net income (before Zakat and non-controlling interest)	426,175	85,278	508,028	28,453	1,047,934
Reportable segment assets and liabilities					
Total assets	2,284,398	123,574	3,953,396	72,564	6,433,932
Total liabilities	1,365,415	57,583	315,005	5,342	1,743,345

(Expressed in Saudi Riyals '000, unless otherwise stated)

29. SEGMENT INFORMATION (continued)

Geographical concentration of reportable segments' assets and liabilities (based on the location of assets and liabilities held/originated), are presented as below:

			As of 31 December 2022		
	Kingdom of Saudi Arabia	*United Arab Emirates*	*North America*	*Other regions*	*Total*
Property, equipment and software	**163,037**	**78**	**-**	**-**	**163,115**
Right of use assets	**6,461**	**2,893**	**-**	**-**	**9,354**
Investment properties	**74,648**	**-**	**-**	**-**	**74,648**
Investment in associates	**-**	**-**	**-**	**2,175**	**2,175**
Financial Investments	**4,052,647**	**113**	**2,097,919**	**2,433,659**	**8,584,338**
Prepayments and other assets	**1,254,153**	**33,491**	**-**	**-**	**1,287,644**
Murabaha financing	**2,337,760**	**-**	**-**	**-**	**2,337,760**
Positive fair value of derivatives	**36,438**	**-**	**-**	**-**	**36,438**
Cash and cash equivalents	**407,009**	**50,400**	**-**	**-**	**457,409**
Total Assets	**8,332,153**	**86,975**	**2,097,919**	**2,435,834**	**12,952,881**
Lease liabilities	**8,895**	**2,876**	**-**	**-**	**11,771**
Employee benefits	**90,182**	**1,438**	**-**	**-**	**91,620**
Borrowings	**6,445,984**	**-**	**-**	**-**	**6,445,984**
Amount due to The Saudi National Bank	**14,793**	**-**	**-**	**-**	**14,793**
Accounts payable, accruals and other liabilities	**554,968**	**3,693**	**-**	**-**	**558,661**
Total Liabilities	**7,114,822**	**8,007**	**-**	**-**	**7,122,829**

(Expressed in Saudi Riyals '000, unless otherwise stated)

29. SEGMENT INFORMATION (continued)

Geographical concentration of reportable segments' assets and liabilities (based on the location of assets and liabilities), are presented as below:

	As of 31 December 2021				
	Kingdom of Saudi Arabia	*United Arab Emirates*	*North America*	*Other regions*	*Total*
Property, equipment and software	146,490	156	-	-	146,646
Right of use assets	7,637	947	-	-	8,584
Investment properties	75,440	-	-	-	75,440
Investment in associates	-	-	-	2,161	2,161
Financial Investments	2,340,569	19,312	582,732	403,345	3,345,958
Prepayments and other assets	559,135	39,989	-	-	599,124
Murabaha financing	1,802,031	-	-	-	1,802,031
Cash and cash equivalents	416,430	37,558	-	-	453,988
Total Assets	5,347,732	97,962	582,732	405,506	6,433,932
Lease liabilities	8,858	924	-	-	9,782
Employee benefits	93,043	1,335	-	-	94,378
Bank Borrowings	35,000	-	-	-	35,000
Amount due to The Saudi National Bank	1,122,566	-	-	-	1,122,566
Accounts payable, accruals and other liabilities	478,537	3,082	-	-	481,619
			-	-	
Total Liabilities	1,738,004	5,341	-	-	1,743,345

(Expressed in Saudi Riyals '000, unless otherwise stated)

30. RISK MANAGEMENT

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposure relating to his or her responsibilities. The Group is exposed to credit risk, market risk and liquidity risk. The independent risk control process does not include business risks such as changes in environment, technology and industry. They are monitored through the Group's strategic planning process.

The Board of Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with and reports to the Board of Risk Committee to ensure that procedures are compliant with the overall framework.

Credit risk

It is the risk that one party to a financial instrument may fail to discharge an obligation and can cause the other party to incur a financial loss. Credit exposures arise principally in credit-related risk that is embedded in bank Balances, Murabaha financing, investments.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits.

a) Maximum exposure to credit risk at the reporting date:

Assets	***31 December 2022***	*31 December 2021*
Balances with banks (note 12)	**457,391**	453,963
Financial investments (note 8)	**6,022,859**	1,240,797
Murabaha financing (note 11)	**2,337,760**	1,802,031
Other financial assets	**1,285,917**	567,870
	10,103,927	4,064,661

b) Analysis of financial assets

At 31 December 2022, the aging of financial assets is as follows:

	2022				
Financial Assets	***Neither past due nor impaired***	***Past due 1–30 Days***	***Past due 31–90 days***	***Past due over 90 days***	***Total***
Financial investments (note 8)	**6,022,859**	-	-	-	**6,022,859**
Murabaha financing (note 11)	**2,337,760**	-	-	-	**2,337,760**
Balances with banks (note 12)	**457,391**	-	-	-	**457,391**
Other assets (note b (i))	**601**	**925,932**	**107,198**	**252,185**	**1,285,916**
	8,818,611	**925,932**	**107,198**	**252,185**	**10,103,926**

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30. RISK MANAGEMENT (continued)

Credit risk (continued)

At 31 December 2021, the aging of financial assets that were not impaired is as follows:

	2021				
Financial Assets	*Neither past due nor impaired*	*Past due 1–30 Days*	*Past due 31–90 days*	*Past due over 90 days*	*Total*
Financial investments (note 8)	1,240,797	-	-	-	1,240,797
Murabaha financing (note 11)	1,802,031	-	-	-	1,802,031
Balances with banks (note 12)	453,963	-	-	-	453,963
Other assets (note b (i))	441,377	1,028	6,447	119,018	567,870
	3,938,168	1,028	6,447	119,018	4,064,661

b) Other assets overdue by 90 days or more primarily represent accrued fee from funds under own management or commercial receivables from quasi-sovereign counterparties.

c) Credit quality of financial assets:
The financial assets of the Group represent credit worthy counter parties with an established mechanism of initial and ongoing credit enhancement enforced by the management.

d) Collateral and offsetting:
At the reporting date, except for Murabaha financing, the Group has not placed / received any significant collaterals or credit enhancements in respect of its financial assets / liabilities. At the reporting date, there were no significant netting arrangements or financial assets / liabilities eligible for offsetting.

e) Expected credit loss:
The Group considers that its cash and cash equivalents, debt investments and third party receivables have low credit risk based on the external credit ratings of the respective counterparties. Credit risk on Murabaha receivable is negligible, as these are fully collateralized. Moreover, majority of the Group’s accrued income represents accrued fee from funds under own management.

Market risk
Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group continuously monitor the movement in the market and accordingly take the decisions to mitigate the risk.

i) Market price risk:
Market price risk is the risk that the fair value of financial assets held at fair value changes as a result of changes in the level of market indices and the value of individual scrips.

(Expressed in Saudi Riyals '000, unless otherwise stated)

30. RISK MANAGEMENT (continued)

Market risk (continued)

i) Market price risk (continued):

a) FVTPL investments
At the reporting date, FVTPL investments include shares of companies, external hedge funds, private equity funds, private real estate funds and mutual funds. The Group regularly monitors on individual basis the market risk on these investments. At the reporting date, a 10% (31 December 2021: 10%) change in the net asset values of the underlying investments would have increased or decreased the net income by SR 257.6 million (31 December 2021: SR 194.8 million).

b) FVOCI investments (equity and debt)
At the reporting date, FVOCI investments are represented by REITS managed by SNB Capital and other companies respectively and investments in debt securities. The Group regularly monitors on individual basis the market risk on these investments. At the reporting date, a 10% change in the net asset values of the underlying investments would have increased or decreased the net income by SR 533.4 million (31 December 2021: SR 75.7 million).

c) Forward foreign exchange contract (note 20 (b))
At the reporting date, a 10% change in currency rates would have increase or decrease the net income by SR 39 million (31 December 2021: SR 4.3 million).

ii) Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates may affect future cash flows or the fair values of financial instruments. At the reporting date, the Group is not exposed to interest rate risk, except borrowings from Bank which is at variable rate of interest. As at and for the year ended 31 December 2022, a 10% change in average SIBOR would have resulted in SR 6.45 million (31 December 2021: SR 1.12 million) change in profit or loss.

iii) Currency risk
Currency risk is the risk that the value of a financial instrument may fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. It has set limits on positions by currency. Positions are monitored regularly to ensure these are maintained within established limits. At the reporting date, the Group had the following significant net exposures denominated in foreign currencies:

	2022	*2021*
	Long / (short)	*Long / (short)*
US Dollars (USD)	**4,122,722**	1,110,723
Pound Sterling (GBP)	**387,307**	405,962
Euro (EUR)	**1,245**	1,584
Bahrain Dinar (BHD)	**2,043**	2,054

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short position.

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30. RISK MANAGEMENT (continued)

Market risk (continued)

iii) Currency risk

The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2022 on its foreign currency positions. The analysis is performed for reasonably possible movement of the currency rate against the SR with all other variables held constant. As the Saudi Riyal is pegged against the USD, AED and Bahrain Dinar (BHD), it is unlikely to be a significant impact on the consolidated statement of profit or loss in respect of the USD, AED and BHD exposure.

	2022					
	Decrease in exchange currency %	***Effect on net profit***	***Effect on Other Reserves***	***Increase in exchange currency %***	***Effect on net profit***	***Effect on Other Reserves***
Pound Sterling (GBP)	**15%**	**(58,096)**	**-**	**15%**	**58,096**	**-**
Euro (EUR)	**15%**	**(187)**	**-**	**15%**	**187**	**-**

	2021					
	Decrease in exchange currency %	*Effect on net profit*	*Effect on Other Reserves*	*Increase in exchange currency %*	*Effect on net profit*	*Effect on Other Reserves*
Pound Sterling (GBP)	15%	(60,894)	-	15%	60,894	-
Euro (EUR)	15%	(238)	-	15%	238	-

Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash and cash equivalents and readily marketable securities and monitors future cash flows and liquidity on regular basis. The Group also has borrowing facilities from Parent and other commercial banks to meet the liquidity requirements.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2022 and 31 December 2021 based on contractual undiscounted repayment obligations. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Repayments which are subject to notice are treated as if notice were to be given immediately.

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30. RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2022		***Contractual cash flows***					
Financial liabilities	***Carrying Amount***	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Lease liabilities	**11,771**	**-**	**2,269**	**-**	**11,674**	**-**	**13,943**
Bank borrowings	**6,445,984**	**374,434**	**1,117,703**	**4,481,543**	**510,751**	**-**	**6,484,431**
Amount due to The Saudi National Bank	**14,793**	**14,793**	**-**	**-**	**-**	**-**	**14,793**
Accounts payable and other liabilities	**153,643**	**104,424**	**24,569**	**13,643**	**11,007**	**-**	**153,643**
Total undiscounted financial Liabilities	**6,626,191**	**493,651**	**1,144,541**	**4,495,186**	**533,432**	**-**	**6,666,810**

31 December 2021		*Contractual cash flows*					
Financial liabilities	*Carrying Amount*	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Lease liabilities	9,782	-	-	-	10,263	-	10,263
Bank borrowings	1,122,566	-	519,791	609,004	-	-	1,128,795
Amount due to The Saudi National Bank	35,000	-	35,000	-	-	-	35,000
Accounts payable and other liabilities	161,457	11,381	45,586	59,452	45,038	-	161,457
Total undiscounted financial Liabilities	1,328,805	11,381	600,377	668,456	55,301	-	1,335,515

31. ZAKAT

This represents Zakat provision for SNB Capital for the year ended 31 December 2022 as well as final Zakat liability for Samba Capital prior to the merger (note 1). The movement in Zakat during the year ended 31 December is as follows:

	31 December 2022	*31 December 2021*
Balance as at 1 January	**100,693**	65,572
Charge for the year	**151,000**	96,205
Transfer during the year – net	**-**	(722)
Payments during the year	**(76,960)**	(60,362)
Balance as at 31 December	**174,733**	100,693

The Company has filed Zakat returns up to the financial year ended 31 December 2021 with the Zakat, Tax and Customs Authority (“ZATCA”) and obtained Zakat certificate valid until 30 April 2023. Zakat assessments have been finalized for the years 2007 to 2014 and 2018. Moreover, ZATCA has raised queries for the years 2015 to 2017 and is currently reviewing the Company’s responses thereon.

Assessments for the years 2019 to 2021 has not been raised by ZATCA yet.

(Expressed in Saudi Riyals ‘000, unless otherwise stated)

31. ZAKAT (continued)

Samba Capital (SC) – Zakat/Tax assessments:
Pursuant to the merger with Samba Capital Company (see note 1 and note 22) the Group has assumed all Samba Capital Company’s obligations owed to ZATCA. SC has submitted zakat/tax declarations for the all years up to 31 December 2020 and period ended from 1 January 2021 to 8 July 2021. The tax/zakat declarations for the period ended 31 December 2007 and years ended 31 December 2008, 2009, 2016, 2017 & 2018 years had been finalized.

During the year 2018, ZATCA issued assessments for the years ended 31 December 2010 up to 2012, for which the Samba Capital (SC) filed an appeal with the appeal committee. During the year 2019, the ZATCA partially accepted the appeal and issued a revised assessment with a total liability of SR 5.46 million (excluding delay fines). SC also contested the revised assessments based on the grounds that the amount demanded for 2010 and 2011 are time barred and filed an appeal before the General Secretariat of Tax Committees (GSTC). During 2021. Tax Violations and Disputes Resolution Committee (TVDRC) (GSTC first level) issued ruling partially in favour of SC. However, the ZATCA filed an appeal against the above decision of TVDRC with the Tax Violations and Disputes Appellate Committee (TVDAC) (GSTC second level), during 2022 TVDAC issued ruling and upheld ruling issued by TVDRC. The final ruling is yet to be issued.

During the year 2021, the ZATCA issued assessments for the year 2018, for which SC filed an appeal with the appeal committee. The ZATCA has partially accepted the appeal and issued revised assessment with a total liability of SR 1.3 million (excluding delay fines). SC has contested the revised assessments before the General Secretariat of Tax Committees (GSTC) which is under review. SC has made a provision of SAR 4.0 million in respect of the above open assessments.

Assessment for the years of 2013 to 2015 has submitted to ZATCA and is under review.

32. CAPITAL MANAGEMENT
The Group's objectives when managing capital are to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base. During the year ended 31 December 2013, new Prudential Rules (the “rules”) were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorized person shall continually possess a capital base which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

	2022	*2021*
Capital base:		
Tier I capital	**5,236,829**	4,538,876
Tier II capital	**8,691**	-
Total	**5,245,520**	4,538,876
Minimum capital requirement:		
Credit Risks	**2,829,285**	1,252,543
Market Risks	**149,682**	166,013
Operational Risks	**223,327**	223,327
Total	**3,202,294**	1,641,883
Surplus in Capital	**2,043,226**	2,896,993
Total capital ratio	**1.64**	2.76

33. FAIR VALUES
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. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

The fair values of the Group's financial instruments are not materially different from their carrying values.

(Expressed in Saudi Riyals '000, unless otherwise stated)

33. FAIR VALUES (continued)

a. Fair value information for financial instruments at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	31 December 2022			
	Level 1	***Level 2***	***Level 3***	***Total***
Financial assets				
FVTPL Investments	**131,831**	**497,565**	**1,947,430**	**2,576,826**
FVOCI Investments	**3,602,076**	**1,732,222**	**-**	**5,334,298**
	3,733,907	**2,229,787**	**1,947,430**	**7,911,124**
Financial Asset				
Forward foreign exchange contract	**-**	**36,437**	**-**	**36,437**

	31 December 2021			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
FVTPL Investments	29,162	892,920	1,026,606	1,948,688
FVOCI Investments	656,743	100,000	-	756,743
	685,905	992,920	1,026,606	2,705,431
Financial liabilities				
Forward foreign exchange contract	-	4,635	-	4,635

During the year ended 31 December 2022 and 31 December 2021, there were no transfers between level 1 and level 2 fair value measurements.

Movements in level 3 are as follows:

	2022	*2021*
Balance as at 1 January	**1,026,606**	144,131
Net movement in fair value	**(22,731)**	15,174
Purchases	**1,188,545**	270,151
Sales / distributions	**(244,990)**	(6,778)
Transferred due to merger (note 1 and 34)	**-**	603,928
Balance as at 31 December	**1,947,430**	1,026,606

(Expressed in Saudi Riyals '000, unless otherwise stated)

33. FAIR VALUES (continued)

b. Fair value information for financial instruments not measured at fair value
As at the reporting date, management believes that the fair values of cash and cash equivalents, Murabaha financing, accounts receivable, other receivables (except investment carried at amortized cost) and accounts payable at 31 December 2022 and 31 December 2021 approximate their carrying values.

c. Sensitivity of level 3 investments
At the reporting date, a 10% change in the fair value of level 3 investments would have increased or decreased the net income by SR 194.74 million (31 December 2021: SR 102.66 million).

d. Valuation technique and significant unobservable inputs for financial instruments at fair value
The Group uses various valuation techniques for determination of fair values for financial instruments classified under levels 2 and 3 of the fair value hierarchy. The Group utilizes fund manager reports (and appropriate discounts or hair-cuts where required) for the determination of fair values of private equity funds, hedge funds and real estate funds. The fund manager deploys various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

34. BUSINESS COMBINATION

The book value of assets and liabilities (of Samba Capital as of 8 July 2021) recognized in the books of SNBC as a result of the Merger (note 1) are as follows:

	As at 8 July 2021
Assets	
Cash and cash equivalents	493,926
Financial investments carried at fair value through income statement (FVIS)	629,613
Financial investments carried at amortized cost	202,542
Prepayments and other assets	256,634
Property, equipment and software	8,314
Total assets	1,591,029
Liabilities	
Employee benefits	22,669
Accounts payable, accruals and other liabilities	139,640
Total liabilities	162,309
Shareholder's equity	
Share capital	500,000
Statutory reserve	250,000
Retained earnings	678,720
Total shareholder's equity	1,428,720
Total liabilities and shareholder's equity	1,591,029

(Expressed in Saudi Riyals '000, unless otherwise stated)

35. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2022. The management has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

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

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

35. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

Standards issued but not yet effective (continued)

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.
The Group is currently assessing the impact of the amendments.

36. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure, in these consolidated financial statements.

37. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current period.

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors on 16 March 2023 (corresponding to 24 Sha'ban 1444H).