



Annual Report 2023



# SHAPING TOMORROW FOR 70 YEARS

Saudi National Bank Annual Report 2023

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**King Abdulaziz bin Abdulrahman Al Faisal Al Saud**  
The Founder



**King Salman Bin Abdulaziz Al Saud**  
The Custodian of the Two Holy Mosques



**Prince Muhammad Bin Salman Bin Abdulaziz Al Saud**  
His Royal Highness, Crown Prince and Prime Minister  
of the Kingdom of Saudi Arabia



# HIGHLIGHTS OF 2023

SAR 20.0bn

SNB's net income for 2023 rises by 8%, record profitability driven by higher operating income and lower impairments.

14%

SNB Retail Banking achieves 14% growth in net income, before zakat and tax, driven by high special commission income and improved rates and volumes.

SNB's total assets surpass one trillion Saudi Riyals, reaching SAR 1,037.1 billion by the end of 2023.

Total assets  
SAR bn

2023	1,037.1
2022	945.5
2021	914.1

SAR 10.5bn

Dividends for the year total SAR 10.5 billion (equal to SAR 1.75 per share), representing a pay-out ratio of 52.5% of earnings.

121%

A strong year in Corporate recoveries leads to impairment charges declining by 121%.

Net income attributable to equity holders of the Bank  
SAR bn

2023	20.0
2022	18.6
2021	12.7

Customers' deposits  
SAR bn

2023	590.1
2022	568.3
2021	588.6

85%

SNB's digital franchise continues to strengthen, with 85% customer penetration in Retail Banking and 77% in Wholesale Banking.

25.4%

SNB's community investment increases by 25.4%, while the number of social projects grows by 60%.

Financing and advances, net  
SAR bn

2023	601.5
2022	545.3
2021	497.6

Total Equity  
SAR bn

2023	176.6
2022	166.8
2021	162.8



# CHAIRMAN'S STATEMENT



**Saudi National Bank had a record year in terms of income generation and balance sheet size, made strong progress in meeting its strategic objectives, and reached some major financial milestones. On behalf of the Board of Directors, I am pleased to present the Bank's annual report for the year ending 31 December 2023.**

The global macroeconomics environment in 2023 witnessed some challenges and general uncertainty. High interest rates, housing and fuel price-driven inflation, a contraction in some economic activities, and geopolitical headwinds contributed to a generally muted global economic outlook.

This contrasted sharply with the Kingdom's robust business environment and buoyant economy, generated from non-oil sectors, encouraging corporate and retail activity. This underpinned another year of strong financial and operational performance for SNB.

We delivered 10% growth in total assets fueled by healthy balance sheet expansion in both Wholesale and Retail Banking. Customers' deposits grew 4% year-on-year, and total assets at year-end topped the trillion Saudi Riyal mark, reaching SAR 1,037,081 million.

There was an 8% year-on-year increase in net income to SAR 20.0 billion, a record performance that can be attributed to higher operating income and lower impairments. Earnings per share reached SAR 3.23 and the Bank's strong and stable single A investment grade credit ratings were maintained.

In a year of superlatives and achievements, it is difficult to select highlights, but there are three areas which deserve special mention.

Firstly, people. SNB's greatest assets, whose hard work, talent and determination have helped us realize our ambitions. The value of our People Strategy, in which we have given focus to the recruitment of females and digital/data skilled professionals - has been vital to building an increasingly skilled and diverse workforce. Evidence of this progress can be seen in our fast-track graduate training program, Rowad, in which we saw female participation jump to 72%, from 27% in 2022.

Secondly, in Wholesale Banking, SNB continued to support Saudi Arabia's giga projects and other major segments at the heart of the National Transformation Program and Vision 2030, including tourism, media, advertising and entertainment, all of which were actively served during the year.

Thirdly, technology. SNB has a proven, customer-centric digital proposition which has optimized and grown market share via a range of award-winning and market-leading apps. As the leading digital bank, we will continue to harness technology, drive digital penetration and optimize the end-to-end digital journeys to offer the best service and highest convenience for our customers.

We remain focused and disciplined on the large and attractive opportunities in Saudi Arabia's dynamic and growing economy. I am very optimistic about the future of the domestic market, and the leadership role SNB will continue to play as Saudi Arabia's banking financial powerhouse.

On behalf of the Board of Directors, I offer my deep gratitude to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud; His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince and Prime Minister of the Kingdom of Saudi Arabia; and the Government of the Custodian of the Two Holy Mosques.

I further express the Bank's thanks to the Council of Economic and Development Affairs, the Ministry of Finance, the Saudi Central Bank, the Capital Market Authority, the Ministry of Commerce, and the Ministry of Investment for their welcome support and stewardship of the Kingdom's financial services sector.

Finally, the Bank's valued customers, partners and shareholders fully deserve our thanks for their trust and support, together with all SNB employees who have made us a national champion and put us firmly on the path to a successful future.

**Saeed Mohammed AlGhamdi**  
Chairman



# BOARD OF DIRECTORS

**Saeed Mohammed AlGhamdi**  
Chairman of the Board  
Non-executive  
Chairman of Executive Committee



**Yazeed Abdulrahman Alhumied**  
Vice Chairman of the Board  
Non-executive - Representative of Public Investment Fund (PIF)  
Member of the Nomination and Remuneration Committee



**Ziad Mohammed Altunisi**  
Board Member  
Independent  
Chairman of the Nomination and Remuneration Committee  
Member of the Executive Committee



**Rashed Ibrahim Sharif**  
Board Member  
Non-executive  
Member of the Risk Committee



**Saoud Solaiman Aljuhni**  
Board Member  
Non-executive - Representative of General Organization for Social Insurance (GOSI)  
Member of the Risk Committee



**Huda Mohammed Bin Ghoson**  
Board Member  
Independent  
Member of the Nomination and Remuneration Committee



**Zaid Abdulrahman Algwaiz**  
Board Member  
Independent  
Member of the Risk Committee  
Member of the Executive Committee



**Ibrahim Saad Almojel**  
Board Member  
Non-executive - Representative of Public Investment Fund (PIF)  
Member of the Executive Committee



**Abdulrahman Mohammed Alodan**  
Board Member  
Non-executive - Representative of General Organization for Social Insurance (GOSI)  
Member of the Risk Committee  
Member of the Executive Committee



**Abdullah Abdulrahman Alrowais**  
Board Member  
Independent  
Chairman of the Audit Committee



**Naif Safouq Almarshed**  
Board Member  
Chairman of the Risk Committee





# ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT



**SNB now holds market-leading positions across a range of important metrics, rightfully supporting our status as a financial powerhouse and driver of national growth and development, following the successfully executed merger with Samba in 2021.**

Robust, across-the-board growth to record levels made 2023 a headline year. Total assets grew 10%, exceeding SAR 1.0 trillion, based on balanced growth in both wholesale and retail financing. This drove up operating income by 5% to SAR 35 billion which, together with healthy credit quality and improved domestic operating efficiency, generated 8% net income growth to more than SAR 20 billion.

Wholesale Banking enjoyed a highly successful year, with net income before zakat and tax reaching SAR 12 billion, an increase of 5%, while strong financing growth resulted in total assets reaching SAR 583.7 billion, 12% higher than in 2022. Retail Banking also saw healthy volume growth and a strong revenue performance. Net income before zakat and tax grew by 14% to SAR 8.7 billion and was driven by high special commission income and improved rates and volumes.

The successful implementation of our strategic priorities underpinned this strong financial performance and helped grow our retail lending market share by 104 basis points while, once again, we generated a consistent return on tangible equity, reaching almost 17% for 2023, thanks to the scale and diversity of our franchise. Additionally, in the current high-rate environment we increased our market share of CASA balances by 133 basis points.

In terms of cost optimization, SNB's advanced digital capabilities, and improvements in our operational efficiency, yielded benefits in driving down the domestic cost to income ratio to 25.6% for the year. This was also supported by merger cost synergies, which now exceed SAR 1.5 billion or 110% over our revised target, while containing integration costs to SAR 884 million, or 94% of the target.

Digital advancement is at the heart of our strategy. Here, we continued to improve digital user penetration, which reached 77% for wholesale and 85% for retail customers in 2023.

This is also reflected in our retail mobile app rating, which rose to 4.7 in the Apple Store and 4.8 in the Google Store, on the back of our digital transformation.

We will adopt a value-driven approach to growing the portfolio, meaning a focus on profitability and margins. As the Saudi economy expands, so will SNB's assets and participation in the economy – always mindful of shareholder returns and of our role in society.

The future opportunities for SNB are broad based across our franchise. From Project Finance, to assist the national transformation program; to Retail, where we will continue to grow our share of the CASA and financing markets. This value-driven strategy will ensure healthy and sustainable growth.

The detailed review we conducted to identify opportunities for transforming SNB into a highly agile and leaner bank is expected to boost our operational excellence by delivering significant cost efficiencies and more automation. These will start to manifest themselves in 2024.

In delivering on these priorities, we need to assemble a highly motivated and upskilled workforce and can only achieve this by prioritizing investment in people, our most important asset. Ongoing enhancements to our human resources program, such as boosting employee engagement and developing talent through our newly established SNB Academy, will be critical to this.

The outlook for the Saudi operating environment remains strong and supportive. Against this economic backdrop, we expect to deliver another strong financial performance and maintain our superior return on tangible equity in the range of 16-17%.

I thank the Board of Directors, for their diligent support and wise counsel throughout the year, SNB's dedicated personnel for their unwavering commitment to achieving the Bank's objectives, and equally our valued customers for their confidence in SNB and encouragingly positive feedback, which further motivates us to do even better.

**Talal Ahmed Al Khereiji**  
Acting Chief Executive Officer



# EXECUTIVE MANAGEMENT

**Talal Ahmed Al-Khereiji**  
Acting Chief Executive Officer



**Wael Abdulaziz Raies**  
Group Head of Corporate Business



**Nasser Sulaiman Al Fraih**  
Group Head of Institutional and International



**Waleed Hassan Abdulshukoor**  
Group Chief Legal Council



**Saleh Mohammed Saleh**  
Group Head of Shared Services



**Abdulaziz Fahed Al Fayeze**  
Group Chief Risk Officer



**Saud Abdulaziz Bajbair**  
Group Head of Retail Business



**Fawaz Abdullah Al Thumairi**  
Group Head of Treasury Business



**Hasan Faisal Hammad**  
Acting Group Chief Human Resources Officer



**Ahmad Ali Aldhabi**  
Group Chief Financial Officer



**Fuad Abdullah Alharbi**  
Group Chief Compliance Officer



**Abdulaziz Mohammed Al Shushan**  
Group Chief Audit Officer





# REVIEW OF THE SAUDI ECONOMY





REVIEW OF THE SAUDI ECONOMY

Provisional data for 2023 indicates that the Saudi economy contracted during this period, with real GDP declining by 0.9% year-on-year (versus 8.7% growth in 2022). This decline was driven by a 9.2% year-on-year contraction in GDP from oil-related activities, which reflected a reduction in Saudi crude oil production. This was in line with the OPEC+ agreement and included voluntary reductions by the Kingdom.

In contrast, GDP from non-oil activities showed very strong growth in 2023 (up 4.6% year-on-year). The latest available sectorial data (Q1-Q3 2023) implies that growth was likely wide-ranging, but the transport, storage, and communication (7.7%); wholesale, retail, restaurants and hotels (6.9%); and non-oil mining and quarrying (6%) sectors in particular saw significant growth.

Looking further into 2024, we expect the Saudi economy to grow by 2.7% year-on-year (chart 1). Bearing in mind that oil-related GDP is unlikely to grow due to Saudi Arabia’s commitment to the OPEC+ agreement, the main growth driver will be GDP from non-oil activities, which is projected to rise by 4.7% year-on-year.

This will be driven through the continued implementation of a broad range of Vision 2030 projects, encompassing all sectors of the Saudi economy and aiming to achieve economic diversification. Specifically, non-oil GDP expansion will be facilitated by higher domestic consumption of services, growth in the number of inbound tourists, and a SAR 281 billion pipeline of construction projects that are expected to be completed during 2024 (chart 2).

Meanwhile, the continued expansion of the Kingdom’s industrial base through the rollout of initiatives under the National Industrial Development and Logistic Program (NIDLP) will also spur growth. Also, the financial sector will benefit from continued government-led efforts to raise home ownership levels to 64% in 2024, in turn helping to sustain the momentum in mortgage lending. In addition, robust levels of economic activity, combined with the implementation of various mega projects, will see stronger growth in corporate sector lending.

With respect to oil-related GDP, Saudi Arabia committed to voluntarily reducing crude oil production by 1 million barrels per day (MMBD) between November 2022 and December 2023 as part of the OPEC+ agreement. However, this commitment was then extended into Q1 2024 at an OPEC+ meeting in November 2023. Assuming the current agreement remains in place, Saudi crude oil production is expected to remain at an average of 9.6 MMBD in 2024.

Meanwhile, developments in the Saudi refining and natural gas sectors will positively impact oil-related GDP. The strategically-placed 400,000 barrels per day Jazan refinery increases the supply of high-value ultra-low sulfur diesel to Europe, and the completion of the Hawiyah and South Ghawar gas projects in 2023 will drive growth in gas processing capacity by circa 8% year-on-year in 2024.

Inflation in Saudi Arabia and the US

Inflation in Saudi Arabia averaged 2.3% in 2023, down from an average of 2.5% year-on-year in 2022. Inflation was primarily driven by the housing, water, electricity, gas and other fuels prices segment, with data from 2023 showing that this segment rose by an annual average of 8%, contributing 73% of the annual rise in inflation during 2023. The increase in this segment was the result of rises in the rental housing sub-segment, which climbed by an average of 9.5% year-on-year in 2023.

Looking ahead, we expect inflation to average 2% in 2024 (chart 3) in the Kingdom, with the deflationary trend seen in a number of segments in 2023 expected to continue. These include the rental housing sub-segment, although at a slightly slower pace.

Key risks to our inflation forecast include the geopolitical tensions around the Bab al-Mandab Strait, a key shipping route, which could contribute to raising global shipping costs and impact both global and local supply-side inflation. Indeed, average daily shipping rates have jumped since the end of 2023, although they still remain well below the highs seen back in March 2022.

At the same time, Saudi wholesale price inflation rebounded to 3.1% year-on-year in December 2023, although this still remains significantly lower than the peak seen in 2021. Despite these developments, the risk of an increase in domestic inflation is mitigated by a strong US dollar, which, if sustained, should limit the effects of any imported inflation.

Chart 1: Saudi Arabia Real Gross Domestic Product Growth (% year-on-year change) Source: Gstat, SNB Economics

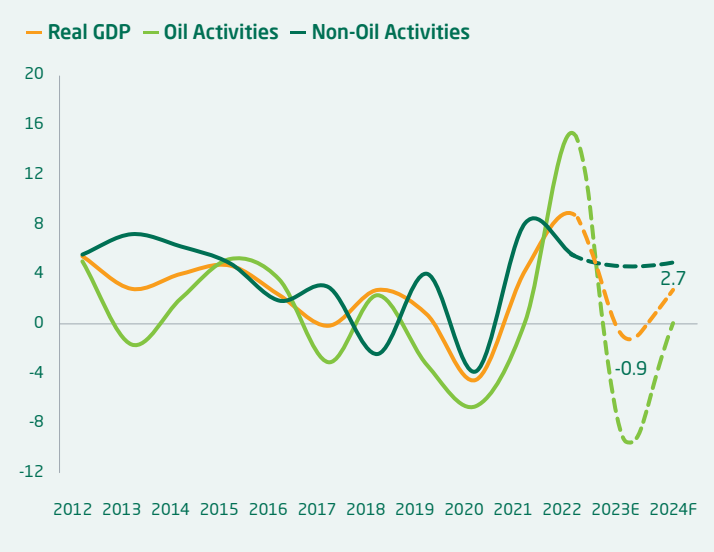


Chart 2: Actual & Expected Value of Project Completions (SAR Billion) Source: MEED Projects

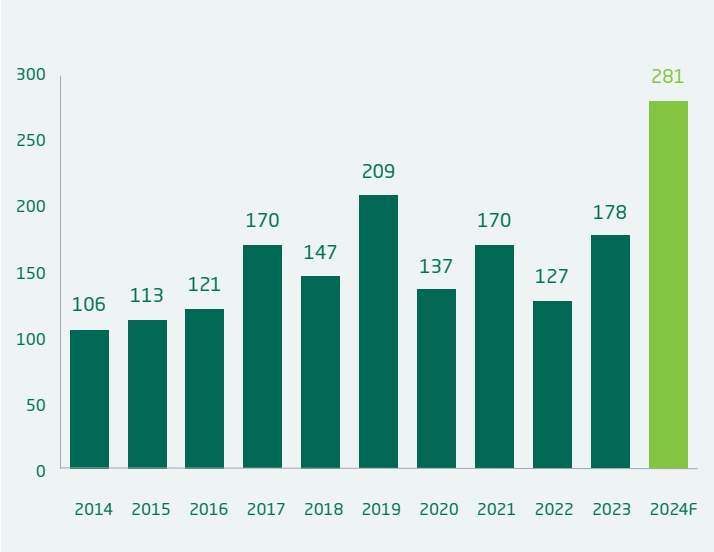
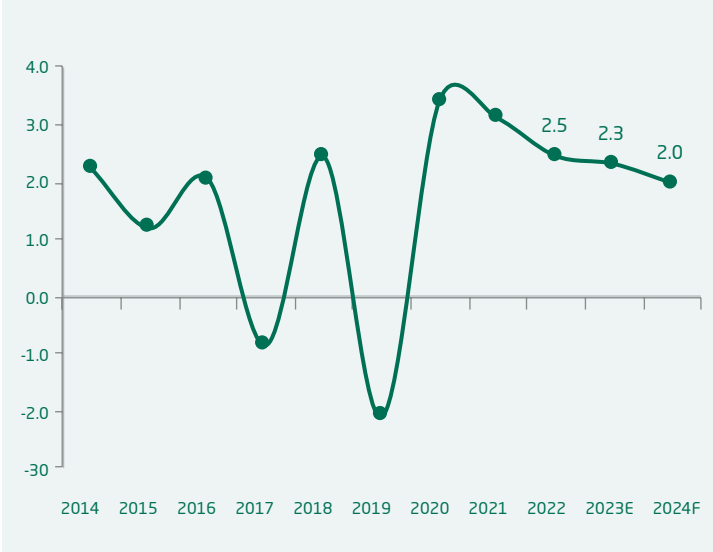


Chart 3: Saudi Arabia’s Actual and Forecasted Inflation (% Y/Y Change) Source: Gstat, SNB Economics





While the headline rate of inflation in the US was on a decelerating trend in 2023, it still remained above the Federal Reserve’s 2% target, and the path to sustainable lower inflation is unlikely to be orderly and predictable. This was underlined by the US inflation reading for December 2023, which came in at 3.4% year-on-year (versus 3.1% in the previous month), while core inflation averaged 3.9% (versus 4% in the previous month).

Looking ahead, US inflation is expected to continue to decline in 2024, but remain above the Federal Reserve’s target throughout the year. Overall, consensus forecasts see US inflation averaging 2.7% in 2024. In this context, the current market view is that the upper limit of the federal funds rate is expected to decrease to around 4% by the end of 2024, implying a cumulative cut of 150 basis points (BPS) during 2024, with a majority of these cuts being concentrated in the second half of the year.

Credit growth in the corporate loans sector in 2024 should be supported by robust levels of non-oil activities GDP (4.7% year-on-year growth) and the completion of construction projects worth SAR 281 billion.

Bank Deposits

The broad measure of money supply continued to exhibit solid levels of growth of 8% year-on-year, reaching a total of SAR 2.69 trillion and similar to growth rates in 2022.

The continued rise in total bank deposits sustained growth in the money supply field in 2023. Within this, demand deposits declined marginally by 1% year-on-year, but customers continued to favor time and savings deposits as domestic interest rates remained at multi-year highs, with this segment rising by 32% year-on-year in 2023.

Meanwhile, when looking at bank deposits by type of institution, government deposits (33% of the total deposits) rose by 19% year-on-year in 2023 and private deposits (67% of the total) only rose by 4%. Indeed, government deposits have been the main driver of overall bank deposit growth in the last couple of years, contributing 73% (2022) and an expected 68% (2023) of the annual rise in total bank deposits.

Looking ahead, we expect money supply to rise by 9% year-on-year in 2024. As interest rates remain elevated in the short term, time and savings deposits are expected to be the main contributors to deposit growth in 2024, despite some rebound in demand deposits.

Personal versus Corporate Loans

Bank lending to the private sector grew to SAR 2.58 trillion in 2023, an increase of 10% year-on-year. Looking at the breakdown of bank lending by sector, personal or retail loans rose 7% year-on-year to a total of SAR 1.24 trillion, although there was a clear decelerating trend seen towards the end of 2023.

Corporate loans rose by 13% year-on-year, over the same period. Within this, the highest year-on-year rises were seen in education, science and technology, and utilities.

The main reason for the sharp deceleration in the personal or retail loans sector during 2023 was fewer mortgages being taken out. Specifically, new gross monthly residential mortgages provided by banks averaged SAR 6.5 billion in 2023, down 35% versus the 2022 average of SAR 10 billion.

Looking ahead, we expect 2024 bank credit to grow at robust levels, with the deceleration in the personal or retail loans sector continuing for most of the year, but being offset by growth in the corporate loans sector. The personal or retail loans sector will continue to face headwinds, despite continued efforts by the Saudi Housing program to raise home ownership levels for citizens to 64% in 2024 (versus 60.6% in 2022). In addition, the adjustment in the housing subsidy to prioritize lower-income groups (implemented in 2023), high interest rates, and increasing residential real estate prices in major cities are likely to affect non-subsidized mortgage demand throughout most of 2024.

Conversely, credit growth in the corporate loans sector in 2024 should be supported by robust levels of non-oil activities GDP (4.7% year-on-year growth), the completion of construction projects worth SAR 281 billion, and the potential front-loading of financing facilities with, for example, NEOM City expecting to see a sizable pick-up in activity in 2025.

Government Spending

In line with the Pre-Budget Statement released in early 2024, the Ministry of Finance’s baseline scenario of budgeted government revenue for 2024 is SAR 1.17 trillion, down 1.7% year-on-year versus actual 2023 revenue. The other revenue segment (which includes oil revenue) is expected to decline 3.4% year-on-year in 2024 to SAR 812 billion. Total expenditure for 2024 remains unchanged versus the Pre-Budget Statement, at SAR 1.25 trillion, which means it is expected to be 1.9% lower than 2023’s actual expenditure (SAR 1.28 trillion).

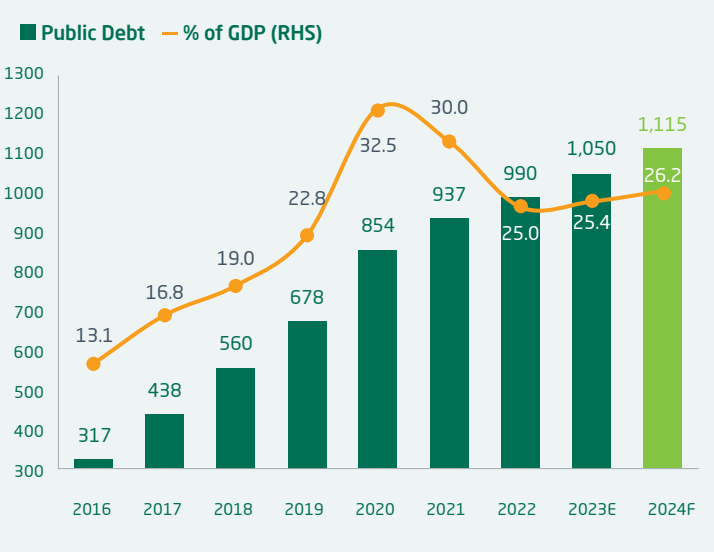
Within this, current spending (the more rigid part of expenditure) is expected to decline by 0.9% year-on-year to a budgeted total of SAR 1.06 trillion. Meanwhile, budgeted government capital expenditure (capex) is expected to total SAR 189 billion (15% of total spending), equating to a 6.9% year-on-year decline in comparison to 2023’s actual sum of SAR 203 billion.

The Ministry of Finance expects to see a fiscal deficit of SAR 79 billion being registered in 2024 (-1.9% of GDP). However, due to pre-funding activities during 2023, the total public debt is expected to rise by a lesser amount of SAR 65 billion year-on-year to a total of SAR 1.15 trillion by the end of 2024 (26.2% of GDP) (chart 4).

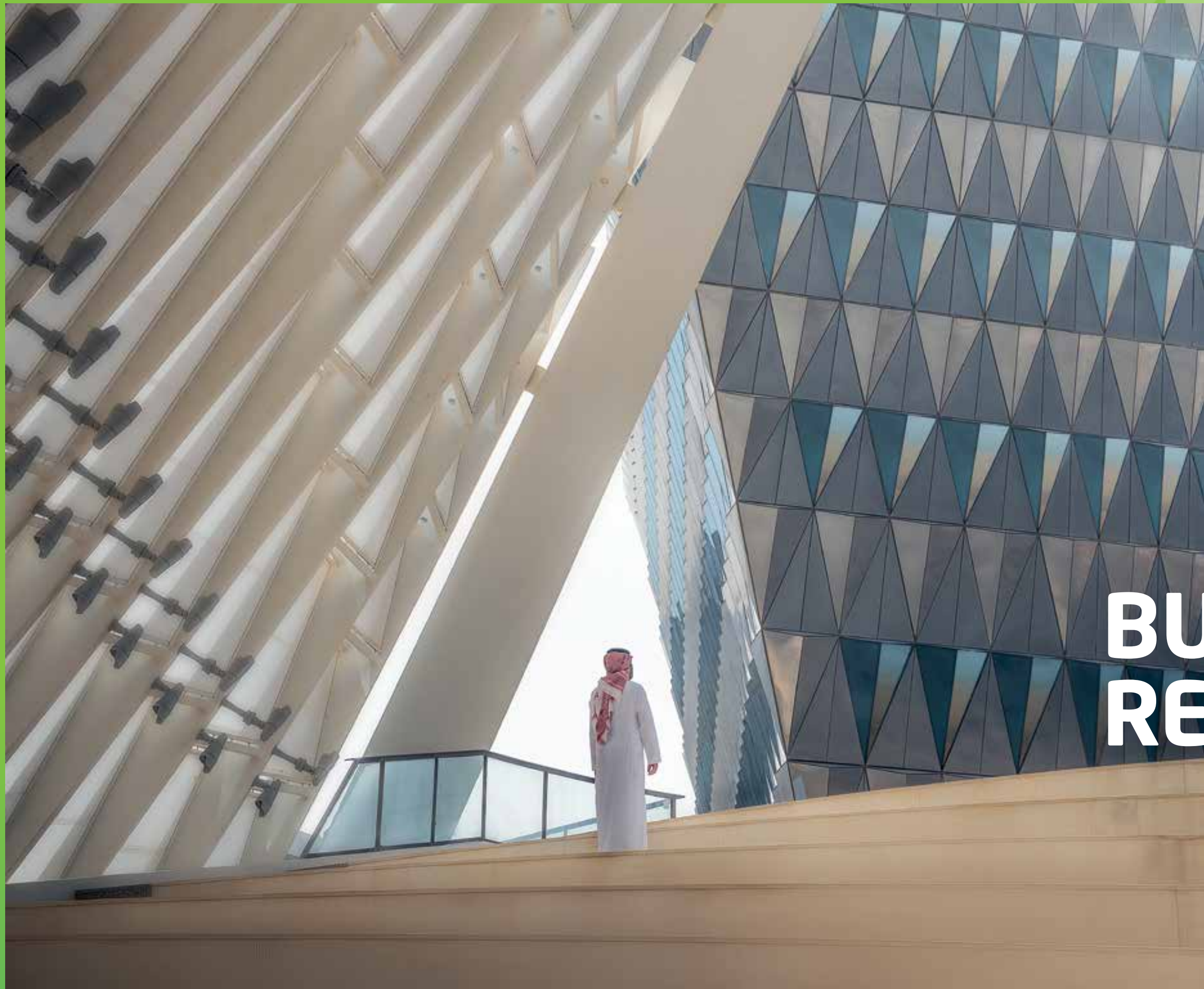
Despite our continued confidence in the performance of Saudi Arabia’s economy, global economic developments – in particular, those concerning the trajectory of key export markets – and the buildup of regional geopolitical tensions stand out as some of the exogenous risks to our forecast.

Uncertainty over global financing conditions, especially in relation to the trajectory of US interest rates (with the risk of rates remaining higher for longer and the associated implications for the domestic cost of borrowing), also represents a prominent risk to the Saudi economy during 2024.

Chart 4: Stock of Government Debt (SAR Billion/% of GDP) Source: NDMC







# BUSINESS REVIEW



Our vision and strategic aspirations

SNB's vision is to be the premier financial and banking service provider, locally and regionally, through the fulfilment of its strategic aspirations: to be number one in revenues, number one in profit, the best in customer service, the best digital bank, and the employer of choice.

Our values

National pride  
Technological prowess  
Human-centric  
Confidence in the future

Strategic and Operational Business Review

2023 was a successful year for Saudi National Bank (SNB). Despite a global backdrop of heightened interest rates and inflation, subdued GDP growth, geopolitical disruptions, and market uncertainty, the operating environment in Saudi Arabia remained supportive to the banking sector, with buoyant non-oil GDP growth supporting underlying corporate and retail activity.

With the supportive macroeconomic conditions in Saudi Arabia, and through strong operational and strategic execution, SNB achieved significant financial milestones in 2023.

The overall balance sheet expanded by 10% during the year. The main drivers were a 10% growth in financing, with strong contributions from both Wholesale and Retail. Customers' deposits rose by 4% year-on-year. Total assets at year-end exceeded the trillion Saudi Riyal mark, reaching SAR 1,037,081 million.

Net income increased by 8% year-on-year, reaching SAR 20.0 billion, a record performance that was driven by a combination of higher operating income and lower impairments. The fiscal year showcased the Bank's resilience amid global economic uncertainties, underscoring SNB's position as national champion in the Saudi financial sector.

Group Strategy Overview

The creation of SNB following the merger of NCB and Samba in 2021 saw the creation of a true financial powerhouse. The merger was the largest and fastest bank merger ever seen in the region, completed in a record nine-month period. Over the following two years, the Bank realized cost synergies of SAR 1.55 billion, exceeding the original target of SAR 800 million, and also outperformed integration cost estimates.

SNB's strategy in 2023 was built on five pillars:

- Grow Domestic Market Share in Financing and CASA
- Optimization of Costs and Funding, and Wholesale Value Capture
- Fortify Digital Leadership via Digitization, Zero back office and Digital Ventures
- Grow Value Contribution from Subsidiaries
- Foster Human Capital

Grow Domestic Market Share in Financing and CASA

SNB's share of the domestic market banking assets in 2023 stood at 28% as of 4Q 2023, while Net Operating Results captured 26% as of 4Q 2023, of the market, and its net income made up 29% as of 4Q 2023, of total Saudi banking income - both ranked first in the Kingdom.

By segment, SNB controlled 29% of the retail market, 20% of the Wholesale market, and 32% of the current account market in Saudi Arabia at the end of 2023

These are strong market share figures and provide an excellent launchpad for the Bank to pursue profitable growth in 2024 and beyond.

Optimization of Costs and Funding, and Wholesale Value Capture

SNB's total operating expenses, excluding impairment charge of credit losses, rose by 6% to SAR 10,357 million. This increase was driven by an increase in international costs, where the impact of inflation and elevated central bank rates in Turkey particularly notable, while domestic operating expenses remained largely stable. The cost-to-income ratio stood at 27.6% for 2023, an increase of 48 basis points compared to 2022. Excluding International, the Bank's cost-to-income ratio was 25.6%, an improvement of 53% from the previous year, reflective of ongoing cost optimization and digitization initiatives, and realization of merger synergies.

Balance sheet expansion in 2023 was funded by a 4% growth in customers' deposits during the year, reaching SAR 590.1 billion, and higher interbank funding balances to effectively manage the overall cost of funding.

Deposit growth was driven by 5% domestic CASA expansion, with the balances of more expensive time and other deposits remaining flat by year-end. The Group CASA ratio improved to 75.9% as at 31 December 2023, up from 75.3% a year earlier.

Wholesale financing grew by 13% in 2023, to SAR 263 billion, reflecting the Bank's active support for a range of Vision 2030 initiatives (giga projects and major infrastructure project financing). Fee income from banking services improved by 11%, reaching SAR 1,046 million, in the Wholesale franchise. This reflects the Bank's focus on capturing value from corporate relationships through cross-selling of ancillary services such as cash management, trade finance, and treasury and investment products while maintaining healthy credit quality.



Fortify Digital Leadership via Digitization, Zero Back Office, and Digital Ventures

The markets where SNB operates are among the most digitally advanced in the world, with high levels of digital usage and penetration, and new fintech market entrants raising competition levels with innovative customer offerings. SNB has a strong digital franchise in Saudi Arabia, with 85% of Retail and 77% of Wholesale digital penetration of customers at the end of 2023.

82% of Retail onboarding is conducted digitally, with the Wholesale digital account opening rate standing at 70%. One of the reasons behind this dominance of digital is the strength, user-friendliness, and efficiency of SNB’s banking app, which received an average user rating of 4.7 out of 5.

SNB Digital Ventures began a pilot project for a new banking app in 2023, based on a trial group of customers. The app will be a full banking service - not a simple wallet - and early signs are extremely positive, with high rates of customer satisfaction and usage. Plans for a wider commercial rollout of the application in 2024, subject to the usual regulatory approvals, remain on track.

Grow Value Contribution from Subsidiaries

SNB’s key subsidiaries include: a 67.03% controlling stake in Shariah-compliant Türkiye Finans Katılım Bankası (TFKB); an 84.51% controlling stake in Samba Bank Limited, which operates in Pakistan and was acquired as part of the merger with Samba; and the wholly owned capital market arm of the Bank, SNB Capital.

Both Turkey and Pakistan are dynamic emerging markets with ample potential for growth. Their economic connectivity with the GCC is high, and SNB’s presence forms an important element of our strategy.

In 2023, both countries continued to experience macro-economic headwinds. Despite this economic volatility, the International businesses have continued to grow in local currency terms and the overall pre-tax contribution to the Group in Saudi Riyals remained largely stable year over year.

While these headwinds made for a challenging operating environment, SNB remains confident in their market potential.

At SNB Capital, revenue and profitability were impacted by lower share trading and investment activity in the Saudi market during 2023, offset by strong IPO activity in the Kingdom. Nevertheless, SNB Capital maintained its market-leading position in both brokerage and asset management during the year, and is well placed to capitalize on improving market activity.

Foster Human Capital

A key factor contributing to our ambitions is the Bank’s People Strategy. This is built on objectives delivered through targeted achievements in key strategic priorities:

**Talent Acquisition:** Recruitment initiatives have yielded positive results, welcoming a significant influx of highly skilled digital and data-savvy professionals, thus enhancing diversity and expertise within the workforce.

The Bank’s diverse graduate program has observed a notable increase in female enrolment, rising to 70%, elevating the overall ratio of female employees to 14.5%, a rise from 13.4% in the preceding year.

**Learning and Development:** Substantial progress was made in 2023, with an increased percentage of employees receiving formal training. The number of trained employees and training days delivered both increased by over 100% compared to 2022, a strong sign of our commitment to continuous learning and skill enhancement.

**Employee Engagement:** Notable improvements have been made in overall employee engagement, signaling a positive work environment and a focus on fostering a motivated and committed workforce through open communication via town halls and pulse surveys, along with other communication streams. Satisfaction with the work environment increased from 68% to 79% in 2023, and overall engagement scores saw a significant increase, from 60% to 73%. This indicates a positive shift in employees’ commitment and connection to the organization.

**Retention:** Strategic retention efforts have resulted in effective measures to retain valuable talent within the organization. The “SNB-Rowad” graduate training program saw female places rise from 27% of the total in 2022 to 72% in 2023.

	2023	2022
<b>Retail</b>		
Digital User Penetration (% of total Retail base)	85%	83%
Digital Financial Transactions (% digital vs. branch)	99%	99%
Digital Account Opening (% of total accounts opened)	82%	92%
Digital Sales (% Retail digital sales)	73%	63%
<b>Corporate</b>		
Digital User Penetration (% of total Corporate base)	77%	74%
Digital Financial Transactions (% digital vs. branch)	99%	98%
Digital Account Opening (% of total accounts opened)	70%	72%
PoS market share (# transactions / value)	24%/22%	21%/19%



79%

Satisfaction with the work environment increased from 68% to 79% in 2023, and overall engagement scores saw a significant increase, from 60% to 73%.



Financial Review

Balance Sheet

The overall balance sheet expanded by 10% during the year. The main drivers were a 13% growth in Wholesale and a 9% growth in Retail financing, as well as increases in cash and interbank balances, along with investments. Customers’ deposits rose 4% year-on-year, driven by domestic growth in CASA. The CASA ratio modestly improved to 75.9%.

SNB continues to maintain healthy capitalization, with a Tier 1 capital ratio of 19.4% and a capital adequacy ratio of 20.1%. The Bank sustained a strong liquidity position, with the liquidity coverage ratio at 258.1%, and a net stable funding ratio of 110.1%, indicating our robust liquidity management.

Financing and Advances

Net financing and advances grew by 10% year-on-year to SAR 602 billion, driven by healthy growth in both Retail and Wholesale financing, slightly offset by 5% lower international financing.

Retail financing grew by 9% during 2023, from sustained mortgage growth of 13% and other Retail financing grew by 6%, with a solid contribution from the high-quality personal finance portfolio.

Financing to corporates grew 11%, supported by favorable economic conditions domestically. Growth was broad-based and diversified, while also achieving the Bank’s focus on managing the portfolio for value. Financing to financial institutions showed another strong increase in 2023 to 36%.

Investments

SNB’s investment portfolio showed growth of 4%, to SAR 269 billion. The greatest increase in the investment portfolio came from the other fixed income portfolio, which increased by 14%, or almost SAR 25 billion, during the year, mainly in fixed-rate, high-quality securities acquired in developed countries. Saudi Government Debt Securities also increased by 1% - reflecting SNB’s primary dealer status - contributing SAR 2 billion to overall year-on-year growth. The portfolio is high-quality, with 85.2% being investment grade.

Customer Deposits

Deposits increased by 4%, to SAR 590 billion, largely driven by CASA expansion of 5% despite the elevated interest rate environment over the course of 2023. The overall funding mix remained favorable, with the CASA ratio at 75.9% at the end of the year, an increase of 60 basis points on 2022.



Credit Quality

A strong year in corporate recoveries contributed to the impairment charge for financing and advances declining by 48%, to SAR 908 million. This positive momentum resulted in the cost of risk reducing to 16 basis points for the Group. The non-performing loans ratio (NPL) declined to 1.21% for the Group. This is a very healthy and comfortable ratio that reflects our prudent risk management.

Capital and Liquidity

The Tier 1 ratio stood at 19.4% as at 31 December 2023, and the capital adequacy ratio was robust at 20.1%.

The Bank continued to enjoy a strong and stable liquidity position in 2023, with the average liquidity coverage ratio at 258.1%, the net stable funding ratio at 110.1%, and the regulatory financing-to-customer deposits ratio at 83.9% as at Q4 2023.

The Bank’s liquidity position remains robust, and at comfortable levels both to serve the bank’s growth ambitions and in relation to prudential thresholds.

Balance Sheet Highlights

SAR (mn)	4Q 2023	3Q 2023	Δ	4Q 2022	Δ
Cash and balances with SAMA	47,499	50,144	-5%	41,611	+14%
Due from banks and financial Institutions, net	34,563	28,648	+21%	16,497	+110%
Investments, net	269,129	266,772	+1%	258,292	+4%
Financing and advances, net	601,527	595,721	+1%	545,311	+10%
Other assets, net	84,363	85,848	-2%	83,785	+1%
Total assets	1,037,081	1,027,133	+1%	945,496	+10%
Due to banks and other financial institutions	211,666	169,114	+25%	150,995	+40%
Customers’ deposits	590,051	624,769	-6%	568,283	+4%
Debt securities issued	13,889	13,666	+2%	12,987	+7%
Other liabilities	44,846	50,613	-11%	46,454	-3%
Total liabilities	860,452	858,162	0%	778,719	+10%
Share capital	60,000	60,000	0%	44,780	+34%
Retained earnings	9,157	9,573	-4%	21,966	-58%
Other reserves	91,560	83,560	+10%	83,740	+9%
Equity attributable to shareholders of the Bank	160,717	153,133	+5%	150,486	+7%
Tier 1 sukuk	15,188	15,188	0%	15,488	-2%
Non-controlling interests	724	650	+11%	804	-10%
Total equity	176,629	168,971	+5%	166,778	+6%
NPL Ratio <sup>1</sup>	1.21%	1.37%	-16bps	1.62%	-41 bps
NPL Coverage Ratio <sup>1</sup>	139.6%	137.6%	+2.0ppt	127.0%	+12.6 ppt
CASA %age of Total Deposits	75.9%	72.9%	+3.0ppt	75.3%	+0.6 ppt
Tier 1 ratio	19.4%	18.4%	+1.0ppt	18.3%	+1.1 ppt
Capital adequacy ratio	20.1%	19.1%	+1.0ppt	19.0%	+1.1 ppt
Liquidity coverage ratio	258.1%	281.5%	-23.4ppt	277.6%	-19.5 ppt
Net stable funding ratio	110.1%	112.7%	-2.6ppt	115.6%	-5.5 ppt
Financing to customers’ deposit ratio (SAMA)	83.9%	78.2%	+5.7ppt	82.6%	+1.3 ppt

1 Excluding purchased or originated credit-impaired financial assets (POCI)

Income Statement

SNB generated 8% year-on-year net income growth in 2023. This growth was primarily the result of a 5% increase in operating income, which was boosted by higher net special commission income from earning assets growth and increased fee and other income.

Operating Income

SNB achieved a 5% growth in operating income, reaching SAR 34,589 million. Operating income growth was driven by a 3% increase in net special commission income, to SAR 27,009 million, resulting from two main factors. First, a 45% growth in special commission income was only partly offset by the carefully contained increase in special commission expense. Second, fee and other income growth was 13% year-on-year, reaching SAR 7,580 million, supported by higher international income and investment-related income and partially offset by lower domestic fees from banking services.

Operating Expenses

Operating expenses, excluding amortization of intangible assets, increased by 7% year-on-year, mainly due to inflationary pressures in Turkey. Domestic operating expenses remained largely stable.

The cost-to-income ratio stood at 27.6% for 2023, an increase of 48 basis points compared to 2022, driven by inflationary pressures in Turkey. The domestic ratio improved by 53 basis points, reaching 25.6%, reflecting disciplined cost management.

Credit Impairments and Cost of Risk

Impairments declined by SAR 838 million, or 48% year-on-year, to SAR 908 million for the year. This was due to a 53% lower domestic impairment charge from increased corporate recoveries and a 25% decrease in international impairments. This resulted in an improvement of 17 basis points in the Group’s cost of risk, to 0.16%.

Income Statement Highlights

SAR (mn)	2023	2022	Δ
Net special commission income	27,009	26,287	+3%
Fee and other income	7,580	6,717	+13%
Total operating income	34,589	33,005	+5%
Operating expenses	(10,357)	(9,785)	+6%
Net operating income before impairment charge	24,232	23,220	+4%
Net impairment charge for expected credit losses	(923)	(1,685)	-45%
Income from operations, net	23,310	21,534	+8%
Other non-operating income/(expenses), net	(537)	(258)	+108%
Net income for the period before Zakat and income tax	22,773	21,277	+7%
Zakat and income tax expense	(2,664)	(2,548)	+5%
Net Income for the period after Zakat and income tax	20,109	18,729	+7%
Net income attributed to non-controlling interests	(99)	(148)	-33%
Net income attributed to equity holders	20,010	18,581	+8%
Earnings per share	3.23	3.03	+7%
Dividends per share	1.75	1.70	+3%
Return on tangible common equity	16.8%	16.6%	+0.2 ppt
Net special commission margin	3.06%	3.15%	-9 bps
Average commission earning assets	868,906	804,681	+8%
Cost of risk	0.16%	0.33%	-17 bps
Cost to income ratio	27.6%	27.1%	+0.5 ppt

The NPL ratio (excluding purchased or originated credit-impaired financial assets) stood at 1.21% compared with 1.62% a year earlier, reflecting the Bank’s effective risk management practices as well as corporate write-offs during 2023.

Dividends

The Board proposed a final dividend for the 2023 financial year amounting to SAR 5.4 billion, taking the full year dividend to SAR 10.5 billion. This translates to a dividend per share of SAR 1.75 and a payout ratio of 52.5% of earnings.

Delivery Against Guidance

SNB provides market guidance at the beginning of the year for the expected outcome of key financial metrics. This guidance is subject to quarterly review and revision as the year progresses. These guidance parameters for 2023 are summarized below, along with the revised guidance last provided at Q3 2023.

Overall, SNB’s results all exceeded or were in line with guidance, again underscoring the strong year enjoyed by the Bank across all metrics.

Financing growth of 10% was driven by strong growth performance across both Wholesale and Retail, which aligns well with both original and revised guidance.

NSCI margin guidance was revised downwards during the year owing to a more hawkish rate environment than expected, which raised funding costs globally. Nevertheless, despite this major shift in rates, margin contraction for the group was contained to 9 basis points, and only 2 basis points domestically.

Cost-to-income ratio guidance was revised upwards during the year to take into account the hyperinflationary environment in Turkey. The full year cost-to-income ratio came in well below the revised level, and excluding our international business, the cost-to-income ratio improved by 53 basis points, to 25.6%, which is almost 60 basis points better than the original guidance.

Cost of risk came in materially better than the start-of-year guidance, at 0.16%. This was due to the major reduction in provisions driven by strong corporate recoveries. For this reason, guidance was revised during the year and, even then, the full year outcome was towards the lower end of that range.

Tier 1 Capital guidance remained unchanged over the year, with actual performance slightly ahead of guidance. Likewise, Return on Tangible Equity guidance was unchanged over the year, with the final figure coming within the guidance range.

Importantly, despite upward and downward revisions in individual guidance metrics due to evolving market conditions during the year, these have largely offset each other, resulting in no change to SNB’s guidance for Return on Tangible Equity. This came in within this unchanged guidance at 16.8%, reflecting the strength in the Bank’s scale and diversity.

Conclusion

In conclusion, SNB’s 2023 performance underscores its resilience, successful business strategy, and commitment to delivering value to stakeholders. The Bank’s focus on growth, efficient cost management, technological innovation, and prudent risk management positions it favorably in the dynamic economic landscape where it operates.

Metric	2023 Guidance as at 4Q 22	2023 Guidance as at 3Q 23	2023 Actual
Financing Growth	High single digit	Low double digit	+10%
NSCI Margin	3.2-3.3%	3.0-3.2%	3.06%
Cost-to-Income ratio	Below 27%	Below 28.5%	27.6%
Cost of Risk	0.3-0.5%	0.1-0.3%	0.16%
Tier 1 CAR	18-19%	18-19%	19.4%
ROTE	16.5-17.5%	16.5-17.5%	16.8%



Segmental Business Review

Retail Banking

SNB’s Retail business is a leading consumer bank in Saudi Arabia with a large and growing market share. It offers a comprehensive Shariah-compliant product range and serves all segments of society, from citizens to residents, from families to private banking clients and small business owners. This is delivered through our country-wide branch network, contact centers, relationship managers, and market-leading digital platform and banking app.

Strategic and Operational Results Review

Retail saw healthy volume growth and a strong revenue performance in 2023, due to an improvement in product profitability, although this was tempered by lower retail fees due to higher cards cost.

Retail financing grew by 9%, or SAR 27.2 billion, over the year, standing at SAR 320.6 billion at the year-end. The largest contribution to financing came from residential finance loans, with an increase of SAR 18.8 billion to total SAR 161.3 billion at the year-end.

This strong financing growth was enabled by strengthened performance management, improved proposition, faster turnaround times and sharper pricing, resulting in enhanced sales and lending with zero impact on credit losses or risk profile. In residential finance, improvements to the Bank’s interactions with intermediaries unlocked growth, along with increased capacity to lend, resulting in SNB claiming market leadership in mortgages.

Another noteworthy achievement was the 40% growth in auto-finance seen in 2023, resulting from a focus on sales.

Net operating income grew by 9%, to SAR 15.9 billion, driven by high special commission income, and this was complemented by the improvement in rates and volumes. Risk adjusted net operating income yield increased by 58 basis points, and special commission income yield increased by 65 basis points year-on-year. Net income before zakat and tax grew by 14%, to SAR 8.7 billion.

Retail deposits were largely stable in 2023, at SAR 347.3 billion. The elevated interest rate environment led to changing customer behavior resulting in an increase in interest bearing deposits.

Savers sought higher yields from call accounts, time deposits and other interest-bearing deposits. This led to an increase of SAR 32.2 billion in Retail interest bearing deposit balances.

SNB executed several initiatives in 2023 to improve user experience and raise the quality of services provided to clients on digital platforms, both in branches and at ATMs. Among these were enhancements to the digital platform to address known areas of friction and to speed up the KYC process. The most recent version of the SNB app includes new add-on services, such as travel notifications, dynamic beneficiary templates, payment tracking, recent transfers, push notifications, rate the Bank, view remitter name, and a Riyadh Season feature.

We continued to roll out our “Intelligent Teller Machines” (ITMs) across the network, which allow an in-branch digital customer journey, including a feature that facilitates video conferences with relationship managers.

Our retail customers continued to migrate to digital channels with enthusiasm in 2023. Some 400,000 cards were applied for and issued via digital channels, up by a third on 2022.

A large-scale survey of 300,000 customers resulted in a satisfaction score of 4.7 out of 5.

2023 saw the optimization, presence, and accessibility of branch networks. In response to urbanization, we expanded our branch network by 26 branches, reallocated 14 branches to more advantageous locations, and closed 38 overlapping locations. In another new development, the Bank opened its first “Elite” branch in Riyadh, a dedicated resource for our affluent segment. This segment focus, including in-branch events, seminars, and a hospitality-like welcome to customers, has proved highly popular and has driven engagement with this important customer segment.

In a strategic change, 2023 saw the creation of the Digital Ventures and Payments Company. This is designed to create a stand-alone entity reporting to the Group’s Board of Directors, bringing a more focused agenda around all digital activities. Major plans are in place for expansion and growth of this business in 2024 and beyond.

In another indication of the efficiency of the Retail business, headcount declined by 277 over the year, to a total of 5,160 full-time equivalent employees.

Retail			
SAR (mn)	FY 2023	FY 2022	Δ
Total assets	406,082	378,838	+7%
Financing and advances, net	320,581	293,430	+9%
Total liabilities	358,220	342,040	+5%
Customers’ deposits	347,347	330,224	+5%
Net special commission income	15,596	13,796	+13%
Fee & other income	279	816	-66%
Total operating income	15,875	14,612	+9%
Operating expenses	(6,353)	(6,410)	-1%
Impairments	(811)	(629)	+29%
Other income (expenses)	(22)	19	-214%
Net income before zakat & tax	8,689	7,592	+14%
Cost to income ratio	40.0%	43.9%	-384 bps
Cost of risk	0.26%	0.23%	+4 bps



SAR 18.8bn

The largest contribution to Retail financing came from residential finance loans, with an increase of SAR 18.8 billion to total SAR 161.3 billion at the year-end.

Due to SNB’s major role in supporting and financing the MSME sector under the Kafalah Program, SNB was awarded the Kafalah Excellence Award and the Kafalah Entertainment Sector Support Award.

Wholesale Banking

SNB’s Wholesale Banking business is the largest in the Kingdom, with more than SAR 584 billion in assets, including financing and investments. It provides market-leading banking facilities and services – both Shariah-compliant and conventional – to the full spectrum of business and corporate clients, from small and medium enterprises to multinational institutions and Government-related entities with sophisticated financing needs.

Clients are further supported by product specialist areas within Wholesale. For example, Global Transaction Banking offers trade finance, payments services, and cash management solutions. SNB also operates the largest Treasury and Global Markets business in the GCC region, providing a full range of hedging and yield enhancement solutions as well as proprietary investment management and market making. Group Treasury is also responsible for managing liquidity and interest rate risk for the Bank.

Strategic and Operational Results Review

The Wholesale Banking business enjoyed a strong performance in 2023, seeing financing increase by 13%, to SAR 263 billion. Net income before zakat and tax grew by 5% to SAR 12 billion. Fee and other income was a major contributor to this growth, rising 17% over the year. This income performance was matched by efficient risk and cost management that saw the impairment charge fall by 121% on recoveries, while operating expenses growth was contained at 5%.

Corporate Banking

The Corporate Banking business occupies an important strategic position as an enabler of the Kingdom’s Vision 2030 national strategy. One of the most important initiatives of Vision 2030 is increasing local manufacturing. We have supported this initiative and grew our lending portfolio with clients in this sector. This achievement in lending growth includes credit facilities granted to finance important projects, acquisitions, and the regular working capital requirements for those companies.

Other sectors that the National Transformation Program and Vision 2030 focus on include tourism, media, advertising, and entertainment, all of which were successfully served by SNB in 2023.

Significant transactions in this space included AviLease, a jet lessor owned by the Public Investment Fund, which secured a USD 1.1 billion unsecured five-year loan for general corporate use, including buying more aircraft. SNB participated with USD 70 million in the Shariah-compliant tranche. SNB also played the role of mandated lead arranger and agent bank for NEOM’s syndicated revolving credit facility, an indication of our strong relationship with this flagship of the Vision 2030 program.

In digital developments, the Bank revamped and relaunched E-Corp, an online banking platform providing a single platform for services and sales for corporate customers.

Micro, Small and Medium-Sized Enterprises

The small and medium enterprise segment is central to the success of Vision 2030, and SNB enhanced its presence and penetration in this segment in 2023. SNB continued to build strategic partnerships with several Government and semi-Government entities, such as the Small and Medium Enterprises General Authority (Monsha’at). SNB supported franchise businesses and helped local businesses by qualifying and facilitating the access of small and medium enterprises to the available markets and investment opportunities.

SNB signed the Tomoh initiative in 2023, aiming to support the growth of fast-growing SMEs in the Kingdom. Moreover, SNB sponsored multiple MSME events, such as Biban 23, the Entrepreneurship World Cup, and the Franchise Market.

Due to the Bank’s major role in supporting and financing the MSME sector under the Kafalah Program, SNB was awarded the Kafalah Excellence Award and the Kafalah Entertainment Sector Support Award.

Point of Sale (POS) technology and solutions is an important offering in the SME segment, and SNB achieved growth of 12% in POS transactions, outpacing the market’s 4% increase. The Bank’s market share stood at 22% at year-end, marking an 8% improvement during 2023.

POS terminals experienced strong growth of 47%, surpassing the market’s 21% expansion and attaining a market share of 24%, an increase of 22% in 2023. Transaction volumes increased by 22%, surpassing the market’s 15% growth.

Treasury

In fixed income, the Treasury business navigated the complex markets that prevailed in 2023, delivering outstanding results with significant alpha generation versus market benchmarks. This was despite an uncertain and challenging market environment with elevated volatility and an ever-evolving regulatory capital regime.

With asset growth muted, Treasury managed to increase special commission income considerably while also increasing the credit quality of the portfolio, and improving the diversification profile through rotating within credit portfolios.

In the face of one of the most challenging fixed income environments in recent history, Treasury continued to generate value through capital gains generation.

The equities business saw a greater focus on our trading mandate in 2023, evidenced by increased turnover. The business also sought greater diversification, with higher allocations delivered across multiple jurisdictions.

The increasing role of private markets in the portfolio was marked by the growing role of strategies that exhibit uncorrelated returns to fixed income – for example, high-frequency trading strategies. These mitigate the volatility of traditional asset classes or take advantage of that volatility by allocating to strategies within Alternatives that can capitalize on market dislocations.

As a market maker, SNB has underscored its commitment to enhance the Saudi local capital market through its role as a Primary Dealer. During 2023, SNB maintained the highest secondary market turnover with a considerable share of negotiated deals.

Wholesale			
SAR (mn)	FY 2023	FY 2022	Δ
Total assets	583693	520,759	+12%
Financing and advances, net	262,604	232,691	+13%
Total liabilities	470,319	403,696	+17%
Customers’ deposits	217,260	211,578	+3%
Net special commission income	9,463	10,244	-8%
Fee & other income	4,344	3,703	+17%
Total operating income	13,807	13,948	-1%
Operating expenses	(1,932)	(1,833)	+5%
Impairment charge	152	(718)	-121%
Other income (expenses)	(55)	36	-254%
Net income before zakat & tax	11,971	11,433	+5%
Cost to income ratio	14.0%	13.1%	+85 bps
Cost of risk	-0.06%	0.33%	-39 bps



SNB Capital

SNB Capital operates five business lines: Asset Management, Wealth Management, Investment Banking, Securities, and Principal Investments.

Strategic and Operational Results Review

2023 was a challenging year for the capital markets in Saudi Arabia, as overall stock exchange trading and overall investment activity declined. Against this backdrop, SNB Capital delivered a resilient performance. Operating income moderated by 4% year-on-year, to SAR 1.80 billion, mainly due to lower Brokerage-related fee income, while asset management income was resilient, with 1% growth, and investment banking revenues expanded on a favorable IPO pipeline.

As a result, net income before zakat and tax for 2023 decreased by 10% from the previous year, to SAR 1.17 billion.

Lastly, SNB Capital has been assigned the “A3” ESG Credit Impact Score of CIS-2 by Moody’s Investors Service for year 2023, and became the first CMI to close a Tier 1 issuance of SAR 1 billion.

Asset Management and Wealth Management

SNB Capital enjoyed significant success in 2023, launching seven new alternative funds and ending the year with SAR 246 billion in assets under management (AUM), with 16 funds ranked in the top quartile of performance.

However, in line with asset management businesses around the world, 2023 was a challenging year, with overall AUM growth remaining muted. Money market and fixed income AUM saw a 17% decline due to client withdrawals, while regional equities AUM stayed stable. The multi-assets segment saw single-digit year-on-year growth of 4%, whereas alternatives climbed nearly 6% year-on-year due to healthy inflows in areas like real estate and private equity, as higher interest rates, tight liquidity environments, and range-bound equity market trends forced investors to look for newer areas to place their wealth.

Investment Banking

The Investment Banking Division played a key role in major IPOs, securing over 50% market share of the buoyant Saudi IPO market. This included the listing of ADES Holding, the largest IPO in 2023, in which SNB Capital acted as a Joint Financial Advisor, Joint Bookrunner, Joint Underwriter, and Sole Lead Manager.

In addition, the Bank played key roles in the IPOs of the MBC Group, a visible and recognized brand in broadcasting and streaming media, and First Mills Company, the first IPO in its sector.

The Bank also delivered a strong performance in Debt Capital Markets (DCM), with a market share exceeding 65%.

Key investment banking transactions for DCM included the first US dollar public bond issuance from the Saudi Government in 2023 and the first MENA Sovereign Issue in 2023 (USD 10 billion). Other significant deals included the first USD Sukuk issuance by the Public Investment Fund, for USD 3.5 billion, and the first parallel dual tranche Saudi Riyal Sukuk issuance for the Saudi Real Estate Refinance Company, for SAR 3.5 billion.

Selected merger and acquisition deals included advising the Abu Dhabi National Insurance Company on the acquisition of Allianz Global’s 51% stake in the Allianz Saudi Fransi Insurance Company in Saudi Arabia - our first cross-border M&A transaction in the insurance sector.

SNB Capital also advised Rajhi Steel Industries in connection with the creation of a national champion for steel in Saudi Arabia through the Public Investment Fund acquisition of Hadeed SABIC and integration of Rajhi Steel business. This deal is expected to surpass SAR 15 billion upon closing.

Securities

The Securities Division expanded securities services and achieved milestones such as becoming the first market maker in derivatives and executing a cross-border M&A transaction in the insurance sector, along with the offering of single stock options.


Despite these achievements, 2023 was a challenging year as overall Tadawul trading values declined by 23% year-on-year. This impacted overall brokerage revenues, which declined 22%.

Principal Investments

In 2023, SNBC Principal Investments (PI) Division closed exotic transactions to enable local Fintechs, and provided support to Securities in SBL & Marketing Making Activities. PI division total investments grew by more than 28% YoY, reaching above SAR 10 billion.

>50%

SNB’s Investment Banking Division secured over 50% market share of the buoyant Saudi IPO market in 2023.



Capital Markets			
SAR (mn)	FY 2023	FY 2022	Δ
Total assets	15,760	13,844	+14%
Financing and advances, net	2,261	2,350	-4%
Assets under management	246,192	230,444	+7%
Total liabilities	4,173	4,354	-4%
Net special commission income	360	226	+60%
Fee & other income	1,435	1,644	-13%
Total operating income	1,796	1,870	-4%
Operating expenses	(609)	(570)	+7%
Impairments	(12)	(3)	+257%
Other income (expenses)	(7)	(0)	+8334%
Net income before zakat & tax	1,168	1,296	-10%
AUM related fee income	791	787	+1%
Brokerage related fee income	390	498	-22%



International

SNB has a 67.03% controlling stake in Shariah-compliant Türkiye Finans Katılım Bankası (TFKB). TFKB is a participation bank that operates by attracting current accounts and profit-sharing investment accounts and extending financing to retail and corporate clients through finance, lease, and profit/loss sharing partnerships.

SNB further owns an 84.51% controlling stake in Samba Bank Limited (“Samba Pakistan”), which operates in Pakistan and was acquired as part of the merger with Samba. Samba Pakistan is engaged in commercial banking and related services and is listed on the Pakistan Stock Exchange.

Strategic and Operational Results Review

The 2023 operating environment in both Turkey and Pakistan was characterized by high inflation, currency volatility, and economic uncertainty. This combination made for a challenging year, as local authorities and regulators moved to shore up their respective economies.

The International business demonstrated resilience in these challenging circumstances, with a focus on strategy to navigate the challenging operating conditions and drive ahead on their business agenda. Against this background, International net operating income grew by 21% during 2023, to SAR 3,112 million, while net income before zakat and tax declined by only 1%, to SAR 944 million.

Türkiye Finans Katılım Bankası (TFKB)

During 2022, the Turkish economy was identified as hyperinflationary, and this has continued in 2023, with consumer price inflation rising to 65% over the year. SNB implemented measures to reduce the inflation impact.

In spite of this, TFKB grew its loan portfolio by 53% in local currency terms in 2023, in line with the wider Turkish banking sector. Loan growth was driven by growth of 24% in commercial financing, 194% in mortgages, 45% in general purpose loans (GPL), 164% in auto financing, and 45% in credit cards.

The liability side of the balance sheet saw above-sector Turkish Lira deposit growth, at 88%, with TFKB’s deposit market share at approximately 1.1%.

The strong balance sheet momentum drove operating income growth of 69%, to TRY 17.6 billion, though inflationary pressures and monetary volatility resulted in an overall 9% decline in net income after tax, to TRY 1.8 billion.

The health of TFKB’s loan book also showed improvement in 2023, with improved collections contributing to a reduction in NPLs, from 2.7% to 1.3% in 2023 and the total coverage ratio improving from 153% to 210%. Tightening underwriting policy implemented for the last few years led to increased asset quality and an improved net credit loss ratio, from 1.4% to 0.8%.

Samba Bank Limited Pakistan (SBL)

SBL achieved a record profit before tax of Rs. 2.19 billion. This marked a significant turnaround from the previous year’s loss before tax of Rs. 926 million. Net special commission income increased by 71.4% over 2022, driven largely by the increase in the policy rate, which rose from 16% in December 2022 to 22% in December 2023.

In addition, the bank’s foreign exchange income witnessed a healthy growth of 9%, reaching Rs. 1,144 million.

This income growth was offset by a capital loss of Rs. 400 million, primarily due to the persistent decline in the local stock market and the impact of multiple interest rate hikes.

The bank prudently managed its operating expenses, which saw an increase of 19% over the previous year. This rise in expenses is in line with factors such as inflation, which rose to 30%, devaluation of the rupee against USD, and costs associated with various initiatives undertaken by the bank.

As a result of these challenging macro circumstances, the bank undertook a strategic shift towards the mobilization of low-cost deposits coupled with a gradual reduction in borrowings. This approach is reflected in the growth of the deposit book, which closed at Rs. 115 billion, a 9% increase over the December 2022 position. The current and savings account mix stands at 45.4%.

The bank has strategically downsized its asset base by Rs. 340 million or 0.2% compared to the December 2022 position, with total assets standing at 178.7 billion as at December 2023.

International			
SAR (mn)	FY 2023	FY 2022	Δ
Total assets	31,546	32,055	-2%
Financing and advances, net	15,962	16,740	-5%
Total liabilities	27,740	28,628	-3%
Customers’ deposits	25,401	25,075	+1%
NPL ratio	2.54%	2.71%	-16 bps
NPL coverage ratio	121.9%	166.1%	-44.2 ppt
Net special commission income	1,590	1,991	-20%
Fee & other income	1,523	584	+161%
Total operating income	3,112	2,575	+21%
Operating expenses	(1,463)	(972)	+50%
Impairment charge	(252)	(335)	-25%
Other income (expenses)	(453)	(313)	+45%
Net income before zakat & tax	944	955	-1%
NSCI margin	5.07%	6.35%	-129 bps
Cost to income ratio	47.0%	37.8%	+925 bps
Cost of risk	1.47%	1.85%	-38 bps

2023 Awards

Best Digital Bank in the Middle East Global Finance	Outstanding Performance Award Kafalah
The Best Islamic Trade Finance Bank Global Trade Review (GTR)	Entertainment Sector Support Award Kafalah
Certificate of Excellence in Basic Procurement Chartered Institute of Procurement and Supply (CIPS)	First Place for the National Award for Voluntary Work at the level of the private sector Ministry of Human Resources and Social Development.
Best Mortgage Program in the KSA RESTATEX	



A photograph taken from inside a tent, looking out through a large circular opening. A person is standing on a sand dune in the distance, silhouetted against a bright sky. The sun is low on the horizon, creating a lens flare effect. The tent's interior is visible in the foreground, with its fabric and ropes. The overall scene is warm and evocative, suggesting a desert or coastal environment.

# ENVIRONMENT, SOCIAL AND GOVERNANCE REVIEW



Our Approach to Sustainability

Sustainability Management

At SNB, our ambitions center around driving our nation toward sustainable growth. We act as a force to help the Kingdom of Saudi Arabia achieve its aspirations.

We aim to utilize and integrate ESG as a synergistic ‘boost’ to enhance delivery of the SNB Vision, Purpose, and Strategic Objectives. In 2023, we initiated the development of a corporate governance structure and practices, so as to better integrate ESG into business.

Sustainability Framework

SNB’s Sustainability Framework sets the tone for our business values, enabling us to take a sector-leading approach to green and social financing.

In 2023, we refreshed our Sustainability Framework and established SNB’s ESG mission to ‘pioneer sustainable finance to propel our nation toward Vision 2030 and beyond.’ With this in mind, the framework sets out four strategic focus areas, with clear objectives on a national and operational level.

Materiality Assessment

Considering the significant changes to the regulatory landscape, investor interest, and stakeholder intent, we refreshed our Materiality Assessment to ensure that SNB makes the most significant impact possible in terms of sustainability. The results will be shared in our full 2023 ESG Report, following validation from SNB’s leadership.





Accelerate the Use of Financial Products for Sustainable Growth

SNB aims to develop sustainable finance leaders to initiate and facilitate market dialogue when it comes to financing Saudi Vision 2030 initiatives. Within its operations, the Bank’s ambition is to lead innovation with regard to sustainable finance products and services. This important endeavor is driven by our Sustainable Finance Technical Working Group and overseen by our management-level ESG Committee.

Sustainable Finance Highlights

Successfully issuing the first sustainable public Regulation S Sukuk from a Saudi financial institution, and making our first listed green private placement outside the Kingdom



Supporting the Saudi Green Initiative’s (SGI) target of increasing the renewable energy quota to 50% by 2030 by actively engaging with and leading the financing of the Kingdom’s renewable energy projects and setting business-wide objectives via our lending program



SNB’s lending program supports the Saudi Green Initiative, promotes emissions reduction across the Kingdom, and advocates for development of the local economy.

The Bank has defined key ESG considerations for its investment criteria, which form part of its comprehensive investment approval process.

SNB has made a significant investment in the Sustainable Growth Fund, which makes investments in companies in the sustainable and efficiency sector.

Contributing to various green projects within the region, including financing the NEOM Green Hydrogen Project, one of the flagship projects in Saudi Arabia and the Kingdom’s first investment in green hydrogen



Participating in the financing of the Public Investment Fund’s (PIF) Round 3 Renewable Energy project, which is part of the PIF’s mandate to achieve of 58.7 GW renewable energy production by 2030

To read more about how we promote sustainable finance, visit the ‘Accelerate the Use of Financial Products for Sustainable Growth’ chapter of SNB’s full 2023 ESG Report.

SNB has made a significant investment in the Sustainable Growth Fund, which makes investments in companies in the sustainable and efficiency sector.

50%

We support the Saudi Green Initiative’s target of increasing the renewable energy quota to 50% by 2030.







**Advance the Net-Zero Transition**

Nationally, SNB will drive forward ambitions to be the regional catalyst and international magnet for decarbonization initiatives and climate finance. At a regional level, SNB is committed to calculating the carbon emissions associated with its lending and investment activities and considering the implementation of decarbonization targets.

**Climate Change**

SNB launched the Green Environmental Initiatives to address climate change risks, in line with the Saudi Vision 2030. We installed solar panels at SNB’s main head office at Riyadh and at all new branches, and we also planted 200,000 mangrove trees to support carbon capture and storage.

**Environmental Management**

As part of our overall goal to become a more sustainable business, we know we must manage and reduce energy demand, water, and waste.

To that end, we undertook several measures to reduce the negative adverse effects of our environmental footprint:

- Launched Phase 1 of Building Management System, aiming to reduce energy consumption by 25%
- Launched e-waste and IT assets recycling project
- Started reusing grey water to minimize water consumption at our head office, JRB, and Almathar buildings.

You can read more about our approach to environmental management and combating climate change in the ‘Advance the Net-Zero Transition’ chapter of SNB’s full 2023 ESG Report.

**We installed solar panels at SNB’s main head office at Riyadh and at all new branches, and we also planted 200,000 mangrove trees to support carbon capture and storage.**



Advocate Financial Empowerment and Nurture Talent

SNB is dedicated to fostering financial literacy programs and leveraging finance as a catalyst to uplift all segments of society, with a particular emphasis on support for women. At an operational level, SNB has a strategic objective to be an employer of choice, where employees feel proud to come to work, motivated, and able to excel.

Employee Well-being

SNB continues to invest in employee experience and well-being. Our well-being approach is guided by management system standards, e.g. National Examination Board in Occupational Safety and Health (NEBOSH) and ISO 45001.

14.5%

of full-time employees are females.

258,750

hours of training provided.

Diversity and Equal Opportunities

Diversity and equal opportunities are core components of our Code of Conduct. Empowering talent and fostering female participation in the workforce remain key strategic objectives for SNB.

Talent Attraction, Development, and Retention

SNB aims to foster a performance-driven culture. We provide our employees with clear performance objectives, ongoing coaching and feedback, professional development, and recognition of superior work. Supporting employees to return to work after parental leave continues to be a key priority.

35%

of new hires in 2023 were female.

73 hours

of training per female employee in 2023, on average.

Zero

recordable employee injuries in general.

SNB has a strategic objective to be an employer of choice, where employees feel proud to come to work, motivated, and able to excel.

31 hours

of training per employee in 2023, on average.

1,848 hours

of training delivered in alignment with Islamic principles.

96%

retention rate for employees returning from parental leave.







Nationalization

In 2023 our Rowad Program continued to grow, furthering our objective to help talented young nationals become the banking sector leaders of the future.

The Bank achieved a steady increase in Saudization, with the percentage of nationalization among our total workforce reaching 99.2% by the end of 2023.

Access to Finance

We aspire to unlock barriers to finance for economically disadvantaged communities, women, people of determination, SMEs, and local entrepreneurs and start-ups.

Since 2021, we have opened and/or maintained 37 SNB branches and 99 ATMs in economically disadvantaged areas and/or areas with low population density, providing access to banking services across the Kingdom.

The Bank empowers women to embark on employment and improve their social and economic status.

2023 highlights include:

- Providing 4,080 interest-free loans to female beneficiaries, with a total value of SAR 21 million.

SNB has taken a leading role to support the growth of the micro, small and medium enterprises (MSME) sector, with a total of SAR 49.4 billion credit facilities granted during the past year.

Customer Relationships

Customer satisfaction is a key priority for the Bank, and we aspire to provide exemplary customer service.

2023 highlights include:

- The continued growth of SNB’s dedicated Customer Service Department
- Obtaining the ISO 10004:2018 Quality Management System and ISO 10002:2018 Customer Satisfaction Quality Management System certification

Community Engagement

SNB’s Ahalina strategy aims to economically empower various community groups. Moreover, we continue to support the community through the Ahalina Social Responsibility Program, which helps non-profit organizations to implement sustainable projects.

To read more about how we empower individuals and communities visit the ‘Advocate Financial Empowerment and Nurture Talent’ chapter of SNB’s full 2023 ESG Report.

Ensure Authentic Leadership and Transparency

SNB is dedicated to fostering a unified Saudi perspective on ESG disclosure, leveraging international platforms to effectively communicate the Kingdom’s priorities. At an operational level, the Bank will develop robust governance structures and policies to deliver on ESG ambitions.

Compliance

SNB adheres to all relevant laws and guidance, and supports its employees to understand and comply with these too. Our employees receive mandatory compliance training and have access to a grievance system that addresses employee complaints in a fair and expeditious manner.

Financial Crime / Anti-Money Laundering

SNB has developed a business-wide Anti-Money Laundering (AML) and Combating Terrorist Financing Policy. We use a sophisticated automated solution to detect unusual or suspicious activity across all financial and non-financial transactions.

SNB ensures comprehensive anti-money laundering and counter-terrorism financing training led by AML specialists for senior management and employees, reinforcing our commitment to regulatory compliance and financial security.

In 2023, all transactions were screened against the relevant sanctions lists, and the necessary actions were taken for all alerts, as per the relevant approved procedures. All transactions were acquired and filtered in SNB’s AML/CTF System to identify any suspicious activities/transactions, and the cases were handled as per the approved procedures.

Anti-Bribery and Corruption

SNB has developed several measures to combat bribery and corruption, which include a range of policies and training to support our workforce.

We have systems in place to tackle cyber fraud on a continuous basis. This includes analyzing the patterns of cyber fraud and designing controls to help protect the Bank and its customers from fraud attempts.

SNB regularly communicates its Anti-Bribery and Corruption Policy to all employees. Mandatory e-learning modules have been introduced to ensure comprehensive and consistent training throughout the Bank.

Data Privacy and Innovation

As the Bank continues to innovate its digital offering, data privacy is one of our top priorities.

As part of our ongoing quest to realize our strategic goal of becoming the ‘Best Digital Bank’ and the ‘Best Bank in Customer Service,’ as well as to maintain our industry-leading position when it comes to digital transformation, we are delighted to announce the successful completion of enhancements to SNB Mobile. Thus, we reaffirm our commitment to and prioritization of customer feedback as the foundation of all future digital improvements.

SNB is in the process of establishing an organization-wide Data Privacy Program. As part of the Data Privacy Program, we have conducted awareness sessions addressing data collection, usage, and privacy for both employees and customers. Additionally, relevant employees will receive annual training on data privacy to ensure ongoing compliance and understanding.

We have systems in place to continuously tackle cyber fraud. This includes analyzing the patterns of cyber fraud and designing controls to help protect SNB and its customers from fraud attempts.

Responsible Procurement

In line with our support for nationalization, SNB promotes the use of local suppliers and fosters employment opportunities for Saudi nationals. The Bank’s suppliers must meet our ethical standards so that best practice can be maintained throughout the supply chain.

For more information about how we promote ethical governance visit the ‘Ensure Authentic Leadership and Transparency’ chapter of SNB’s full 2023 ESG Report.



SNB Mobile has been enhanced, maintaining the Bank’s industry-leading position. Digital sales of retail products increased to 73%.

6,000+ potential fraud attacks prevented in 2023.

Zero

data breaches over the last three years.

99.5%

of spending went to local suppliers in 2023.

Key Performance Indicators (KPIs)

	2023	2022	2021
Percentage of business units analyzed for risks related to money laundering and terrorism financing	100%	100%	100%
Percentage of transactions screened for money laundering	100%	100%	100%



# BOARD OF DIRECTORS' REPORT



The Board of Directors of the Saudi National Bank (SNB) is honored to present its annual report for 2023. This report covers the year’s performance, achievements, and consolidated financial statements, as well as the business activities of the Bank, its subsidiaries, and affiliated companies.

1. Main Activities

The Bank’s activities cover four operating segments that constitute its strategic businesses. These provide diverse banking products and services, as well as Shariah-compliant products, not related to special commissions, approved and supervised by an independent Shariah Committee. The activities are independently managed through an effective organizational structure and internal reporting.

**Retail Banking:** provides Shariah compliant banking services and products to individuals, private banking customers and micro and small businesses. These products are supervised by SNB’s independent Shariah Committee.

**Wholesale Banking:** provides banking services to corporates and medium-sized and large businesses, and Shariah-compliant financing products, including cash management and trading services, as well as conventional credit products. Within Wholesale Banking, Treasury provides all treasury and correspondent banking products and services, including money market and foreign exchange, to the Group’s customers. Treasury also conducts investment and trading activities (locally and internationally).

**Capital Markets:** provides wealth management, asset management, investment banking, principal investments, and securities services (local, regional, and international).

**International Banking:** comprises banking services provided outside Saudi Arabia, including Türkiye Finans Katılım Bankası (TFKB) and Samba Bank Limited (Samba Pakistan).

2. Key Events and Achievements

2023 was a year of heightened interest rates and inflation, subdued GDP growth, and geopolitical disruptions, all of which led to market uncertainty. Despite this operating environment, the Kingdom of Saudi Arabia saw a supportive business environment for the banking sector, with both Retail and Corporate sectors expanding. This, coupled with a focused and diligent execution of the Bank’s strategy, saw SNB achieve a record year in terms of income generation, balance sheet size, and strong progress in meeting its strategic objectives.

Balance sheet expansion of 10% during the year was driven by a 10% growth in financing, with both Wholesale and Retail banking delivering a solid growth performance. Customers’ deposits increased 4% year-on-year, and total assets reached the trillion Saudi riyal mark for the first time, standing at SAR 1,037,081 million.

Net income increased by 8% year-on-year to SAR 20.0 billion, a solid performance that was enabled by a combination of higher operating income and lower impairments. The impairment charges for the year amounted to SAR 923 million, a 45% improvement year-on-year.

Operating expenses rose 6% year-on-year, driven by inflationary pressures in Turkey, while domestic operating expenses remained largely stable.

The fiscal year showcased the success of the Bank’s merger with Samba in 2021, with the Bank now occupying the position of a true financial powerhouse, a position underscored by the market-leading positions SNB occupies across a range of important metrics.

Retail Banking

Retail Banking saw healthy volume growth and a strong revenue performance in 2023. Financing grew by 9% to SAR 320.6 billion at the year end, with residential mortgage finance loans playing an important role in this growth.

Total operating income grew by 9% to SAR 15.9 billion, driven by high special commission income and improved rates and volumes. Retail deposits in 2023 reached SAR 347.3 billion, an increase of 5%. Of this, current accounts comprised SAR 287.9 billion. Net income before zakat and tax grew by 14% to SAR 8.7 billion.

The elevated rates environment led to changing customer behavior, as more savvy savers sought higher yields from products such as call accounts, time deposits and other interest-bearing deposit accounts. This led to an increase of SAR 32.2 billion in interest bearing deposit balances.

The elevated rates environment led to changing customer behavior, resulting in an increase in interest-bearing deposit accounts.

The Bank’s digital offering was further refined and improved in 2023, resulting in 73% of all retail sales now being completed digitally, including 82% of account openings now being undertaken over digital channels.

Wholesale Banking

Wholesale Banking enjoyed a highly successful year, with net income before zakat and tax reaching SAR 12.0 billion, an improvement of 5% on 2022. The Wholesale Banking business saw growth across the board from all its business areas, and this, supported by an ongoing focus on meeting customer needs, resulted in total assets reaching SAR 583.7 billion, an increase of 12% on the prior year.

Total financing increased by 13% to SAR 262.6 billion, and this was matched by efficient risk management and recoveries that saw the impairment charge decline by 155%.

Corporate Banking

The Corporate Banking business constitutes an important strategic component as an enabler of the Kingdom’s Vision 2030 strategy, and this role was delivered in 2023 through the strategic support of those segments at the heart of the National Transformation Program and Vision 2030, including tourism, media, advertising and entertainment, all of which were successfully served by SNB Corporate Banking in 2023.

Furthermore, the Bank’s leading position as banker to the micro, small and medium-sized enterprise (MSME) segment was also underscored in 2023, as it continued to build strategic partnerships with several government and semi-government entities, such as the Small and Medium Enterprises General Authority (Monsha’at). SNB also signed the Tomoh Initiative in 2023, sponsored multiple MSME events, and was awarded both the Kafalah Excellence Award and the Kafalah Entertainment Sector Support Award.

Treasury

SNB’s Treasury business delivered strong results in 2023 despite an uncertain and challenging market environment with elevated volatility and “higher for longer” base rates influencing client behavior and objectives.

With asset growth muted, Treasury managed to increase special commission income considerably while carefully managing the credit quality of the portfolio.

The equities business also saw increased turnover in 2023. As a market maker, SNB continued to play an important role in enhancing the Saudi capital markets sector through its role as a Primary Dealer.

Capital Markets

2023 was a challenging year for the capital markets in Saudi Arabia, as overall stock exchange trading and overall investment activity declined. Against this backdrop, SNB Capital delivered a resilient performance, with assets growing by 14% to SAR 15.8 billion, and generating net income before zakat and tax of SAR 1.17 billion.

In asset management, SNB Capital launched seven new alternative funds, and ended the year with over SAR 245 billion in assets under management (AUM), with 16 funds ranked in the top quartile of performance.

The Investment Banking Division secured a market share in excess of 50% of the buoyant Saudi IPO market in 2023. The Bank also delivered a strong performance in debt capital markets, with a market share exceeding 65%.



**International**

SNB’s International business comprises its Turkish subsidiary, Türkiye Finans Katılım Bankası (TFKB) and Samba Bank Limited (Samba Pakistan). During the year, International contributed SAR 944 million in net income before zakat and tax to the Group.

Both the Turkish and Pakistani economies faced significant headwinds in 2023, with continued inflation and government measures to alleviate the situation. With inflation reaching 65% in Turkey, SNB took a prudent hyperinflation-linked adjustment of SAR 441 million in 2023.

Despite these macro headwinds, TFKB grew its loan portfolio by 53% in local currency terms in 2023, with strong growth seen across loan categories and asset classes. This drove strong operating income growth of 69% to TRY 17.6 billion, though inflationary pressures and monetary volatility resulted in an overall 9% decline in net income after tax to TRY 1.8 billion.

The health of TFKB’s loan book also showed improvement in 2023, with improved collections contributing to a reduction in NPLs from 2.7% to 1.3% in 2023 and the total coverage ratio improving from 153% to 210%.

Samba Bank Limited (Samba Pakistan) achieved a record profit before tax of Rs. 2.19 billion. Net special commission income increased by 71.4% over 2022, while the bank’s foreign exchange income witnessed healthy growth of 9%, reaching Rs. 1,144 million.

**Digitization and Productivity**

SNB has a stated strategic aim to “Fortify Digital Leadership via Digitization, Zero back office and Digital Ventures”, and 2023 saw material progress towards this end.

The SNB banking app is popular and well-used, and new features and enhancements were added in 2023. We continued to roll out our Intelligent Teller Machines (ITMs) across the network, which allow an in-branch digital customer journey, including a feature that facilitates video conferences with relationship managers.

Our retail customers continued to migrate to digital channels in 2023: some 400,000 cards were applied for and issued via digital channels, up by a third on 2022. A large-scale survey of 300,000 customers resulted in a satisfaction score of 4.7 out of 5.

2023 saw the creation of the Digital Ventures and Payments Company. This is designed to create a standalone entity reporting to the Group’s Board of Directors, bringing a more focused agenda around all digital activities. Major plans are in place for expansion and growth of this business in 2024 and beyond.

**Bank of Choice for our People**

Perhaps the most important factor that will enable SNB to realize its ambitions is the quality and talent of its people, the Bank’s greatest asset. SNB invests heavily in its people and their well-being. The People Strategy is designed to make optimal use of this critical asset to drive business success.

2023 saw further strong people progress, including successful recruitment initiatives which have prioritized female and digital/data talent, further adding to the Bank’s diverse and skilled workforce. An accelerated graduate program, named Rowad, has significantly boosted the female ratio of graduate intake. The overall female ratio at the Bank rose to 14.5% up from 13.4%

Banking is a technical and technological industry, and it is important to equip people with the latest skills and capabilities to be the best at their roles. In 2023, the number of trained employees and training days delivered increased by over 100%, a sign of the return to a normalized working environment post-Covid, and proof of our commitment to continuous learning and skill enhancement for our people.

As a result of this focus, we saw notable improvements in overall employee engagement. Satisfaction with the work environment increased from 68% to 79% in 2023, while overall engagement scores saw a significant increase, from 60% to 73%.

In a highly competitive labor market, retaining the best talent is crucial to success, and an engaged and incentivized workforce is a crucial element. Furthermore, strategic retention efforts were executed in 2023, particularly targeting key segments (females, high performers, Rowad) which resulted in effective measures to retain valuable talent within the organization.

**Corporate Social Responsibility**

Based on its role and sensing its responsibility to achieve social sustainable development for society, SNB continued supporting its Ahalina social responsibility programs.

The Ahalina Social Investment Program contributed to empowering 50 non-profit organizations and supported 19 specific development projects in various parts of the Kingdom that benefited 610 citizens, contributing to the economic empowerment of community members.

SNB encouraged its employees to participate in AlAhli Volunteer Work Program by involving them and their families in 35 specific volunteer initiatives, with the participation of more than 1,382 volunteers, for a total 4,343 volunteer hours, to enhance their sense of volunteerism and community giving. We also launched a specialized initiative for student volunteering, with 50,000 hours. The total economic value of all initiatives amounted to SAR 1,257,053.

SNB provided 115 housing units for the neediest families within AlAhli Developmental Housing Program to provide decent housing, raise the quality of life, and achieve well-being and prosperity for the nation and the citizen to achieve the Kingdom’s goals.

Environmental achievements as per the Saudi Green Initiative included planting 200,000 mangrove trees, contributing to expand the vegetation cover, combating pollution, and combating desertification and climate change. In addition, the Green Mosques Initiative included upgrading and planting more than 10,000 trees in the vicinity of using grey water.

**Corporate Responsibility programs**

SNB continues to record corporate responsibility achievements that make such a profound difference within the communities served by the Bank. For more than 19 years, corporate responsibility programs have met the needs of communities and kept up with societal changes.

SNB has been developing its corporate responsibility strategy to boost the impact and depth of its programs. As a result, the Bank launched the Ahalina strategy that focuses on empowering various community groups, converting them into positive and developmental energies capable of supporting the national economy. To this end, SNB has used its expertise and specialized capabilities in various fields to further support community initiatives that align with the Bank’s strategy. In collaboration with the public and non-profit sectors, this strategy aims to uplift the community by empowering individuals and institutions and providing community support in various regions of the Kingdom. The study was developed after an in-depth study that analyzed societal needs and is aligned with the goals outlined in the Kingdom’s national agenda.

SNB’s corporate responsibility achievements in 2023:

**Productive Families Finance Program**

This program provides micro-finance to women of productive families through group loans that are exempt from traditional guarantees. Each beneficiary group comprises three to five women and the program is based on the principle of collective guarantee among themselves. The Bank provides interest-free loans without any profit to the Bank or additional costs to the beneficiaries.

Finance starts from SAR 4,800 per beneficiary in the first phase of a project, rising to SAR 12,000 in Phase 4.

The program seeks to empower women and strengthen their role within families and the wider community, specifically by qualifying low-income women and those seeking employment and productivity. By establishing a culture of self-reliance and self-employment opportunities for women, the program ultimately helps reduce poverty and unemployment, while empowering women socially and economically through income-generating projects. Funding is provided through six independent Ahalina CR branches - in Jeddah, Riyadh, Al-Ahsa, Ha’il, Buraidah, and Abha. Setting up these Ahalina branches alone stimulated community empowerment by creating more than 66 new jobs, of which more than 83% are for women.

In 2023, 4,071 loans with total value of SAR 21,544,200 were provided to female beneficiaries. This brings the number of loans since the program began in 2015 to 30,723, with a total value of SAR 126,716,400.

**AlAhli Entrepreneurs Program**

SNB is focused on empowering young men and women, encouraging them to pursue an entrepreneurial spirit and start their own successful projects. This is why the Bank launched a number of business accelerators to support innovation, facilitate starting businesses, and develop capacities, in the process creating job opportunities for Saudi nationals across the Kingdom.

SNB also launched the Social Entrepreneurship Accelerator, in the fields of environment and energy in cooperation with the Ministry of Energy, which seeks innovative solutions to societal challenges, as well as enabling projects to grow and create a sustainable impact. Again, 12 influential projects with high potential for success in social entrepreneurship are selected for the accelerator and presented to a group of experts and investors.

The bank also launched, in partnership with the Mohammed bin Salman “Misk” Foundation, the Misk Accelerator Program for 2023, in Riyadh. The accelerator aims to empower entrepreneurs and encourage them to develop and grow their projects, by providing the necessary support and important resources, in addition to providing participants with the knowledge, tools and networks necessary to achieve success and sustainability in the competitive business market. The program includes a qualified group of 20 startup companies, represented in an intensive 12-week program that provides participants with guidance, direction, and resources for local, regional, and international startup companies, with the aim of developing them and accelerating their growth and expansion in the Kingdom.

SNB, in partnership with the Ministry of Communications and Information Technology launched “Techstars” business incubators in Jeddah and Al-Ahsa. The program aims to support and develop 40 technical entrepreneurial projects, hone their entrepreneurial skills, better understand their target customers, and delve deeper into the innovative solutions they provide through an intensive 10-week incubation program.

**Craft Production Program**

This program aims to empower craftsmen, support Saudi Talent, develop national capabilities, develop their skills, raise their efficiency, and utilize their energies in the fields of crafts and handicrafts, in cooperation with the Heritage Authority. The objective is to contribute to the development of heritage and craft in the Kingdom, and to support and empower the workforce by raising their capabilities and competencies and provide them with skills in design and innovation and quality of production to raise the quality of heritage product and highlights the Saudi national identity. The program trained and empowered 487 craftsmen of both genders through 33 courses in various crafts, including traditional handicrafts (Sadu weaving, wickerwork, pottery, making prayer beads, and decoupage in 16 cities to develop the Saudi craft sector and contribute effectively to the economic growth in the Kingdom in accordance with the highest quality standards.

The program objectives was also to contribute and support local projects by displaying and marketing national products for (213) beneficiaries through many diverse initiatives, different channels, and innovative solutions to contribute to creating marketing opportunities for these beneficiaries.

**Ahalina Social Investment Program**

This program was launched in strategic partnership with the King Khalid Foundation. It aims to empower non-profit organizations and associations by developing their capabilities to design and implement sustainable projects that align with Vision 2030. The ultimate objective is to expand the impact of this vital sector by adopting best management practices.

In this context, two regional phases of the 2023 grant program were launched:

Workshops, meetings, and field visits were organized for each non-profit entity to come up with an action plan and a budget for their projects. The outcomes were to be based on sound administrative principles that would underpin their success. As a result, 19 development projects throughout the Kingdom were funded, benefiting 610 male and female individuals to build and develop their capabilities, thus enabling them to enter the labor market, empowering them economically and helping them achieve financial independence.

Under the capability-building program for non-profit staff, the skills of 50 non-profit organizations and associations around the Kingdom were developed by attending 25 intensive training hours. This was done through three main tracks targeting general resource development, special resource development for associations in the field of heritage and building capabilities for government support associations.

**AlAhli Volunteer Program**

This program involves SNB employees in activities that meet the needs of the community by providing general and professional volunteering opportunities.

In general volunteering, more than 1,203 SNB employees in 25 cities participated in 35 initiatives – contributing 4.012 hours to a value of SAR 84,252. For the seventh consecutive year, activities included the Ahalina Happiness Campaign, aiming to instill the concept of volunteering in 20 cities in the kingdom.

For the seventh successive year, volunteering with the Pro Bono initiative by SNB employees proved very successful, with 179 people participating in 149 projects and giving 331 hours of their personal time the value of more than SAR 122,801 to 592 beneficiaries. The initiative included providing workshops and specialized face to face and remote consultations based upon SNB employees’ professional expertise.

An agreement and student volunteer initiative was also signed in cooperation with the Ministry of Municipal and Rural Affairs and Housing, aiming to eliminate visual distortion in schools. 10,000 student volunteers participated, equivalent to 50,000 volunteer hours, and with an economic value equal to 1,050,000 million riyals.

**Environmental Initiatives**

Key environmental initiatives achieved were planting of 200,000 mangrove trees to expand the vegetation cover in the Kingdom, combat air pollution, combat land desertification, confront the effects of climate change, and preserve natural resources and biodiversity in the Kingdom. In addition to the Green Mosques Initiative, which consists of upgrading planting thirty mosques in various regions of the Kingdom, by establishing a special irrigation system to enhance the planting process by using gray water resulting from ablution, treating it and recycling it to plant more than 10,000 trees.

**Society Support Activities**

As part of SNB’s leadership role in society, the Bank supports many programs, activities, and initiatives that have a direct social impact. The Bank contributed SAR 17 million to the national campaign to support those affected by the earthquake in Syria and Turkey and the general relief campaign for the Palestinian people in Gaza.

In line with the kingdom directions to develop charitable work through the use of advanced technology solutions and building an effective system through partnerships with government, private and non-profit sectors, SNB donated an SAR 1.5 million to the National Charitable Work Campaign through the national platform ‘Ehsan’.

In a related context, for the sixth successive year, SNB’s No Receipt Print initiative continued to protect the environment by encouraging customers to reduce paper consumption in ATM transactions. The SAR 1,000,000 value of the paper saved was donated to the Disabled Children Association.

**Environment, Social and Governance**

SNB aims to utilize and integrate ESG as a synergistic ‘boost’ to enhance delivery of the SNB Vision, Purpose, and Strategic Objectives.

**ESG highlights in 2023:**

**Environment**

- SAR 1,518 million in green assets were financed.
- 73% of SNB’s total financing product sales were through digital channels.
- Solar panels were installed in new branches and the SNB HQs.
- 200,000 mangrove trees were planted.
- Building 30 recycling plants for grey water treatment to make mosques greener.



Social

- 99.3% of SNB’s total workforce are Saudi nationals.
- 14.5% of SNB’s full-time employees are female.
- 258,750 hours of training were provided to SNB employees.
- 25.4% increase in SNB community investments, while the number of projects increased by 60%.
- 311,469 small and medium enterprises (SMEs) were supported, with a total of SAR 49.4 billion.
- 4,343 hours of employees and their families volunteering, an increase of 18%.

Governance

- 4,080 interest-free loans were provided to female beneficiaries, totaling SAR 21,544,200.
- 100% of transactions were screened for money laundering.
- Zero incidents of corruption have occurred in the past three years.
- Zero data security breaches have occurred in the past three years.

For more information about the Bank’s environmental, social and governance achievements, please refer to the ESG Review on page 39, and SNB’s full 2023 ESG Report.

Shariah Committee

Established in 1996, the Bank’s Shariah Committee was one of the first Shariah committees in the banking industry. It is an independent body that is responsible for the adoption of Shariah-compliant products and services, and ensures the integrity of their application.

In 2023, the Shariah Committee held periodic meetings with the aim of studying and discussing products, agreements, financing, contracts, forms, new bank inquiries, and Shariah supervision reports. It issued its decisions and recommendations for approval and implementation at the bank level, and for affiliated companies. In 2023, the committee held 13 meetings, studied 108 topics and issued 57 decisions.

Shariah Division

The functions assigned to the Shariah Division are key to SNB’s development. The Division performs tasks that support SNB’s objectives and plans to expand and increase the services and products provided to the Bank’s customers while remaining compatible with the Shariah Committee controls. It also supports the Shariah Committee in achieving its objectives and completing its work. This is achieved by the following departments:

Shariah Advisory and Research Department

This department focuses on studying Shariah topics, answering inquiries, preparing research, submitting and presenting documents to the Shariah Committee, preparing meeting minutes, recording any decisions made therein, and communicating them. It also conducts project management for science and jurisprudential seminars.

Shariah Review Department

This department undertakes Shariah reviews to ensure all products and services provided by the Bank and its sister companies are Shariah compliant. It submits reports to the Shariah Committee and the Audit Committee, in accordance with best practices.

Shariah Compliance and Governance Department

This department provides reasonable assurance to the Bank’s management, the management of subsidiaries, and the Shariah Committee that the Islamic activities of the Bank and its subsidiaries comply with Shariah decisions and controls issued by SNB’s Shariah Committee and the internal Shariah Committee.

Shariah Development and Support Department

This department supports the Bank’s various departments to develop existing or new Islamic products, and provides alternative solutions to transform traditional products into Shariah compliant products.

Shariah Division Activities in 2023

Managing meetings of the Bank’s Shariah Committee and the UAE Branch’s Internal Shariah Supervision Committee.	17 meetings
Studying requests and inquiries received from SNB, SNB Capital and the UAE branch.	375 requests
Issuing replies from the Shariah advisor and the internal Shariah Committee, and responding to inquiries received from the Bank’s employees and clients.	322 reply
Launching and distributing the book ‘Rulings Extracted from the Decisions of the Shariah Committee for SNB products.’	613 copies
Issuing Shariah audit reports for SNB and SNB Capital.	13 reports
Completing the correction of the legal observations observed on banking products.	41 comments
Issuing reports measuring compliance and Shariah governance.	11 reports
Review and approve policies, procedures, and programs for products, advertising materials, and system development documents, and ensure their compliance with the Shariah Committee’s controls.	1,729 requests
Studying support cases received by the Disbursement Committee from the cleansing account.	513 cases
Issuing alert notices to comply with Shariah governance requirements.	11 alerts
Preparing and updating policies related to governance, risk, and Shariah compliance.	4 documents
Representing SNB in meetings of the Islamic Banking Committee of the Central Bank of Saudi Arabia (SAMA).	4 meetings
Raising Islamic Banking awareness.	9 messages
Providing awareness courses in Islamic Banking.	10 courses
Reviewing and approving policies, procedures, and product programs after ensuring their compliance with the controls of the UAE Branch Shariah Supervision Committee.	33 documents
Preparing the mandatory Islamic Banking awareness course for Bank employees.	–
Working on developing investment accounts based on rules of investment accounts according to sharing profits for the Bank following Shariah regulations.	–
Contributing to enhancing and developing the display of Islamic Banking data in the Bank’s financial statements.	–
Monitoring the disbursement from the purification account in accordance with the decisions of the Shariah Committee.	–
Completion of a project to separate accounting records for assets and liabilities of Islamic products from conventional ones.	–
Conducting a set of procedures to achieve the requirements of the governance framework in the UAE Branch.	–

Symposium on the Future of Islamic Banking

This symposium is held as part of SNB’s continuous efforts to achieve leadership in Islamic banking by addressing the challenges facing the banking sector in general, and Islamic banking in particular. One of the main aims is to enrich the cognitive and cultural aspects of decision-makers in the relevant departments and authorities, which is beneficial not only for SNB’s reputation but also for the country and the financial industry in general. Another goal is to increase Shariah awareness and evaluate banking products that are compatible with Shariah controls, leading to improved Shariah services provided in the financial sector. Notably, the participants in the symposium are among the top researchers and specialists in the financial industry.

SNB, represented by the Shariah Division, held its 15th annual symposium ‘The Future of Islamic Banking’ which explored the topic ‘Mutual Funds Development ’ with the participation of senior scholars and specialists in Islamic banking, with attendance of more than 500 people.

The symposium was opened by the Chairman of the Shariah Committee, H.E. Sheikh Dr. Saad Nasser Al-Shithri, who presented a research paper on the importance of studying jurisprudential issues related to mutual funds, and the necessity of paying attention to their legal rooting, given the recent increase in their size.

The Acting CEO Talal ElKhreigy, also delivered a paper reviewing SNB’s leadership in Shariah banking solutions and the Bank’s efforts to develop the industry by supporting the regulatory institutions.

The book ‘Rulings Extracted from the Decisions of the Shariah Committee for SNB products’ was launched at the symposium and distributed to the attendees.

A side meeting was also held to review the draft Shariah Standard number 62, regarding ‘Sukuk’ issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to present it to the Islamic financial industry. Nearly 100 financial specialists participated in the symposium.



3. Financial Results

SNB continued to increase annual profits, successfully implementing a range of initiatives to meet its strategic aspirations, satisfy shareholders’ expectations, and fulfil the needs of customers and employees.

SNB achieved net profits of SAR 20.0 billion for equity holders in 2023, after Zakat and income tax, compared to SAR 18.6 billion in 2022 – an increase of SAR 1.4 billion and growth of 7.7%. Earnings per share after Zakat and income tax were SAR 3.23.

Net special commission income increased by 2.7% to SAR 27.0 billion, up from SAR 26.3 billion. Total operating income rose by 4.8% to SAR 34.6 billion from SAR 33.0 billion, while total operating expenses including net impairment charge for expected credit losses decreased by 1.7% from SAR 11.5 million to SAR 11.3 million.

The Bank’s assets increased by 9.7% to SAR 1,037.0 billion from SAR 945.5 billion, while the financing and advances portfolio grew by 10.3% from SAR 545.3 billion to SAR 601.5 billion. Investments increased by 4.2% from SAR 258.3 billion to SAR 269.1 billion, and customers’ deposits increased by 3.8% from SAR 568.3 billion to SAR 590.1 billion.

SNB’s financial results over the past five years (in SAR million):

	2023	2022	2021	2020	2019
Total assets	1,037,081	945,496	914,147	599,443	506,819
Net financing and advances	601,527	545,311	497,568	346,705	281,843
Net investments	269,129	258,292	242,561	144,853	134,077
Total liabilities	860,452	778,719	751,378	519,228	437,476
Customers’ deposits	590,051	568,283	588,574	416,419	353,389
Total equity attributable to equity holders of the Bank	175,905	165,973	162,198	79,410	68,443
Total operating income	34,589	33,005	28,236	21,458	20,575
Total operating expenses	11,280	11,470	13,523	8,448	7,719
Net income attributable to equity holders of the Bank	20,010	18,581	12,668	11,440	11,401

Financial results of the Bank’s operational segments in 2023 and 2022 (in SAR million):

	Retail		Wholesale		Capital Market		International		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total operating income	15,875	14,612	13,807	13,948	1,796	1,870	3,112	2,575	34,589	33,005
Total operating expenses	7,164	7,039	1,780	2,551	621	573	1,715	1,308	11,280	11,470
Net income before zakat and income tax	8,689	7,592	11,971	11,433	1,168	1,296	944	955	22,773	21,277
Total assets	406,082	378,838	583,693	520,759	15,760	13,844	31,546	32,055	1,037,081	945,496
Total liabilities	358,220	342,040	470,319	403,696	4,173	4,354	27,740	28,628	860,452	778,719

Net income distributed between the Bank and its main subsidiaries (in SAR million):

	Net income attributable to equity holder	% of total income
Saudi National Bank	18,264	91.27%
SNB Capital and its subsidiaries	1,536	7.67%
Türkiye Finans Katılım Bankası and its subsidiaries	195	0.98%
Samba Bank Limited, Pakistan (SBL)	15	0.07%
Total	20,010	100%

4. Geographic Analysis of Revenues

Bank revenues are generated from its activities inside and outside Saudi Arabia according to its geographic classification (in SAR million):

	Kingdom of Saudi Arabia, GCC, and Middle East	Turkey	Pakistan	Others	Total
2023	30,520	2,849	125	1,095	34,589

5. Credit Ratings

International credit rating agencies underscored the fact that SNB maintained a stable rating over 2023, reflecting the Bank’s aspirations to increase profitability and liquidity. Credit agencies’ detailed evaluations for the year were:

Rating agency	2023		
	Short term	Long term	Outlook
Standard & Poor’s	A-2	A-	Stable
Fitch	F2	A-	Stable
Moody’s (unsolicited)	P-1	A1	Positive
Capital Intelligence	A1	A+	Positive

6. Dividend Distribution

In accordance with Article 47 of the Bank’s Articles of Association, and based on the proposal of the Board of Directors, and after the approval of the General Assembly, and in accordance with the Banking Control Law, the Bank’s net profits shall be distributed after deduction of all general expenses and the amounts set aside for impairment charges for expected credit losses, zakat, tax, and any other burdens:

- (1) 25% of net income attributable to equity holders of the Bank shall be set aside to build up a statutory reserve. The Ordinary General Assembly may stop or reduce the rate of this deduction for reserve if the statutory reserve has reached an amount equal to the full capital.
- (2) The Ordinary General Assembly may, upon the Board’s proposal, set aside a certain percentage of the net profits to build up a consensual reserve, which may not be used without approval by an Extraordinary General Assembly. If such reserve is not assigned for specific purpose, the Ordinary General Assembly may, upon the Board’s proposal, decide to dispose of it to bring benefits to the Company or the shareholders.
- (3) Assignment of purification amounts.
- (4) From the remainder, an initial percentage not less than 5% of the capital shall be distributed to shareholders. If such remainder of net profits is insufficient to pay the referred percentage, the shareholders have no right to request distribution from the following year’s profits.
- (5) A percentage of the remainder, after having satisfied the above-mentioned deductions, including Paragraph (4), shall be set aside as a bonus for the Board of Directors in accordance with the instructions issued in this regard by the Saudi Central Bank.
- (6) The remainder thereafter shall be used according to the recommendation of the Board of Directors, either to build additional reserve, be distributed as extra share of profits, or for any other purpose the General Assembly may decide. However, the General Assembly may not resolve to distribute any share of the profits which exceeds the recommendation by the Board of Directors.
- (7) By a resolution from the Board of Directors and subject to the non-objection of the Saudi Central Bank, interim profits may be distributed quarterly or half-yearly to be deducted from the annual profits in accordance with the regulations issued by the CMA.

Year	Distribution Date	Amount	Total Payout Ratio	Type	Status
		SAR per share	Net of Zakat SAR ‘000		
2023	May 2023	0.60	2,686,800	Final	Paid
	Aug 2023	0.85	5,100,000	Interim	Paid
2022	April 2022	0.90	4,030,200	Final	Paid
	July 2022	1.10	4,925,800	Interim	Paid

7. Income Distribution

2023	SAR Million
Net income for year before Zakat and income tax	22,773
Zakat and income tax expense	2,664
Transfer to statutory reserve	5,024
Interim paid dividend	5,100
Tier I Sukuk related costs	773
Non-controlling Interests	99
Transfer to retained earnings	9,113

8. Disclosure of Statements of Micro, Small, and Medium Enterprises

(1) Qualitative Disclosure

(a) Approved definition of micro, small, and medium enterprises and initiatives adopted by the Bank to support them:

Micro, small, and medium enterprises are enterprises that achieve annual sales of less than SAR 200 million, and these enterprises are divided into three categories:

- Micro enterprises with annual sales with less than SAR 3 million
- Small enterprises of annual sales with more than SAR 3 million and less than SAR 40 million
- Medium enterprises of annual sales with more than SAR 40 million and less than SAR 200 million

(b) SNB strategic initiatives for support micro, small, and medium enterprises

SNB supports the micro, small, and medium enterprises (MSME) sector through a number of initiatives and financing programs. The Bank has acquired a large share of the financing facilities provided to this segment, amounting to about SAR 49.4 billion within several programs, including the Government’s Kafalah program. SNB has been ranked as a leading Saudi bank in terms of the value of Kafalah guarantees provided to MSME customers.

The volume of funds granted by the Saudi banks, combined, through Kafalah guarantees, exceeded SAR 87.6 billion by the end of Q3-2023. SNB’s share exceeded SAR 24.5 billion, with 4,589 enterprises benefiting from SNB financing since the inception of the program.

The most significant initiatives undertaken with our partners in 2023 are:

General Authority for Micro, Small and Medium Enterprises (Monsha’at)

Financing program initiatives, whereby SNB participates in studying and designing financing programs for MSMEs; an initiative to educate, train and develop MSMEs where SNB will design specialized training programs for the MSME sector; a franchise agreement where SNB will design innovative financing programs with competitive profit margins to enterprises engaged in franchise business; support local content by qualifying and facilitating the access of small and medium enterprises to the available markets and investment opportunities, through the ‘Jadeer Electronic Gateway’; enhance electronic payment applications that include e-pay and B2B service, which will support managing collection and payments automatically for commercial enterprises; design and develop digital awareness programs that improve financial capabilities and awareness for MSME owners.

Kafalah Program

SNB signed the guarantee portfolio product agreement, intended to reduce the time needed for approval to two days after fulfilling certain procedures and criteria. SNB is part of the emerging portfolio product that was launched by Kafalah to support micro business by increasing the coverage to 90% with maximum guarantee not exceeding SAR 500 thousand.

National Technology Development Program (NTDP) agreement, under which SNB will design innovative financing programs with competitive profit margins to enterprises engaged in technology business.

POS Merchant Financing Program

SNB has launched POS merchant financing that facilitates small ticket financing to merchants against pledging the POS proceeds. The product is designed specifically for MSMEs as a feasible and speedy financing option that may not be available through traditional financing programs.

Fleet Finance Program

SNB has launched a fleet finance program to support merchant capital expansion through the leasing of cars and heavy trucks.

Digital Services

SNB launched a digital campaign to support MSMEs with a view to increasing awareness of the various support services and products offered by the Bank. Through the digital platform, MSMEs are offered a wide range of digital services such as account opening, cash management products, and credit facility applications.

SNB posted educational messages on its social media channels to raise MSME awareness of the finance procedures to support business activities and to explain programs provided by the Saudi Central Bank and how to access them. SNB assigned a team and a toll-free number to answer any questions regarding support programs.

SNB sponsored multiple MSME events such as Biban 23, the Entrepreneurship World Cup, and Franchise Market.

SNB received the Kafalah Excellence Award and Kafalah Entertainment Sector Support Award.

(2) Quantitative Disclosure

Quantitative disclosure for 2023 (in SAR ‘000):

Particulars	Micro	Small	Medium	Total
Financing of micro, small, and medium enterprises – on-balance items	6,277,458	17,274,949	16,251,366	39,803,773
Financing of micro, small, and medium enterprises – off-balance items	962,853	3,430,531	5,208,726	9,602,110
On-balance financing of micro, small and medium enterprises as a percentage of total on-balance financing	1.08%	2.96%	2.79%	6.82%
On-balance financing of small, medium, and micro enterprises as a percentage of total off-balance financing	1.14%	4.05%	6.15%	11.34%
Number of financings (on-balance and off-balance)	4,778	7,022	6,536	18,336
Number of financed customers (on-balance and off-balance)	4,094	3,681	1,558	9,333
Number of financings guaranteed by Kafalah Program (on-balance and off-balance)	232	641	294	1,167
Total financings guaranteed by Kafalah Program (on-balance and off-balance)	130,223	1,126,888	1,917,446	3,174,557

Quantitative disclosure for 2022 (in SAR ‘000):

Particulars	Micro	Small	Medium	Total
Financing of micro, small, and medium enterprises – on-balance items	2,481,825	13,229,145	20,363,480	36,074,450
Financing of micro, small, and medium enterprises – off-balance items	769,966	2,900,549	6,104,153	9,774,668
On-balance financing of micro, small, and medium enterprises as a percentage of total on-balance financing	0.47%	2.51%	3.87%	6.86%
Off-balance financing of micro, small, and medium enterprises as a percentage of total off-balance financing	1.01%	3.79%	7.97%	12.77%
Number of financings (on-balance and off-balance)	3,677	7,155	7,733	18,565
Number of financed customers (on-balance and off-balance)	2,964	3,513	1,477	7,954
Number of financings guaranteed by Kafalah Program (on-balance and off-balance)	197	731	259	1,187
Total financings guaranteed by Kafalah Program (on-balance and off-balance)	167,085	1,313,360	1,652,073	3,132,519

Employees Quantitative Disclosure for 2023

The data below is filled out on the bank level only

	Q1, 2023 Total	Q2, 2023 Total	Q3, 2023 Total	Q4, 2023 Total	Total YTD
Number of staff members in MSME unit/department	190	192	187	181	181
Annual cost budget allocated to MSME unit	-	-	-	-	-
Number of MSME employees sent for training	22	15	51	130	218
Total man days of training provided to MSME employees	62	59	125	398	644
No. of workshops held for MSME customers	-	-	1	2	3
Number of new products for MSMEs	-	-	2	-	2



9. Compensation to Board Members, Board Committees, and Senior Executives

(a) Compensation to Board Members

The Board has prepared SNB’s Policy of Annual Compensation of Board Members and Board Committees. The policy was approved by the General Assembly. The policy aims to set the criteria for the compensation of Board Members and Board Committees, as well as entitlement conditions.

Compensation paid to Board members and Board Committees is set in line with the instructions issued by the supervisory bodies and is governed by the Key Principles of Governance in Financial Institutions under the Control and Supervision of the Saudi Central Bank and the Compensation Regulations issued by the Saudi Central Bank, the Corporate Governance Regulations and the Implementing Regulation of the Companies Law for Listed Joint Stock Companies issued by the Capital Market Authority (CMA), the Companies’ Law, and SNB’s bylaws.

Compensation paid to the Board members for the fiscal year 2023 was as follows, without any substantial deviation from applicable laws and regulations:

Board Members	SAR												
	Fixed Compensation							Variable Compensation					
	Fixed amount for the Board & Committees Memberships	Board meeting attendance allowance	Total allowance for attendance of committee meetings	In-kind Benefits	Compensation of technical, administrative and consultative works	Compensation of Board Chairman, Managing Director or Secretary if they are members	Total	Profit share	Periodic bonus	Short term motivational plans	Long term motivational plans	Bonus shares	Total
	End of service benefit												
	Expense allowance												
	Total aggregate#												

I. Independent Directors

Mr. Ziad Mohammed Altunisi	700,000	35,000	70,000	-	-	-	805,000	-	-	-	-	-	-	3,000	503,000
Mr. Zaid Abdulrahman Algwaiz	640,274	35,000	65,000	-	-	-	740,274	-	-	-	-	-	-	3,000	503,000
Mr. Abdullah Abdulrahman Al-Rowais****	700,000	35,000	40,000	-	-	-	775,000	-	-	-	-	-	-	3,000	778,000
Ms. Huda Mohammed Bin Ghoson	500,000	35,000	35,000	-	-	-	570,000	-	-	-	-	-	-	18,000	518,000
Total	2,540,274	140,000	210,000	-	-	-	2,890,274	-	-	-	-	-	-	27,000	2,302,000

II. Non-executive directors

Mr. Saeed Mohammed AlGhamdi*	576,713	35,000	35,000	-	-	4,500,000	5,146,713	-	-	-	-	-	-	3,000	5,003,000
Mr. Ammar Abdulwahed Alkhudairy**	139,726	5,000	5,000	-	-	-	149,726	-	-	-	-	-	-	0	149,726
Mr. Yazeed Abdulraman Alhumied	500,000	35,000	40,000	-	-	-	575,000	-	-	-	-	-	-	3,000	503,000
Mr. Rashid Ibrahim Sharif	500,000	35,000	30,000	-	-	-	565,000	-	-	-	-	-	-	3,000	503,000
Mr. Saoud Solaiman Aljuhni	500,000	25,000	30,000	-	-	-	555,000	-	-	-	-	-	-	3,000	503,000
Mr. Abdulrahman Alodan	600,000	35,000	60,000	-	-	-	695,000	-	-	-	-	-	-	3,000	503,000
Dr. Ibrahim Saad Almojel	500,000	35,000	30,000	-	-	-	565,000	-	-	-	-	-	-	3,000	503,000
Mr. Naif Safouq Al Marshed***	369,316	25,000	15,000	-	-	-	409,316	-	-	-	-	-	-	3,000	412,316
Total	3,685,755	230,000	245,000	-	-	4,500,000	8,660,755	-	-	-	-	-	-	21,000	8,080,042

\* It was approved to accept the resignation of Mr. Saeed Mohammed Al-Ghamdi from his position as Managing Director and CEO of the Group, effective from 26/03/2023 provided that his membership on the Board of Directors will continue, he was also appointed as Chairman of the Board of Directors effective from 27/03/2023.

\*\* Mr. Ammar Abdulwahed Al-Khudairi’s membership in the Board of Directors has ended on 26/03/2023.

\*\*\* Mr. Naif Safouq Al Marshed assumed the membership of the Board of Directors as of 17/05/2023.

\*\*\*\* Mr. Al-Rowais, a Board member, is currently Chairman of the Audit Committee in the current cycle that started on 15/5/2021.

# The total amount of remuneration for members of the Board of Directors has been reduced to the amount specified in accordance with the Bank’s policy.

(b) Compensation to Board Committee Members

Executive Committee Members	SAR		
	Fixed Compensation (excluding meeting attendance allowance)	Meeting attendance allowance	Total
Mr. Ammar Abdulwahed Alkhudairy*	46,575	5,000	51,575
Mr. Saeed Mohammed AlGhamdi**	153,425	30,000	183,425
Dr. Ibrahim Saad Almojel	100,000	30,000	130,000
Mr. Ziad Mohammed Altunisi	100,000	30,000	130,000
Mr. Zaid Abdulrahman Algwaiz ***	59,452	20,000	79,452
Mr. Abdulrahman Mohammed Alodan	100,000	30,000	130,000
Total	559,452	145,000	704,452

\* Mr. Ammar Abdulwahed Faleh Alkhudairy membership have ended as a member of the Executive Committee on 26/03/2023.

\*\* Mr. Saeed Mohammed Ali AlGhamdi chairmanship of the Executive Committee started on 27/05/2023.

\*\*\* Mr. Zaid Abdulrahman Abdullah Algwaiz Membership of the Executive Committee started on 28/05/2023.

Risk Committee Members	SAR		
	Fixed Compensation (excluding meeting attendance allowance)	Meeting attendance allowance	Total
Mr. Naif Sufouk AlMarshed *	119,452	15,000	134,452
Mr. Zaid Abdulrahman Algwaiz	140,274	30,000	170,274
Mr. Saeed Mohammed Ali AlGhamdi**	23,288	5,000	28,288
Mr. Rashid Ibrahim Mohammed Rashed Sharif	100,000	30,000	130,000
Mr. Abdulrahman Mohammed Alodan	100,000	30,000	130,000
Mr. Saud Solaiman Awad Aljuhni	100,000	30,000	130,000
Total	723,014	140,000	583,014

\* Mr. Naif Safouq Al Marshed chairmanship and membership of the Risk Committee on 28/05/2023.

\*\* Mr. Saeed Mohammed AlGhamdi membership ended from the Risk Committee on 27/03/2023.

Nomination and Renumeration Committee Members	SAR		
	Fixed Compensation (excluding meeting attendance allowance)	Meeting attendance allowance	Total
Mr. Ziad Mohammed Altunisi	200,000	40,000	240,000
Mr. Yazeed Abdulraman Alhumied	100,000	40,000	140,000
Mr. Zaid Abdulrahman Algwaiz *	40,548	15,000	55,548
Ms. Huda Mohammed Bin Ghoson	100,000	35,000	135,000
Total	440,548	130,000	570,548

\* Mr. Zaid Abdulrahman Algwaiz membership ended from the Nomination and Renumeration Committee on 28/05/2023.

Board of Directors’ Report (continued)

(c) Compensation of the Audit Committee

The Shareholders’ Extraordinary General Assembly has approved the charter for the Audit Committee, members’ selection rules, its duties, and compensation of its members, in accordance with the applicable laws and regulations issued by the competent regulatory authorities in Saudi Arabia and SNB’s bylaws. The table below sets out the compensation paid to Audit Committee members for the fiscal year 2023:

Audit Committee Members	SAR		Total
	Fixed compensation other than meeting attendance allowance	Meeting attendance allowance	
Mr. Abdullah Abdulrahman Alrowais	300,000	40,000	340,000
Dr. Khaled Mohammed Altaweel – Non-Board Member	200,000	40,000	240,000
Dr. Abdulrahman Mohammed Albarak – Non-Board Member	200,000	40,000	240,000
Mr. Abdulaziz Sulaiman Alatiqi – Non-Board Member	200,000	40,000	240,000
Mr. Ali Suleiman Alayed – Non-Board Member*	47,671	10,000	57,671
Total	947,671	170,000	1,117,671

\* Mr. Ali Suleiman Alayed membership ended from the Audit Committee on 28/03/2023.

(d) Compensation to the Shariah Committee

Shariah Committee Members	SAR		Total
	Fixed compensation other than meeting attendance allowance	Meeting attendance allowance	
Prof. Dr. Saad bin Nasser Al-Shathri	500,000	-	500,000
Dr. Mohammed bin Ali Al-Qari	500,000	-	500,000
Dr. Yousef bin Mohammed Al-Ghufis	500,000	-	500,000
Dr. Nizam bin Mohammed Ya’qoubi	500,000	-	500,000
Dr. Khalid bin Mohammed Al-Sayari	500,000	-	500,000
Total	2,500,000	-	2,500,000

(e) Senior Executives’ Compensation

The Board of Directors, based on the proposal of the Nomination and Remuneration Committee, determines compensation of senior executives in line with the Bank’s strategic aspirations and to provide appropriate motivation for the higher management officers.

The compensation paid in 2023 to top six senior executives, including CEO and CFO:

SAR ’000											
Fixed remunerations				Variable remunerations							
Salaries	Allowances	In-kind benefits	Total	Periodic remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total	End-of-service award	Aggregate Amount
9,058	4,832	207	14,097	-	2,159	26,381	-	33,712	62,252	7,070	83,419

\* Includes the remuneration for the current and Previous CEO in 2023

10. Arrangements of Waiver of Compensation by Board of Directors and Senior Executives

The Bank does not have any information to disclose regarding the arrangements or agreements regarding the waiver of compensation, bonus, or compensation by any of the Board of Directors or the senior executives.

11. Financing and Debt Securities Issued

In the course of ordinary business practices, SNB has been engaged in borrowing and financing activities with other banks and the Saudi Central Bank at market rates. Those transactions are recorded in the consolidated financial statements of the Bank.

During 2023, the Bank exercised the call option on its existing Tier 1 Sukuk (the Sukuk) amounting to SAR 1.3 billion. In addition, one of the subsidiaries of the Group issued Tier 1 Sukuk, amounting to SAR 1 billion (SAR-denominated) through a Shariah Compliant arrangement (the arrangement). These arrangements were approved by the regulatory authorities, the Board of Directors of the Bank and the Board of Directors of the subsidiary.

In 2023, the Bank, its subsidiaries, and affiliated companies issued and retrieved debt securities as detailed below:

Issuer	Debt securities issued		Debt securities paid		Outstanding amount
	SAR’000	Term	SAR’000	SAR’000	
SNB domestic	1,213,547	Maximum of 10 years	(689,763)		13,803,675
SNB international subsidiaries	1,169,320	Maximum of 10 years	(1,226,970)		85,467

12. Waiver of Profits

The Bank does not have any information to disclose regarding any arrangements or agreements related to the waiver of any rights to profits by any of the Bank’s shareholders.

13. Regulatory Payables Due

Zakat payable in 2023 amounted to SAR 2,211 million, and contributions to the General Organization for Social Insurance (GOSI) amounted to SAR 279 million.

14. Related Party Transactions

In 2023, several resolutions were issued by the Board of Directors approving the transactions and contracts with related parties. The Board also recommended to the General Assembly to authorize the related party transactions to which the members of the Board of Directors will have a direct or indirect interest. Noting that the rules and procedures of the Bank’s Internal Conflict of Interest Policy, which are in compliance with the instructions issued by the regulatory authorities, have been applied, emphasizing that all these contracts are carried out in accordance with the usual activity of the Bank.

The following tables show the details for all related party transactions in 2023.

The following table details the Business and Contracts with Related Parties during 2023:

Sl. #	Name of the Company Providing Service	Related Party	Service Provided	Period	Contract Value
1	Al-Ahli Outsourcing Company (Esnad)	Subsidiary of the Bank	Auto Lease After Sales Services Renewal for 2023	12 Months	2,500,000
2	Al-Ahli Outsourcing Company (Esnad)	Subsidiary of the Bank	SNBE 2023 Outsource Contract	12 Months	357,816,332
3	Sela Company Limited	The Public Investment Fund	Riyadh Season 4 Premium partnership for 2023	6 Months	100,000,000

The following table details the business and contracts with related parties issued by the Board during 2023, in which the Board of Directors, Senior Executives have a Direct or Indirect Interest:

Sl. #	Name of the Company Providing Service	Related Party with Interest	Service Provided	Period	Contract Value
1	Saudi Telecom Company (STC)	Mr. Yazeed Abdulrahman Alhumied	New Dialing Number for Wealth Management	12 Months	23,020
2	Saudi Telecom Company (STC)	Mr. Yazeed Abdulrahman Alhumied	STC link for Outbound Dialer Expansion	12 Months	1,128,000
3	Saudi Telecom Company (STC)	Mr. Yazeed Abdulrahman Alhumied	KAFD Network Bandwidth Upgrade	12 Months	972,232.80
4	Saudi Telecom Company (STC)	Mr. Yazeed Abdulrahman Alhumied	Digital Ventures New Lines	12 Months	645,030
5	Saudi Telecom Company (STC)	Mr. Yazeed Abdulrahman Alhumied	STC Internet Link Upgrade	12 Months	2,301,024
6	Arabian Internet & Communication Services Company (STC Solutions)	Mr. Yazeed Abdulrahman Alhumied	STCs - 2023 Bulk SMS Package.	12 Months	374,431,765
7	Arabian Internet & Communication Services Company (STC Solutions)	Mr. Yazeed Abdulrahman Alhumied	STCs - 2024 & 2025 Bulk SMS Package.	24 Months	357,500,000
8	Arabian Internet and Communication Services Company (STC Solutions)	Mr. Yazeed Abdulrahman Alhumied	Arbor Cloud Technical Service	12 Months	784,316.00
9	Sirar by STC	Mr. Yazeed Abdulrahman Alhumied	Sayen Digital Signature Pack	12 Months	153,000
10	Etihad Etisalat Company (Mobily)	1) Mr. Zaid Abdulrahman Algwaiz 2) Mr. Abdullah Abdulrahman Al-Rowais	Network connection required for Wamid site (Co-location project)	12 Months	1,308,852



Board of Directors’ Report (continued)

Sl. #	Name of the Company Providing Service	Related Party with Interest	Service Provided	Period	Contract Value
11	Etihad Etisalat Company (Mobily)	1) Mr. Zaid Abdulrahman Algwaiz 2) Mr. Abdullah Abdulrahman Al-Rowais	Renewal of Mobily Data Circuits links & DWDH Services	36 Months	21,672,000.00
12	Etihad Etisalat Company (Mobily)	1) Mr. Zaid Abdulrahman Algwaiz 2) Mr. Abdullah Abdulrahman Al-Rowais	Mobily Data Link and DDA Link	21 Months	8,473,782
13	Etihad Etisalat Company (Mobily)	1) Mr. Zaid Abdulrahman Algwaiz 2) Mr. Abdullah Abdulrahman Al-Rowais	Renewal of Mobily Bulk SMS for 2023	12 Months	113,126,046
14	Etihad Etisalat Company (Mobily)	1) Mr. Zaid Abdulrahman Algwaiz 2) Mr. Abdullah Abdulrahman Al-Rowais	Data Guard Replication Link MITC / NDC	12 Months	2,040,000
15	Elm Company	Mr. Abdulrahman Mohammed Alodan	Renewal of Mobile Verification Services (Tahaquq) for the year 2023	12 Months	6,900,004
16	Elm Company	Mr. Abdulrahman Mohammed Alodan	Renewal of Yakeen Transaction Services for the year 2023	12 Months	12,330,111.00
17	Elm Company	Mr. Abdulrahman Mohammed Alodan	Renewal of Customer Fingerprint Verification Services	12 Months	10,892,562.00
18	Elm Company	Mr. Abdulrahman Mohammed Alodan	Biometric Authentication	12 Months	35,000
19	Elm Company	Mr. Abdulrahman Mohammed Alodan	Renewal of Natheer Services for non-Saudis	12 Months	820,000
20	Elm Company	Mr. Abdulrahman Mohammed Alodan	Subscription in Najez Center for Justice Services	36 Months	1,050,000
21	Elm Company	Mr. Abdulrahman Mohammed Alodan	Done service (Tamm)	12 Months	5,000,000
22	Elm Company	Mr. Abdulrahman Mohammed Alodan	Elm Services additional coverage fees for (Tahaquq, Yakeen and fingerprint verification) for the year 2023	12 Months	33,215,060
23	Saudi Credit Bureau (Simah)	The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	Specialized Internet Subscription	12 Months	565,340.00
24	Saudi Credit Bureau (Simah)	The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	Corporate Support Services	12 Months	51,000
25	Saudi Credit Bureau (Simah)	The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	Benchmark Report for the year 2023	12 Months	800,000
26	Saudi Credit Bureau (Simah)	The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	Value Added Service Contract (portfolio 360)	12 Months	10,100,000
27	Accenture Saudi	Mr. Ziad Mohammed Altunisi	SNB Digital PMO Assignment	12 Months	13,800,000
28	Accenture Saudi	Mr. Ziad Mohammed Altunisi	Counter Fraud Assessment	12 Months	914,400
29	Accenture Saudi	Mr. Ziad Mohammed Altunisi	SNB-DV Digital Enablers Project	12 Months	27,035,000
30	Securities Depository Centre Company (EDAA)	Mr. Yazeed Abdulrahman Alhumied	Tawasul Services for the year 2023	12 Months	8,218.30
31	Securities Depository Centre Company (EDAA)	Mr. Yazeed Abdulrahman Alhumied	Annual Registration Fee for Unlisted SUKUK and Bonds	12 Months	340,354.00
32	Securities Depository Centre Company (EDAA)	Mr. Yazeed Abdulrahman Alhumied	Capital Increase Fees	1 Month	211,660.00
33	Securities Depository Centre Company (EDAA)	Mr. Yazeed Abdulrahman Alhumied	Listed Companies Registry services	12 Month	700,000

Sl. #	Name of the Company Providing Service	Related Party with Interest	Service Provided	Period	Contract Value
34	Saudi Exchange Company	Mr. Yazeed Abdulrahman Alhumied	Equity Main Market Annual Listing Fees for the year 2023	12 Months	1,000,000
35	National Security Services Company (SAFE)	Mr. Yazeed Abdulrahman Alhumied	Multi Banks Cash Center (MBCC) 2023 Contract	12 Months	8,864,700.00
36	Misk Foundation	Mr. Saeed Mohammed AlGhamdi	Misk Accelerator, in partnership with Misk Foundation	3 Months	2,175,000.00
37	Leoron Company	Mr. Saeed Mohammed AlGhamdi	Facility Management Programs	1 Months	157,425.00
38	Leoron Company	Mr. Saeed Mohammed AlGhamdi	Safety & Physical Security and Facilities Management Training Programs	12 Months	270,938
37	Leoron Company	Mr. Saeed Mohammed AlGhamdi	Facility Management Programs	1 Months	157,425.00
38	Leoron Company	Mr. Saeed Mohammed AlGhamdi	Safety & Physical Security and Facilities Management Training Programs	12 Months	270,938
39	Arabian Shield Cooperative Insurance Company	1) The Bank is a major shareholder in the Company 2) The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	Renewal of Group Credit Life - Credit Card for 2023	12 Months	1,039,869
40	Arabian Shield Cooperative Insurance Company	1) The Bank is a major shareholder in the Company 2) The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	Renewal of Group Credit Life – Credit Card for 2024	12 Months	1,004,306
41	Arabian Shield Cooperative Insurance Company	1) The Bank is a major shareholder in the Company 2) The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	Renewal of Group Credit Life – Residential Finance Loans Program for 2023	12 Months	285,793,161
42	Arabian Shield Cooperative Insurance Company	1) The Bank is a major shareholder in the Company 2) The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	Renewal of Group Credit Life – Residential Finance Loans Program for 2024	12 Months	300,927,036
43	Arabian Shield Cooperative Insurance Company	1) The Bank is a major shareholder in the Company 2) The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	SNB Group Life - Policy Renewal for 2023	12 Months	3,089,857
44	Arabian Shield Cooperative Insurance Company	1) The Bank is a major shareholder in the Company 2) The Bank’s Group Head of Retail Business Mr. Saud Abdulaziz Bajbair	SNB Group Life - Policy Renewal for 2024	12 Months	3,313,013
45	Arabian Shield Cooperative Insurance Company	1) The Bank is a major shareholder in the Company	Fleet Auto Lease- Insurance Policy for 2023	12 Months	8,964,000
46	Bupa Arabia	Ms. Huda Mohammed Bin Ghoson	Renewal of SNB Group Medical Insurance for 2024	12 Months	338,017,800

Details of the Treasury Shares retained by the Bank and details of their uses

Number of treasury shares retained by the Bank	Amount	Details of their use
58 million shares	SAR 2,203 million	Employees’ Shares Program Reserve and shares acquired as a result of merger with Samba Group

15. Employee Benefits

In 2023, SNB continued its efforts in pursuance, recruitment, and retention of the best Saudi talents. Through employment programs designed to attract top talents, SNB achieved a steady increase in Saudization, reaching 99.2% by the end of 2023. In striving to achieve one of its key strategic aspirations – to be the Employer of Choice – SNB offers a Shariah-compliant savings scheme to employees.

The savings scheme gives employees an opportunity to build personal savings and is an attractive benefit that helps to retain qualified talents.

In terms of the scheme’s policy, a fixed 5% is deducted from the employee’s basic salary to be invested by SNB’s Treasury Group in consideration for a bonus contribution by SNB linked to the number of years of subscription. The bonus ranges from 10% to 200% of the saved balance, depending on the number of years of continuous subscription. The cumulative balance in the staff savings scheme amounted to SAR 151 million by the end of 2023.

The Bank pays compensation and benefits to employees according to Saudi labor laws and regulations, and the statutory requirements applicable to foreign branches and subsidiaries. The Bank’s total reserve for end-of-service awards amounted to SAR 1,502 million as of 31 December 2023.

16. SAMA and Other Statutory Penalties

Subject of the violation	2023		2022	
	Number of penalties	Total amount of penalties in SAR	Number of penalties	Total amount of penalties in SAR
<b>SAMA Statutory Penalties</b>				
Violation of SAMA supervisory instructions	31	20,845,750	52	26,468,425
Violation of the SAMA instructions on customers’ protection	2	495,000	10	8,831,950
Violation of the SAMA instructions on due diligence	2	315,000	1	45,000
Violation of the SAMA instructions on the level of the ATMs and POS machines	0	0	1	15,000
Violation of the SAMA instructions on due diligence in combating money laundering and terrorism financing	4	750,000	1	50,000
Total	39	22,405,750	65	35,410,875
<b>MOMRA Statutory Penalties</b>				
ATM’s and Branches Violation	173	1,576,320		

17. Effectiveness of Internal Control Procedures

Internal Controls

Executive management is responsible for establishing and maintaining an adequate and effective internal control system, which necessitates abiding by policies, procedures, and processes that the executive management, under Board supervision, has put in place to ensure the realization of its strategic aspirations and to protect its assets.

SNB management has adopted an integrated internal control framework in accordance with the Saudi Central Bank guidelines. The internal controls system begins with corporate governance that defines the roles and responsibilities of the Board of Directors and its sub-committees: the Executive Committee, the Audit Committee, the Risk Committee, and the Nomination and Remuneration Committee. The management committees support the Board of Directors in monitoring and addressing key risks associated with strategy, financial performance, technology, asset and liability management, credit, operations, legal and regulatory, and information security. Rigorous and integrated efforts are made by all the Bank’s businesses to improve the efficiency and effectiveness of the control environment at process levels, through continuous reviews and consistent and integrated procedures to prevent and rectify control deficiencies.

Each business in the Bank, under the supervision of senior executive management, is entrusted with the responsibility to oversee rectification of control deficiencies identified by its own risk and control self-assessment process and by internal and external auditors.

The scope of the Internal Audit Group (IAG) includes the assessment of the adequacy and effectiveness of the internal control system, as well as the compliance and implementation of all applicable policies and procedures. The Compliance Group ensures adherence to the regulatory requirements through compliance control programs. All significant and material findings from IAG reviews and corrective actions are reported to senior executive management and the Audit Committee. The Audit Committee actively monitors the adequacy and effectiveness of the internal control system to ensure that identified risks are mitigated. The Board of Directors has full access to all reports of its committees, which include the annual internal audit report, in addition to all risk management reports and other relevant reports. These are reviewed regularly to provide an ongoing assessment of the effectiveness of the internal control system facilitating identification of any potential deficiency in its practical application and treating any deficiency that may arise as a result of changed circumstances.

Annual Review of the Effectiveness of Internal Control Procedures

The reviews conducted during the year – to ensure the effectiveness of the internal controls guidelines, and the existence of systems and procedures for the identification, evaluation, and management of the risks that may be faced by the Bank and its applications throughout the year – did not demonstrate material or significant deficiencies in the control environment. Based on this, the Bank’s management considers that the existing internal control system is operating effectively, and monitored consistently. Management continuously strives to enhance and further strengthen the internal control system.

Opinion of the Audit Committee

The Bank’s Executive Management is responsible for ensuring that an effective internal control system is in place, which entails compliance with all policies, procedures and processes set by the Executive management – under the supervision of the Bank’s Board of Directors – to ensure the realization of its strategic objectives and protection of its assets. Based on the periodic reports presented to the Audit Committee during the fiscal year ending on 31 December 2023 by the Internal Audit Group, the Compliance Group, the Bank’s external auditors, and the Compliance Committee and other groups to the Audit Committee, the Audit Committee did not find any significant gaps in the control system of the Bank, taking into account that any internal control system, regardless of its effective and sound design and implementation, cannot give absolute confirmations.

18. Auditors

In its meeting on 7 May 2023, the Shareholders’ Extraordinary Assembly approved the appointment of Ernst and Young Professional Services / KPMG & Partners as the Bank’s external auditors for the fiscal year ending 31 December 2023 from among other candidates based on the Audit Committee’s recommendation to examine, review and audit the (first, second, third) quarters and the annual financial statements of the fiscal year 2023, along with the determined fees.

Audit Fees	2023	2022
Total	24,650,076	21,664,518

The above figures include subsidiaries and foreign branches audit fees.

19. Risk Group

SNB is exposed to various risks in the normal course of business resulting from its banking activities. The Risk Group supports the Bank’s different businesses by controlling and minimizing risks, if any, to achieve a performance/risk balance. The Risk Group ensures that all business-related risks fall within the tolerance levels of the Bank as a whole, while balancing the risk/reward targets. The main objective of the Risk Group is to maintain the general level of risk in line with the Bank’s strategy and risk appetite. To achieve this, the Risk Group applies a number of tools to identify, assess, measure, mitigate, and control risks.

SNB’s Risk Governance Policy identifies risks and determines tolerance levels and methods of managing them. The Risk Group optimizes and promotes the risk governance framework with comprehensive policies determining the roles and responsibilities of all relevant stakeholders, while promoting a culture of tackling and managing risks in all the Bank’s businesses.

Pursuant to the guidelines of the Saudi Central Bank and the Basel Committee, the governance framework for SNB risk management ensures the independence of the Risk Group mandates and the implementation of three main lines of defense across all businesses. The business units collaborate with the Risk Group and Internal Audit Division to effectively identify, monitor, and manage the risks that are acceptable and ways to minimize them.

The Risk Group’s organizational structure handles the levels of management, functions, and mandates to manage different types of risks, including credit, market, liquidity, operational, and information security. The Risk Group has developed specific policies to manage all risk types in a holistic manner at the Bank level.



Credit Risks

Credit risks refer to the risks of financial losses resulting from a borrower’s or counterparty’s failure to meet their contractual financial obligations. These risks represent the highest percentage of the total risks to which the Bank is exposed. These risks arise from credit originations of investments, financing, and advances. Consequently, the Bank has developed policies to manage credit risks and thus ensure all its financing and investment programs are covered. This enables the Bank to protect the quality of its credit and investment portfolios, while minimizing losses generated by financing activities.

Credit risk assessment

To assess and manage credit risks to different portfolios of the Bank, the Risk Group has developed a set of instruments to suit different types of customers and beneficiaries, allowing it to measure the feasibility of each transaction. The Credit Risk Assessment function assesses risks related to losses that might arise from failure to repay outstanding obligations. Credit Risk also continually carries out assessments of provision adequacy and ECL coverage for the risk portfolio. Retail credit decision-making is data driven on a portfolio level and supported by scorecards that filters individual customer profile and eligibility.

For its investment portfolio, the Bank has established portfolio limits and relies on assessments undertaken by the main external credit rating agencies and its own assessment of related risks. At the portfolio level, transaction assessments are combined so that a comprehensive assessment for the credit or investment portfolio can be established and checked against the targeted quality level.

Credit risk controls, credit limits, and guarantees

The scope of the Credit Risk function’s responsibility includes monitoring and identifying credit risks based on the creditworthiness of each transaction before offering or renewing a credit limit for a client. Credit risk management policies were, therefore, designed to set credit limits that match the risk level of the exposure and to monitor risks, as well as define how limits should be implemented. Accordingly, actual credit limits and corresponding risks are monitored daily.

Credit risk policies also require diversity in financing activities to avoid a concentration of risks in an individual or a group of clients with a specific geographic location or a specific type of commercial activity. To mitigate risks, the Bank usually obtains collateral for credit facilities. There are several types of collateral, such as securities, cash deposits, financial guarantees provided by other banks, shares, real estate, and other fixed assets.

Market Risks

Market risks are the risks of incurring losses due to changes and fluctuations in market prices, special commission rates, creditworthiness levels, share prices, exchange rates, commodity prices, and any other changes in the fair value of financial instruments and securities held by the Bank.

To manage such risks, the Risk Group classifies market risks into trading and non-trading portfolios. The Treasury Group manages the trading portfolio, which includes positions resulting from market-making and other trading activities. It also includes managing assets and liabilities recorded at a fair value. Market risk management employs a tool to estimate the value at risk (VaR) for all transactions included in the trading portfolios. VaR is estimated for a specific period based on adverse market fluctuations at a defined confidence level. Calculating VaR depends on market price volatility inputs and the link between different portfolio components using related historical market data. Non-trading portfolios are managed by the Treasury Group within the limits approved by the Board.

The Risk Governance Policy requires the Assets and Liabilities Management Committee to oversee the risks associated with volatile special commission rates arising from changes in future cash flows and fair value. The Assets and Liabilities Management Committee is responsible for managing the gap between assets and liabilities and special commission rates, and for dealing with hedge strategies to maintain risks within the tolerance levels. The Risk Governance Policy also aims to improve the financial position structure to ensure that banking operations are processed within the scope of the Bank’s risk tolerance. The Risk Group has developed an investment policy to control the Treasury Group’s operations in money and capital markets, foreign exchange, interest rates, and commodity products. Investment policies and procedures are intended to ensure that all activities of the Bank’s Treasury Group adhere to regulations and that supervisory controls are in place to manage the associated risks.

Liquidity Risks

Liquidity risks are the risks associated with the failure to meet all payment obligations when they fall due at their maturity dates or having to make payment at excessive costs.

Accordingly, the main function of the Bank’s liquidity risk management is to maintain a balance between liquidity and profitability for operations, while maintaining a strong liquidity position to increase customer confidence and improve the cost of financing. To increase liquidity levels, SNB’s higher management mandated the Risk Group to monitor all facilities, obligations, and sources of financing along with their cost rates at the targeted tenors. The Bank uses risk tolerance measurement programs to ensure that it can meet its obligations under adverse market conditions, including long periods of asset liquidation at disadvantageous price levels.

Operational Risks

SNB defines operational risks as the risks arising from inadequacy or failure of internal procedures, individuals, or systems, or as a result of external circumstances. These risks are inherent in all commercial and non-commercial operations of the Bank and are associated with all activities of institutions operating in banking and finance. Since each business unit is responsible for its own operational risks, the main operational risk management function within the Risk Group is mandated to develop, implement, and comply with a comprehensive and integrated framework to reduce risk in all businesses across the Bank.

The operational risk management strategy includes:

- Adopting a proactive approach to reduce operational risks through self-assessment of risks and controls
- Defining and analyzing operational risk events and any losses arising from them
- Implementing programs to raise awareness of operational risks and promoting a culture of mitigating risks
- Preparing comprehensive periodic reports on operational risk controls and their effectiveness
- Developing operational risk management practices to maintain a stable work environment and contribute to achieving the Bank’s strategic aspirations

Real Estate Finance Risk

The Bank’s total outstanding residential real estate finance portfolio as of 31 December 2023 was SAR 161,270 Million. The Bank has developed adequate policies and procedures to ensure that the appropriate insurance coverage is in place to hedge against potential financial losses associated with residential real estate portfolio. However, risk elements which are not part of the insurance coverage are dealt with according to the Bank’s internal risk management framework.

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

- (i) **Life Insurance:** The life insurance provides financial protection in the event of death resulting from natural or accidental events or specified cause as per the insurance policy in order to recover the outstanding finance amount from insurance company.
- (ii) **Disability Insurance:** The disability insurance provides financial protection to recover the outstanding financing amount in the event that the policyholder becomes fully and permanently disabled and is unable to work or engage in an income earning activity.
- (iii) **Property Insurance:** Property insurance provides coverage for physical damage or loss to the property caused by events such as fire, flood, or natural disasters etc. This is aimed to mitigate the financial impact of property damage, allowing the Bank to recover the costs due to unexpected / unforeseen events.

Information Security Management

The Information Security Management Division provides a comprehensive practical framework through which operational procedures are organized. Regulatory requirements and applicable security controls are also implemented by the Division to ensure SNB’s information assets are protected from unauthorized access or use, disclosure, copying, modification and conversion, loss, and theft or abuse, whether deliberately or unintentionally.

The responsibilities of SNB’s Information Security Management Division include information security governance, risk, and compliance, which focus on ensuring applicable regulations related to information security are implemented. They also ensure that systems are continually evaluated to identify applicable cyber and information security risks and implement appropriate mitigation and remediation controls immediately.

The Division also monitors access to the various systems and continuously classifies and evaluates information assets to ensure relevant controls that are applicable to the classification levels are in place. The Division conducts direct monitoring of all digital and electronic activities and ensures actions are in place for a swift and effective response to information/cyber security risks and incidents. It also ensures that controls and standards are implemented to continuously increase the levels of protection for SNB’s sensitive and confidential information through the operations of the Information Security Officer.

A dedicated function for cyber fraud management was established to analyze patterns of cyber fraud and design appropriate controls to reduce the possibility of its occurrence through the implementation of international standards and best-in-class technologies that will support the technology transformation of the digital banking services.

Notes on the Basel III Framework

The third pillar of the Basel III framework requires publication of a number of quantitative and qualitative disclosures. Such disclosures are published on the Bank’s website (www.alahli.com) in accordance with the Saudi Central Bank regulations.

(a) Basel III framework

The Basel Committee has enhanced capital measurement standards and capital standards by issuing the Basel III framework in response to the 2007 global financial crisis. The framework focuses on enhancing the quality of required capital along with raising the minimum capital requirements, enhancing risk coverage, and reducing the impact of cyclical economic fluctuations on capital requirements. It also imposes new requirements for leverage, liquidity, and capital ratios to enhance capital build-up.

The Basel III framework, as adopted by the Saudi Central Bank, sets out the standards and principles by which Saudi banks are to meet the requirements with a high-quality capital base. The first tier of capital is total shareholders’ equity, which has the highest ability to “bear losses.” To this end, the framework requires compliance with specific standards:

- Improving the quality of the first tier of capital and increasing its minimum requirements
- Allocating any regulatory deductions to shareholders’ equity
- Gradually cancelling the listing of mixed capital instruments that have limited ability to bear the loss of the second tranche level of capital
- Increasing transparency in regulatory capital components through detailed disclosures and comparing them to shareholders’ equity

(b) Disclosure periods for the Basel III framework set out by the Saudi Central Bank

- Capital structure - quarterly
- Financial leverage - quarterly
- Financial liquidity - quarterly
- Quantitative disclosures - quarterly and semi-annually
- Qualitative disclosures - annually

20. Confirmations by the Board of Directors

The Bank’s Board of Directors confirms to shareholders and other related parties, according to its best knowledge in all material respects, that:

- The accounting records were prepared properly as per industry standards and rules;
- The Internal Control System was developed and effectively implemented on a proper basis;
- There is no doubt that the Bank is able to proceed with its operations;
- There are no contracts in which the Bank was a party and SNB’s Chairman of the Board, Board Members, CEO, Finance Group Head or any person who has a direct relationship with them has or had a fundamental interest, except for those disclosed under Related Party Transactions;
- The Board of Directors are not engaged in competing businesses with the Bank or any of its activities.

21. Measures Taken by the Board to Inform its Members - Especially Non-Executives - of Shareholder Proposals and their Observations Regarding the Bank and its Performance

SNB recognizes the shareholder proposals received during the General Assembly meeting and records them in the minutes of the meeting. It informs the Chairman of the Board of any other proposals concerning SNB to be presented in the next Board meeting. Also, there is an e-mail address (ShareholdersAffairs@alahli.com), a telephone number (0118111222), and a mail address for shareholders’ ad hoc comments and suggestions (if any), linked directly to the Board Secretary, whereby the Board can review submissions.

22. External Auditor Reservations on the Financial Statements

The audit report did not include reservations on the annual financial statements.

23. Board of Directors’ Recommendations on Changing the Auditors

The Board of Directors did not recommend a change of auditors before the end of their term of appointment. There was no conflict between the Committee recommendations and the Board decisions.

24. SNB’s Staff Code of Conduct

SNB is fully committed to developing policies and procedures that ensure employees’ adherence to the Bank’s official Code of Conduct - which applies to dealing with customers, colleagues and suppliers - and as representatives of the Bank as a whole. All SNB employees must strictly adhere to the implementation of the Code of Conduct as well as the work ethics.

25. Approved International Accounting Standards

The consolidated financial statements of the Group have been prepared:

- In accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA); as collectively referred to IFRSs that are endorsed in Saudi Arabia.
- In compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

The new Companies Law issued through Royal Decree number M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as “the Law”) came into force on 26/6/1444H (corresponding to 19 January 2023). For most provisions of the Law, full compliance should take place not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of amending the Articles of Association / By-Laws for any changes to align the Articles to the provisions of the Law.

Group Subsidiaries

Subsidiary company	Capital (SAR)	Number of issued shares	Ownership (%)	Main activity	Country of incorporation	Country of main activity
SNB Capital Company (SNBC)	1,000,000,000	100,000,000	100%	A Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia to manage the Bank’s investment services and asset management activities.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
SNB Capital Dubai Inc.	9,375,000	2,500,000	100%	An exempt company with limited liability incorporated in the Cayman Islands to source, structure and invest in private equity and real estate development opportunities across emerging markets.	Cayman Islands	Emerging markets with special focus on the Middle East and North Africa
SNB Capital Real Estate Investment Company (REIC)	10,000	1000	100%	The Company is a special purpose entity registered in the Kingdom of Saudi Arabia. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by SNB Capital Company.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Türkiye Finans Katılım Bankası A.Ş. (TFKB)	1,310,920,000	2,600,000,000	67.03%	A participation bank registered in Turkey that collects funds through current accounts, profit sharing accounts and lends funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships.  TFKB fully owns the issued share capital of TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlık Kiralama A.Ş., which are special purpose entities (SPEs) established in connection with issuance of sukuku by TFKB.	Turkey	Turkey
Real Estate Development Company (REDCO)	500,000	500	100%	A Limited Liability Company registered in the Kingdom of Saudi Arabia. REDCO is engaged in keeping and managing title deeds and collateralised real estate properties on behalf of the Bank.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
SNB Markets Limited	187,500	1	100%	A Limited Liability Company registered in the Cayman Islands, engaged in trading in derivatives and Repos/ Reverse Repos on behalf of the Bank.	Cayman Islands	Cayman Islands



Board of Directors’ Report (continued)

Subsidiary company	Capital (SAR)	Number of issued shares	Ownership (%)	Main activity	Country of incorporation	Country of main activity
Eastgate MENA Direct Equity L.P.	688,674,270	-	100%	A private equity fund domiciled in the Cayman Islands and managed by SNB Capital Dubai. The Fund’s investment objective is to generate returns via investments in Shariah compliant direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).	Cayman Islands	Middle East and North Africa
AlAhli Outsourcing Company	50,000	5	100%	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in recruitment services within the Kingdom of Saudi Arabia.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Samba Bank Limited, Pakistan (SBL)	211,730,116	1,008,238,648	84.51%	A subsidiary incorporated as a banking company in Pakistan and is engaged in commercial banking and related services, and is listed on the Pakistan Stock Exchange. During the year ended 31 December 2021, the Board of Directors resolved to invite tender bids from interested parties to carry out due diligence procedures to evaluate and pursue potential sale transactions, subject to receiving regulatory and shareholder approvals. Subsequently, during the current year, the Board of Directors reconsidered this decision and decided to retain the Bank’s existing equity stake in Samba Bank Limited, given the Pakistan banking sector outlook.	Pakistan	Pakistan
Samba Real Estate Company	500,000	500	100%	A Limited Liability Company registered in Kingdom of Saudi Arabia, engaged in managing real estate projects on behalf of the Bank.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
SNB Global Limited	187,500	1	100%	A Limited Liability Company registered in Cayman Islands, engaged in managing certain treasury related transactions.	Cayman Islands	Cayman Islands
SNB Funding Limited	187,500	1	100%	A Limited Liability company under the laws of Cayman Islands established with the main objective of generating liquidity for the Bank through issuance of bonds.	Cayman Islands	Cayman Islands

Details of subsidiary companies are:

(a) SNB Capital Company

SNB Capital is Saudi Arabia’s largest investment bank and asset manager, offers wealth management, asset management, investment banking, and brokerage services to the Kingdom’s retail, affluent, high-net-worth, and institutional clients.

With SAR 264.2 billion in client assets under management across various local and international asset classes at the end of December 2023 and an MQ1 rating – Moody’s highest for investment manager quality – SNB Capital is the Kingdom’s largest asset manager and one of the region’s largest providers of employee savings programs.

In recognition of these achievements, SNB Capital was named ‘Best Investment Bank, KSA’ by Middle East Finance Awards, and ‘Best Asset Management Company, KSA’ and ‘Best Wealth Management Company, KSA’ by International Finance Awards. AlAhli Multi-Asset Growth Fund, AlAhli Asia Pacific Index Fund, and AlAhli Freestyle Saudi Equity Fund together won three Lipper Fund Awards for “providing strong, risk-adjusted performance relative to their peers”.

(b) SNB Capital Dubai Inc.

An exempt company with limited liability incorporated in the Cayman Islands to source, structure and invest in private equity and real estate development opportunities across emerging markets.

(c) SNB Capital Real Estate Investment Company (REIC)

The Company is a special purpose entity registered in the Kingdom of Saudi Arabia under commercial registration No. 1010387593. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by SNB Capital Company.

(d) Türkiye Finans Katılım Bankası

SNB owns a 67.03% (2022: 67.03%) interest in Türkiye Finans Katılım Bankası, a Turkish participation bank that operates by attracting current accounts and profit/loss sharing investment accounts. It provides those funds to retail and corporate clients in the form of Shariah-compliant finance, lease, and profit/loss sharing partnerships, developing a more varied financing structure and reducing its financing costs

Total assets of the Turkish bank increased by 59% in 2023, the gross financing portfolio rose by 53%, customer deposits by 62%, and the ratio of loans to deposits decreased from 69% to 63%. Income for 2023 was TRY 2,961 million, up from TRY 1,968 million in 2022.

Wholesale funding (including Tier-II borrowing from SNB) increased from TRY 22.4 billion in 2022 to 23.4 billion in 2023, the growth of assets during the year was mainly funded by the increase in deposits and Bank funding which consists of borrowings from financial institutions, funding facility of Central Bank of Turkey and Sukuk issuance in the domestic capital market. In the same period, deposits grew by 62% from TRY 115.9 billion to TRY 187.6 billion, of which participation deposits rose by 100%.

Individual auto financing increased by 141% from TRY 3.7 billion to TRY 8.8 billion, while general purpose financing for individuals including credit cards by 37%.

The Bank had 305 branches at the end of 2023, and had also updated service channels such as ATMs, points of sale, and telephone and online banking – including new communication and online services.

(e) Real Estate Development Company

SNB has 100% direct ownership of the share capital of Real Estate Development Company, a limited liability company registered in Saudi Arabia under Commercial Registration 4030146558 dated 21 Dhual Qi’dah 1424H (corresponding to 13 January 2004) with capital of SAR 500,000. The purposes of the Company are:

- (1) Maintaining and managing the assets and real estate transfers to SNB and third-parties as a guarantee and registering these properties in their name for the financing purposes for which the Company was established.
- (2) Purchasing, accepting, and transferring properties; buying, selling, and transferring apartments, villas, residential units, land, properties of all kinds and names, and obtaining the best price on behalf of the Company.
- (3) Managing properties and real estate assets transferred to SNB and third-parties as a guarantee and registering them in its name for the financing purposes for which the Company was established.
- (4) Purchasing land and properties, as well as owning plots of land for development and sale or lease in cash or by installments for the benefit of the Company to establish buildings and invest in their development by selling or leasing in cash or by installments.
- (5) Real estate management and development.
- (6) Accepting and discharging mortgages on behalf of the Company and effecting and executing mortgages against the property of the Company in favour of the Real Estate Development Fund and applying for discharge and acceptance of the mortgages.
- (7) Purchase and sale of off-plan housing units and operating through residential financing.

(f) SNB Markets Limited

The Bank has 100% direct ownership of the Saudi NCB Markets Company Ltd, established in 2016 as a limited liability company and registered in the Cayman Islands, with capital of \$50,000 (SAR 187.5 thousand). The Company specializes in trading of derivatives, purchases, and repurchases on behalf of the Bank.

(g) Eastgate MENA Direct Equity L.P

A private equity fund domiciled in the Cayman Islands and managed by SNB Capital Dubai Inc with. The Fund’s investment objective is to generate returns via investments in Shariah compliant direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).

(h) AIAhli Outsourcing Company (Isnad)

The Bank has 100% direct ownership of AIAhli Outsourcing Company, as per commercial register No. 4030292599. It is a limited liability company registered in Saudi Arabia. The Company operates in recruitment services in Saudi Arabia.

(i) Samba Bank Limited, Pakistan (SBL)

A subsidiary incorporated as a banking company in Pakistan and is engaged in commercial banking and related services and is listed on the Pakistan Stock Exchange.

(j) Samba Real Estate Company

The Bank has 100% direct ownership of Samba Real Estate Company, a limited liability company incorporated in Saudi Arabia under commercial registration 1010234757 issued in Riyadh dated 9 Jumada II, 1428H (June 24 2007). The company has been formed as a limited liability company with the approval of the Saudi central bank and is engaged in managing real estate projects on behalf of SNB. The purposes of the company are:

- (1) Maintaining and managing the assets and real estate transfers to SNB and third-parties as a guarantee and registering these properties in their name for the financing purposes for which the Company was established.
- (2) Purchasing, accepting, and transferring properties; buying, selling, and transferring apartments, villas, residential units, land, properties of all kinds and names, and obtaining the best price on behalf of the Company.
- (3) Managing properties and real estate assets transferred to SNB and third-parties as a guarantee and registering them in its name for the financing purposes for which the Company was established.
- (4) Purchasing land and properties, as well as owning plots of land for development and sale or lease in cash or by installments for the benefit of the Company to establish buildings and invest in their development by selling or leasing in cash or by installments.
- (5) Real estate management and development.
- (6) Accepting and discharging mortgages on behalf of the Company and effecting and executing mortgages against the property of the Company in favor of the Real Estate Development Fund and applying for discharge and acceptance of the mortgages.
- (7) Purchase and sale of off-plan housing units and operating through residential financing.

(k) SNB Global Limited

The Bank has 100% direct ownership of SNB Global Markets Ltd, a limited liability company established under the laws of the Cayman Islands on February 1 2016, with the objective of managing certain treasury-related transactions. The company began commercial operations during the fourth quarter of 2016.

(l) SNB Funding Limited

The Bank has 100% direct ownership of SNB Funding Ltd, a limited liability company established under the laws of the Cayman Islands on June 19 2019, with the main objective of generating liquidity for the Bank through issuance of debt securities. The company began commercial operations during the third quarter of 2019.

Affiliated companies

The company	Capital (SAR)	Number of issued shares	Ownership (%)	Main activity	Country of incorporation	Country of activity
Commercial Real Estate Markets Company	1,600,000,000	16,000,000	60%	Owning, managing, maintaining, and cleaning Jamjoom Commercial Center	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

(a) Commercial Real Estate Markets Company

SNB has 60% direct ownership interest in the Commercial Real Estate Markets Company, a limited liability company under commercial registration 4030073863 on 5/4/1411H (24/10/1990), with capital of SAR 1,600 million. The Bank adheres to the International Financial Reporting Standards in preparation of its financial statements. Under those standards, the term ‘control’ entails three requirements: The Group has power of control over the Company; the Group has exposure or rights to the variable returns of the Company; and the Group has the ability to use power to affect returns of the Company. Since these requirements are not fully applicable to Commercial Real Estate Markets Company, the Bank includes it under investments as an affiliate, so that its financial statements are not consolidated with those of the Group, but treated as separate from the Bank. Work is still ongoing to complete liquidation process.

26. Board of Directors, Board Committees, and Executive Management

Changes to the Board of Directors in 2023

SNB announced on the Saudi Exchange website the issuance of the Board of Directors’ resolution at its meeting held on 26/03/2023 to appoint Mr. Saeed Muhammad AlGhamdi as Chairman of the Board of Directors of the Saudi National Bank, effective from 27/03/2023 until the end of the current Board term.

SNB also announced on the Saudi Exchange website that the Board of Directors had issued a resolution at its meeting held on 26/03/2023 to accept the resignation of Mr. Ammar Abdulwahed Al-Khudairi from the Board of Directors of the Saudi National Bank, effective 26/03/2023.

SNB also announced on Saudi Exchange the issuance of the Board of Directors’ resolution by circulation to appoint Mr. Naif Safouq Al-Marshed as a member of the Bank’s Board of Directors to fill the vacant seat on the Board, effective from 17/05/2023.

Members of the Board of Directors

The Board of Directors comprises 11 members appointed by the General Assembly every three years. The Board holds at least one meeting every quarter (i.e., at least four meetings a year or whenever the need arises), by an invitation by the Chairman of the Board or on the request of two members. The Board’s decisions and deliberations are documented in minutes signed by the Chairman, attended members of the Board and the Board General Secretary. The Board General Secretary is responsible for taking minutes of the Board meeting.

During the Extraordinary General Assembly held on the 06/05/2021, the Board members were elected for the new three-year term. Eleven members have been selected for the new Board term which runs from 15/05/2021 until 14/05/2024.

Board of Directors Formation and Classification of its Members: Executive member, non-Executive, and Independent

Members of the Bank’s Board of Directors as at 31/12/2023

	Name	Title	Membership Class
1	Mr. Saeed Mohammed AlGhamdi	Chairman of the Board, Chairman of the Executive Committee	Non-Executive
2	Mr. Yazeed Abdulrahman Al Humied	Vice Chairman of the Board, Member of the Nomination and Remuneration Committee	Non-Executive
3	Dr. Ibrahim Saad Almojel	Board Member, Member of the Executive Committee	Non-Executive
4	Mr. Rashid Ibrahim Sharif	Board Member, Member of the Risk Committee	Non-Executive
5	Mr. Ziad Mohammed Altunisi	Board Member, Chairman of the Nomination and Remuneration Committee, Member of Executive Committee	Independent
6	Mr. Zaid Abdulrahman Algwaiz	Board Member, Member of the Risk Committee, Member of the Executive Committee	Independent
7	Mr. Saud Suliman Aljuhani	Board Member, Member of the Risk Committee	Non-Executive
8	Mr. Abdulrahman Mohammed Alodan	Board Member, Member of the Risk Committee, Member of the Executive Committee	Non-Executive
9	Mr. Abdullah Abdulrahman AlRowais	Board Member, Chairman of the Audit Committee	Independent
10	Ms. Huda Mohammed Bin Ghoson	Board Member, Member of the Nomination and Remuneration Committee	Independent
11	Mr. Naif Safouq Almarshed	Board Member, Chairman of the Risk Committee	Non-Executive



Board Members, their Qualifications and Experiences

Mr. Saeed Mohammed AlGhamdi – Chairman of the Board of Directors

Mr. AlGhamdi is the Chairman of the Board of Directors and the Chairman of the Executive Committee. He is a Non-Executive Board member. His academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
1987	Bachelor’s Degree	Computer Sciences and Engineering	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chairman of Board of Directors	Saudi National Bank	Public joint stock company – inside KSA	Banking sector
Chairman of Board of Directors	Jabal Omar Company	Public joint stock company – inside KSA	Real estate
Chairman of Board of Directors	Manga Productions	Subsidiary – Misk Foundation – Inside KSA	Art sector
Board Member	Misk Mohammed Bin Salman Foundation	Charity – inside KSA	Non-profit sector

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Chairman of Board of Directors	NCB Capital	Closed joint stock company – Inside KSA	Financial Services
Board Member	Real Estate General Authority	Government company – Inside KSA	Real Estate
Chairman of Board of Directors	Second Health Cluster	Government company – Inside KSA	Health Sector
Chairman of Board of Directors	Saudi Credit Bureau (SIMAH)	Closed joint stock company – Inside KSA	Financial Services
Chairman of Board of Directors	Türkiye Finans Katılım Bankası	Closed joint stock company – Outside KSA	Banking Sector
Chairman of Board of Directors	National Commercial Bank	Public joint stock company – inside KSA	Banking sector
Chief Executive Officer	National Commercial Bank	Public joint stock company – inside KSA	Banking sector
Board Member	Al Rajhi Takaful	Public joint stock company –inside KSA	Insurance
Board Member	Al Rajhi Capital	Closed joint stock company – inside KSA	Financial services
Deputy CEO	Al Rajhi Bank	Public joint stock company – inside KSA	Banks
Board Member	Al Rajhi Bank Malaysia	Limited liability company – Outside KSA	Banks
Board Member	INJAZ-Saudi Arabia	Non-profit organization – inside KSA	Civil society
Board Member	Advisory Board of MasterCard Middle East & Africa	Public joint stock company – outside KSA	Financial services
Board member	The Institute of International Finance	Global non-profit organization	Education

Mr. Yazeed Abdulrahman AlHumied, Vice-Chairman

Mr. Alhumied is Vice Chairman of the Board and member of the Nomination and Re-muneration Committee. He is a non-executive Board member and representative of the Public Investment Fund.

Mr. AlHumied is the Deputy Governor and Head of MENA Investments at the Public Investment Fund (PIF). In addition to his responsibilities as a Deputy Governor, as the MENA Investments Head he is responsible for managing two key investment pools: Saudi Equity Holdings and Saudi Sector Development with a significant number of key assets under management. In addition, he also looks after attracting international strategic partners to invest in Saudi Arabia to localize cutting edge technologies, as well as enable effective execution of PIF’s role as a driver of the Kingdom’s economy.

Mr. AlHumied joined PIF in 2015 post PIF’s reallocation to Council of Economic and Development Affairs- as an Advisor to His Excellency the Governor of PIF- to contribute to the restructuring of the Fund and to drive development of its strategy. In 2016, he was appointed as the Chief of Staff, in addition to maintaining his advisory position. During this time, Mr. AlHmied’s achievements were outstanding and included approval and delivery of PIF updated strategy and business plan, managing PIF investment projects involving establishing of new companies, developing a comprehensive governance model for PIF portfolio companies, establishing the foundations and mechanisms for nominating and appointing PIF representatives in the Boards and committees of PIF portfolio companies, developing several international strategic partnerships, and enhancing PIF relations to become an enabler to other local entities.

Overall, during 18 plus years of career, Mr. AlHumied has had extensive experience and exposure in both financial and management domains, starting his career at Price Waterhouse Coopers in 2004 – where he stayed until 2008 and left to join the Capital Market Authority (CMA) – where he worked until 2015. At CMA, he headed the Mergers and Acquisitions team and was fully exposed to international investment practices as he was also seconded to work at the Malaysian Securities Commission and the regulatory body of mergers and acquisitions in the United Kingdom. He also served as an Advisor to H.E the Chairman of CMA, enabling him to develop a comprehensive understanding of CMA and its practices.

Mr. AlHumied’s contributions extend beyond his executive roles - into the domains of corporate and supervisory governance of PIF- through his roles as a chairman of Management Risk Committee, Vision Realization Program Steering Committee, and Information Technology Steering Committee. And his contributions extend through his memberships in several committees such as Management Committee, Portfolio Companies Nomination Committee, Management Investment Committee, Management Risk Committee and Management Liquidity Committee as well as his memberships in the Boards of several leading public and private sector organizations. His Board assignments include: Chairman of the National Security Services Company (SAFE), Vice Chairman for the Saudi National Bank (SNB), the Saudi Tadawul Holding Group (Tadawul), Saudi Telecom Company (STC), and Saudi Egyptian Investment Company (SEIC), Desert Resorts Development Company; Saudi Arabian Airlines (Saudia). And board membership in Saudi Electronic Gaming Holding (SAVVY), Red Sea Cruise Company, Saudi Information Technology Company (SITE), Water Solutions Company, Matarat Holding Company, Richard Attias & Associates and Flyadeal; in addition to being a member in several sub-committees of the aforementioned Boards of Directors.

Mr. Al-Humied holds a Bachelor’s degree in Accounting from King Saud University, along with being certified by several top tier international academic institutes such as Harvard University and London Business School in executive management programs.

Academic Qualifications

Year	Qualification	Major	University
2004	Bachelor’s degree	Business Administration and Accounting	King Saud University, Riyadh, KSA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Deputy Governor, Head of MENA Investments	Public Investments Fund	Government Entity – Inside KSA	Investment
Chairman	National Security Services Company (SAFE)	Closed Joint Stock Company – Inside KSA	Security
Vice-Chairman	Saudi National Bank (SNB)	Listed Joint Stock Company – inside KSA	Bank
Vice-Chairman	Saudi Telecom Company (STC)	Listed Joint Stock Company – Inside KSA	Communications
Vice-Chairman	Saudi Egyptian Investment Company (SEIC)	Listed Joint Stock Company – Outside KSA	Investment
Vice-Chairman	Saudi Tadawul Group Holding Company (Tadawul)	Listed Joint Stock Company – Inside KSA	Financial

Board of Directors’ Report (continued)

Vice-Chairman	Saudi Arabian Airlines General Corporation (Saudia)	Governmental Entity – Inside KSA	Aviation
Vice-Chairman	Desert Resorts Development Company	Closed One Person Joint Stock Company – Inside KSA	Hospitality
Board Member	Flyadeal	Closed Joint Stock Company – Inside KSA	Aviation
Board Member	Matarat Holding Company	Closed Joint Stock Company – Inside KSA	Aviation
Board Member	Richard Attias & Associates	Closed Joint Stock Company – Outside KSA	Event Management
Board Member	Saudi Information Technology Company (SITE)	Closed Joint Stock Company – Inside KSA	Information Technology
Board Member	Water Solutions Company	Closed Joint Stock Company – Inside KSA	Power & utilities
Board Member	Saudi Electronic Games Holding Company (Savvy)	Closed Joint Stock Company – Inside KSA	Games & Esports
Board Member	Red Sea Cruise Company (Cruise Saudi)	Closed Joint Stock Company – Inside KSA	Tourism

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Head of Local Holding Investments	Public Investments Fund (PIF)	Government Entity – Inside KSA	Investment
Chief of Staff	Public Investments Fund (PIF)	Government Entity – Inside KSA	Investment
Advisor	Public Investments Fund (PIF)	Government Entity – Inside KSA	Investment
Manager – Merger and Acquisition Dep	Capital Market Authority	Government Authority – Inside KSA	Financial
Advisor of Governor	Capital Market Authority	Government Authority – Inside KSA	Financial
Senior Specialist in the Merger and Acquisition Dep	Capital Market Authority	Government Authority – Inside KSA	Financial
Advisor	National Consulting House	Limited Liability Company – Inside KSA	Services
Senior Advisor	Price waterhouse Cooper	General Partnership Company – Inside KSA	Services

Dr. Ibrahim Saad Almojel, Board Member

Dr. Almojel is a Member of the Board of Directors and a Member of the Bank’s Executive Committee. He is a non-executive Board member and representative of the Public Investment Fund, and a member of several government boards, committees and programs, Dr. Almojel’s academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2002	Bachelor’s degree	Mathematics in Electrical Engineering	Vanderbilt University – USA
2004	Master’s degree	Electrical engineering	Stanford University – USA
2010	Master’s degree	Engineering and Business Management	Stanford University – USA
2010	PhD Degree	Operations Research	Stanford University – USA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chairman of the Board	The Special Integrated Logistics Zone Company	Limited Liability Company – Inside KSA	Logistics
Chairman of Audit Committee	Royal Commission for Jubail and Yanbu	Government Authority – Inside KSA	Industry
Vice Chairman	Awqaf Investmnet Company	Closed Joint Stock Company – Inside KSA	Investment
Chairman, Investment Committee			
Vice Chairman	The Arabian Mining Company	Closed Joint Stock Company – Outside KSA	Mining
Member, Investment Committee			
Board Member	The Arabian Mining Company	Limited Liability Company – Outside KSA	Mining
Member, Investment Committee	Public Investment Fund	Government Entity – Inside KSA	Investment
Board Member	Taiba Valley Company	Limited Liability Company – Inside KSA	Investment
Vice Chairman, Chairman, Nomination and Renumeration Committee Member, Executive Committee`	The Saudi EXIM Bank	Government Financial Institution	Financial & Banking Services
Founding Board Member	National Infrastructure Fund	Government Financial Institution	Financial & Banking Services
Board Member	Hassana Investment Company	Closed Joint Stock Company – Inside KSA	Investment
Board Member	Takamol Holding Com-pany	Closed Joint Stock Company – Inside KSA	Investment

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Chief Executive Officer	The Saudi Industrial Development Fund	Government Fund – Inside KSA	Financial & Banking Services
Board Member	Samba Financial Group	Listed Joint Stock Company- Inside KSA	Banks
Member, Executive Committee			
Board Member	Alraidah Investment Company	Joint Stock Company – Inside KSA	Investment
Chief Executive Officer	Wesayah Investment Company – Saudi Aramco Investment Management Company	Limited Liability Company – Inside KSA	Investment
Head of Direct Investment	Saudi Aramco Investment Management Company	Closed Joint Stock Company – Inside KSA	Energy
Head, International Investment	Saudi Aramco Energy Ventures	Closed Joint Stock Company – Inside KSA	Energy
Strategic Planning Department and Energy Sector	Saudi Aramco Company	Closed Joint Stock Company – Inside KSA	Energy
Local Committee Secretary of the Energy Strategies	Saudi Aramco Company	Closed Joint Stock Company – Inside KSA	Energy
Consultant	Saudi Aramco Company	Closed Joint Stock Company – Inside KSA	Energy
Board Member	Montreal Group	Global Forum – Outside KSA	Financial Consulting
Co-President	Long-term Investors Club	International Entity – Outside KSA	Investment



Board of Directors’ Report (continued)

Mr. Rashed Ibrahim Sharif, Board Member

Mr. Rashed is a Member of the Board of Directors and a Member of the Bank’s Risk Committee. He is a non-executive Board member. His academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2009	Master’s Degree	Business Administration	Prince Sultan University, Riyadh, KSA
1998	Bachelor’s Degree	Finance Management	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Board Member	SNB Capital	Closed Joint Stock Company - Inside KSA	Financial Services
Board Member	AVILEASE   Aircraft Leasing Company	Closed Joint Stock Company - Inside KSA	Aviation
Investment committee member	Saudi Telecom Company	Listed Joint Stock Company- Inside KSA	Communications
Board Member (Independent Non-Executive)	NEOM Tech and Digital Company	Closed Joint Stock Company - Inside KSA	Technology
Chairman of the Committee	Capital Market Institutions Committee - CMA	A Committee part of Government Authority- Inside KSA	Financial
Committee Member	Advisory Committee - CMA	A Committee part of Government Authority - Inside KSA	Financial

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Chief Executive Officer	SNB Capital	Closed Joint Stock Company - Inside KSA	Financial Services
Vice-Chairman	National Commercial Bank	Listed Joint Stock Company - Inside KSA	Banks
Head of General Directorate for Investments in Local Companies	Public Investments Fund	Government Fund- Inside KSA	Investment
Board Member	Saudi Electricity Company	Listed Joint Stock Company- Inside KSA	Investment
Board Member	Saudi Telecom Company	Listed Joint Stock Company- Inside KSA	Communications
Board Member	Accor Invest Company	Closed Joint Stock Company - Outside KSA	Investment
Board Member	KAFD Development & Management Company	Government Company - Inside KSA	Real estate development
Board Member	Saudi Basic Industries Corporation (SABIC)	Listed Joint Stock Company - Inside KSA	Basic materials
Chief Executive Officer	Riyad Capital	Closed Joint Stock Company - Inside KSA	Financial
Manager of Corporate Investment Banking Management	Riyad Capital	Closed Joint Stock Company - Inside KSA	Financial
Manager of Registration and Inclusion Department	Capital Markets Authority	Government Organization - Inside KSA	Financial
Customer Finance Relations Manager	Bank Albilad	Listed Joint Stock Company - Inside KSA	Banks
Credit Section	Saudi Industrial Development Fund	Government Fund - Inside KSA	Industrial development

Mr. Ziad Mohammed Altunisi, Board Member

Mr. Altunisi is a Board Member, Chairman of Nomination and Remuneration Committee, and Member of Executive Committee. He is an independent Board Member and is CEO of Al-Faisaliah Group. Details of his academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2005	Senior Executives’ Course	Corporate Financial Strategies	INSEAD Institute, Switzerland
2003	Senior Executives’ Course	Private Equity Rights and Venture Capital	Harvard Business School, UK
1996	Master’s Degree	Securities and Investment Services	University of Reading, UK
1991	Bachelor’s Degree	Business Administration	King Saud University, Riyadh, KSA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
CEO	Al Faisaliah Group	Closed Joint Stock Company - Inside KSA	linvestments
Board Member	Almajdiah Residence	Limited Liability Company - Inside KSA	Real-estate Development
Chairman of the Board of Directors	Nuwa Capital	Closed Joint Stock Company - Outside KSA	Financial
Chairman of the Board of Directors	Axantia Cayman Holding Ltd.	Closed Joint Stock Company - Outside KSA	Pharmaceuticals
Chairman of the Board of Directors	Al Safi Danone Company	Closed Joint Stock Company - Inside KSA	Producing milk and dairy products
Chairman of the Board of Directors	Phillips Joint Venture Saudi Arabia	Closed Joint Stock Company - Inside KSA	Medical Care
Chairman of the Board of Directors	Arabian Intl. Healthcare Holding Company.(Tibbiyah)	Closed Joint Stock Company - Inside KSA	Healthcare
Board Member	AWJ Holding Company	Closed Joint Stock Company - Inside KSA	Asset management and investment
Board Member	Tamkeen Human Resources	Closed Joint Stock Company - Inside KSA	Human resources
Board Member	Saudi Angel Investors	Closed Joint Stock Company - Outside KSA	Investments
Board Member	Accenture Saudi Arabia Ltd.	Closed Joint Stock Company - Inside KSA	Information technology
Board Member	Lafana Holding	Closed Joint Stock Company - Inside KSA	Real Estate investment
Board Member	Knowledge Economic City	Listed Joint Stock Company - Inside KSA	Real estate management and development
Board Member	Raqamyah Platform	Limited Liability Company- Inside KSA	Information technology
Board member	AlFaisaliah Group Electronics & Systems Sector (Modern Holding)	Limited Liability Company - Inside KSA	Retail - Electronics
Board Member	ALFA Co. for Operations Co.Ltd. (AlFaisaliah Group)	Limited Liability Company - Inside KSA	Food services

Board of Directors’ Report (continued)

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Board Member	National Commercial Bank	Listed Joint Stock Company - Inside KSA	Banking
Board Member	Solidere International	Closed Joint Stock Company - Inside KSA	Investment
Board Member	Samba Capital	Closed Joint Stock Company - Inside KSA	Banking
Board Member	Pharma International	Closed Joint Stock Company - Inside KSA	Production of medicines and drugs
Vice Chairman and Operation Manager	Al Faisaliah Holding Group	Closed Joint Stock Company - Inside KSA	Investments
Executive Director for Finance	Al Faisaliah Holding Group	Closed Joint Stock Company - Inside KSA	Investments
Treasury Manager	Al Faisaliah Holding Group	Closed Joint Stock Company - Inside KSA	Investments
Investment Advisor - Private Banking	Samba Financial Group	Listed Joint Stock Company - Inside KSA	Banking
Board Member	Sackville Capital	Closed Joint Stock Company - Outside KSA	Investment

Mr. Zaid Abdulrahman Algwaiz, Board Member

Mr. Algwaiz is a Board member, and Risk Committee, and Executive Committee members. He is an independent Board Member and is a Board Member of numerous companies. Details of his academic qualification and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
1987	Bachelor’s Degree	Financial accounting	King Saud University, Riyadh, KSA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chairman of the Audit Committee	SAL Saudi Logistics Services Co.	Closed Joint Stock Company - Inside KSA	Logistics
Chairman of the Audit Committee Member of Risk Committee	Bupa Arabia for Cooperative Insurance Company	Listed Joint Stock Company - Inside KSA	Insurance
Board Member and Chairman of Audit Committee	AWJ Holding Company	Closed Joint Stock Company- Inside KSA	Investments
Member of Risk and Assets and Liabilities Committee	Mohammed Ibrahim Alsubeaei & Sons Investment Company - MASIC	Closed Joint Stock Company - Inside KSA	Investments
Member of the Investment Committee	Real Estate General Authority	Government Authority - Inside KSA	Real estate
Member of Audit Committee	New Jeddah Downtown Company	Closed Joint Stock Company - Inside KSA	Real estate development

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Board Member, Audit Committee Member	Bupa Arabia for Cooperative Insurance Company	Listed Joint Stock Company- Inside KSA	Insurance
Board member Chairman of Nomination, Compensation and Governance Committee Member of Executive Committee	National Commercial Bank	Listed Joint Stock Company- Inside KSA	Banking
Board Member and Chairman of Audit Committee	GIB Capital	Closed Joint Stock Company- Inside KSA	Financial
Chairman of Audit Committee	Noon Investment Company	Closed Joint Stock Company- Inside KSA	Retail

Job title	Name	Legal form	Sector
Audit Committee Member	Zakher Real Estate Development Company	Limited Liability Company - Inside KSA	Real estate development
Board Member and Chairman of Audit Committee	Mohammad Abdulaziz AlRajhi & Sons Investment Company	Limited Liability Company - Inside KSA	Multiple investments
Board Member and Chairman of Audit Committee	Wilayah Investment Company	Government Company - Inside KSA	Government company
Board Member Member of Nomination and Remuneration Committee	Middle East Specialized Cables (MESC)	Listed Joint Stock Company- Inside KSA	Capital goods
Board Member Chairman of Audit Committee	Saudi Hollandi Capital	Closed Joint Stock Company- Inside KSA	Financial services
Board Member Chairman of Audit Committee	Gulf Financing Company	Closed Joint Stock Company- Inside KSA	Financing
Board Member Chairman of Risk Committee	Al Yusr Financing & Leasing Company	Closed Joint Stock Company- Inside KSA	Financing
Board Member Audit Committee Member	Al Rajhi Steel Industries Company	Limited Liability Company - Inside KSA	Steel industry
Deputy Managing Director	HSBC Saudi Arabia Ltd	Closed Joint Stock Company- Inside KSA	Financial services and Investment
General Manager of Corporate Banking Services	Saudi British Bank (SABB)	Listed Joint Stock Company- Inside KSA	Banks
Chief Accountant – Financing, Planning, and Budgeting Management	King Faisal Specialist Hospital	Government Institution - Inside KSA	Medical services

Mr. Saoud Solaiman Aljuhni, Board Member

Mr. Aljuhni is a Member of the Board of Directors and a Member of the Bank’s Risk Committee. He is a non-executive Board member Mr. Aljuhni is the Assistant Governor for Insurance Affairs. Details of his academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2008	Master’s Degree	Actuarial Sciences	University of Kent, UK
2007	High Diploma	Actuarial Sciences	University of Kent, UK
2003	Diploma	Actuarial Sciences	Muhanna Foundation, the Lebanese Republic
2001	Bachelor’s Degree	Management Information Systems	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Board Member	National Industrialization Company	Listed Joint Stock Company - Inside KSA	Basic materials

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Board Member	National Commercial Bank	Listed Joint Stock Company - Inside KSA	Banks
Board Member	Saudi Industries Development Company	Closed Joint Stock Company - Inside KSA	Investment
Chairman of the Board of Directors	Tabuk Cement Company	Listed Joint Stock Company - Inside KSA	Basic materials



Board of Directors’ Report (continued)

Mr. Abdulrahman Mohammed Alodan, Board Member

Mr. Alodan is a Board member, a member of SNB’s Risk Committee, and a member of SNB’s Executive Committee. And he is a non-executive Board member. Mr. Alodan has more than 25 years of experience in information technology and commercial banking consultancy. He held several positions at Riyadh Bank in developing and maintaining systems management until he was appointed as the Vice-Executive Head of Information Technology. He has also held many memberships of audit committees. His academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
1986	Master’s Degree	Computer Science	Florida Institute of Technology, USA
1984	Bachelor’s Degree	Computer Science	Jacksonville University, USA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Board Member	Elm Company	Listed Joint Stock Company - Inside KSA	Information Technology
Technology Projects Committee Member	The Company for Cooperative Insurance, Tawuniya	Listed Joint Stock Company - Inside KSA	Insurance
Director	Komate Industrial Company	Closed Joint Stock Company - Inside KSA	Industrial
Owner and Director	Security House Trading	Establishment - Inside KSA	Business

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Audit Committee Member	Saudi Stock Exchange (Tadawul)	Listed Joint Stock Company - Inside KSA	Capital Market Authority
Member of Audit Committee - Non-Board Member	National Commercial Bank	Listed Joint Stock Company - Inside KSA	Banking
Board Member	The Company for Cooperative Insurance, Tawuniya	Listed Joint Stock Company - Inside KSA	Insurance
IT Advisor to the DCEO	Riyad Bank	Listed Joint Stock Company - Inside KSA	Banking
Executive VP	Riyad Bank	Listed Joint Stock Company - Inside KSA	Banking
Execution Manger, Performance Transformation	Riyad Bank	Listed Joint Stock Company - Inside KSA	Banking
Manger - Solution Support	Riyad Bank	Listed Joint Stock Company - Inside KSA	Banking
Wholesale Program Manager	Riyad Bank	Listed Joint Stock Company - Inside KSA	Banking
Manager - Process Reengineering	United Saudi Bank	Listed Joint Stock Company - Inside KSA	Banking
Manger - Computer Operations	SAMA	Government Institution - Inside KSA	Financial
Systems Programmer	SAMA	Government Institution - Inside KSA	Financial
System Analyst	Saudi Aramco	Closed Joint Stock Company - Inside KSA	Energy

Mr. Abdullah Abdulrahman Alrowais - Board Member, Chairman of Audit Committee

Mr. Al-Rowais is an Independent Board Member and Chairman of the Audit Committee. He holds more than 25 years of experience in Corporate Governance & Internal Control, Accounting, IT, ERM and Internal Audit. Mr. Al-Rowais holds a Bachler degree in Accounting and Master of Science in Computer and Information Systems from the USA and has successfully completed leadership and executive courses from internationally renowned schools such as IMD, INSEAD and London Business School. Details of her academic qualification and professional experience are as follows:

Academic Qualifications

Year	Qualification	Major	University
1997	Master’s degree	Computer Sciences and Information Systems	University of Detroit Mercy, Michigan, USA
1996	Advanced Diploma	Accounting	Economics Institute, University of Colorado - Boulder, University of Colorado, USA
1992	Bachelor’s degree	Accounting	King Saud University, Riyadh, KSA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chief Audit Executive	Mobily	Listed Joint Stock Company - Inside KSA	Communications
Board Member	Saudi Tourism Authority	Government Authority - Inside KSA	Tourism
Board Member	Bawan Co.	Listed Joint Stock Company - Inside KSA	Industry
Board Member	ACWA Power	Listed Joint Stock Company - Inside KSA	Energy
Member of Audit Committee	Jeddah Central Development Company	Closed Joint Stock Company - Inside KSA	Real Estate
Member of Audit Committee	Roshn Real Estate Company	Listed Joint Stock Company - Inside KSA	Real Estate
Chairman of Audit Committee	Noon Company	Closed Joint Stock Company - Inside KSA	E-Commerce
Chairman of Audit Committee	Boutique Group	Closed Joint Stock Company - Inside KSA	Hospitality
Chairman of Oversight Committee	General Organization of Social Insurance	Government Entity - Inside KSA	Government
Member of Audit Committee	Saudi Information Technology Company	Closed Joint Stock Company - Inside KSA	Technology

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Board Member - Chairman of Audit Committee	Samba Financial Group	Listed Joint Stock Company - Inside KSA	Banks
Board Member - Member of Risk Committee	Samba Financial Group	Listed Joint Stock Company - Inside KSA	Banks
Assistant of General Auditor	Saudi Aramco	Listed Joint Stock Company - Inside KSA	Energy
Manager of IT Audit	Saudi Aramco	Listed Joint Stock Company - Inside KSA	Energy
Manager of SAP Software and Applications Department	Saudi Aramco	Listed Joint Stock Company - Inside KSA	Energy
Senior Internal Auditor	Saudi Aramco	Listed Joint Stock Company - Inside KSA	Energy
Internal Auditor	Saudi Central Bank (SAMA)	Government Entity - Inside KSA	Financial
Member of Audit Committee	Alinma Tokio Marine	Listed Joint Stock Company - Inside KSA	Insurance
Member of Audit Committee	Public Investment Authority	Government Authority - Inside KSA	Investment
Member of Audit Committee	Deutsche Gulf Finance	Closed Joint Stock Company - Inside KSA	Financial
Founding Member, Board Member, Chairman of Executive Committee	The Saudi Institute of Internal Auditor	Non-profit independent professional entity under the supervision of General Court of Accounting - Inside KSA	Vocational
Member of Audit Committee	Saudi Authority for Industrial Cities	Government Authority - Inside KSA	Investment
Chairman of Audit Committee	Endowments Sheikh Mohammed Abdul Aziz Al-Rajhi	Charity Organization - Inside KSA	Charity
Board Member, Chairman of Audit Committee	Manafea Holding	Closed Joint Stock Company - Inside KSA	Investment

Board of Directors’ Report (continued)

Ms. Huda Mohammed Bin Ghoson - Board Member

Ms. Bin Ghoson is a Board member, and a member of the Bank’s Nomination and Remuneration Committee. She is an independent Board Member and is a Board Member of numerous companies. Details of her academic qualification and professional experience are as follows:

Academic Qualifications

Year	Qualification	Major	University
1986	Master’s degree	MBA	American University of Washington, D.C., USA
1980	Bachelor’s degree	English Literature	King Saud University in Riyadh

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member of Nomination & Remuneration committee	Saudi Telecom Company (STC)	Listed Joint Stock Company - Inside KSA	Telecommunications
Board Member Chair of Nomination & Remuneration Committee	Bupa Arabia for Cooperative Insurance Company	Listed Joint Stock Company - Inside KSA	Insurance
Board Member Member of Nomination & Remuneration Committee	The Saudi National Bank (SNB)	Listed Joint Stock Company - Inside KSA	Banks

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Executive Director	Saudi Aramco	Closed Joint Stock Company - Inside KSA	Energy
Board Member	General Organization for Social Insurance (GOSI)	Government organization - Inside KSA	Government
Board Member	Yanbu Aramco Sinopec Refining Company (YASREF)	Closed Joint Stock Company - Inside KSA	Energy
Board Member	Johns Hopkins Aramco Healthcare Company (JHAH)	Closed Joint Stock Company - Inside KSA	Health Care
Board Member	Saudi Aramco Asia Company (SAAC)	Closed Joint Stock Company - Inside KSA	Energy
Chairperson	Board of Trustees of the Arabian Society of Human Resources Management (ASHRM)	Non-Profit Organization - Outside KSA	Human Resources
Board Member	Saudi Aramco Development Company (SADCO)	Closed Joint Stock Company - Inside KSA	Energy
Board Member	Saudi Aramco Investment Management Company (SAIMCO)	Closed Joint Stock Company - Inside KSA	Energy
Board Member	Vela International Marine Ltd.	Closed Joint Stock Company - Inside KSA	Energy
Board Member Chair of Nomination & Remuneration Committee	Credit Suisse Saudi Arabia Bank	Listed Joint Stock Company - Inside KSA	Banks
Board Member Member of Executive Committee and Nomination & Remuneration Committee	Institute of Public Administration	Government Organization - Inside KSA	Education

Mr. Naif Sufouq AlMarshed - Board Member

Mr. AlMarshed is a Board member, and Chairman of the Risk Committee. He is a non-executive Board Member. Details of his academic qualification and professional experience are as follows:

Academic Qualifications

Year	Qualification	Major	University
1988	Bachelor’s Degree	Business Administration	California University, USA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Board Member	Technology Development and Investment Company	Closed Joint Stock Company - Inside KSA	Investment
Board Member	Charitable Association for Treating Patients (Ilaji)	Non-profit Organization- Inside KSA	Charitable association

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Group Chief Risk Officer	Saudi National Bank	Listed Joint Stock Company - Inside KSA	Banks
Board Member	Saudi Real Estate Company	Listed Joint Stock Company - Inside KSA	Real estate development
Board Member	Advanced Electronics Company	Closed Joint Stock Company - Inside KSA	Military industries

Members of the Audit Committee

In its meeting held on 06/05/2021, SNB’s Extraordinary General Assembly approved the re-formation of Committee Members, set the Committee’s duties and responsibilities, and compensation of members from 15/05/2021 to 14/05/2024, and in its meeting held on 29/06/2021, SNB’s Ordinary General Assembly approved the appointment of a fifth member, Mr. Abdullah Abdulrahman Alrowais, and on 29/05/2023 the Board of Directors accepted the resignation of Committee member Mr. Ali Suliman AlAyed.

Below are the Audit Committee Members names, provided that the Chairman of the Committee is Board Member Mr. Abdullah Abdulrahman Alrowais:

Dr. Khalid Mohammed Altaweel, Committee Member and non-Board Member

Dr. Altaweel is an external Member of the Audit Committee. Dr. Altaweel has more than 25 years’ experience in many organizations in the government and private sector, is a Board Member of many listed and closed joint stock companies. His academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2006	Executive Master's Degree	Business Management	The University of Edinburgh, UK
1994	PHD	Computer Science	Texas A&M University, US
1989	Master’s Degree	Computer Science	King Fahd University of Petroleum and Minerals, Dhahran, KSA
1986	Bachelor’s Degree	Computer Sciences and Engineering	King Fahd University of Petroleum and Minerals, Dhahran, KSA



Board of Directors’ Report (continued)

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Board Member	Saudi Credit Bureau (SIMAH)	Closed Joint Stock Company- Inside KSA	Financial
Board Member	Naqel	Partnership Company - Inside KSA	Transport
Board Member	Tasheel	Limited Liability Company - Inside KSA	Financial
Chairman of Board of Directors	SIMAH Rating Agency (Tassnief)	Limited Liability Company - Inside KSA	Credit rating
Partner and Board Member	LEORON Professional Development Institute	Closed Joint Stock Company - Outside KSA	Training and Development
Partner and Board Member	Saudi Experts Co. for Training and Development	Closed Joint Stock Company - Inside KSA	Training and Development
Partner and Board Member	Cheeky Monkeys	Closed Joint Stock Company - Outside KSA	Entertainment
Member of the Board of Trustees	Prince Sultan University	Civil Academic Institution - Inside KSA	Education

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Vice-Chairman of the Board, and Chair of Executive Committee	Elm company	Closed Joint Stock Company - Inside KSA	Technical
Board Member	Saudi International Chamber of Commerce	Service Institutions - Inside KSA	Commercial
Vice-Chairman and Member of Audit Committee	Saudi Capital Market Authority	Government Authority - Inside KSA	Financial
Member Audit Committee	National Commercial Bank	Public Joint Stock Company - Inside KSA	Banking
Board Member	VFS Tasheel International	Closed Joint Stock Company - Outside KSA	Investment
Director General, National Information Center	Ministry of Interior	Government Institution - Inside KSA	Security
Dean, College of Computer Science and Engineering	King Fahd University of Petroleum and Minerals	Academic Institution - Inside KSA	Education
Chairman, Dept. of Computer Engineering	King Fahd University of Petroleum and Minerals	Academic Institution - Inside KSA	Education

Dr. Abdurrahman Mohammed Albarrak, Committee Member and non- Board Member

Dr. Albarrak is an external non Board Member of the Audit Committee at. He is a Board & committee chairman and of many listed and closed joint stock companies. His academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2005	Ph.D.	Finance	Newcastle University, UK
2001	Master’s Degree	Finance	Colorado University, USA
1997	Bachelor’s Degree	Accounting	King Faisal University, KSA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chairman	Thara Administrative Investment Company	Limited Liability Company - Inside KSA	Consulting services
Vice-Chairman and Board Member Governance and Compliance Committee Chairman Nominations and Remuneration Committee Chairman	Health Holding company “owned by the health ministry”	Government Institution - Inside KSA	Governmental

Job title	Name	Legal form	Sector
Board Member	Transport General Authority	Government Authority - Inside KSA	Governmental
Audit Committee Chairman			
Audit Committee Chairman	Zakat, Tax and Customs Authority	Government Authority - Inside KSA	Governmental
Audit Committee Member	Local Content & Government Procurement Authority	Government Authority - Inside KSA	Governmental
Audit & Risk Committees Member	Expenditure & Projects Efficiency Authority (EXPRO)	Government Authority - Inside KSA	Governmental
Audit Committee Member	National Security Center	Government Centre - Inside KSA	Governmental
Risk Committee Member	Non-oil Revenue Development Center	Government Center - Inside KSA	Governmental
Risk Committee Member	National Center for Privatization	Government Center- Inside KSA	Governmental
Audit Committee Member	Royal Saudi Airlines	Government Institution - Inside KSA	Governmental
Audit Committee Member	Decision Support Center	Government Center - Inside KSA	Governmental
Board Member	BinDawood Holding Company	Listed Joint-Stock Company - Inside KSA	Retail
Audit Committee Chairman			
Governance Committee Chairman			
Board Member	Alandalus Property Company	Listed Joint-Stock Company - Inside KSA	Real estate
Audit Committee Chairman			
Board Member	Saudi Credit Bureau - SIMAH	Closed Joint-Stock Company - Inside KSA	Credit Information
Audit Committee Chairman			
Board Member	Gulf Telecom Company	Closed Joint-Stock Company - Inside KSA	Technology
Audit Committee Chairman			
Board Member	Thiqah Business Services Company	Limited Liability Company - Inside KSA	Business Services
Governance Committee Chairman			
Board Member	Al Watania Poultry Company	Limited Liability Company - Inside KSA	Foods
Audit Committee Chairman	Elm Information Security Company	Closed Joint-Stock Company - Inside KSA	Information Technology
Chairman of the Board	Qarar Consultancy	Closed Joint-Stock Company - Inside KSA	Information Technology
Board Member	Dar Al-Amjad Real Estate Company “ Almajdiah ”	Closed Joint-Stock Company - Inside KSA	Real estate
Chairman of the Board	Simplified Financial Solutions Company	Closed Joint-Stock Company - Inside KSA	Information Technology
Board Member	Saline Water Conversion Corporation (SWCC)	Government Corporation - Inside KSA	Governmental
Nomination & Remunerations Comm. Chairman	Al Ahsa Development Authority	Government Authority - Inside KSA	Governmental
Audit Committee Member	Saudi Company for Artificial Intelligence	Closed Joint-Stock Company - Inside KSA	Information Technology
Audit & Risk Committee Chairman	Bada’el Co.	Closed Joint-Stock Company - Inside KSA	Information Technology
Audit Committee Member	Hevolution Foundation	Government foundation - Inside KSA	Governmental
Audit Committee Chairman	Health Water Bottling Co. “ Nova ”	Closed Joint-Stock Company - Inside KSA	Foods
Audit & Compliance Committee Member	The Saudi Export-Import Bank	Government Bank - Inside KSA	Governmental

Board of Directors’ Report (continued)

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Vice-Chairman	Capital Market Authority	Government Authority - Inside KSA	Governmental
Board member			
Board Member	Saudi Organization for Public Accountants (SOCPA)	Government Organization - Inside KSA	Governmental
Faculty Member, Dean, and Dep. Chairman	King Faisal University	Government Entity - Inside KSA	Governmental

Mr. Abdulaziz Sulaiman Alatiqi, Committee Member and non-Board Member

Mr. Alatiqi is an external non Board Member of the Audit Committee. His academic qualifications and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
1990	Bachelor’s degree	Accounting	King Saud University
1997	SOCPA Fellowship Certificate	Accounting & Auditing	SOCPA

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
General Manager	Abdulaziz Alatiqi for Accounting & auditing Services	Individual Foundation - Inside KSA	Financial
Member of the Audit Committee	Wataniya Agriculture Co (LLC)	Limited Liability Company - inside KSA	Agriculture
Chairman of the Audit Committee	Tadawul Real Estate Co. (LCC)	Limited Liability Company - inside KSA	Real State
Member of the Audit Committee	The National Research and Development Center for Sustainable Agriculture (Estidamah)	Governmental entity - Inside KSA	Research & Studies
Member of the Audit Committee	National Center for the Prevention and Control of Plants (WEQAA)	Governmental entity - Inside KSA	Research & Studies

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Member of Audit Committee - Non-Board Member	Samba Financial Group	Listed Joint Stock Company - Inside KSA	Banks
Member of Audit Committee - Non-Board Member	Malath Cooperative Insurance Company	Listed Joint Stock Company - inside KSA	Insurance
Member of Audit Committee - Non-Board Member	Abdullah Alrajhi & his Sons Holding Company	Closed Joint Stock Company - Inside KSA	Investment
Member of Audit Committee - Non-Board Member	ASTRA Industrial Group Company	Listed Joint Stock Company - Inside KSA	Industrials
Member of Auditing Standards Committee	The Saudi Organization for Certified Public Accountants (SOCPA).	Government Authority - Inside KSA	Financial
Director of market supervision department.	Capital Market Authority “CMA”	Government Authority - Inside KSA	Financial
Manager of shares department (Investor’s relationships).	Saudi Basic Industries Corporation (SABIC)	Listed Joint Stock Company - Onside KSA	Basic Materials
Chairman of the Audit Committee	Saudi Falcon Club	Public Benefit Entity - Inside KSA	Sport
Member of Audit Committee - Non-Board	Filing and Packing Materials Manufacturing Company	Listed Joint Stock Company - Inside KSA	Materials

Shariah Committee Members

Prof. Saad bin Nasser Al-Shithri - Chairman of the Shariah Committee - Outside the Board of Directors

He holds a Ph.D. degree from the college of Shariah at Imam Muhammad ibn Saud Islamic University. He has authored works on jurisprudence and its fundamentals and has contributed to various conferences, symposiums, research papers, and publications. Additionally, he is a member in several academic committees.

Academic Qualifications

Year	Qualification	Major	University
1997	Ph.D.	Principles of Jurisprudence	Imam Muhammad ibn Saud Islamic University
1993	Master’s Degree	Principles of Jurisprudence	Imam Muhammad ibn Saud Islamic University
1988	Bachelor’s Degree	Shariah	Imam Muhammad ibn Saud Islamic University

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Associate Professor	College of Shariah at Imam Muhammad ibn Saud Islamic University	Government University	Education
Professor	College of Law and Political Science at King Saud University	Government University	Education
Advisor	Royal Court	Government Entity	Public Sector
Member	Senior Scholars Commission and Permanent Committee for Scholarly Research and Ifta	Government Entity	Public Sector

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Associate Professor	College of Shariah at Imam Muhammad bin Saud Islamic University	Government University	Education
Lecturer	College of Shariah at Imam Muhammad bin Saud Islamic University	Government University	Education
Assistant Professor	College of Shariah at Imam Muhammad bin Saud Islamic University	Government University	Education

Dr. Mohammed Ali Al-Qari - Committee Member - Vice President - Outside the Board of Directors

Previous professor in the Department of Islamic Economics at the College of Administration and Economics, at King Abdulaziz University, and a member of the Board of Trustees and the Shariah Council of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and an expert in the Islamic Fiqh Assembly affiliated with the Organization of Islamic Cooperation, and a member of several Shariah committees in financial institutions, his eminence holds a Ph.D. in Economics from the University of California, USA, and has contributions to several conferences, symposiums, research, and publications in contemporary financial transactions.

Academic Qualifications

Year	Qualification	Major	University
1984	Ph.D.	Economics	University of California
1981	Master’s Degree	Economics	University of California
1973	Bachelor’s Degree	Economics	King Abdulaziz University

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member of the Shariah Committee	Saudi National Bank	Listed Joint Stock Company - Inside KSA	Banks
Chairman of the Shariah Committee	Amlak Global Real Estate Development Company	Listed Joint Stock Company - Inside KSA	Financing
Chairman of the Shariah Committee	BIDAYA Home Finance Company	Listed Joint Stock Company - Inside KSA	Financing
Committee Member	Sharjah Islamic Economy Center	Emirati University	Education



Board of Directors’ Report (continued)

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Member of the Shariah Council	Accounting and Auditing Organization for Islamic Financial Institutions	Non-profit Organization	Islamic Finance
Expert	International Islamic Fiqh Council	Non-profit Organization	Islamic Finance
Member of the Board of Trustees	Accounting and Auditing Organization for Islamic Financial Institutions	Non-profit Organization	Islamic Finance
Chairman of the Shariah Committee	Saudi Investment Bank	Public Joint Stock Company - Inside KSA	Banking
Chairman of the Shariah Committee	Dubai National Bank	Public Joint Stock Company - outside KSA	Banking
Chairman of the Shariah Committee	Emirates Dubai National Bank	Public Joint Stock Company - Inside KSA	Banking
Chairman of the Shariah Committee	Islamic Liquidity Management Corporation	Non-profit Organization	Islamic Finance
Chairman of the Shariah Committee	S&P Islamic Index	Company outside KSA	Investment
Chairman of the Shariah Committee	International Islamic Financial Market	Non-profit Organization	Islamic Finance
Member of the Shariah Committee	Riyadh Bank	Public Joint Stock Company - Inside KSA	Banking
Member of the Shariah Committee	Al-Jazira Bank	Public Joint Stock Company - Inside KSA	Banking

Dr. Yousef Bin Mohammed Al-Ghufis - Committee Member - Outside the Board of Directors

Former member of the Senior Scholars Commission and the Permanent Committee for Fatwa, holds Bachelor’s, Master’s, and Ph.D. degrees in Shariah and Islamic Studies. A former professor who taught Shariah and Islamic Studies at several universities in graduate and undergraduate programs. Engaged in various advisory works, including at the Ministry of Justice and Sheikh Sulaiman Al-Rajhi Endowment, among others. Former member and Deputy Chairman of the Shariah Committee at Al Rajhi Bank. Former Chairman of the Shariah Committee for Sheikh Sulaiman Al-Rajhi Holding Company. An active arbitrator who has ruled on numerous cases for companies and individuals. Authored several scholarly research papers and studies in jurisprudence and Principles of Islamic Jurisprudence.

Academic Qualifications

Year	Qualification	Major	University
2003	Ph.D.	Islamic Principles	Imam Muhammad bin Saud Islamic University
1997	Master’s Degree	Islamic Principles	Imam Muhammad bin Saud Islamic University
1993	Bachelor’s Degree	Shariah	Imam Muhammad bin Saud Islamic University

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Professor	College of Law, King Saud University	Government University	Education
Advisor and Arbitrator	Ministry of Justice	Government facility	Public Sector

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Faculty member	The High Judicial Institute	Government University	Education
Faculty member	Imam Muhammad ibn Saud Islamic University	Government University	Education
Faculty member	King Saud University	Government University	Education
Member	Senior Scholars Commission and Permanent Committee for Ifta	Government facility	Public Sector
Member and Vice Chairman	Shariah Committee at Al Rajhi Bank	Listed Joint Stock Company - Inside KSA	Banks
Chairman of the Shariah Committee	Financial Holding Company at Sheikh Sulaiman Al-Rajhi Endowment	Holding Company	Investment

Dr. Nazam bin Muhammad Ya’qoubi - Committee Member - Outside the Board of Directors

Holds a Ph.D. in Islamic Studies and a Bachelor’s degree in Economics and Comparative Religion from McGill University in Canada, in addition totraditional Islamic studies. He has studied under esteemed Shariah scholars in Saudi Arabia, Bahrain, Egypt, Morocco, and India. he served as a preacher at various mosques in Bahrain and has been actively engaged in teaching Islamic studies since 1976 until now. He is a member of the Shariah Supervisory Board in several banks and Islamic financial institutions in Bahrain, a member of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), a member of the Islamic Classification Committee, and a member of the Shariah Committee of the Central Bank of Bahrain, Dow Jones Islamic Fund. He has a distinguished presence in many Islamic conferences, seminars, and forums and has received several international awards in the field of Islamic banking, and is proficient in four languages.

Academic Qualifications

Year	Qualification	Major	University
1984	Ph.D.	Shariah and Islamic Studies	University of Wales, UK
	Master’s Degree	Economics and Comparative Religion	McGill University, Canada
1981	Bachelor’s Degree	Arts	McGill University, Canada

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member of the Shariah Committee	Central Bank of Bahrain	Bahrain government facility	Public Sector
Member of the Shariah Council	Accounting and Auditing Organization for Islamic Financial Institutions	Non-profit organization	Islamic economy
Member of the Shariah Council	International Islamic Financial Market (IIFM)	Non-profit organization	Islamic economy

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Member of the Shariah Supervisory Board	Bahrain Islamic Bank	Shareholding company - outside KSA	Banks
Member of the Shariah Supervisory Board	Abu Dhabi Islamic Bank	Public shareholding company - outside KSA	Banks
Member of the Shariah Supervisory Board	Sharjah Islamic National Bank	Public shareholding company - outside KSA	Banks
Member of the Shariah Supervisory Board	Al Shamil Islamic Bank	Public shareholding company - outside KSA	Banks
Member of the Shariah Supervisory Board	Gulf Finance House	Public shareholding company - outside KSA	Banks
Member of the Shariah Supervisory Board	Arab Banking Corporation Islamic Bank - Bahrain	Shareholding company - outside KSA	Banks
Member of the Shariah Supervisory Board	Arab Banking Corporation Islamic Bank - London	Shareholding company - outside KSA	Banks
Member of the Shariah Supervisory Board	Investcorp - Bahrain	Shareholding company - outside KSA	Investments
Member of the Shariah Supervisory Board	Takaful Company - Bahrain	Shareholding company - outside KSA	Insurance
Member of the Shariah Supervisory Board	Dow Jones Islamic Index	Shareholding company - outside KSA	Investments
Member of the Shariah Supervisory Board	Wafra Fund - New York	Shareholding company - outside KSA	Investments

Board of Directors’ Report (continued)

Dr. Khaled bin Mohammed Al-Sayyari - Committee Member - Outside the Board of Directors

The Associate Professor in Comparative Jurisprudence at Saudi Electronic University, and a member of the Shariah Standards Committee at the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and a member of several Shariah committees in financial institutions, has made contributions to various conferences, symposiums, research, and publications in contemporary financial transactions.

Academic Qualifications

Year	Qualification	Major	University
2012	Ph.D.	Comparative Jurisprudence	Muhammad bin Saud Islamic University
2007	Master’s Degree	Comparative Jurisprudence	Muhammad bin Saud Islamic University
2004	Bachelor’s Degree	Shariah	Muhammad bin Saud Islamic University

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Assistant Professor	Saudi Electronic University	Government University	Education

Previous Positions and Memberships

Job title	Name	Legal form	Sector
Senior Advisor	Bank Al Bilad	Public shareholding company	Bank
Advisor	Alinma Bank	Public shareholding company	Bank
Secretary of Comparative Jurisprudence Department	Imam Muhammad ibn Saud Islamic University	Government University	Education

Members of Executive Management

Mr. Talal Ahmed Alkhereiji, Acting Group CEO

Mr. Alkhereiji, Acting Group CEO at The Saudi National Bank (SNB), has been appointed to the position in March 2023 post his position as Deputy of Group CEO at The Saudi National Bank from February 2023 until March 2023. He held the position of CEO of Wholesale Banking at SNB where he oversaw Wholesale Banking, Retail Banking, Finance, Human Recourses, Risk, Technology, Digital Banking, Shared Services and Strategy. Prior to the merger, he held the position of Acting CEO of the National Commercial Bank. Mr. Al-Khereiji’s academic qualification and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
1995	Master’s Degree	International Businesses	Edmund A. Walsh School of Foreign Service, Georgetown University, USA
1993	Bachelor’s Degree	International Economy	Georgetown University, USA

Professional Experience

Mr. Al-Khereiji has over 28 years’ experience in financial services, where he started his career at the Saudi Central Bank (SAMA) in 1995 in itsInvestment Management Department. He was a member of the advisory group that designed and implemented SAMA’s investment policy under which managed foreign exchange reserves. His role included tactical asset allocation, investment research, proprietary fund management, and selection/supervision of fund managers. Where in 2003 he joined The National Commercial Bank (NCB) as Head of Assets and Liabilities Management in NCB Treasury and served as Secretary to NCB’s Assets and Liabilities Committee, till his appointment as Head of Treasury Group in July 2009.

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chairman, Micro, Small & Medium Enterprises Committee	Saudi National Bank	Public shareholding company	Banks
Chairman, Compliance Committee	Saudi National Bank	Public shareholding company	Banks
Member, Higher Management Committee (HMC)	Saudi National Bank	Public shareholding company	Banks
Member, Assets and Liabilities Committee (ALCO)	Saudi National Bank	Public shareholding company	Banks
Member, Credit and Remedial Management Committee (CRMC)	Saudi National Bank	Public shareholding company	Banks
Member, Information Security Committee	Saudi National Bank	Public shareholding company	Banks
Board Member and Vice Chairman	Muqassa from Saudi Tadawul Group	Closed shareholding company - inside KSA	Financial services
Chairman, Risk Management Committee	Muqassa from Saudi Tadawul Group	Closed shareholding company - inside KSA	Financial services
Member	Saudi-British Council	Saudi Entity	Economy
Member, Media and Awareness Committee	Saudi Banks	Saudi Entity	Banks

Professional Experience

Job title	Name	Legal form	Sector
CEO of Wholesale Banking	Saudi National Bank	Public shareholding company	Banks
Deputy CEO	National Commercial Bank	Public shareholding company	Banks
Acting CEO	National Commercial Bank	Public shareholding company	Banks
Group Chief Operating Officer	Saudi National Bank	Public shareholding company	Banks
COO, Wholesale bank	Saudi National Bank	Public shareholding company	Banks
Head of Operations	National Commercial Bank	Public shareholding company	Banks
Head of Wholesale Operations	National Commercial Bank	Public shareholding company	Banks

Mr. Waleed Hassan Abdulshakoor, Group Chief Legal Officer

Mr Abdul Shakur is the Group Chief Legal Officer at the Saudi National Bank. Mr Abdul Shakur’s academic qualification and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2013	Certified Arbitrator at the GCC Commercial Arbitration Centre	Law/Arbitration	GCC Commercial Arbitration Centre
2007	Member of the Arab Lawyers Union	Law	Arab Lawyers Union
2006	License in Law	Law	Ministry of Justice, KSA
1989	Bachelor’s Degree	Law	King Abdulaziz University, KSA

Professional Experience

Mr. Abdulshakoor has more than 32 years of experience in advocacy and legal consultancy. He began his career in 1990 as a legal researcher with SNB and held increasingly responsible positions before becoming Legal and Counseling Group Head in 2009. Over his tenure with the Group, he has accumulated extensive experience in legal specialties such as adjudication, contracts, and general consultancy. His key achievements in consultancy and litigation include winning important local cases, leading to awards in favor of SNB totaling more than SAR 15 billion.



Board of Directors’ Report (continued)

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chairman, Purchasing Committee	Saudi National Bank	Public shareholding company	Banks
Chairman, Employee Grievances Study and Dismissal Support Committee	Saudi National Bank	Public shareholding company	Banks
Chairman, Disbursement from Purification Account Committee	Saudi National Bank	Public shareholding company	Banks
Member, Compliance Committee	Saudi National Bank	Public shareholding company	Banks
General Manager	Real Estate Development Company for Ownership and Management Ltd	Limited liability company	Real estate
Member, CSR Committee	Ministry of Human Resources and Social Development	Saudi Entity	Government

Mr. Saud Abdulaziz Bajbair, Group Head of Retail Business

Mr Bajbair is the Group Head of Retail Business at the Saudi National Bank. Bajbair’s academic qualification and professional experience are:

Academic Qualifications

Qualification	Major	University
Bachelor’s degree	Science in Systems Engineering	King Fahad University of Petroleum and Minerals

Experience

He has served as Head of Retail Network Group and as Head of Retail Strategy & Analytics in Retail banking at SNB. He also served as Head of Branch Banking Division, Head of Consumer Finance Division, Head of Real Estate & Personal Finance Division, Head of Quality and Customer Care Department and as Head of Performance Development Unit at The National Commercial Bank.

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member, Higher Management Committee	Saudi National Bank	Public shareholding company	Banks
Member, Asset and Liability Committee	Saudi National Bank	Public shareholding company	Banks
Member, Credit and Remedial Management Committee	Saudi National Bank	Public shareholding company	Banks
Member, Information Security Committee	Saudi National Bank	Public shareholding company	Banks
Member, Compliance Committee	Saudi National Bank	Public shareholding company	Banks
Member, Operational Risk Committee	Saudi National Bank	Public shareholding company	Banks
Member, Customer Care Committee	Saudi National Bank	Public shareholding company	Banks
Member, Employee Grievances Study and Dismissal Support Committee	Saudi National Bank	Public shareholding company	Banks
Member, Micro, Small & Medium Enterprises Committee	Saudi National Bank	Public shareholding company	Banks
Board Member	Arabian Shield Cooperative Insurance Company	Closed shareholding company - inside KSA	Insurance services
Board Member	Saudi Credit Bureau (SIMAH)	Limited Liability Company	-

Professional Experience

Job title	Name	Legal form	Sector
Head, Retail Network Group	Saudi National Bank	Public shareholding company	Banks
Head, Retail Strategy & Analytics in Retail banking	Saudi National Bank	Public shareholding company	Banks
Head, Branch Banking Division	National Commercial Bank	Public shareholding company	Banks
Head, Consumer Finance Division	National Commercial Bank	Public shareholding company	Banks
Head, Real Estate & Personal Finance Division	National Commercial Bank	Public shareholding company	Banks
Head, Quality and Customer Care Department	National Commercial Bank	Public shareholding company	Banks
Head, Performance Development Unit	National Commercial Bank	Public shareholding company	Banks

Mr. Ahmad Ali Aldhabi, Group Chief Financial Officer

Mr. Aldhabi is he Group CFO at the Saudi National Bank. His academic qualification and professional experience are:

Academic Qualifications

Qualification	Major	University
Master’s degree	Finance	University of Portsmouth
Bachelor’s degree	Accounting	King Abdulaziz University

Experience

Mr. Aldhabi has over 14 years of experience across all CFO office disciplines. He has a proven track record in streamlining business operations and collaborating with the business to drive insights, growth, efficiency, and value creation. Throughout his career, he has successfully led various key functions and critical projects within Finance and the bank. Mr. Aldhabi is known for establishing solid and optimized processes and frameworks, as well as fostering productive and strong teams under his leadership. He possesses strong stakeholder management, communication, and interpersonal skills.

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member, High Management Committee (HMC)	Saudi National Bank	Public shareholding company	Banks
Member, Credit Remedial ManagementCommittee (CRMC)	Saudi National Bank	Public shareholding company	Banks
Member, Assets and Liabilities Committee (ALCO)	Saudi National Bank	Public shareholding company	Banks
Member, Operational Risk Committee (ORC)	Saudi National Bank	Public shareholding company	Banks
Member, Purchasing Committee	Saudi National Bank	Public shareholding company	Banks
Member, Business Continuity Committee	Saudi National Bank	Public shareholding company	Banks
Member , Data Management & Governance Committee	Saudi National Bank	Public shareholding company	Banks
Board Member	AITamayyuz Academy	-	-
Chairman of Audit Committee	SNB Capital	Closed shareholding company - inside KSA	Financial services

Board of Directors’ Report (continued)

Professional Experience

Job title	Name	Legal form	Sector
Deputy Group CFO & Retail Chief Financial Officer	National Commercial Bank	Public shareholding company	Banks
Head, Advisory and Business Performance	National Commercial Bank	Public shareholding company	Banks
Head, Management Reporting & Budgeting	National Commercial Bank	Public shareholding company	Banks
Finance Manager	Gulf One Capital Company	Closed shareholding company	Consultancy

Mr. Saleh Mohammed Saleh - Head, Group Shared Services

Mr. Saleh is the Head, Group Shared Services at Saudi National Bank (SNB). He has been appointed to his current position in July 2023. Mr. Saleh's academic qualification and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2016	Advance Management Program	Business Management	Harvard Business School
2015	Finance for Non-Financial Executives	Finance	Stanford Business School
2014	Strategies and Leadership for Executives Program	Project Management	Harvard Business School
2007	Project Manager Professional	Project Management	Project Management Institute
1996	Bachelor’s Degree	Computer Engineering	King Fahd University of Petroleum and Minerals

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member, Higher Management Committee	Saudi National Bank	Public shareholding company	Banks
Member, Compliance Committee	Saudi National Bank	Public shareholding company	Banks
Member, Business Continuity Committee	Saudi National Bank	Public shareholding company	Banks
Member, Operational Risk Committee	Saudi National Bank	Public shareholding company	Banks

Experience

Mr. Saleh has a diverse 26 years’ experience in Information Technology, Project Management and Quality Management System. He started his career with vast experiences in Technology across several Industries, Investments, Banking, Oil Field, Tourism and in multiple countries including UK, GCC and Middle East. He joined NCB in 2008 as Head of NCB IT Project Management Office and was promoted as Chief Information Officer in 2013.

Professional Experience

Job title	Name	Legal form	Sector
Chief Information Officer	National Commercial Bank	Public shareholding company	Banks
Member	Project Management E-Business Group	-	-
Member	Project Management Arabian Gulf Chapter	Non-profit organization	Project Management
Member	The Saudi Council of Engineers	Saudi Arabian entity	Engineering

Mr. Fuad Abdullah Alharbi, Group Chief Compliance Officer

Mr. Al Harbi is the Group Chief Compliance Officer at the Saudi National Bank. Mr. Al Harbi has chaired several committees alongside Banks operating in Saudi Arabia including: Banking Chief Compliance Officers, Anti-Financial Crimes & Money Laundering, and the Self-Supervisory Committee. Mr. Al Harbi is also a fellow rank of the Arab Academy for Management, Banking, and Financial Services Sciences. Mr. Al Harbi's academic qualification and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2012	Certified Compliance Officer	Compliance	Saudi Central Bank, Financial Academy, Riyadh, KSA
2012	Compliance and Anti-Money Laundering Certification	Compliance and Anti-Money Laundering	Henley Business School, UK
2007	Certified Compliance Officer	Compliance	American Academy of Financial Management, USA
1993	Bachelor’s degree	Accounting	King Saud University, Riyadh, KSA

Experience

Mr. Al Harbi has up to 31 years’ experience in Accounting, Control Framework, Compliance, and Anti-Money Laundering & Counter Terrorist Financing, where he started his career at Taibah Real Estate Investment and Development Company for more than 4 years, and became the Head of Accounting in the company. He joined NCB in 1997 and have held various positions within the Bank, and have participated in establishing the Compliance Division where he has worked, and is currently the Group Chief Compliance Officer of SNB since 2013.

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chairman, Whistleblowing Committee	Saudi National Bank	Public shareholding company	Banks
Member, Compliance Committee	Saudi National Bank	Public shareholding company	Banks
Member, Data Management and Governance Committee	Saudi National Bank	Public shareholding company	Banks
Member, Information Security Committee	Saudi National Bank	Public shareholding company	Banks
Member, Anti-Fraud Governance Committee	Saudi National Bank	Public shareholding company	Banks
Member, Business Continuity Committee	Saudi National Bank	Public shareholding company	Banks

Mr. Abdulaziz Mohammed Al-Shushan, Group Chief Audit Officer

Mr Alshushan is the Group Chief Audit Officer at the Saudi National Bank, overseeing all internal audit functions at the Bank. Mr Alshushan's academic qualification and professional experience are:

Academic Qualifications

Qualification	Major	University
Credited Internal Audit (CIA)	Audit	Institute of Internal Auditors (IIA)
Executive MBA	Master Programs in Business	King Fahd University of Petroleum and Minerals (KFUPM)
Bachelor’s degree	Management Information systems (MIS)	King Fahd University of Petroleum and Minerals (KFUPM)

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member, Compliance Committee	Saudi National Bank	Public shareholding company	Banks



Board of Directors’ Report (continued)

Experience

Mr Alshushan brings over 20 years of experience primarily in internal auditing in several industries covering oil and gas, telecommunications, and banking. Before his current role as Group Chief Audit Officer at SNB, he served as Chief Audit Executive for SAMBA Financial Group, Chief Audit Executive at Al Rajhi bank and Head of Internal Audit at AlBilad Bank. He also severed as Head of Internal audit for several listed and non-listed companies.

Professional Experience

Job title	Name	Legal form	Sector
Head of Internal Audit	Samba Financial Group	Public shareholding company	Banks
Head of Internal Audit	Rajhi Bank	Public shareholding company	Banks
Head of Internal Audit	ACWA Power	Public shareholding company	Energy
Head of Internal Audit	Bank Al Bilad	Public shareholding company	Banks

Mr. Nasser Sulaiman AlFraih - Group Head of Institutional and International

Mr. AlFraih is the Group Head of Institutional and International at The Saudi National Bank. Mr. AlFraih academic qualification and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2003	Bachelor’s Degree	Business Information Technology	Virginia Tech - USA
2005	Master’s degree	Engineering Management	The George Washington University - USA

Experience

Mr. AlFraih held a number of key functions and leadership positions within the bank. He currently oversees business in Public Sector, Financial Institutions, Global Markets and SNB’s International Branches. Prior to that, Mr. AlFraih led the sales and client coverage mandates within the Treasury and Global Markets business, and managed the portfolio of client exposures to rates, commodities and foreign exchange across the Wholesale and Retail banks.

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member of Higher Management Committee	Saudi National Bank	Public shareholding company	Banks
Member of Credit and Remedial Management Committee	Saudi National Bank	Public shareholding company	Banks
Member of Asset and Liability Committee	Saudi National Bank	Public shareholding company	Banks
Non Executive Board Director	Samba Bank Limited	Listed company on Pakistan Stock Exchange	Banks
Member, Board Risk Committee	SNB Capital	Closed Joint Stock Company - Inside KSA	Financial Services

Mr. Abdulaziz Fahed Al Fayeز- Group Chief Risk Officer

Mr. Abdulaziz Al Fayeز was appointed Group Croup Chief Risk Officer at The Saudi National Bank in April 2023, at The Saudi National Bank. Mr. Al Fayeز academic qualification and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
1994	Bachelor’s Degree	Civil Engineering	Imperial College London - UK
1999	Master’s degree	Finance	Imperial College Business School London - UK

Experience

Mr. Abdulaziz has over 23 years of experience in the Banking industry in many fields, including Head Global Corporates, Head Corporate Banking and Head Financial Restructuring & Remedial; he progressed through various roles within the bank since he joined NCB in 2000. Previous experience was in Saudi Aramco as a Civil/Structural Project Engineer (1995 - 1997).

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Chairman, Operational Risk Committee	Saudi National Bank	Public Joint Stock Company	Banking
Chairman, Anti-Fraud Governance Committee	Saudi National Bank	Public Joint Stock Company	Banking
Secretary, Risk Committee	Saudi National Bank	Public Joint Stock Company	Banking
Member, Higher Management Committee (HMC)	Saudi National Bank	Public Joint Stock Company	Banking
Member, Asset and Liability Committee (ALCO)	Saudi National Bank	Public Joint Stock Company	Banking
Member, Credit and Remedial Management Committee (CRMCM)	Saudi National Bank	Public Joint Stock Company	Banking
Member, Information Technology Committee	Saudi National Bank	Public Joint Stock Company	Banking
Member, Micro, Small & Medium Enterprises Committee	Saudi National Bank	Public Joint Stock Company	Banking
Member, Business Continuity Committee	Saudi National Bank	Public Joint Stock Company	Banking
Member, Data Management & Governance Committee	Saudi National Bank	Public Joint Stock Company	Banking
Member, Compliance Committee	Saudi National Bank	Public Joint Stock Company	Banking
Member, Chief Risk Officers Committee	Saudi National Bank	Public Joint Stock Company	Banking

Mr. Fawaz Abdullah Al Thumairi - Group Head, Treasury Business

Mr. Al Thumairi is the Group Head of Treasury Business at the Saudi National Bank. Mr. Al Thumairi academic qualification and professional experience are:

Year	Qualification	Major	University
2008	Bachelor’s Degree	Management Information Systems	King Fahad University of Petroleum and Minerals - KSA

Experience

Mr. Al Thumairi’s professional journey in the banking sector began by assuming various roles within treasury, focusing on investment, ALM, and trading. He then transitioned to NCB, where he was appointed head of derivative trading and later assumed the role of head of trading. In this capacity, he built a substantial portfolio as a leading player in the Saudi market, managing diverse asset classes such as foreign exchange, rate derivatives, commodities, and structured solutions.

He was later appointed as the head of principal strategy, where he managed the bank’s investment books, covering areas including asset allocation, rates, credit, equity, and alternative investments. Subsequently, he took on the role of head of global transaction banking group at SNB, where his primary mandate was to expand the bank’s portfolios in trade finance, cash management, and digital channels.

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member of Higher Management Committee	Saudi National Bank	Public shareholding company	Banks
Member of Asset and Liability Committee	Saudi National Bank	Public shareholding company	Banks

Board of Directors’ Report (continued)

Mr. Hasan Faisal Hammad – Acting Group Chief Human Resources Officer

Mr. Hammad is the Acting Group Chief Human Resources Officer at the Saudi National Bank since mid-2023. Mr. Hammad academic qualification and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
2003	Bachelor’s degree	Management	King Fahad University of Petroleum and Minerals – KSA
2012	Master’s degree	Executive Business Administration	King Fahad University of Petroleum and Minerals – KSA

Experience

Mr. Hammad has more than 19 years’ of banking experience, including Human Resources and Corporate Banking. He assumed several leadership positions at SNB, including Acting GCHRO, Head of Reward and Performance, Head of Business Partnership at HR Group, and Country Head of Business Banking at Corporate Banking.

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member of Higher Management Committee	Saudi National Bank	Public shareholding company	Banks
Member of Business Continuity Committee.	Saudi National Bank	Public shareholding company	Banks
Member of Employee Grievances Study and Dismissal Support Committee.	Saudi National Bank	Public shareholding company	Banks
Member of Whistleblowing Committee	Saudi National Bank	Public shareholding company	Banks

Professional Experience

Job title	Name	Legal form	Sector
EVP-Head, Performance and Rewards	National Commercial Bank	Public shareholding company	Banks
SVP- Head, Reward & HR Business Partnership	National Commercial Bank	Public shareholding company	Banks
SVP- Head, Reward & HR BusinessPartnership	National Commercial Bank	Public shareholding company	Banks
VP- senior Corporate banker	National Commercial Bank	Public shareholding company	Banks
AVP- Corporate Banker	National Commercial Bank	Public shareholding company	Banks

Mr. Wael Abdulaziz Raies – Group Head, Corporate Business

Mr. Raies is Group Head for Corporate Businesses at the Saudi National Bank. Mr. Raeis academic qualification and professional experience are:

Academic Qualifications

Year	Qualification	Major	University
1996	Bachelor’s degree	Electrical Engineering Bachelor Degree	King Fahad University of Petroleum and Minerals – KSA
2004	Master’s degree	Business and Administration	King Saud University

Experience

Mr. Raies has over 24 years of banking experience. Starting at the former Saudi American Bank (SAMBA Group) in 1999, after which he joined former NCB in 2002. During his tenure at NCB, he was responsible for Central Region Corporate banking, Eastern Region Corporate banking and he covered Corporate Banking business Kingdom wide at NCB head office in Jeddah. Also he managed Financial Restructuring & Remedial Business in NCB.

He was assigned as CEO and Board Memembr of Turkiye Finans Bank in the republic of Turkey (NCB’s Turkish subsidiary) between 2016 and 2020. He rejoined NCB as Corporate Banking Group Head at NCB from March 2020 till the merger between NCB and SAMBA that was concluded on April 2021.

Prior to his banking experience Mr. Raies was responsible for Qatar’s Oil Wells in Dukhan City in His capacity as the Engineer in charge of Schulmberger Wireline & Testing Co. During his engineering career he served on offshore & onshore rigs in Qatar, UAE and Saudi Arabia.

Other Current Positions and Memberships

Job title	Name	Legal form	Sector
Member of Higher Management Committee	Saudi National Bank	Public shareholding company	Banks
Member of Credit and Remedial Management Committee	Saudi National Bank	Public shareholding company	Banks
Member of Asset and Liability Committee	Saudi National Bank	Public shareholding company	Banks
Member of Customer Care Committee	Saudi National Bank	Public shareholding company	Banks
Member of Micro, Small & Medium Enterprises Committee	Saudi National Bank	Public shareholding company	Banks
Member of Disbursement from Purification Account Committee	Saudi National Bank	Public shareholding company	Banks
Member of Anti-Fraud Committee	Saudi National Bank	Public shareholding company	Banks
Chairman	Turkiye Finans Bank	Close shareholding company-Outside KSA	Banks
Member	Saudi Turkish Business Console	Saudi Chamber of Commerce	Commerce

Professional Experience

Job title	Name	Legal form	Sector
Executive Manager	Schulmberger Wireline & Testing Co	Public shareholding company	Oil
CEO & Board Member	Turkiye Finans Bank	Close shareholding company-Outside KSA	Banks

Key Roles and Responsibilities of the Board of Directors

The Board’s roles and responsibilities include the following:

The Board has the responsibility of setting SNB overall strategy and overseeing its implementation Therefore, the Board shall be accountable for developing performance objectives, taking resolutions affecting substantial capital expenditure, acquisition, purchase, sale, and liquidation operations and monitoring the financial objectives of the Bank and verifying corporate performance against previously agreed strategic, operational, and business plans.

Board of Directors Meetings, 2023

Name	Number of meetings	Attendance	Apologies	Attendance percentage	22 March	26 March	08 June	02 September	28 September	09 November	25 December
Mr. Ammar Abdulwahed Alkhudairy*	1	1	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Yazeed Abdulraman Alhumied	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Saeed Mohammed AlGhamdi	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Rashid Ibrahim Sharif	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Saoud Solaiman Aljuhni	7	5	2	71.43%	No	Yes	Yes	Yes	Yes	No	Yes
Mr. Ziad Mohammed Altunisi	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Zaid Abdulrahman Algwaiz	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdulrahman Mohammed Alodan	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Abdulrahman Al-Rowais	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr.Ibrahim Saad Almojel	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Huda Mohammed Bin Ghoson	7	7	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naif Safouq AlMarshed**	5	5	0	100%	N/A	N/A	Yes	Yes	Yes	Yes	Yes

\* Mr. Ammar Abdulwahed Alkhudairy Membership from the Board of Directors ended on 26/03/2023.

\*\* Mr. Naif Safouq AlMarshed Board of Directors membership started from from 17/05/2023.



Board Committees

Audit Committee

The Audit Committee consists at least of three and up to five members to be appointed by the General Assembly every three years. The Committee shall meet at least four times every year – or whenever required by invitation from the Chairman or at the request of a member of the Committee, Chairman of the Board of the Bank, senior management, or an internal or external auditor. The Committee quorum shall be complete if attended by a majority of the members.

The decisions and discussions of the Committee must be recorded in minutes to be signed by the Chairman and the Members. Recording the proceedings of meetings is the responsibility of the Committee Secretary.

Key Roles and Responsibilities

The key objective of the Audit Committee is to oversee and supervise the following:

Internal Control:

Reviewing and discussing the results of the review of the bank’s internal control systems.

Financial Reports:

Analysing the bank’s interim and annual financial statements before presenting them to the Board, and providing its opinion and recommendations to ensure their integrity, fairness and transparency, and to study any important or unusual issues that may be included in the financial reports, in addition to studying the accounting policies used and the extent of automation of the bank’s financial reporting systems.

Internal Audit:

- Examining and reviewing the bank’s internal audit systems, regulations, policies, reports, and follow up on the implementation of corrective measures for the observations contained therein.
- Recommending to the Board the appointment of the internal auditor and monitoring and supervising the performance and activities of the internal auditor and the internal audit department at the bank; and to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to them.
- Evaluating the effectiveness and efficiency of internal controls, policies and procedures, the reporting mechanism and the extent of compliance with them, and provide recommendations to improve them.

External Auditors:

- Recommending to the Board to nominate auditors, dismiss them, determine their fees, and evaluate their performance, after verifying their independence and reviewing the scope of their work and the terms of contracting with them.
- Reviewing the bank’s external auditor’s plan and its work, and studying his report and comments on the financial statements.

Ensuring Compliance:

- Reviewing the findings of the supervisory authorities’ reports, and verifying that the bank has taken the necessary measures regarding them.
- Submitting to the Board the issues that the Committee deems necessary to take action on, and making its recommendations regarding the measures that must be taken.
- Verifying the bank’s compliance with the relevant laws, regulations, policies and instructions, and taking the necessary measures to improve the level of regulatory compliance at the bank.

Adopting the bank’s anti-money laundering strategy.

Audit Committee Meetings, 2023

Name	Number of meetings	Attendance	Apologies	Attendance percentage	25 January	05 March	30 April	24 July	10 September	23 October	16 November	14 December
Mr. Abdullah Abdulrahman Al-Rowais	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr. Khalid Mohammed Altaweel	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr. Abdurahman Mohammed Albarrak	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdulaziz Sulaiman Alatiqi	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Ali Sulaiman Alayed	2	2	0	100%	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

\* Mr. Ali Sulaiman Alayed membership in the Audit Committee ended on 28/03/2023.

Executive Committee

The Executive Committee consists at least of three and up to five members, currently chaired by the Chairman of the Board, the Committee holds six periodic meetings per year or whenever needed, The decisions and discussions of the Committee must be recorded in minutes to be signed by the Chairman and the members. Recording the proceedings of meetings is the responsibility of the Committee Secretary.

Key Roles and Responsibilities

The main objective of the Executive Committee is to oversee the Bank’s operations and make quick decisions on urgent issues in the Bank’s course of business. In addition, it shall make decisions on credit and debt settlement, corporate responsibility, purchases, and corrective measures within the authority conferred by the Board.

Executive Committee Meetings, 2023

Name	Number of meetings	Attendance	Apologies	Attendance percentage	13 March	24 May	16 August	30 August	31 October	04 December
Mr. Ammar Abdulwahed Alkhudairy*	1	1	0	100%	Yes	N/A	N/A	N/A	N/A	N/A
Mr. Saeed Mohammed AlGhamdi**	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Dr. Ibrahim Saad Almojel	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Ziad Mohammed Altunisi	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Mr.Abdulrahman Mohammed Alodan	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Zaid Abdulrahman Algwaiz ***	4	4	0	100%	N/A	N/A	Yes	Yes	Yes	Yes

\* Mr. Ammar Abdulwahed Alkhudairy membership in the Executive Committee ended on 26/03/2023.

\*\* Appointment of Mr. Saeed Mohammed AlGhamdi as a member of the Executive Committee starting from 27/03/2023.

\*\*\* Appointment of Mr. Zaid Abdulrahman Algwaiz as a member of the Executive Committee starting from 28/05/2023.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of at least three non-Executive Board Members including two independent members. The Chairman shall not have the right to be the Chairman of the Committee. The CEO and Group Chief Human Resources Officer can be invited to attend the meetings without exercising voting rights. The Committee shall convene at least twice a year. The meeting quorum shall comprise the presence of the majority of members.

Committee decisions and recommendations shall be made with the majority of present members’ votes. In case of a tie, the Chairman shall have a casting vote. The decisions and discussions of the Committee must be minuted and signed by the Chairman and the members. Recording the proceedings of meetings is the responsibility of the Committee’s Secretary.

Key Roles and Responsibilities

The NRC is in charge of providing the recommendations to the Board in matters related nomination, remuneration and human resources, including the following roles and responsibilities:

- Provide recommendations to the Board of Directors on nominating its members and the members of the board committees, according to the applicable policies and procedures.
- Annually ensure the independence of the Independent Members and the absence of any conflict of interest in case a Board Member also acts as a member of the board of directors of another company.
- Periodically review the Compensation Policy and assess its effectiveness in the achievement of set goals.
- Ensure that the Bank’s incentive program is regularly reviewed and does not encourage the involvement in high-risk transactions to achieve short-term profits and is in line with SNB’s approved Risk Policy.

Nomination and Remuneration Committee Meetings, 2023

Name	Number of meetings	Attendance	Apologies	Attendance percentage	24 January	15 February	16 April	05 June	09 July	24 August	12 September	14 December
Mr. Ziad Mohammed Altunisi	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Yazeed Abdulraman Alhumied	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Zaid Abdulrahman Algwaiz*	3	3	0	100%	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A
Ms. Huda Mohammed Bin Ghoson	8	7	1	87.50%	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

\* Mr. Zaid Abdulrahman Algwaiz membership in the Nomination & Remuneration Committee ended on 28/05/2023.

Board of Directors’ Report (continued)

Risk Committee

The Risk Committee consists of at least three, and up to five, Board Members, the majority of members are non-executive. The Committee meets at least four times per year. Quorum comprises the majority of members. The decisions and recommendations of the Committee are passed by the majority of votes of members present. In case of a tie, the Chairman shall have a casting vote.

Key Roles and Responsibilities

The Risk Committee is in charge of the supervision of Management in the Bank, ensuring that the Management understands significant risks to which the Bank is exposed and has comprehensive policies and processes in place to manage these risks, within the limits and areas of authority prescribed by the Board. The Committee shall review the measures adopted to ensure a sound and consistent risk profile.

Risk Committee Meetings, 2023

Name	Number of meetings	Attendance	Apologies	Attendance percentage	14 February	26 April	08 May	27 August	07 September	17 December
Mr. Naif Safouq AlMarshed*	3	3	0	100%	N/A	N/A	N/A	Yes	Yes	Yes
Mr. Zaid Abdulrahman Algwaiz	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Saeed Mohammed AlGhamdi	1	1	0	100%	Yes	N/A	N/A	N/A	N/A	N/A
Mr. Rashid Ibrahim Sharif	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdulrahman Mohammed Alodan	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Saoud Solaiman Aljuhni	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes

\* Mr. Naif Safouq AlMarshed Chairmanship of the Risk Committee started on 28/05/2023.  
\*\* Mr. Saeed Mohammed AlGhamdi membership of the Risk Committee ended on 27/03/2023.

Shariah Committee

The Shariah Committee consists of a minimum of three members and a maximum of five members, with the number of independent members being not less than one-third. The chairman of the committee should be an independent member appointed by the board of directors. The committee meets regularly at least every three months or whenever necessary. The quorum for the committee meeting is complete with the attendance of the majority of the committee members. The decisions and discussions of the committee are recorded in minutes signed by the present chairman and members of the committee. The responsibility for recording the minutes of the committee meetings lies with the committee secretary.

Key Roles and Responsibilities

The main objectives of the Shariah Committee include:

- Supervising the extent of compliance of Islamic banking transactions and bank policies and procedures with the provisions and principles of Shariah. The Shariah Compliance reports and internal Shariah audit observations should assist the committee in identifying issues requiring attention and proposing corrective measures.
- Issuing decisions on Shariah related matters to enable the bank to comply with the provisions and principles of Shariah.
- Evaluating the compliance and internal Shariah audit work to ensure compliance with Shariah aspects, and this evaluation is part of the committee’s tasks when submitting its reports related to the assessment of compliance with the provisions and principles of Shariah.
- Preparing an annual report on the bank’s Islamic banking activity compliance with the provisions and principles of Shariah and submitting it to the board.

Risk Committee Meetings, 2023

Name	Number of meetings	Audience	Non- attendance	Average of audience	01 Feb	01 Mar	10 May	31 May	21 Jun	26 Jul	23 Aug	21 Sep	05 Oct	26 Oct	21 Nov	29 Nov	27 Dec
Prof. Dr. Saad bin Nasser Al-Shathri	13	13	-	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr. Mohammed bin Ali Al-Qari	13	13	-	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr. Yousef bin Mohammed Al-Ghufis	13	13	-	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr. Nizam bin Mohammed Ya’qoubi	13	13	-	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr. Khalid bin Mohammed Al-Sayari	13	13	-	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

27. Assessment of the Effectiveness of the Members of the Board of Directors and the Board Committees

In line with the provisions of the applicable laws and regulations issued by the competent regulatory bodies in Saudi Arabia that a Board will assess the effectiveness of its Members and the volume of their involvement in its businesses, whether jointly or individually, and that this should apply to the Board Committees, and the Nomination and Remuneration Committee, when designing and preparing the assessment forms, considering the volume of the members’ involvement and their effectiveness at the level of the Board and its Committees.

28. Training Programs for the Members of the Board of Directors and the Board Committees

Given the Bank’s commitment to enhance the skills of the Members of the Board of Directors and the Board Committees in banking and governance, the Bank organized a number of workshops and training programs. SNB will continue the preparation of such programs to become more specialized.

29. Changes to Major Shareholders Ownership

The following table provides a detailed description of the key shareholders’ ownership ratio in the Bank (with Ownership of 5% or more) at the beginning and end of 2023.

Shareholder’s name	Number of shares at the Beginning of 01/01/2023	Number of shares at the End of the Year 31/12/2023	Net Change	Y-o-Y%	Ownership%
Public Investments Fund (PIF)	1,667,501,159	2,234,257,917	566,756,758*	33.99%	37.2%

\* The change in the net amount of shares owned by the PIF was due to the Bank’s capital increase on 07/05/2023.

30. Ownership of SNB’s Shares by Directors and Senior Executives, and their Relatives, and Changes During 2023

The following tables provide a detailed description of the percentage of ownership distributed among the Board of Directors, and their relatives; and Senior Executives, and their relatives:

(a) Board Members, and their Relatives

Name of beneficiary	Number of shares at the beginningof the year 01/01/2023	Number of shares at the end of the year 31/12/2023	Net change	Y-o-Y%
Mr. Saeed Mohammed AlGhamdi	722,478	1,612,522	890,044	123.1%
Mr. Yazeed Abdulraman Alhumied	0	0	0	0
Mr. Rashid Ibrahim Sharif	3,000	4,289	1,289	42.9%
Mr. Saoud Solaiman Aljuhni	0	0	0	0
Mr. Ziad Mohammed Altunisi	0	0	0	0
Mr. Zaid Abdulrahman Algwaiz	107,093	128,408	21,315	19.9%
Dr. Ibrahim Saad Almojel	20,684	27,709	7,025	33.9%
Mr. Abdulrahman Alodan	196	0	-196	-100%
Ms. Huda Mohammed Bin Ghoson	369	1,834	1,465	397%
Mr. Abdullah Abdulrahman Al-Ruwais	4,695	7,161	2,446	52.5%
Mr. Naif Safouq AlMarshed	599,295	879,770	280,475	46.8%



(b) Senior Executives and their Relatives

Name of beneficiary	Title	Number of shares at the beginningof the year 01/01/2023	Number of shares at the end of the year 31/12/2023	Net change	Y-o-Y%
Mr. Talal Ahmed Al Khereji	Acting CEO	239,906	397,470	157,564	65.6%
Mr. Walid Hassan Abdul Shakur	Group Chief Legal Counsel	206,220	326,925	120,705	58.5%
Mr. Fouad Abdullah Al Harbi	Group Chief Compliance Officer	0	55,611	55,611	100%
Mr. Abdulaziz Mohammed Alshushan	Group Chief Audit Officer	2,174	4,414	2,244	130%
Mr. Ahmed Ali Aldhabi	Group Chief Financial Officer	173,102	303,805	130,703	75.5%
Mr. Saleh Mohammed Saleh	Group Head of Shared Services	96,527	171,642	75,115	77.8%
Mr. Saud Abdulaziz Bajbair	Head, Retail Business Group	38,066	109,352	71,286	187.2%
Mr. Hassan Faisal Hmmad	Acting Group Chief Human Resources Officer	N/A	34,010	N/A	N/A
Mr. Nasser Sulaiman Al Fraih	Head of Institutional and International	N/A	287,709	N/A	N/A
Mr. Fawaz Abdullah Al Thumairi	Group Head of Treasury Business	N/A	260,829	N/A	N/A
Mr. Wael Abdulaziz Raies	Group Head of Corporate Business	N/A	192,360	N/A	N/A
Mr. Abdulaziz Fahed Al Fayez	Group Chief Risk Officer	N/A	266,920	N/A	N/A

31. Shareholders’ Rights

SNB’s Articles of Association, Corporate Governance Framework, and Shareholders Right Policy stipulated shareholders’ rights to obtain profits, attend assemblies, participate in discussions and voting, and dispose of their shares. Shareholders are also provided with information related to assemblies, balance sheets, the account of profits and losses, and the Board of Directors’ annual report. This information is also published in local newspapers and on SNB’s official website. Following is a statement with SNB’s number of requests for the shareholders’ register, the dates of such requests, and their reasons for the fiscal year ended 31/12/2023:

Number of requests	Date of request	Reasons for the request
1	03/01/2023	Corporate’s internal procedures
2	03/01/2023	Corporate’s internal procedures
3	01/03/2023	Corporate’s internal procedures
4	01/03/2023	Corporate’s internal procedures
5	04/05/2023	Corporate’s internal procedures
6	09/05/2023	Distribution of the cash profits to SNB Shareholders
7	03/08/2023	Distribution of the cash profits to SNB Shareholders
8	05/11/2023	Corporate’s internal procedures
9	07/11/2023	Corporate’s internal procedures

32. SNB Shareholders’ General Assemblies

During the fiscal year ending in 31/12/2023, SNB held an extraordinary general assembly for its Shareholders in which a number of topics announced on the Saudi Exchange website were discussed. The following statement shows the attendance of the Board Members at the General Assemblies meetings:

Attendance Register

	Name	Extraordinary General Assembly meeting (first meeting) 07/05/2023 corresponding to 17/10/1444
1	Mr. Saeed Mohammed AlGhamdi Chairman of the Board of Directors	Attended
2	Mr. Yazeed Abdulraman Alhumied Vice-Chairman of the Board of Directors	Attended
3	Dr. Ibrahim Saad Almojel	Attended
4	Mr. Saud Solaiman Aljuhni	Attended
5	Mr. Abdulrahman Mohammed Alodan	Attended
6	Mr. Rashid Ibrahim Sharif	Attended
7	Mr. Zaid Abdulrahman Algwaiz Chairman of Risk Committee	Attended
8	Mr. Ziad Mohammed Altunisi,	Attended
9	Ms. Huda Mohammed Bin Ghoson	Attended
10	Mr. Abdullah Abdulrahman Al-Ruwais	Attended

33. Corporate Governance

In general, SNB operates in compliance with the provisions and guidelines of the Corporate Governance Regulations issued by the Capital Market Authority and the Key Principles of Governance in Financial Institutions issued by the Saudi Central Bank, as well as its directions. SNB is committed to complying with all governance regulations and updates. The Bank continues to revise its relevant policies and procedures as regulatory updates are issued. The Board of Directors approved the updated Corporate Governance Framework of the Bank, in addition to the creation, update, and approval of the policies implementing the Framework by the General Assembly and SNB’s Board, each within its powers in line with the provisions of the Corporate Governance Regulations issued by the CMA.

SNB affirms that it continues to review the general framework of the Bank’s governance in accordance with the highest professional standards and best practices to keep abreast of any developments and to ensure the implementation of effective governance in all the Bank’s businesses.

Acknowledgment

The SNB Board expresses its deep gratitude and appreciation to the Custodian of the Two Holy Mosques, King Salman Abdulaziz Al Saud; His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince and Prime Minister of the Kingdom of Saudi Arabia; and the Government of the Custodian of the Two Holy Mosques.

The Board also thanks the Council of Economic and Development Affairs, the Ministry of Finance, the Saudi Central Bank, the Capital Market Authority, the Ministry of Commerce and the Ministry of Investment, who spare no effort to develop the financial services industry in the Kingdom. This has great impact on the progress and prosperity of the national financial sector, in addition to their significant role in achieving economic growth in the Kingdom, despite the considerable challenges facing the world’s economies.

The Board expresses its gratitude to all SNB’s shareholders for their continuous trust and support for the Bank’s business strategies. The Board also thanks its customers, one of the most important assets in the Bank’s continued success, and all employees for their dedication and competence, which are vital elements in the Bank’s distinguished 2023 results.

May the Peace and Mercy of Allah be Upon You

Board of Directors



# CONSOLIDATED FINANCIAL STATEMENTS





**Ernst & Young Professional Services (Professional LLC)**  
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Paid-up capital SR 5,500,000  
C.R. No. 4030276644



**KPMG Professional Services (Professional Closed Joint Stock Company)**  
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Commercial Registration No 403029792

**Headquarters in Riyadh**

Paid-up capital SR 40,000,000  
C.R. No. 1010425494

**To the Shareholders of The Saudi National Bank (A Saudi Joint Stock Company)  
Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of The Saudi National Bank (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRSs that are endorsed in the Kingdom of Saudi Arabia”).

**Basis for Opinion**

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

**Key Audit Matters**

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

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
<b>Goodwill impairment assessment</b>	<p>Goodwill amounting to SAR 34.0 billion was recognised in the consolidated statement of financial position relating to the Samba merger into the Bank effective 1 April 2021. The Bank has performed the annual goodwill impairment test as at 31 December 2023. The goodwill was allocated to the Retail and Wholesale cash generating units (“CGUs”) amounting to SAR 25.6 billion and SAR 8.4 billion, respectively. No goodwill was allocated to Capital and International CGUs.</p> <p>The impairment assessment was performed by comparing the carrying value of each CGU, including the goodwill, to its recoverable amount. The recoverable amount of each identified CGU was determined based on value-in-use (“VIU”) calculations. These calculations employ a discounted cash flow (DCF) model, by using cash flow projections based on financial budgets approved by the Board of Directors. The carrying amount of the CGUs are derived using appropriate methodology / basis that is commensurate with the nature of the Group’s business. The Group determines the recoverable amounts of its CGUs on the basis of value in use, which reflects the specifics of the banking business and its regulatory environment.</p> <p>Based on the management impairment assessment, no impairment charge against goodwill was identified.</p> <p>The Group’s VIU model for the CGUs includes significant judgement and assumptions relating to cashflow projections, long term growth rates and the discount rates, and is highly sensitive to the changes in these assumptions. The above-mentioned factors have increased the estimation uncertainty around the recoverable amount hence, impairment assessment of goodwill.</p> <p>We considered this as a key audit matter, as the estimation of future cash flows and the assumptions involved in calculating the discounted value of these cash flows both involve application of management judgement and estimation, as well as a greater level of auditor effort and judgement to evaluate the reasonableness of management judgements and assumptions underpinning the goodwill impairment model.</p> <p>Refer to the summary of material accounting policies note 3.19.1 for goodwill and note 42 which contains the disclosure of goodwill and the impairment testing of goodwill.</p>	<ul style="list-style-type: none"><li>• We analysed the identification of different CGUs and assessed whether these were appropriate in line with our understanding of the business and consistent with the internal reporting of the business. Further, we assessed the reasonableness of allocation of goodwill to each identified CGU.</li><li>• We assessed the strategic/operating plan as approved by the management via analyzing the reasonableness of underlying assumptions pertaining to future courses of action and corresponding budgeted / projected numbers as well as by carrying out back testing of strategic / operating plans of previous years against actual results. Moreover, we analyzed that these were consistently applied in the goodwill impairment assessment conducted by management.</li><li>• We involved our specialists for assessing the reasonableness of the VIU calculations and the underlying assumptions, including cash flow projections and discount rates used.</li><li>• We assessed the sensitivity of the results of the VIU model to the various key assumptions, such as long term growth rate and discount rate, within a reasonably possible range reflective of the current environment.</li><li>• We checked the accuracy and completeness of the data used in the VIU model on a sample basis, and also assessed the mathematical accuracy of the calculations.</li><li>• We assessed the adequacy of disclosures in the consolidated financial statements in respect of goodwill impairment assessment.</li></ul>
<b>Expected Credit Loss allowance against financing and advances</b>	<p>As at 31 December 2023, the Group’s gross financing and advances amounted to SAR 611,803 million (2022: SAR 556,719 million), [including purchased or originated credit impaired loans (“POCI”) amounting to SAR 3,187 million (2022: SAR 2,957 million)], against which an Expected Credit Loss (“ECL”) allowance of SAR 10,275 million (2022: SAR 11,408 million) was maintained.</p> <p>We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include:</p>	<ul style="list-style-type: none"><li>• We obtained and updated our understanding of management’s assessment of ECL allowance in respect of financing and advances including the Group’s internal rating model, accounting policy, model methodology including any key changes made during the year.</li><li>• We compared the Group’s accounting policy and methodology for ECL allowance with the requirements of IFRS 9.</li><li>• We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant Information Technology “IT” general and application controls) over:<ul style="list-style-type: none"><li>- the ECL model, including governance over the model, its validation during the year, and any model updates performed during the year, including approval of Credit and Remedial Management Committee of key inputs, assumptions and management overlays, if any;</li><li>- the classification of financing and advances into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures;</li></ul></li></ul>

Independent Auditors’ Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi National Bank (A Saudi Joint Stock Company) (continued)

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
<b>Expected Credit Loss allowance against financing and advances (continued)</b>	<p>(1) Categorisation of financing and advances into Stages 1, 2 and 3 based on the identification of:</p> <p>(a) exposures with a significant increase in credit risk (“SICR”) since their origination; and</p> <p>(b) individually impaired / defaulted exposures.</p> <p>In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months (‘12 month ECL’), except for financing and advances which have undergone a significant increase in credit risk since origination, or those who are in default or those that are classified as purchased / originated credit impaired assets, in which case, the allowance is based on the ECL expected to arise over the life of the financing and advances (‘Lifetime ECL’).</p> <p>Additional judgements are applied by the Group when identifying and assessing exposures meeting SICR criteria..</p>	<ul style="list-style-type: none"><li>- the IT systems and applications underpinning the ECL model; and</li><li>- the integrity of data inputs into the ECL model.</li></ul> <ul style="list-style-type: none"><li>• For a sample of customers, we assessed:<ul style="list-style-type: none"><li>- the internal ratings determined by management based on the Group’s internal rating model and considered these assigned ratings in light of external market conditions and available industry information in particular;</li><li>- the staging as identified by management; and</li><li>- management’s computations for ECL via analyzing the reasonableness, completeness, accuracy and appropriateness of the inputs including assumptions used therein such as but not limited to probability of default and loss given default percentages; and</li></ul></li></ul>
	<p>(2) Assumptions used in the ECL model for determining probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) including, but not limited to assessment of financial condition of counterparty, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.</p> <p>(3) The need to apply management overlays using expert credit judgement to reflect all relevant risk factors, that might not have been captured by the ECL models</p> <p>Application of these judgements and estimates, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2023.</p> <p><i>Refer to the summary of material accounting policy note 3.24, 3.25 and 3.27 for the impairment of financial assets; note 2.6(h) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 7.3 which contains the disclosure of impairment against financing and advances; note 33 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</i></p>	<ul style="list-style-type: none"><li>- for selected financing and advances, we assessed management’s assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment.</li><li>• We assessed the appropriateness of the Group’s criteria for the determination of SICR and identification of “default” or “individually impaired” exposures; and their classification into stages. Furthermore, for a sample of financing and advances, we assessed the appropriateness of the staging classification of the Group’s financing and advances portfolio based on the Group’s staging classification policy, knowledge of corresponding customers and analysis of related financial information.</li><li>• We assessed the governance process implemented and the reasonableness and appropriateness of qualitative factors considered (in light of the prevailing facts and circumstances of the corresponding loans and advances), by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise.</li><li>• We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios.</li><li>• We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2023.</li><li>• Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in management overlays.</li><li>• We assessed the adequacy of disclosures in the consolidated financial statements.</li></ul>

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
<b>Impairment for credit losses on debt investments held at IAC and FVOCI</b>	<p>As at 31 December 2023, the Group had gross investments in debt instruments held at amortised cost (IAC) and fair value through other comprehensive income (FVOCI) amounting to SAR 239,711 million (2022: SAR 230,683 million) against which an impairment allowance of SAR 69.0 million has been maintained as at 31 December 2023 (2022: SAR 55.3 million). These investments comprise government, qausi government, corporate sukuk and bonds and other bonds which are subject to the risk of impairment in value due to factors such as liquidity constraints faced by the issuers.</p> <p>Due to the subjectivity inherent in the process of identifying and computing impairment charge for credit losses, it requires significant management judgement. As per the requirements of IFRS 9, management is required to determine and recognize expected credit losses (‘ECL’). This required significant judgement, especially in the areas of classifying investments into Stages 1,2 and 3, as stipulated in IFRS 9, determination of significant increase in credit risk, establishing curing periods and computing probability of defaults (PD) and loss given default (LGD) percentages for counterparties.</p> <p>In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months (‘12 month ECL’), except for debt investments held at IAC or FVOCI which have undergone a significant increase in credit risk since origination, those who are in default or those that are classified as purchased / originated credit impaired assets, in which case, the allowance is based on the ECL expected to arise over the life of the investments (‘Lifetime ECL’).</p> <p>In making an assessment of whether an investment in a sovereign debt is credit-impaired, the Group considers creditworthiness as reflected in the bond/sukuk yields and assessed by the rating agencies, the country’s ability to access the capital markets for new debt issuance, the probability of debt being restructured, the international support mechanisms in place to provide the necessary support to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms.</p> <p>Since debt investments form a significant component of the Group’s consolidated assets, and on account of the significance of judgements applied by management in the aforementioned aspects, we have considered ECL against Group’s debt instruments held at IAC and FVOCI to be a key audit matter.</p> <p><i>Refer to the summary of material accounting policy note 3.24, 3.25 and 3.27 for the impairment of financial assets; note 2.6(h) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 6.6 which contains the disclosure of impairment against investmetns and note 33 for details of credit quality analysis and key assumptions.</i></p>	<p>Our audit procedures in response to the significant risk associated with the impairment charge for credit losses on Group’s debt investments held at IAC and FVOCI covered assessing the appropriateness and adequacy of the corresponding impairment allowances and we have performed following procedures:We assessed the design and implementation and tested the operating effectiveness of the key controls over management’s processes for determining impairment allowance against investment in debt instruments held at IAC and FVOCI.</p> <ul style="list-style-type: none"><li>• We checked the appropriateness of the Group’s determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages.</li><li>• For provision against debt instruments classified as Stage 1, Stage 2 and Stage 3, we obtained an understanding of the Group’s provisioning methodology, assessed the reasonableness of the underlying assumptions and the sufficiency or appropriateness of the data used. For a sample of investments in debt instruments, we checked the appropriateness of determining exposure at default, probability of default, and loss given default used in the expected credit losses calculations.</li><li>• We challenged the SICR assessment for debt instruments and assessed whether lifetime ECL losses have triggered. We have also checked the reasonableness and justification of management overlays.</li><li>• Where relevant, we used our specialists including IT specialists and financial risk modelling experts to gain comfort on model recalibration, resultant ECL calculations and data integrity.</li><li>• We assessed the adequacy of related disclosures in the consolidated financial statements..</li></ul>



Independent Auditors’ Report on the Audit of the Consolidated Financial Statements To the Shareholders of The Saudi National Bank (A Saudi Joint Stock Company) (continued)

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Valuation of unquoted derivative and unquoted non-derivative financial instruments carried at fair value	As at 31 December 2023, the carrying values of derivative and non-derivative financial assets and financial liabilities carried at fair value aggregated to SAR 71,929 million (2022: SAR 70,779 million) and SAR 20,145 million (2022: SAR 19,420 million), respectively.	<ul style="list-style-type: none"><li>• We assessed the design and implementation and tested the operating effectiveness of key controls over;<ul style="list-style-type: none"><li>- management’s processes for performing valuation of unquoted derivative and unquoted non-derivative financial instruments; and</li><li>- IT system and the data integrity of the investment portfolio information held.</li></ul></li><li>• We evaluated the valuation techniques, inputs and reasonableness of assumptions used by management to value unquoted derivative and non-derivative financial instruments.</li><li>• We tested the valuation of a sample of unquoted derivative and non-derivative financial instruments. As part of these audit procedures, we assessed the key inputs used in the valuation such as cashflows, discount rates used, comparable entity data and liquidity discounts by benchmarking them with external data.</li><li>• In addition to independently testing the valuation of derivatives, we have also checked the valuation of selected samples against counterparty valuation statements.</li><li>• We assessed the adequacy of the financial instrument hierarchy and related disclosures in the consolidated financial statements.</li></ul>
	<p>The fair value of these financial instruments is determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates.</p> <p>Estimation uncertainty exists for those instruments not traded in an active market (i.e. unquoted) and where the internal modelling techniques use:</p> <ul style="list-style-type: none"><li>• observable valuation inputs (i.e. level 2 investments); and</li><li>• unobservable valuation inputs (i.e. level 3 investments).</li></ul> <p>Estimation uncertainty is particularly high for level 3 investments.</p> <p>The valuation of the Group’s unquoted derivative and non-derivative financial instruments in level 2 and 3 categories was therefore considered a key audit matter given the degree of complexity involved in valuing these investments and the significance of the judgements and estimates made by the management.</p> <p><i>Refer to note 2.6(a) to the consolidated financial statements for details of significant judgements applied in valuation of unquoted derivative and non-derivative financial instruments carried at fair value and note 37 which explain the investment valuation methodology used by the Group and the critical judgements and estimates.</i></p>	

Other Information included in the Bank’s 2023 Annual Report

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

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

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

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

Responsibilities of 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia , the applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank’s By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance i.e., the Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. ‘Reasonable assurance’ is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Independent Auditors’ Report (continued)

Independent Auditors’ Report on the Audit of the Consolidated Financial Statements  
To the Shareholders of The Saudi National Bank (A Saudi Joint Stock Company) (continued)

Report on other legal and regulatory requirements

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

Ernst & Young Professional Services

P. O. Box 1994  
Jeddah 21441  
Kingdom of Saudi Arabia



Ahmed Ibrahim Reda  
Certified Public Accountant  
License No. 356

13 February 2024  
(Corresponding to 3 Sha’ban 1445H)

KPMG Professional Services

P. O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia



Ebrahim Oboud Baeshen  
Certified Public Accountant  
License No. 382

Consolidated Statement of Financial Position

As at 31 December

	Note	2023 SAR '000	2022 SAR '000
<b>ASSETS</b>			
Cash and balances with SAMA	4	47,498,960	41,611,004
Due from banks and other financial institutions, net	5	34,563,457	16,496,730
Investments, net	6	269,128,954	258,291,891
Financing and advances, net	7	601,527,454	545,310,659
Positive fair value of derivatives	12	21,303,650	20,574,129
Investments in associates, net	8	246,049	246,049
Property, equipment and software, net	9	11,000,461	9,993,143
Goodwill	42	34,006,782	34,006,782
Intangible assets	42	6,562,248	7,382,528
Right of use assets, net	10	1,038,915	1,533,960
Other assets	11	10,204,237	10,049,291
<b>Total assets</b>		<b>1,037,081,167</b>	945,496,166
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and other financial institutions	13	211,665,630	150,994,919
Customers’ deposits	14	590,051,062	568,283,076
Debt securities issued	15	13,889,142	12,987,176
Negative fair value of derivatives	12	20,145,388	19,420,104
Other liabilities	16	24,701,232	27,033,260
<b>Total liabilities</b>		<b>860,452,454</b>	778,718,535
<b>EQUITY</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>			
Share capital	17	60,000,000	44,780,000
Share premium		63,701,800	63,701,800
Treasury shares	25	(2,202,680)	(2,027,503)
Statutory reserve	18	41,115,165	36,020,442
Other reserves (cumulative changes in fair values)	19	(3,718,277)	(7,807,848)
Employees’ share based payments reserve	25	414,543	409,021
Retained earnings		9,157,165	21,965,712
Foreign currency translation reserve		(7,750,343)	(6,555,990)
<b>Equity attributable to shareholders of the Bank</b>		<b>160,717,373</b>	150,485,634
Tier 1 Sukuk	28	15,187,500	15,487,500
<b>Equity attributable to equity holders of the Bank</b>		<b>175,904,873</b>	165,973,134
<b>Non-controlling interest</b>	41	<b>723,840</b>	804,497
<b>Total equity</b>		<b>176,628,713</b>	166,777,631
<b>Total liabilities and equity</b>		<b>1,037,081,167</b>	945,496,166

  
Ahmed A. Aldhabi  
Group Chief Financial Officer

  
Talal A. Alkhereiji  
Acting Chief Executive Officer

  
Saeed M. Al-Ghamdi  
Chairman

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



Consolidated Statement of Income

For the years ended 31 December

	Note	2023 SAR '000	2022 SAR '000
Special commission income	21	49,856,985	34,393,430
Special commission expense	21	(22,848,045)	(8,106,231)
Net special commission income		27,008,940	26,287,199
Fee income from banking services, net	22	3,925,081	3,735,932
Exchange income, net		1,945,425	1,580,071
Gain from fair value through income statement (FVIS) financial instruments, net	23	2,415,641	1,694,061
Gains/income on non-FVIS financial instruments, net	24	594,425	773,837
Other operating expenses, net		(1,300,111)	(1,066,547)
Total operating income		34,589,401	33,004,553
Salaries and employee-related expenses		4,661,701	4,310,284
Rent and premises-related expenses		549,079	530,760
Depreciation/amortisation of property, equipment, software and right of use assets	9 & 10	1,458,904	1,435,235
Amortization of intangible assets	42	820,280	844,865
Other general and administrative expenses		2,867,119	2,663,574
Total operating expenses before expected credit losses		10,357,083	9,784,718
Net impairment charge for expected credit losses	6 & 7	922,748	1,685,484
Total operating expenses		11,279,831	11,470,202
Income from operations, net		23,309,570	21,534,351
Other non-operating expenses, net		(536,996)	(257,572)
Income for the year before Zakat and income tax		22,772,574	21,276,779
Zakat and income tax expenses		(2,663,747)	(2,547,942)
Net income for the year		20,108,827	18,728,837
Net income for the year attributable to:			
Equity holders of the Bank		20,009,968	18,580,690
Non-controlling interests	41	98,859	148,147
Net income for the year		20,108,827	18,728,837
Basic earnings per share (expressed in SAR per share)	27	3.23	3.03
Diluted earnings per share (expressed in SAR per share)	27	3.23	3.02

  
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Consolidated Statement of Comprehensive Income

For the years ended 31 December

	2023 SAR '000	2022 SAR '000
Net income for the year	20,108,827	18,728,837
Other comprehensive loss		
Items that cannot be reclassified to the consolidated statement of income in subsequent years:		
Net losses of movement in fair value through other comprehensive income in equity instruments and actuarial valuation	(2,666,145)	(1,800,964)
Items that are or may be reclassified to the consolidated statement of income in subsequent years:		
Net movement in foreign currency translation reserve losses	(1,766,698)	(703,506)
Fair value through other comprehensive income - debt instruments:		
- Net changes in fair values	1,470,231	(6,025,085)
- Net amounts transferred to the consolidated statement of income	58,309	(179,014)
Cash flow hedges:		
- Effective portion of changes in fair values	(109,956)	(649,134)
- Net amounts transferred to the consolidated statement of income	431,896	20,431
Total other comprehensive loss	(2,582,363)	(9,337,272)
Total comprehensive income for the year	17,526,464	9,391,565
Attributable to:		
Equity holders of the Bank	17,894,277	9,358,779
Non-controlling interests	(367,813)	32,786
Total comprehensive income for the year	17,526,464	9,391,565

  
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Consolidated Statement of Changes in Equity

For the years ended 31 December

SAR '000															SAR '000														
Attributable to equity holders of the Bank															Attributable to equity holders of the Bank														
Note	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves		Employees' share based payments reserve	Retained earnings	Foreign currency translation reserve	Total equity attributable to shareholders of the Bank	Tier 1 Sukuk	Total equity attributable to equity holders of the Bank	Non- controlling interests	Total equity															
					Cash flow hedge reserves	FVOCI Financial instrument reserve																							
Balance as at 1 January 2023	44,780,000	63,701,800	(2,027,503)	36,020,442		(769,271)	(7,038,577)	409,021	21,965,712	(6,555,990)	150,485,634	15,487,500	165,973,134	804,497	166,777,631														
Net income for the year	-	-	-	-		-	-	-	20,009,968	-	20,009,968	-	20,009,968	98,859	20,108,827														
Other comprehensive income/(loss) for the year	-	-	-	-		321,940	(1,243,278)	-	-	(1,194,353)	(2,115,691)	-	(2,115,691)	(466,672)	(2,582,363)														
Total comprehensive income/(loss) for the year	-	-	-	-		321,940	(1,243,278)	-	20,009,968	(1,194,353)	17,894,277	-	17,894,277	(367,813)	17,526,464														
Other consolidation adjustments	-	-	-	(795)		-	37,319	-	(685)	-	35,839	-	35,839	-	35,839														
Impact arising from the application of IAS 29 at a foreign subsidiary	-	-	-	71,843		-	75,873	-	918,507	-	1,066,223	-	1,066,223	287,156	1,353,379														
Bonus shares issued	15,220,000	-	-	-		-	-	-	(15,220,000)	-	-	-	-	-	-														
Transfer to statutory reserve	-	-	-	5,023,675		-	-	-	(5,023,675)	-	-	-	-	-	-														
Tier 1 Sukuk issued	28	-	-	-	-	-	-	-	-	-	-	1,000,000	1,000,000	-	1,000,000														
Tier 1 Sukuk called	28	-	-	-	-	-	-	-	-	-	-	(1,300,000)	(1,300,000)	-	(1,300,000)														
Tier 1 Sukuk related costs	28	-	-	-	-	-	-	-	(772,528)	-	(772,528)	-	(772,528)	-	(772,528)														
Purchase of treasury shares for employee's based payment plan	25	-	-	(347,766)	-	-	-	-	(283)	-	(348,049)	-	(348,049)	-	(348,049)														
Settlement of vested share based payment plan via treasury shares	25	-	-	172,589	-	-	-	(136,053)	(35,334)	-	1,202	-	1,202	-	1,202														
Employees' share based payments plan reserve - charged to the consolidated statement of income	25	-	-	-	-	-	-	141,575	-	-	141,575	-	141,575	-	141,575														
Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings		-	-	-	-	-	4,897,717	-	(4,897,717)	-	-	-	-	-	-														
Final dividend paid for 2022	29	-	-	-	-	-	-	-	(2,686,800)	-	(2,686,800)	-	(2,686,800)	-	(2,686,800)														
Interim dividend paid for 2023	29	-	-	-	-	-	-	-	(5,100,000)	-	(5,100,000)	-	(5,100,000)	-	(5,100,000)														
Balance as at 31 December 2023	60,000,000	63,701,800	(2,202,680)	41,115,165		(447,331)	(3,270,946)	414,543	9,157,165	(7,750,343)	160,717,373	15,187,500	175,904,873	723,840	176,628,713														
Balance as at 1 January 2022	44,780,000	63,701,800	(2,137,887)	31,262,024		(140,568)	1,024,290	347,885	17,241,990	(6,069,092)	150,010,442	12,187,500	162,197,942	571,570	162,769,512														
Net income for the year		-	-	-	-	-	-	-	18,580,690	-	18,580,690	-	18,580,690	148,147	18,728,837														
Other comprehensive income/(loss) for the year		-	-	-	-	(628,703)	(8,106,310)	-	-	(486,898)	(9,221,911)	-	(9,221,911)	(115,361)	(9,337,272)														
Total comprehensive income/(loss) for the year		-	-	-	-	(628,703)	(8,106,310)	-	18,580,690	(486,898)	9,358,779	-	9,358,779	32,786	9,391,565														
Other consolidation adjustments		-	-	-	-	-	-	-	24,386	-	24,386	-	24,386	-	24,386														
Impact arising from the application of IAS 29 at a foreign subsidiary		-	-	-	113,234	-	43,443	-	304,578	-	461,255	-	461,255	200,141	661,396														
Bonus shares issued		-	-	-	-	-	-	-	-	-	-	-	-	-	-														
Transfer to statutory reserve		-	-	-	4,645,184	-	-	-	(4,645,184)	-	-	-	-	-	-														
Tier 1 Sukuk issued	28	-	-	-	-	-	-	-	-	-	-	3,300,000	3,300,000	-	3,300,000														
Tier 1 Sukuk called	28	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
Tier 1 Sukuk related costs	28	-	-	-	-	-	-	-	(567,915)	-	(567,915)	-	(567,915)	-	(567,915)														
Purchase of treasury shares for employee's based payment plan	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
Settlement of vested share based payment plan via treasury shares	25	-	-	110,384	-	-	-	(130,254)	(16,833)	-	(36,703)	-	(36,703)	-	(36,703)														
Employees' share based payments plan reserve - charged to the consolidated statement of income	25	-	-	-	-	-	-	191,390	-	-	191,390	-	191,390	-	191,390														
Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-	-														
Final dividend paid for 2021	29	-	-	-	-	-	-	-	(4,030,200)	-	(4,030,200)	-	(4,030,200)	-	(4,030,200)														
Interim dividend paid for 2022	29	-	-	-	-	-	-	-	(4,925,800)	-	(4,925,800)	-	(4,925,800)	-	(4,925,800)														
Balance as at 31 December 2022	44,780,000	63,701,800	(2,027,503)	36,020,442		(769,271)	(7,038,577)	409,021	21,965,712	(6,555,990)	150,485,634	15,487,500	165,973,134	804,497	166,777,631														

  
Ahmed A. Aldhabi  
Group Chief Financial Officer

  
Talal A. Alkhereiji  
Acting Chief Executive Officer

  
Saeed M. Al-Ghamdi  
Chairman

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



Consolidated Statement of Cash Flows

For the years ended 31 December

	Note	2023 SAR '000	2022 SAR '000
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		22,772,574	21,276,779
Adjustments to reconcile net income to net cash from operating activities:			
Amortisation of discount on non-trading financial instruments, net		(60,056)	135,041
Gains on non-FVIS financial instruments, net	24	(228,386)	(381,371)
Gains on disposal of property, equipment and software, net		(74,719)	(159,557)
Loss on disposal of other repossessed assets		59,718	71,492
Depreciation/amortisation of property, equipment, software, and right of use assets	9 & 10	1,458,904	1,435,235
Net impairment charge for expected credit losses	6 & 7	922,748	1,685,484
Amortization of intangible assets	42	820,280	844,865
Share based payments plan expense	25	141,575	191,390
Net monetary loss from the application of IAS 29-Hyperinflationary economies		522,869	308,951
		26,335,507	25,408,309
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		(897,272)	206,087
Due from banks and other financial institutions with original maturity of more than three months, net		(4,343,547)	97,806
Held at fair value through income statement (FVIS) investments		(5,032,172)	1,608,942
Financing and advances, net		(65,350,620)	(55,312,838)
Positive fair value of derivatives		(862,914)	(11,476,694)
Other assets		1,004,135	9,060,854
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		61,250,419	34,313,342
Customers' deposits		30,194,648	(12,920,144)
Negative fair value of derivatives		756,580	10,039,539
Other liabilities		(3,976,189)	(5,264,632)
Net cash generated from/(used in) operating activities		39,078,575	(4,239,429)

	Note	2023 SAR '000	2022 SAR '000
INVESTING ACTIVITIES			
Proceeds from sale and maturity of non-FVIS investments		38,316,163	37,039,460
Purchase of non-FVIS investments		(45,845,826)	(63,823,184)
Purchase of property, equipment and software	9	(2,003,861)	(2,071,246)
Proceeds from disposal of property and equipment		157,891	304,687
Net cash (used in) investing activities:		(9,375,633)	(28,550,283)
FINANCING ACTIVITIES			
Debt securities issued	15	2,382,867	10,556,960
Debt securities payment	15	(1,916,733)	(3,606,452)
Tier 1 Sukuk Issuance	28	1,000,000	3,300,000
Tier 1 Sukuk called	28	(1,300,000)	-
Tier 1 Sukuk related costs	28	(772,528)	(567,915)
Purchase of treasury shares	25.2	(347,766)	-
Final dividend paid for 2022 and 2021	29	(2,686,800)	(4,030,200)
Interim dividend paid for first half of 2023 and 2022	29	(5,100,000)	(4,925,800)
Net cash (used in)/generated from financing activities		(8,740,960)	726,593
Net increase/(decrease) in cash and cash equivalents		20,961,982	(32,063,119)
Foreign currency translation reserve - net movement in cash and cash equivalents at the beginning of the year		(639,961)	(651,750)
Cash and cash equivalents at the beginning of the year		20,158,433	52,873,302
Cash and cash equivalents at the end of the year	30	40,480,454	20,158,433
Special commission income received during the year		49,236,595	32,996,576
Special commission expense paid during the year		21,486,095	6,519,638
Supplemental non-cash information			
Movement in other reserve and transfers to the consolidated statement of income		1,850,480	(6,832,802)

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

Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

1. General

(1.1) Introduction

The Saudi National Bank is a Saudi Joint Stock Company that was formed and licensed under registration certificate authenticated by a Royal Decree on 28 Rajab 1369H (corresponding to 15 May 1950) and registered under commercial registration number 4030001588 dated 19 Safar 1418H (corresponding to 26 June 1997). The Bank is regulated by the Saudi Central Bank (SAMA).

The objective of the Group is to provide a full range of banking and investment management services. The Group also provides non-special commission based banking products in compliance with Shariah rules, which are approved and supervised by an independent Shariah Commitee established by the Bank.

The Bank operates through its 470 branches (31 December 2022: 494 branches), 19 retail service centers (31 December 2022: 16 centers) and 96 QuickPay remittance centers (31 December 2022: 120 centers) in the Kingdom of Saudi Arabia and four overseas branches in the Kingdom of Bahrain, United Arab Emirates, Qatar and the Republic of Singapore. The Board of Directors in their meeting dated 23 November 2015 resolved to close the Bank’s branch operations domiciled in Beirut, Lebanon. The required regulatory approvals have been received and the legal formalities in respect of the closure of the branch are in progress.

The Bank’s Head Office is located at the following address:

The Saudi National Bank Tower  
King Abdullah Financial District  
King Fahd Road,  
3208 Al Aqeeq District,  
Riyadh 13519 - 6676,  
Kingdom of Saudi Arabia

These financial statements comprise the consolidated financial statements of The Saudi National Bank (the “Bank”) and its subsidiaries (collectively referred to as the “Group”).

(1.2) Group’s subsidiaries

The details of the Group’s significant subsidiaries are as follows:

Name of subsidiary	Ownership %		Functional currency	Description
	2023	2022		
SNB Capital Company (SNBC)	100.00%	100.00%	Saudi Arabian Riyal	A Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia to manage the Bank’s investment services and asset management activities.
SNB Capital Dubai Inc.	100.00%	100.00%	US Dollar	An exempt company with limited liability incorporated in the Cayman Islands to source, structure and invest in private equity and real estate development opportunities across emerging markets.
SNB Capital Real Estate Investment Company (REIC)	100.00%	100.00%	Saudi Arabian Riyal	The Company is a special purpose entity registered in the Kingdom of Saudi Arabia. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by SNB Capital Company.
Türkiye Finans Katılım Bankası A.Ş. (TFKB)	67.03%	67.03%	Turkish Lira	A participation bank registered in Turkey that collects funds through current accounts, profit sharing accounts and lends funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships. TFKB fully owns the issued share capital of TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlik Kiralama A.Ş., which are special purpose entities (SPEs) established in connection with issuance of sukuks by TFKB.
Real Estate Development Company (REDCO)	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia. REDCO is engaged in keeping and managing title deeds and collateralised real estate properties on behalf of the Bank.
SNB Markets Limited	100.00%	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands, engaged in trading in derivatives and repos/reverse repos on behalf of the Bank.

Name of subsidiary	Ownership %		Functional currency	Description
	2023	2022		
Eastgate MENA Direct Equity L.P.	100.00%	100.00%	US Dollar	A private equity fund domiciled in the Cayman Islands and managed by SNB Capital Dubai Inc. The Fund’s investment objective is to generate returns via investments in Shariah compliant direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).
AlAhli Outsourcing Company	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in recruitment services within the Kingdom of Saudi Arabia.
Samba Bank Limited, (SBL) Pakistan	84.51%	84.51%	Pakistani Rupee	A subsidiary incorporated as a banking company in Pakistan and is engaged in commercial banking and related services, and is listed on the Pakistan Stock Exchange.
Samba Real Estate Company	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in managing real estate projects on behalf of the Bank.
SNB Global Limited	100.00%	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands, engaged in managing certain treasury related transactions.
SNB Funding Limited	100.00%	100.00%	US Dollar	A Limited Liability company under the laws of the Cayman Islands established with the main objective of generating liquidity for the Bank through issuance of bonds.

2. Basis of Preparation

(2.1) Statement of compliance

The consolidated financial statements of the Group have been prepared:

- In accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA); as collectively referred to IFRSs that are endorsed in KSA.
- In compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

The new Companies Law issued through Royal Decree number M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as “the Law”) came into force on 26/6/1444H (corresponding to January 19, 2023). For most provisions of the Law, full compliance should take place not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of amending the Articles of Association / By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Bank shall present the amended Articles of Association / By-Laws to the shareholders in their Extraordinary / General Assembly meeting for their ratification.

(2.2) Basis of measurement

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, financial instruments held at FVIS and FVOCI and defined benefit obligations. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated statement of financial position is stated in order of liquidity.

(2.3) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is also the Bank’s functional currency and have been rounded off to the nearest thousand Saudi Arabian Riyals, except as otherwise indicated.

(2.4) Basis of consolidation

The consolidated financial statements comprise the financial statements of The Saudi National Bank and its subsidiaries (see note 1.2). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

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

(2.5) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. 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.



Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

2. Basis of Preparation(continued)

(2.6) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgments in the process of applying the Group’s accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

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

(a) Fair value of financial instruments that are not quoted in an active market

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

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

The 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see note 37).

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

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.

(b) Judgement of equity vs liability for Tier 1 Sukuk

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

(c) Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 CGUs. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s CGU, or groups of CGU, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The subsidiaries are regarded as a CGU for the purpose of impairment testing of their respective goodwill. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets including the intangible assets in the unit (or group of units) on a pro rata basis on condition that the carrying amount of other assets should not be reduced below their fair values.

Where goodwill forms part of a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained. Please refer note 42 for more details.

When subsidiaries are sold, the difference between the selling price and the net assets plus any cumulative foreign currency translation reserve and unimpaired goodwill is recognised in the consolidated statement of income.

The previously recognised impairment loss in respect of goodwill cannot be reversed through the consolidated statement of income.

Non-financial assets held under Murabaha arrangements are measured at their lower of cost and net realizable value. Net realizable value is the estimated selling price, less selling expenses. Any impairment loss arising as a result of carrying these assets at their net realizable values is recognised in the consolidated statement of income under other operating income /(expense), net.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Determination of control over investment funds

The Group acts as a Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors rights to remove the Fund Manager.

(e) Provisions for liabilities and charges

The Group receives legal claims in the ordinary course of business. Management makes judgments in assigning the risk that might exists in such claims. It also sets appropriate provisions against probable losses. The claims are recorded or disclosed, as appropriate, in the consolidated financial statements based on the best estimates of the amounts required to settle these claims.

(f) Measurement of defined benefit obligations

The Group maintains an end of service benefit plan for its employees and to arrive at the estimated obligation as at the reporting date, the Group uses assumptions such as the discount rate, expected rate of salary increase, attrition and normal retirement age.

(g) Useful lives of property, equipment and other software, and right of use assets

The management determines the estimated useful lives of its property, equipment and software for calculating depreciation/amortisation. This estimate is determined after considering the expected usage of the asset or its physical wear and tear. The residual value, useful lives and future depreciation/amortisation charges are revised by the management where they believe the useful lives differ from previous estimates.

(h) Impairment charge for expected credit losses

The Group exercises judgement and applies the use of various assumptions in the determination of expected credit losses (refer note 3).

(i) Classification of financial instruments

The Group exercises judgement for the classification of financial instruments (refer note 3).

(j) Business combination and goodwill impairment assessment

The Group has exercised judgement in the relation to the Bank’s merger with Samba and the related goodwill impairment assessment. Please refer to note 42 for details.

Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies

The material accounting policies adopted in the preparation of these consolidated financial statements, and changes therein, are set out below:

(3.1) Changes in accounting policies, estimates and assumptions

(a) Material accounting policies, estimates and assumptions

The accounting policies, estimates and assumptions adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023, which is explained in (C) below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(b) Hyperinflationary economy

Turkey is considered as a hyperinflationary economy since second quarter of 2022. The Turkish economy was identified to be hyperinflationary based on the criteria established by International Accounting Standard 29, “Financial Reporting in Hyperinflationary Economies” (“IAS 29”). This was determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of a cumulative inflation rate of more than 100% over the previous three years.

IAS 29 requires entities whose functional currency is that of a hyperinflationary economy to restate their financial statements in terms of the measuring unit current at the balance sheet date. In particular, the standard requires non-monetary assets and liabilities be restated to reflect the changes in the general purchasing power of the reporting currency while keeping the monetary assets at their current values. The restatement will result in the recognition of a net monetary gain or loss in the statement of income.

Restatement was carried out by applying conversion factors derived from general price indices. TFKB used the index published by the Turkish Statistical Institute to arrive at the below conversion factors that represents the ratio of hyper inflated balances to historical cost:

Date	Index	Conversion factor
31 December 2023	1,859.38	1.0000
31 December 2022	1,128.45	1.6477

(c) New standards, interpretations and amendments adopted by the Group

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2023. The management has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

Standards, amendments, interpretations	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.The amendments had no impact on the consolidated financial statements of the Group.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.The amendments had no impact on the consolidated financial statements of the Group.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The amendments had no impact on the consolidated financial statements of the Group.	Annual periods beginning on or after 1 January 2023.
IFRS 17, ‘Insurance contracts’, as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.The amendments had no impact on the consolidated financial statements of the Group.	Annual periods beginning on or after 1 January 2023.
Amendments to IAS 8	Definition of accounting estimates	Annual periods beginning on or after 1 January 2023.

(d) Accounting standards issued but not yet effective

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2024. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements of the Group.

Standards, amendments, interpretations	Description	Effective date
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
IFRS S1 & IFRS S2, ‘General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
Amendments to IAS 21	Lack of exchangeability	1 January 2025

(3.2) Classification of financial assets

On initial recognition, a financial asset is classified as held at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through income statement (“FVIS”).

Financial asset at held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVIS:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows (HTC); and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset held at Fair Value through other Comprehensive Income (‘FVOCI’)

Debt instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVIS:

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

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

Equity instruments

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



## Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

### 3. Summary of Material Accounting Policies (continued)

#### (3.2) Classification of financial assets (continued)

##### Financial asset held at Fair Value through Income Statement ('FVIS')

All financial assets, not classified as held at amortised cost or FVOCI are classified as FVIS.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVIS 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.

#### (3.3) Business model assessment

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

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

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

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

#### (3.4) Assessments whether contractual cash flows are Solely Payments of Principal and Interest ("SPPI" criteria)

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

#### (3.5) Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

#### (3.6) Settlement date accounting

All regular-way purchases and sales of financial assets are recognised and derecognised 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.

#### (3.7) Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, special commission rate futures, forward rate agreements, currency and special commission rate swaps, swaptions, currency and special commission rate options (both written and purchased) are measured at fair value. Fair values are obtained by reference to quoted market prices and/or valuation models as appropriate.

##### (3.7.1) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income for the year and are disclosed in trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting as described below.

##### (3.7.2) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria. As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

For the purpose of hedge accounting, hedges are classified into two categories:

(a) Fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and

(b) Cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be "highly effective", i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis.

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

##### (3.7.3) Fair value hedges

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from remeasuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. Any gain or loss on the hedged item attributable to fair value changes relating to the risks being hedged is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income (in the same line item as the hedging instrument). Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment in the carrying value is amortised to the consolidated statement of income over the remaining life of the instrument.

For hedged items measured at amortised cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective commission rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies (continued)

(3.7) Derivative financial instruments and hedge accounting (continued)

(3.7.4) Cash flow hedges

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other reserves under equity and the ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognised in consolidated statement of other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognised.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other reserves from the period when the hedge was effective is transferred from equity to the consolidated statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affect the consolidated statement of income, the net cumulative gain or loss recognised in other reserves is transferred immediately to the consolidated statement of income.

(3.7.5) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS 9;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in the statement of income unless they form part of a qualifying cash flow or net investment hedging relationship.

(3.8) Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in the consolidated statement of income.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of income on derecognition of such securities, rather, it is transferred to retained earning.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-andrepurchase transactions, as the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the asset.

(3.9) Modifications of financial assets and financial liabilities

(a) Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented together with the account that most closely relates to the underlying reason for the modification.

(b) Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated statement of income.

(3.10) Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Bank is Saudi Arabian Riyals. For the functional currencies of the Group’s subsidiaries please refer to note 1.2.

(a) Transactions and balances of the Bank

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at the year-end (other than monetary items that form part of the net investment in a foreign operation), denominated in foreign currencies, are retranslated into the functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary assets measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value was determined.

(b) Foreign operations

As at the reporting date, the assets and liabilities of the foreign operations are translated into the Group’s presentation currency at the rate of exchange ruling at the consolidated statement of financial position date. Equity (pre-acquisition) is translated at historical exchange rates at the date of acquisition and income and expenses of the statement of income are translated at the spot exchange rates prevailing at transaction dates on a daily basis. Exchange differences arising on translation are taken directly to a separate component of equity (foreign currency translation reserve) and are recognised in consolidated statement of comprehensive income. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the foreign exchange translation reserve is allocated to the non-controlling interest. The deferred cumulative amount of exchange differences recognised in equity will be reclassified in the consolidated statement of income at the time of any future disposal or partial disposal with loss of control or with loss of control without disposal.

Goodwill and intangible assets arising on the acquisition of the foreign operations and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

Foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI, are recognised in the consolidated statement of OCI.

(3.11) Offsetting financial instruments

Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a current legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.



Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies (continued)

(3.12) Revenue / expenses recognition

(3.12.1) Special commission income and expenses

Special commission income and expense are recognised in the consolidated statement of income using the effective special commission method. Fee income received in connection with financing and advances that are integral component of the effective special commission rate are adjusted from the amortized cost of the related financing and advances and recognized in the consolidated statement of income over the life of the respective financial asset. The 'effective special commission rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortised cost of the financial instrument.

When calculating the special commission rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted special commission rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the special commission rate includes transaction costs and fees paid or received that are an integral part of the special commission rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective special commission method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the special commission rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the special commission rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, special commission income is calculated by applying the credit-adjusted special commission rate to the amortised cost of the asset. The calculation of special commission income does not revert to a gross basis, even if the credit risk of the asset improves.

(3.12.2) Fee and other income / expenses

Income from FVIS includes all realised and unrealised gains and losses from changes in fair value and related special commission income or expense, dividends for financial assets held for trading and foreign exchange differences on open positions.

Exchange income from banking services is recognised at a point in time. The performance obligation is satisfied when the transaction is carried out which triggers immediate recognition of the income.

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

Fees income and expenses are recognised over a period of time as the service is provided.

Financing commitment fees for financing arrangement that are likely to be drawn down are deferred and recognised as an adjustment to the effective yield on the financing arrangement. Portfolio and other management advisory and service fee income are recognised when services are determined as complete in accordance with the underlying agreement based on performance obligations being met and agreed with customer. Fee income received on other services that are provided over an extended period of time, the revenue is recognised over the period of time on proportionate basis when the service is being provided, if material.

Fee received in connection with syndication financing where the Group acts as the lead arranger and retains no part of the financing for itself (or retains a part at the same EIR for comparable risk as other syndicate participants) is recognized upon the execution of the syndicate financing arrangement. Moreover, commitment fee received by the Group where it is unlikely that a specific lending arrangement will be entered into by the counterparty is recognized with reference to nature and execution of related performance obligation.

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.

Other fee expenses mainly relate to transaction and services fee, which are expensed as related services are provided.

(3.13) Sale and repurchase agreements (including securities lending and borrowings)

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets continue to be measured in accordance with the related accounting policies for investments held at FVIS, FVOCI and amortized cost. The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in "Due to banks and other financial institutions". The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective yield basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "cash and balances with SAMA", "due from banks and other financial institutions" or "Financing and advances", as appropriate. The difference between purchase and resale price is treated as special commission income which is accrued over the life of the reverse repo agreement using the effective yield basis.

Securities borrowing and lending transactions are typically secured; collateral takes the form of securities or cash advanced or received. Securities lent to counterparties are retained on the consolidated statement of financial position. Securities borrowed are not recognised on the consolidated statement of financial position, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability. Cash collateral given or received is treated as a loan and receivable or customers' deposit.

(3.14) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition, being total consideration of the acquisition, is measured as the fair value of the assets given and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition that occurred prior to 1 January 2010. For any subsequent acquisitions, 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 are included in other general and administrative expenses.

Identifiable assets acquired (including previously unrecognised intangible assets) and liabilities (including contingent liabilities) in an acquisition are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

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.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the consolidated statement of income. If the Group retains any interest in the former 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.

(a) 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 income from the date of the acquisition or up to the date of disposal, as appropriate.

The Group invests in structured entities forming part of larger structure with the objective to resell the investment in a short period after acquisition. For all such investment, the Group analyses whether and to what extent it controls the investee and any underlying entities. Moreover, whenever any such investee, controlled by the Group meets the criteria of held for sale, it is accounted as such and the total assets and total liabilities are included under other assets and other liabilities.

(b) Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Bank in its subsidiaries and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the Bank's 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.

Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies (continued)

(3.14) Business combinations (continued)

(c) Associates

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognised 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 the 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.

The previously recognised impairment loss in respect of investment in associate can be reversed through the consolidated statement of income, such that the carrying amount of investment in the consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

(d) 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, as appropriate, in preparing the consolidated financial statements.

(3.15) Financing and advances

Financing and advances are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments.

Financing and advances are recognised when cash is advanced to borrowers. They are derecognised when either the borrower repays their obligations, or the financing and advances are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Financing and advances are initially measured at fair value of the consideration given.

Following initial recognition, financing and advances for which fair value has not been hedged are stated at amortised cost less any amount written off and ECL allowances for impairment.

For presentation purposes, allowance for expected credit losses is deducted from financing and advances.

(3.16) Due from banks and other financial institutions

Due from banks and other financial institutions are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks and other financial institutions are initially measured at cost, being the fair value of the consideration given.

Following initial recognition, due from banks and other financial institutions are stated at amortized cost less any ECL allowance.

(3.17) Other real estate and repossessed assets

The Group, in the ordinary course of business, acquires certain real estate against settlement of due financing. Such real estate are considered assets held for sale and are initially stated at the lower of net realisable value of due financing and the current fair value of the related properties, less any costs to sell (if material). No depreciation is charged on such assets. Rental income from other real estate is recognised in the consolidated statement of income.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the consolidated statement of income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the statement of income. Unrealised losses or gains on revaluation, realized gains or losses on disposal and and net rental income are recognized in the consolidated statement of income under other operating income/(expense).

Other real estate assets are presented under other assets in the consolidated statement of financial position.

(3.18) Property, equipment and software

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

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

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

Buildings	40 years
Leasehold improvements	Over the lease period or useful economic life whichever is shorter
Furniture, equipment, vehicles and software	4-10 years

The assets’ residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the date of each consolidated statement of financial position.

Software are recognised only when their cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to them will flow to the Group. Software are amortised over the useful economic life and assessed for impairment whenever there is an indication that the software may be impaired. The amortisation period and method for software assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on software is recognised in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

(3.19) Goodwill and Intangible assets

(3.19.1) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses; impairment loss of goodwill is charged to the consolidated statement of income. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. Please refer to note 42 for further details.

(3.19.2) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. All acquired intangible assets carried on the reporting date have a finite useful life. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Core Deposit Intangible (“CDI”) is amortized over a period of 11 years and the Purchased Credit Card Relationships (“PCCR”) and Customer Relationships is amortized over a period of 10 years.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.



Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies (continued)

(3.20) Leases

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

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

(3.20.1) Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

(3.20.2) Lease liabilities

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

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

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made ; and
- Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

(3.20.3) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(3.20.4) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to renew the lease of the assets. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(3.21) Financial liabilities

All money market deposits, customers' deposits and debt securities issued are initially recognised at cost, net of transaction charges, being the fair value of the consideration received. Subsequently, all commission bearing financial liabilities, are measured at amortised cost by taking into account any discount or premium. Premiums are amortised and discounts are accreted on an effective yield basis to maturity and taken to special commission expense.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

(3.22) Financial guarantees and financing commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Financing commitments are commitments to provide credit under pre-specified terms and conditions.

In the ordinary course of business, the Group issues letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given; typically the premium received. Subsequent to the initial recognition, the Group's liability under such guarantees are measured at the higher of their amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses net of any cash margin. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income as impairment charge for financing and advances losses, net. The premium received is recognised in the consolidated statement of income as fee income from banking services on a straight line basis over the life of the guarantee, if material.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount or the amount of loss allowance.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments, the Group recognises loss allowance for expected credit losses.

(3.23) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events where it is more likely that an outflow of resources will be required to settle the obligation. Provisions are presented under other liabilities. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance charges.

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

(3.24) Expected credit loss (ECL)

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVIS:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

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

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

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

Financial instruments for which 12-month ECL are recognized are referred to as 'Stage1' financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired. Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'. The group's financial assets that are measured at amortised cost and debt instrument held at FVOCI fall within these categories.

Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies (continued)

(3.24) Expected credit loss (ECL) (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); and
- Exposure at default (EAD).

The Group also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs. The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

(3.25) Measurement of ECL

ECL represent probability-weighted estimates of credit losses. These are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less cash flows that the Group expects to receive.

When discounting future cash flows, the following discount rates are used:

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

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

(3.26) Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective special commission rate of the existing financial asset.

(3.27) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

The Financing and advances that have been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the investment yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Non-performing financing and advances presented in these consolidated financial statements represent credit impaired financing and advances excluding POCI financial assets which are separately disclosed.

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL is incorporated into the calculation of the effective special commission rate on initial recognition. Consequently, POCI assets do not carry impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Allowances for ECL are presented in the consolidated statement of financial position as follows:

Financial assets measured at amortised cost

- As a deduction from the gross carrying amount of the assets.

Loan commitments and financial guarantee contracts

- Generally, as a provision; in other liabilities.

Financial instrument includes both a drawn and an undrawn component

- Where the Group cannot identify the ECL on the financing and advances commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Debt instruments measured at FVOCI

- The Group recognizes a loss allowance for financial assets that are measured at fair value through other comprehensive income on the statement of other comprehensive income which will not reduce the carrying amount of the financial asset in the statement of financial position.

(3.28) Write-off

Financing and advances and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(3.29) Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

(3.30) Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.



Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies (continued)

(3.31) 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 and balances with “SAMA”, excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

(3.32) Investment management services

The financial statements of investment management funds are not included in the consolidated financial statements of the Group. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in these consolidated financial statements.

(3.33) Fiduciary income

In the normal course of business, the Group agrees with the clients to invest the fiduciary assets and commission earned on these investments is recognised in the consolidated statement of income.

(3.34) Banking products that comply with Shariah rules

Beside conventional banking products, the Group offers certain banking products that comply with Shariah rules. These products are approved and overseen by an independent Shariah Committee and Shariah advisors at the Bank and its subsidiaries. Shariah compliant products are treated under International Financial Reporting Standards (IFRS) and in accordance with the accounting policies used in the preparation of these consolidated financial statements.

Banking products that comply with Shariah rules are based on several Islamic types, including but not limited to:

(3.34.1) Murabaha

Murabaha is a financing agreement whereby the Bank purchases and owns commodities based on client’s request and sells them to the client with a specified agreed price (cost plus a profit margin) and paid as agreed.

Examples of products in which the bank uses Murabaha are residential finance, commercial real estate, and trade finance, commercial finance, trade finance, deposit products for customers and inter-bank Murabaha.

(3.34.2) Tawarruq

Tawarruq is financing instrument for customers in need of cash financing. It involves the bank buying commodities from international or local markets and selling them to customers at agreed-upon deferred installment terms. Customers, on their own, or by appointing an agent, resell the commodities to third parties for cash.

Examples of products in which the bank uses Tawarruq are in residential finance for individuals (self-sonstruction/sale on the map), personal finance, credit cards, corporate finance, structured finance, syndications, as well as interbank transactions.

(3.34.3) Ijara

The bank has two types of Ijara. First, where the bank purchases assets, upon the request of customers (lessee), on cash basis and leases them to customers for an agreed-upon rent to be settled in agreed-upon installments. Second is forward Ijara, which is a contract to manufacture goods, assemble or process them, or to build a house or other structure according to exact specifications and a fixed timeline.

In the Ijara contract, the bank promises to transfer ownership of the assets to its customers at the end of the lease period, either by sale at nominal prices or in the form of grants.

Examples of products in which the bank uses Ijara are auto lease with promises to transfer ownership, residential finance, commercial real estate finance, and structured finance. The main uses of forward Ijara are in structured finance.

(3.34.4) Mudarabah

Mudaraba is a form of participation in profit where the client provides the capital to the bank or vice versa depending on the product type. The capital owner is called the “Rab Almaal” and the worker is “Mudharib”. The worker’s duty is to invest the capital in activities that comply with Shariah rules. The income is divided according to the agreement. In the case of loss, “Rab Almaal” has to bear all the losses from his capital and the “Mudharib” loses his efforts.

Examples of the products in which the bank uses the Mudaraba are Islamic Mudaraba Certificates, Mudaraba Call Accounts, and Tier 1 Sukuks.

(3.34.5) Promise

Promise is a mandatory commitment by the Bank to its client or vice versa to enter into a sale or purchase transaction for the purpose of hedge against fluctuations in index prices, commodity prices and currency prices.

Examples of products in which the bank uses the promise are structured hedging products and structured investment products.

All the above Shariah-compliant financing products are accounted for in conformity with the accounting policies described in these consolidated financial statements. They are included in financing and advances.

(3.35) Shariah-compliant deposit products

The Group offers its customers certain deposit products that comply with Shariah rules. These are approved and overseen by an independent Shariah Committee at the Bank and its subsidiaries.

(3.35.1) AlKhairaat

AlKhairaat is a Shariah-compliant product based on commodity Murabaha. The Group acts as an agent for its customers in purchasing commodities on their behalf with their funds and then purchases these commodities for its own account from customers at agreed-upon price and deferred maturities (3, 6, 9 or 12 months). Being a retail product, customers are allowed to choose the investment amount, tenure, and currency. Since the Group purchases commodities from its customers, it is liable to them for the capital they invested plus a profit.

(3.35.2) Structured AlKhairaat

This product is an enhanced deposit product which provides a Shariah compliant alternative to structured deposits. It combines AlKhairaat placement with a promise to enter into a secondary Murabaha transaction for the benefit of the customer where the profit will be linked to a predetermined index. These are capital protected up to a specified percentage (typically 95-100%).

These Shariah-compliant deposit products are accounted for in conformity with the accounting policies described in these consolidated financial statements. They are included in customers’ deposit.

(3.36) Shariah-compliant treasury products

The Group offers its customers certain treasury products that comply with Shariah rules. These products are approved and overseen by an independent Shariah Committee and Shariah advisor at the Bank and its subsidiaries.

(3.36.1) Structured Hedging Products

These products are offered to clients to hedge their existing exposure to foreign currencies. It is based on the concept of Waad (binding promise) where the Group promises to buy/sell a particular amount of foreign currency at an agreed upon price. It may include only one Waad or a combination of Waads.

(3.36.2) Structured Investment Products

These products are offered to clients to offer them a return that is typically higher than a standard AlKhairaat. There are based on the structured AlKhairaat product and are designed to give the customers exposure to a number of indices including foreign currencies, precious metals and Shariah compliant equity indices.

(3.36.3) Rates Products

These products are offered to clients who have exposure to fixed/floating rates and need hedging solutions. The products are designed around the concept of Waad to enter into Murabaha where the profit is based on a rates index or formula. It may include only one Waad or a combination of Waads.

(3.36.4) Commodity Products

These products are offered to clients who have exposure to commodity prices and need hedging solutions. These products are designed around the concept of Waad to enter into Murabaha where the profit is based on a commodity price index. It may include only one Waad or a combination of Waads.

(3.37) Treasury shares

Treasury shares are recorded at acquisition cost and presented as a deduction from equity. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies (continued)

(3.38) End of service benefits

The provision for end of service benefits is made based on actuarial valuation in accordance with Saudi Arabian Labour Laws and local regulatory requirements. Net obligation, with respect to end of service benefits, to the Bank is reviewed by using a projected unit credit method. Actuarial gains and losses (re-measurements) are recognized in full in the period in which they occur in other comprehensive income. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Bank recognizes the following changes in the net defined benefit obligation under ‘salaries and employee related expenses’ in the consolidated statement of income:

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

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

Benefits payable to the employees of the Group at the end of their services are accrued based on actuarial valuation and are included in other liabilities in the consolidated statement of financial position.

(3.39) Staff compensation

The Bank’s Board of Directors and its Nomination and Remuneration Committee oversee the design and implementation of the Bank’s Remuneration system in accordance with updated SAMA Banks Remuneration rules, local statutory requirements of the foreign branches and subsidiaries.

The Nomination and Remuneration Committee was established by the Board of Directors and is composed of three independent and non-executive members including the Chairman of the Committee. The Committee’s Rules and responsibilities are in line with the updated SAMA Banks Remuneration Rules.

The Committee is responsible for the development and implementation of the remuneration system and oversight of its execution, with the objective of preventing excessive risk-taking and promoting corporate financial soundness. The Committee submits its recommendations, resolutions and reports to the Board of Directors for approval.

Key elements of remuneration in the Bank:

(3.39.1) Fixed remuneration

The fixed compensation includes salaries, allowances and benefits. Salaries are set in relation to market rates to attract, retain and motivate talented individuals. Salary administration is based on key processes such as job evaluation, performance appraisal and pay scales structure. The competitiveness of pay scales is monitored and maintained through participation in regular market pay surveys.

(3.39.2) Variable remuneration

Variable remuneration aims at driving performance and limiting excessive risk taking. The Group operates three plans under variable compensation:

(a) Short term incentive plan (annual performance bonus)

The annual performance bonus aims at supporting the achievement of a set of annual financial and non-financial objectives. The financial objectives relate to the economic performance of the Group’s business, while the non-financial objectives relate to some other critical objectives relating, for example, to complying with risk and control measures, employees development, teamwork, staff morale etc.

The Group has established a regular performance appraisal process aimed at assessing employees’ performance and contribution. Annual performance bonus payments are based on employee contributions, business performance and the Group’s overall results. The overall annual performance bonus pool is set as a percentage of the Group’s net income, adjusted to reflect the core performance of the employees. The Group does not operate a guaranteed bonus plan.

The cost of this plan is recognised in the consolidated statement of income of the year to which it relates.

(b) Short term incentive plan (annual performance Incentive)

The bank runs several incentive plans to motivate employees based in revenue generating organizational areas, and improve their efficiency and performance. Frequency of incentive payments during the year is determined by the concerned Business groups/divisions and applied to the sales, collection, and other eligible employees as per the approved incentive scheme. The incentive pool is treated as Cost of Business, depending on the relevant business area.

(c) Share based payment plan

The Bank maintains 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 recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised 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 recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

If the employees are not entitled to dividends declared during the vesting period, then the fair value of these equity instruments is reduced by the present value of dividends expected to be paid compared with the fair value of equity instruments that are entitled to dividends. If the employees are entitled to dividends declared during the vesting period, then the accounting treatment depends on whether the dividends are forfeitable. Forfeitable dividends are treated as dividend entitlements during the vesting period. If the vesting conditions are not met, then any true-up of the share-based payment would recognise the profit or loss effect of the forfeiture of the dividend automatically because the dividend entitlements are reflected in the grant-date fair value of the award.

In cases, where an award is forfeited (i.e. when the vesting conditions relating to award are not satisfied), the Bank reverses the expense relating to such awards previously recognised in the consolidated statement of income. Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The Bank acquires its own shares in connection with the anticipated grant of shares to the key management in future. Until such time as the beneficial ownership of such shares in the Group passes to the employees, the unallocated / non-vested shares are treated as treasury shares.

(3.40) Tier 1 Sukuk

The Group classifies Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit as part of equity. The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

(3.41) Government grant

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related to income. The below-market rate loan is recognised and measured in accordance with IFRS 9. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 “Accounting for government grants and disclosure of government assistance”. Government grant is recognised in the consolidated statement of income on a systematic basis over the periods in which the bank recognises related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

(3.42) General and administrative expenses

These represent operating expenses, other than salaries and employee-related cost, rent and premises-related expenses, depreciation, amortization and other operating expenses – net, and includes items such as cost of outsourced personnel, professional and consultancy expenses, IT related costs, operations, administration expenses and provision for OREO assets.



Notes to the Consolidated Financial Statements

For the years ended 31 December 2023 and 2022

3. Summary of Material Accounting Policies (continued)

(3.43) Zakat and Income taxes

(a) Current zakat and income taxes

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. The income tax expense or credit for the period is the tax payable on the current period’s taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Zakat and income taxes are charged to the Bank’s Statements of consolidated income. The Group applies significant judgement in identifying uncertainties over income tax treatments. The nature and the basis for calculation of Zakat is different from that of the income taxes and therefore provision for deferred tax is not applicable for Zakat calculations.

(b) Deferred tax

Deferred tax is recognized using the liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using the rates that are expected to apply on the shareholders subject to tax, to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each statement of consolidated financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

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

4. Cash and Balances with Sama

	2023 SAR '000	2022 SAR '000
Cash in hand	7,079,885	7,054,673
Balances with SAMA:		
Statutory deposit	34,687,418	33,982,625
Money market placements and current accounts	5,731,657	573,706
Cash and balances with SAMA	47,498,960	41,611,004

In accordance with article (7) of the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, savings, time and other deposits calculated at the end of each Gregorian month. The statutory deposits with SAMA are not available to finance the Bank’s day-to-day operations and therefore are not part of cash and cash equivalents.

The amount of cash and balances with SAMA compliant with Shariah is SAR 43,313 million (2022: SAR 41,047 million).

5. Due from Banks and other Financial Institutions, Net

	2023 SAR '000	2022 SAR '000
Current accounts	17,165,429	11,280,335
Money market placements	10,574,821	5,169,666
Reverse repos	6,824,575	47,902
Expected credit loss allowance	(1,368)	(1,173)
Due from banks and other financial institutions, net	34,563,457	16,496,730

The amount of due from banks and other financial institutions, net compliant with Shariah is SAR 29,931 million (2022: SAR 9,401 million).

6. Investments, Net

(6.1) Investments are classified as follows:

2023	SAR '000		
	Domestic	International	Total
Fixed rate securities	1,313,218	2,881,698	4,194,916
Floating rate securities	-	22,523	22,523
Equity instruments	671,449	171,490	842,939
Mutual Funds, Hedge Funds and Others	1,335,890	15,653,000	16,988,890
Held at FVIS	3,320,557	18,728,711	22,049,268
Fixed rate securities	25,344,772	40,529,378	65,874,150
Floating rate securities	4,447,358	11,592,646	16,040,004
Equity instruments	4,682,629	2,755,291	7,437,920
Held at FVOCI, net	34,474,759	54,877,315	89,352,074
Fixed rate securities	112,253,453	17,141,830	129,395,283
Floating rate securities	25,798,662	2,557,193	28,355,855
Expected credit loss allowance	(5,269)	(18,257)	(23,526)
Held at amortised cost, net	138,046,846	19,680,766	157,727,612
Investments, net	175,842,162	93,286,792	269,128,954
2022			
Fixed rate securities	1,245,434	907,974	2,153,408
Equity instruments	404,480	84,533	489,013
Mutual Funds, Hedge Funds and Others	1,533,330	12,841,344	14,374,674
Held at FVIS	3,183,244	13,833,851	17,017,095
Fixed rate securities	23,898,468	28,846,782	52,745,250
Floating rate securities	6,115,263	14,298,170	20,413,433
Equity instruments	5,335,631	5,311,358	10,646,989
Held at FVOCI, net	35,349,362	48,456,310	83,805,672
Fixed rate securities	106,997,030	12,988,037	119,985,067
Floating rate securities	33,244,658	4,270,830	37,515,488
Expected credit loss allowance	(3,678)	(27,753)	(31,431)
Held at amortised cost, net	140,238,010	17,231,114	157,469,124
Investments, net	178,770,616	79,521,275	258,291,891

(6.2) The product-wise breakdown of investments, net is as follows:

	2023 SAR '000	2022 SAR '000
Equities and investment funds	25,269,749	25,510,676
Sukuk issued by Government - MOF	121,891,907	118,008,228
Sukuk issued by Government - Other	9,880,707	11,303,521
Sukuk issued by banks and financial institutions	3,817,706	3,507,479
Sukuk issued by others	11,423,391	16,479,899
Bonds issued by Government - MOF	31,836,643	33,545,677
Bonds issued by Government - Other	26,555,696	20,724,934
Bonds issued by banks and financial institutions	19,928,842	14,086,210
Bonds issued by others	18,524,313	15,125,267
Investments, net	269,128,954	258,291,891

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For the years ended 31 December 2023 and 2022

6. Investments, Net (continued)

(6.3) The currency analysis of investments, net is as follows:

	2023 SAR '000	2022 SAR '000
SAR	158,753,415	160,990,922
USD	100,909,075	85,435,289
GBP	976,053	1,045,327
EUR	2,664,142	2,330,379
Other currencies	5,826,269	8,489,974
Investments, net	269,128,954	258,291,891

Other currencies mainly comprise of TRY, CHF and PKR.

(6.4) Investments held at amortised cost

(a) The movement in gross carrying amount of debt instruments held at amortized cost is as follows:

	SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2023				
Balance as at 1 January 2023	156,671,693	828,862	-	157,500,555
New originated or purchased	15,042,912	-	-	15,042,912
Derecognized on repayment or disposal	(13,952,139)	(631,426)	-	(14,583,565)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(257,593)	257,593	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(208,764)	-	-	(208,764)
Balance as at 31 December 2023	157,296,109	455,029	-	157,751,138

	SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2022				
Balance as at 1 January 2022	156,162,258	1,497,914	-	157,660,172
New originated or purchased	13,669,587	-	-	13,669,587
Derecognized on repayment or disposal	(13,289,048)	(678,429)	-	(13,967,477)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(9,377)	9,377	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	138,273	-	-	138,273
Balance as at 31 December 2022	156,671,693	828,862	-	157,500,555

(b) The analysis of unrealised revaluation gains/(losses) and fair values of investments held at amortised cost is as follows:

	SAR '000			
	Carrying value	Gross unrealised gain	Gross unrealised loss	Fair value
2023				
Fixed rate securities	129,395,283	302,066	(9,741,629)	119,955,720
Floating rate securities	28,355,855	205,958	(21,851)	28,539,962
Expected credit loss allowance	(23,526)	-	-	(23,526)
Held at amortised cost, net	157,727,612	508,024	(9,763,480)	148,472,156

	SAR '000			
	Carrying value	Gross unrealised gain	Gross unrealised loss	Fair value
2022				
Fixed rate securities	119,985,067	186,679	(10,822,760)	109,348,986
Floating rate securities	37,515,488	38,540	(81,781)	37,472,247
Expected credit loss allowance	(31,431)	-	-	(31,431)
Held at amortised cost, net	157,469,124	225,219	(10,904,541)	146,789,802

(6.5) Debt instruments held at FVOCI

The movement in gross carrying amount of debt instruments held at FVOCI is as follows:

	SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2023				
Balance as at 1 January 2023	72,394,156	764,527	-	73,158,683
New originated or purchased	24,108,851	-	-	24,108,851
Derecognized on sale or disposal	(15,604,411)	(238,286)	-	(15,842,697)
Change in fair value	1,535,927	51,198	-	1,587,125
Transfer to stage 1	135,074	(135,074)	-	-
Transfer to stage 2	(258,077)	258,077	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(1,097,808)	-	-	(1,097,808)
Balance as at 31 December 2023	81,213,712	700,442	-	81,914,154

	SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2022				
Balance as at 1 January 2022	78,440,132	953,539	-	79,393,671
New originated or purchased	23,831,268	-	-	23,831,268
Derecognized on sale or disposal	(22,555,689)	(553,344)	-	(23,109,033)
Change in fair value	(7,212,289)	(113,851)	-	(7,326,140)
Transfer to stage 1	188,253	(188,253)	-	-
Transfer to stage 2	(666,436)	666,436	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	368,917	-	-	368,917
Balance as at 31 December 2022	72,394,156	764,527	-	73,158,683



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For the years ended 31 December 2023 and 2022

6. Investments, Net (continued)

(6.6) An analysis of changes in expected credit loss allowance for debt instruments held at amortized cost and FVOCI, is as follows:

	SAR '000			Total
	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2023				
Balance as at 1 January 2023	28,789	26,487	-	55,276
Net ECL charge/(reversal)	39,040	(24,190)	-	14,850
Transfer to stage 1	251	(251)	-	-
Transfer to stage 2	(264)	264	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(1,113)	-	-	(1,113)
Balance as at 31 December 2023	66,703	2,310	-	69,013

	SAR '000			Total
	Stage 1	Stage 2	Stage 3	
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2022				
Balance as at 1 January 2022	46,686	69,293	-	115,979
Net ECL charge/(reversal)	(17,946)	(42,494)	-	(60,440)
Transfer to stage 1	992	(992)	-	-
Transfer to stage 2	(680)	680	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(263)	-	-	(263)
Balance as at 31 December 2022	28,789	26,487	-	55,276

(6.7) The analysis of the composition of investments is as follows:

2023	SAR '000		Total
	Quoted	Unquoted	
Fixed rate securities	4,009,873	185,043	4,194,916
Floating rate securities	22,523	-	22,523
Equity instruments, mutual funds, hedge funds and others	2,118,918	15,712,911	17,831,829
Held at FVIS	6,151,314	15,897,954	22,049,268
Fixed rate securities	63,830,210	2,043,940	65,874,150
Floating rate securities	7,644,938	8,395,066	16,040,004
Equity instruments, mutual funds, hedge funds and others	7,335,816	102,104	7,437,920
Held at FVOCI, net	78,810,964	10,541,110	89,352,074
Fixed rate securities	125,396,993	3,998,290	129,395,283
Floating rate securities	22,719,208	5,636,647	28,355,855
Expected credit loss allowance	(18,796)	(4,730)	(23,526)
Held at amortised cost, net	148,097,405	9,630,207	157,727,612
Investments, net	233,059,683	36,069,271	269,128,954

2022	SAR '000		
	Quoted	Unquoted	Total
Fixed rate securities	1,985,540	167,868	2,153,408
Floating rate securities	-	-	-
Equity instruments, mutual funds, hedge funds and others	2,044,278	12,819,409	14,863,687
Held at FVIS	4,029,818	12,987,277	17,017,095
Fixed rate securities	51,473,855	1,271,395	52,745,250
Floating rate securities	13,320,752	7,092,681	20,413,433
Equity instruments	10,552,823	94,166	10,646,989
Held at FVOCI, net	75,347,430	8,458,242	83,805,672
Fixed rate securities	115,064,346	4,920,721	119,985,067
Floating rate securities	29,386,164	8,129,324	37,515,488
Expected credit loss allowance	(28,760)	(2,671)	(31,431)
Held at amortised cost, net	144,421,750	13,047,374	157,469,124
Investments, net	223,798,998	34,492,893	258,291,891

- (a) Investments held at amortised cost include investments amounting to SAR 1,730 million (2022: SAR 6,687 million) which are held under a fair value hedge relationship. As at 31 December 2023, the fair value of these investments amounts to SAR 1,606 million (2022: SAR 3,513 million).
- (b) Dividend income recognized during 2023 for FVOCI investments amount to SAR 366 million (2022: SAR 392 million) refer to note 24.
- (c) Total investments include Shariah based investments amounting to SAR 153,994 million (31 December 2022: SAR 159,161 million).
- (d) During the 12-month ended 31 December 2023, Credit Suisse Group AG ('Credit Suisse') faced decline in its share and bond prices. Pursuant to the foregoing, on 19 March 2023, following negotiations with the Swiss government, Union Bank of Switzerland ('UBS') announced its intent to acquire Credit Suisse through shares exchange. Upon completion of the acquisition on 12 June 2023, Credit Suisse stand fully merged with UBS as the surviving entity. The Group derecognised its investment in Credit Suisse by recording a fair value loss directly within Retained Earnings and recognised its investment in UBS as held at FVOCI.

(6.8) Securities lending transactions

The Group pledges financial assets for securities lending transactions which are generally conducted under terms that are usual and customary for standard securitised borrowing contracts. As at 31 December 2023, securities amounting to SAR 5,013 million (2022: SAR 4,904 million) were lent to counterparties under securities lending transactions.

(6.9) Counterparty analysis of the Group's investments, net of impairment

	2023 SAR '000	2022 SAR '000
Government and Quasi Government	199,017,502	198,645,980
Banks and other financial institutions	39,256,944	38,083,795
Corporates	30,854,508	21,562,116
Investments, net	269,128,954	258,291,891

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7. Financing and Advances, Net

(7.1) Financing and advances, net

	SAR '000				
	Consumer & Credit card	Corporate	International	Others	Total
2023					
Performing financing and advances	321,462,169	231,538,918	16,053,679	32,201,306	601,256,072
Non-performing financing and advances	1,716,279	5,224,182	419,010	-	7,359,471
<b>Total financing and advances</b>	<b>323,178,448</b>	<b>236,763,100</b>	<b>16,472,689</b>	<b>32,201,306</b>	<b>608,615,543</b>
Allowance for financing losses (ECL allowance) (note 7.3)	(2,597,246)	(7,095,129)	(510,772)	(72,157)	(10,275,304)
Purchased or originated credit impaired	-	3,187,215	-	-	3,187,215
<b>Financing and advances, net</b>	<b>320,581,202</b>	<b>232,855,186</b>	<b>15,961,917</b>	<b>32,129,149</b>	<b>601,527,454</b>

	SAR '000				
	Consumer & Credit card	Corporate	International	Others	Total
2022					
Performing financing and advances	294,251,753	208,296,464	17,053,755	25,177,303	544,779,275
Non-performing financing and advances	1,372,043	7,135,888	474,594	-	8,982,525
<b>Total financing and advances</b>	<b>295,623,796</b>	<b>215,432,352</b>	<b>17,528,349</b>	<b>25,177,303</b>	<b>553,761,800</b>
Allowance for financing losses (ECL allowance) (note 7.3)	(2,215,958)	(8,318,226)	(788,340)	(85,340)	(11,407,864)
Purchased or originated credit impaired	22,256	2,934,467	-	-	2,956,723
<b>Financing and advances, net</b>	<b>293,430,094</b>	<b>210,048,593</b>	<b>16,740,009</b>	<b>25,091,963</b>	<b>545,310,659</b>

Others includes financing and advances related to financial institutions.

Below is a breakdown by financing products in compliance with Shariah rules:

	2023 SAR '000	2022 SAR '000
Tawarooq	290,828,955	265,893,611
Murabaha	164,470,761	145,726,665
Ijara	43,979,361	41,705,113
Other Islamic Products	13,347,591	14,951,478
<b>Total performing financing and advances</b>	<b>512,626,668</b>	<b>468,276,867</b>
Non-performing financing and advances	6,029,009	7,222,199
Allowance for financing losses (ECL allowance)	(8,533,473)	(9,295,129)
Purchased or originated credit impaired	2,232,588	1,721,262
<b>Financing and advances, net</b>	<b>512,354,792</b>	<b>467,925,199</b>

(7.2) The analysis of changes in gross carrying amounts is as follows:

	SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
2023				
<b>Consolidated</b>				
<b>At 1 January 2023</b>	<b>519,489,592</b>	<b>25,154,679</b>	<b>9,117,529</b>	<b>553,761,800</b>
Net increase/(decrease) during the year	63,125,384	1,411,783	688,844	65,226,011
Transfer to stage 1	1,696,852	(1,538,098)	(158,754)	-
Transfer to stage 2	(4,875,066)	4,939,156	(64,090)	-
Transfer to stage 3	(879,568)	(1,254,423)	2,133,991	-
Foreign exchange losses and other movements	(5,755,284)	(502,255)	(183,085)	(6,440,624)
Bad debts written off	-	-	(3,931,644)	(3,931,644)
<b>As at 31 December 2023</b>	<b>572,801,910</b>	<b>28,210,842</b>	<b>7,602,791</b>	<b>608,615,543</b>

	SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
2022				
<b>Consolidated</b>				
<b>At 1 January 2022</b>	479,150,455	18,361,979	8,448,460	505,960,894
Net increase/(decrease) during the year	54,240,415	561,918	176,507	54,978,840
Transfer to stage 1	1,535,439	(1,453,214)	(82,225)	-
Transfer to stage 2	(10,163,619)	10,197,579	(33,960)	-
Transfer to stage 3	(892,698)	(2,106,445)	2,999,143	-
Foreign exchange losses and other movements	(4,380,400)	(407,138)	(264,237)	(5,051,775)
Bad debts written off	-	-	(2,126,159)	(2,126,159)
<b>As at 31 December 2022</b>	<b>519,489,592</b>	<b>25,154,679</b>	<b>9,117,529</b>	<b>553,761,800</b>

(7.3) The analysis of changes in ECL allowance is as follows:

	Expected credit loss allowance SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	
2023				
<b>Consolidated</b>				
<b>At 1 January 2023</b>	<b>1,821,973</b>	<b>3,268,956</b>	<b>6,316,935</b>	<b>11,407,864</b>
Net impairment charge/(reversal)	(252,869)	749,205	2,708,394	3,204,730
Transfer to stage 1	672,857	(514,103)	(158,754)	-
Transfer to stage 2	(274,799)	337,232	(62,433)	-
Transfer to stage 3	(822)	(496,177)	496,999	-
Bad debts written off	-	-	(3,931,644)	(3,931,644)
Foreign exchange gains and (losses)	(45,723)	(80,246)	(204,632)	(330,601)
Other movements	-	(75,045)	-	(75,045)
<b>As at 31 December 2023</b>	<b>1,920,617</b>	<b>3,189,822</b>	<b>5,164,865</b>	<b>10,275,304</b>



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7. Financing and Advances, Net (continued)

(7.3) The analysis of changes in ECL allowance is as follows: (continued)

	Expected credit loss allowance SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	
2022				
Consolidated				
At 1 January 2022	2,364,423	2,816,469	5,835,715	11,016,607
Net impairment charge/(reversal)	(614,127)	806,662	2,671,095	2,863,630
Transfer to stage 1	152,350	(121,544)	(30,806)	-
Transfer to stage 2	(57,196)	70,392	(13,196)	-
Transfer to stage 3	(15,760)	(195,321)	211,081	-
Bad debts written off	-	-	(2,126,159)	(2,126,159)
Foreign exchange gains and (losses)	(7,717)	(100,862)	(230,795)	(339,374)
Other movements	-	(6,840)	-	(6,840)
As at 31 December 2022	1,821,973	3,268,956	6,316,935	11,407,864

	Expected credit loss allowance SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	
2023				
Consumer and Credit Card				
At 1 January 2023	1,091,977	430,010	693,971	2,215,958
Net impairment charge/(reversal)	(177,482)	409,319	1,221,475	1,453,312
Transfer to stage 1	670,718	(511,964)	(158,754)	-
Transfer to stage 2	(239,618)	302,051	(62,433)	-
Transfer to stage 3	(296)	(318,154)	318,450	-
Bad debts written off	-	-	(1,072,024)	(1,072,024)
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2023	1,345,299	311,262	940,685	2,597,246

2022				
Consumer and Credit Card				
At 1 January 2022	1,063,137	353,116	493,055	1,909,308
Net impairment charge/(reversal)	(103,216)	219,713	1,265,143	1,381,640
Transfer to stage 1	151,839	(121,033)	(30,806)	-
Transfer to stage 2	(9,421)	22,617	(13,196)	-
Transfer to stage 3	(10,362)	(44,403)	54,765	-
Bad debts written off	-	-	(1,074,990)	(1,074,990)
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2022	1,091,977	430,010	693,971	2,215,958

	Expected credit loss allowance SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	
2023				
Corporate				
At 1 January 2023	668,828	2,521,752	5,127,646	8,318,226
Net impairment charge/(reversal)	(103,271)	286,135	1,374,763	1,557,627
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(34,820)	34,820	-	-
Transfer to stage 3	(443)	(162,810)	163,253	-
Bad debts written off	-	-	(2,705,679)	(2,705,679)
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	(75,045)	-	(75,045)
As at 31 December 2023	530,294	2,604,852	3,959,983	7,095,129

	Expected credit loss allowance SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	
2022				
Corporate				
At 1 January 2022	1,253,292	2,274,216	4,658,566	8,186,074
Net impairment charge/(reversal)	(534,836)	358,426	1,262,272	1,085,862
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(44,301)	44,301	-	-
Transfer to stage 3	(5,327)	(148,351)	153,678	-
Bad debts written off	-	-	(946,870)	(946,870)
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	(6,840)	-	(6,840)
As at 31 December 2022	668,828	2,521,752	5,127,646	8,318,226

	Expected credit loss allowance SAR '000			
	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	
2023				
International				
At 1 January 2023	32,303	260,719	495,318	788,340
Net impairment charge/(reversal)	43,059	51,759	112,156	206,974
Transfer to stage 1	2,139	(2,139)	-	-
Transfer to stage 2	(361)	361	-	-
Transfer to stage 3	(83)	(15,213)	15,296	-
Bad debts written off	-	-	(153,941)	(153,941)
Foreign exchange gains and (losses)	(45,723)	(80,246)	(204,632)	(330,601)
Other movements	-	-	-	-
As at 31 December 2023	31,334	215,241	264,197	510,772

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7. Financing and Advances, Net (continued)

(7.3) The analysis of changes in ECL allowance is as follows: (continued)

	Expected credit loss allowance SAR '000			Total
	Stage 1	Stage 2	Stage 3	
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	
2022				
International				
At 1 January 2022	38,469	189,137	684,094	911,700
Net impairment charge/(reversal)	4,585	172,048	143,680	320,313
Transfer to stage 1	511	(511)	-	-
Transfer to stage 2	(3,474)	3,474	-	-
Transfer to stage 3	(71)	(2,567)	2,638	-
Bad debts written off	-	-	(104,299)	(104,299)
Foreign exchange gains and (losses)	(7,717)	(100,862)	(230,795)	(339,374)
Other movements	-	-	-	-
As at 31 December 2022	32,303	260,719	495,318	788,340

	Expected credit loss allowance SAR '000			Total
	Stage 1	Stage 2	Stage 3	
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	
2023				
Others				
At 1 January 2023	28,865	56,475	-	85,340
Net impairment charge/(reversal)	(15,175)	1,992	-	(13,183)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Bad debts written off	-	-	-	-
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2023	13,690	58,467	-	72,157
2022				
Others				
At 1 January 2022	9,525	-	-	9,525
Net impairment charge/(reversal)	19,340	56,475	-	75,815
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Bad debts written off	-	-	-	-
Foreign exchange gains and (losses)	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2022	28,865	56,475	-	85,340

(7.4) Impairment charge for financing and advances in the consolidated statement of income represents:

	SAR '000			POCI	Total
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired		
2023					
Consolidated					
Net impairment (reversal)/charge	(252,869)	749,205	2,708,394	-	3,204,730
Provision/(reversal) against indirect facilities (included in other liabilities)	(11,971)	6,050	(292,799)	(361,617)	(660,337)
Recoveries/reassessments	-	(64)	(1,262,437)	(413,709)	(1,676,210)
Direct write-off	-	-	47,392	-	47,392
Others	(7,530)	442	(589)	-	(7,677)
Net charge for the year	(272,370)	755,633	1,199,961	(775,326)	907,898

	SAR '000			POCI	Total
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired		
2022					
Consolidated					
Net impairment (reversal)/charge	(614,127)	806,662	2,671,095	-	2,863,630
Provision/(reversal) against indirect facilities (included in other liabilities)	(61,559)	33,426	(829)	-	(28,962)
Recoveries/reassessments	-	-	(922,614)	(179,249)	(1,101,863)
Direct write-off	-	-	37,205	-	37,205
Others	(37,358)	331	12,941	-	(24,086)
Net charge for the year	(713,044)	840,419	1,797,798	(179,249)	1,745,924

(7.5) Economic sector risk concentrations for the financing and advances and allowances for financing losses are as follows:

	SAR '000			
	Gross financing and advances	ECL allowance	POCI	Financing and advances, net
2023				
Government and Quasi Government	856,117	(996)	-	855,121
Banks and other financial institutions	29,117,537	(12,155)	-	29,105,382
Agriculture and fishing	338,229	(4,854)	-	333,375
Manufacturing	48,422,961	(1,456,775)	249,315	47,215,501
Mining and quarrying	12,087,841	(12,287)	-	12,075,554
Electricity, water, gas and health services	40,122,044	(122,869)	11,853	40,011,028
Building and construction	16,955,476	(2,651,140)	626,749	14,931,085
Commerce	67,531,836	(2,821,639)	2,003,702	66,713,899
Transportation and communication	22,883,365	(84,344)	-	22,799,021
Consumers	323,178,448	(2,597,246)	-	320,581,202
Others	47,121,689	(510,999)	295,596	46,906,286
Financing and advances, net	608,615,543	(10,275,304)	3,187,215	601,527,454



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7. Financing and Advances, Net (continued)

(7.5) Economic sector risk concentrations for the financing and advances and allowances for financing losses are as follows: (continued)

2022	SAR '000			
	Gross financing and advances	ECL allowance	POCI	Financing and advances, net
Government and Quasi Government	3,374,633	(5,691)	-	3,368,942
Banks and other financial institutions	18,979,002	(21,352)	-	18,957,650
Agriculture and fishing	754,840	(7,517)	-	747,323
Manufacturing	42,212,784	(2,174,163)	249,315	40,287,936
Mining and quarrying	12,983,352	(21,865)	-	12,961,487
Electricity, water, gas and health services	37,619,120	(128,338)	11,853	37,502,635
Building and construction	17,619,220	(2,982,111)	623,517	15,260,626
Commerce	66,601,377	(3,159,302)	1,754,194	65,196,269
Transportation and communication	19,786,296	(107,976)	-	19,678,320
Consumers	295,623,796	(2,215,958)	22,256	293,430,094
Others	38,207,380	(583,591)	295,588	37,919,377
Financing and advances, net	553,761,800	(11,407,864)	2,956,723	545,310,659

(7.6) The details of finance lease receivables (including Ijara in compliance with Shariah rules) included in financing and advances is as follows:

	2023 SAR '000	2022 SAR '000
Gross finance lease receivables:		
Less than 1 year	6,714,209	4,768,901
1 to 5 years	18,846,593	15,391,019
Over 5 years	26,811,458	29,606,246
Total	52,372,260	49,766,166
Unearned finance income on finance leases:		
Less than 1 year	(293,815)	(125,161)
1 to 5 years	(3,078,714)	(2,176,153)
Over 5 years	(5,238,644)	(5,971,980)
Total	(8,611,173)	(8,273,294)
Net finance lease receivables:		
Less than 1 year	6,420,394	4,643,740
1 to 5 years	15,767,879	13,214,866
Over 5 years	21,572,814	23,634,266
Total	43,761,087	41,492,872

Allowance for uncollectable finance lease receivables included in the allowance for expected credit losses is SAR 218 million (2022: SAR 212 million).

8. Investments in Associates, Net

	2023 SAR '000	2022 SAR '000
Cost:		
At the beginning of the year	960,000	1,014,000
Disposal	-	(54,000)
As at 31 December	960,000	960,000
Allowance for impairment and share of results:		
At beginning of the year	(713,951)	(694,400)
Net impairment charge during the year	-	-
Disposal	-	(19,551)
At 31 December	(713,951)	(713,951)
Investments in associates, net	246,049	246,049

Investments in associates consists of a 60% (2022: 60%) ownership interest in the Commercial Real Estate Markets Company, which is registered in the Kingdom of Saudi Arabia. Commercial Real Estate Markets Company is not listed on any stock exchange.

9. Property, Equipment and Software, Net

	2023 SAR '000					
	Land	Building	Furniture, equipment and vehicles	Software	Capital work in progress	Total
Cost:						
At beginning of the year	1,784,562	6,999,197	5,067,692	3,641,555	1,168,837	18,661,843
Impact of Hyperinflation	143,484	153,332	160,616	157,397	-	614,829
Foreign currency translation adjustment	(80,204)	(86,439)	(153,341)	(148,411)	(3,932)	(472,327)
Additions	134,555	172,157	118,754	216,914	1,361,481	2,003,861
Disposals and retirements	(7,775)	(53,870)	(55,187)	(30,283)	(1,530)	(148,645)
Transfer from capital work in progress	-	624,924	106,977	647,098	(1,378,999)	-
As at 31 December	1,974,622	7,809,301	5,245,511	4,484,270	1,145,857	20,659,561
Accumulated depreciation/ amortisation:						
At beginning of the year	-	3,200,886	3,391,627	2,076,187	-	8,668,700
Impact of Hyperinflation	-	35,815	69,520	91,838	-	197,173
Foreign currency translation adjustment	-	(67,064)	(139,819)	(118,908)	-	(325,791)
Charge for the year	-	369,989	296,028	518,474	-	1,184,491
Disposals and retirements	-	(11,320)	(47,475)	(6,678)	-	(65,473)
As at 31 December	-	3,528,306	3,569,881	2,560,913	-	9,659,100
Net book value:						
As at 31 December	1,974,622	4,280,995	1,675,630	1,923,357	1,145,857	11,000,461

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9. Property, Equipment and Software, Net (continued)

	2022 SAR '000					Total
	Land	Building	Furniture, equipment and vehicles	Software	Capital work in progress	
Cost:						
At beginning of the year	1,688,673	6,131,102	4,277,850	2,868,064	1,256,288	16,221,977
Impact of Hyperinflation	128,987	85,994	248,478	250,316	826	714,601
Foreign currency translation adjustment	(33,098)	(31,924)	(43,703)	(48,705)	(3,441)	(160,871)
Additions	-	300,749	566,024	20,450	1,184,023	2,071,246
Disposals and retirements	-	(148,327)	(35,266)	-	(1,517)	(185,110)
Transfer from capital work in progress	-	661,603	54,309	551,430	(1,267,342)	-
As at 31 December	1,784,562	6,999,197	5,067,692	3,641,555	1,168,837	18,661,843
Accumulated depreciation/ amortisation:						
At beginning of the year	-	2,841,076	2,886,514	1,619,244	-	7,346,834
Impact of Hyperinflation	-	73,828	175,439	190,878	-	440,145
Foreign currency translation adjustment	-	(9,218)	(36,702)	(15,372)	-	(61,292)
Charge for the year	-	314,249	387,307	281,437	-	982,993
Disposals and retirements	-	(19,049)	(20,931)	-	-	(39,980)
As at 31 December	-	3,200,886	3,391,627	2,076,187	-	8,668,700
Net book value:						
As at 31 December	1,784,562	3,798,311	1,676,065	1,565,368	1,168,837	9,993,143

10. Right of use Assets, Net

	2023 SAR '000				Total
	Land	Building	Furniture and office equipment	Vehicles	
Cost:					
As at 1 January 2023	838,004	1,918,189	80,734	24,026	2,860,953
Impact of Hyperinflation	3,378	138,705	-	9,468	151,551
Additions	18,588	71,988	75,118	5,352	171,046
Terminations	(105,292)	(306,209)	(14,212)	(9,515)	(435,228)
Foreign currency translation adjustment”	(3,588)	(155,514)	-	(6,952)	(166,054)
As at 31 December	751,090	1,667,159	141,640	22,379	2,582,268
Accumulated depreciation:					
As at 1 January 2023	411,655	854,954	47,369	13,015	1,326,993
Impact of hyperinflation	1,630	39,371	-	4,740	45,741
Charge for the year	90,277	174,619	-	9,517	274,413
Terminations	(2,819)	(23,364)	-	(9,266)	(35,449)
Foreign currency translation adjustment	(3,374)	(89,061)	-	(3,846)	(96,281)
Other movements	27,936	-	-	-	27,936
As at 31 December	525,305	956,519	47,369	14,160	1,543,353
Net book value:					
As at 31 December	225,785	710,640	94,271	8,219	1,038,915

	2022 SAR '000				Total
	Land	Building	Furniture and office equipment	Vehicles	
Cost:					
As at 1 January 2022	808,273	1,720,785	80,734	15,965	2,625,757
Impact of Hyperinflation	2,897	121,471	-	9,819	134,187
Additions	166,896	153,223	-	1,540	321,659
Terminations	(139,227)	(41,612)	-	(192)	(181,031)
Foreign currency translation adjustment”	(835)	(35,678)	-	(3,106)	(39,619)
As at 31 December	838,004	1,918,189	80,734	24,026	2,860,953
Accumulated depreciation:					
As at 1 January 2022	277,945	503,776	34,191	7,558	823,470
Impact of hyperinflation	1,153	30,852	-	3,128	35,133
Charge for the year	77,730	356,427	13,178	4,907	452,242
Terminations	(20,358)	(15,632)	-	(62)	(36,052)
Foreign currency translation adjustment	(751)	(20,469)	-	(2,516)	(23,736)
Other movements	75,936	-	-	-	75,936
As at 31 December	411,655	854,954	47,369	13,015	1,326,993
Net book value:					
As at 31 December	426,349	1,063,235	33,365	11,011	1,533,960

11. Other Assets

(11.1) Other Assets

	2023 SAR '000	2022 SAR '000
Assets purchased under Murabaha arrangements	2,548,712	2,278,068
Prepayments and advances	2,470,446	2,594,641
Margin deposits against derivatives and repos	2,774,825	3,557,449
Other real estate, net (note 11.2)	702,599	556,826
Others	1,707,655	1,062,307
Total	10,204,237	10,049,291

(11.2) Other Real Estate, Net

	2023 SAR '000	2022 SAR '000
Cost:		
At beginning of the year	1,359,144	1,533,582
Additions	310,164	60,284
Disposals	(63,622)	(234,722)
At 31 December	1,605,686	1,359,144
Provision and foreign currency translation adjustment:		
Foreign currency translation adjustment	(364,480)	(340,719)
Provision for impairment	(538,607)	(461,599)
At 31 December	(903,087)	(802,318)
Other real estate, net	702,599	556,826



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12. Derivatives

In the ordinary course of business, the Group utilises the following financial derivative instruments for both trading and hedging purposes:

(a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating rate special commission payments in a single currency without exchanging principal. For currency swaps, principal are exchanged in different currencies. For cross-currency special commission rate swaps, principal and fixed and floating special commission payments are exchanged in different currencies.

(b) Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardized amounts on regulated exchanges. Changes in futures contract values are settled daily.

(c) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

(d) Structured derivative products

Structured derivative products provide financial solutions to the customers of the Group to manage their risks in respect of foreign exchange, special commission rate and commodity exposures and enhance yields by allowing deployment of excess liquidity within specific risk and return profiles. The majority of the Group's structured derivative transactions are entered on a back-to-back basis with various counterparties.

(12.1) Derivatives held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves profiting from price differentials between markets or products.

(12.2) Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk (see note 33 - credit risk, note 34 - market risk and note 35 - liquidity risk). Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce special commission rate gaps to within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading, such as special commission rate swaps, special commission rate options and futures, forward foreign exchange contracts and currency options.

The Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures. The Group also uses special commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument, are formally documented and the transactions are accounted for as fair value or cash flow hedges.

The tables below show the positive and negative fair values of derivatives, together with the notional amounts analysed by the term to maturity and the change in fair value used for calculating hedge ineffectiveness. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

2023	SAR '000										
	Positive fair value	Negative fair value	Notional amount	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognised in statement of income	Changes in the value of the hedging instrument recognised in OCI	Amount reclassified from the hedge reserve to statement of income	Notional amounts by term to maturity			
								Within 3 months	3-12 months	1-5 years	Over 5 years
Held for trading:											
Special commission rate instruments	20,252,784	(18,855,152)	619,082,348	-	-	-	-	44,782,563	62,072,437	345,498,211	166,729,137
Forward foreign exchange contracts	359,367	(242,094)	67,846,571	-	-	-	-	38,648,581	13,415,588	15,782,402	-
Options	9,247	(11,867)	2,643,666	-	-	-	-	99,751	347,465	2,143,950	52,500
Held as fair value hedges:											
Special commission rate instruments	498,266	(434,142)	17,237,464	(811,707)	(79,430)	-	-	1,035,000	212,400	11,013,342	4,976,722
Held as cash flow hedges:											
Special commission rate instruments and cross currency swaps	183,986	(602,133)	10,577,655	246,962	(11,480)	321,940	(188,630)	1,057,880	418,574	8,672,491	428,710
Total	21,303,650	(20,145,388)	717,387,704	(564,745)	(90,910)	321,940	(188,630)	85,623,775	76,466,464	383,110,396	172,187,069

2022	SAR '000										
	Positive fair value	Negative fair value	Notional amount	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognised in statement of income	Changes in the value of the hedging instrument recognised in OCI	Amount reclassified from the hedge reserve to statement of income	Notional amounts by term to maturity			
								Within 3 months	3-12 months	1-5 years	Over 5 years
Held for trading:											
Special commission rate instruments	18,386,533	(17,560,871)	574,561,781	-	-	-	-	38,036,622	67,487,104	318,875,321	150,162,734
Forward foreign exchange contracts	537,416	(416,866)	232,028,764	-	-	-	-	144,095,716	64,306,849	23,626,199	-
Options	29,949	(32,859)	4,592,927	-	-	-	-	730,679	3,507,419	354,829	-
Held as fair value hedges:											
Special commission rate instruments	1,318,713	(442,882)	19,280,981	2,289,311	(1,661)	-	-	112,500	551,334	8,692,097	9,925,050
Held as cash flow hedges:											
Special commission rate instruments and cross currency swaps	301,518	(966,626)	15,566,853	(608,745)	(13,593)	(628,703)	(7,788)	858,417	7,125,000	7,506,891	76,545
Total	20,574,129	(19,420,104)	846,031,306	1,680,566	(15,254)	(628,703)	(7,788)	183,833,934	142,977,706	359,055,337	160,164,329

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12. Derivatives (continued)

	SAR '000				
	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedge item included in the carrying amount of the hedge item		Change in value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
2023					
Held as fair value hedges:					
Investments/Debt Issue/Due to Banks	5,840,754	10,443,933	(214,011)	(175,784)	(811,707)
Total	5,840,754	10,443,933	(214,011)	(175,784)	(811,707)

	SAR '000				
	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedge item included in the carrying amount of the hedge item		Change in value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
2022					
Held as fair value hedges:					
Investments/Debt Issue/Due to Banks	12,729,446	4,611,393	(988,256)	(231,488)	2,289,311
Total	12,729,446	4,611,393	(988,256)	(231,488)	2,289,311

			Changes in value used for calculating hedge ineffectiveness	Cashflow hedge reserve
2023				
Held as cash flow hedges:				
Investments / Debt Issuance / Due to Banks			246,962	(343,338)
Total			246,962	(343,338)

			Changes in value used for calculating hedge ineffectiveness	Cashflow hedge reserve
2022				
Held as cash flow hedges:				
Investments / Debt Issuance / Due to Banks			(608,745)	(682,074)
Total			(608,745)	(682,074)

The below are derivative products in compliant with Shariah rules:

	Positive fair value	Negative fair value	Notional amount	SAR '000 Notional amounts by term to maturity			
				Within 3 months	3-12 months	1-5 years	Over 5 years
2023							
Held for trading:							
Profit Rate Swap	1,574,509	(986,767)	63,493,714	3,614,195	7,550,255	39,190,939	13,138,325
Islamic foreign exchange	42,072	(60,240)	8,768,312	7,302,101	1,466,211	-	-
Options	966	(966)	388,742	97,765	290,977	-	-
Total	1,617,547	(1,047,973)	72,650,768	11,014,061	9,307,443	39,190,939	13,138,325

	Positive fair value	Negative fair value	Notional amount	SAR '000 Notional amounts by term to maturity			
				Within 3 months	3-12 months	1-5 years	Over 5 years
2022							
Held for trading:							
Profit Rate Swap	1,631,067	(951,160)	56,862,014	2,968,415	5,019,855	40,701,955	8,171,789
Islamic foreign exchange	790	(432)	1,156,562	491,454	477,558	187,550	-
Options	-	-	-	-	-	-	-
Total	1,631,857	(951,592)	58,018,576	3,459,869	5,497,413	40,889,505	8,171,789

The table below shows a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value.

	SAR '000					
	Fair value	Cost	Risk	Hedging instrument	Positive fair value	Negative fair value
2023						
Description of hedged items						
Fixed rate instruments	15,741,417	16,179,488	Fair value	Special commission rate instruments	498,266	(434,142)
Fixed rate and floating rate instruments	9,115,071	9,141,005	Cash flow	Special commission rate instruments and cross currency swaps	183,986	(602,133)

	SAR '000					
	Fair value	Cost	Risk	Hedging instrument	Positive fair value	Negative fair value
2022						
Description of hedged items						
Fixed rate instruments	16,772,274	18,151,602	Fair value	Special commission rate instruments	1,318,713	(442,882)
Fixed rate and floating rate instruments	16,209,325	16,296,998	Cash flow	Special commission rate instruments and cross currency swaps	301,518	(966,626)

Approximately 78% (2022: 57%) of the positive fair value of the Group's derivatives are entered into with financial institutions and 22% (2022: 43%) of the positive fair value contracts are with non-financial institutions at the consolidated statement of financial position date. Derivative activities are mainly carried out under the Group's Wholesale segment.

Cash flow hedges:

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission at a variable rate. The Bank generally uses special commission rate swaps as hedging instruments to hedge against these special commission rate risks.

Below is the schedule as at 31 December indicating, the periods when the hedged undiscounted cash flows are expected to occur and when they are expected to affect profit or loss:

	SAR' 000			
	Within 1 year	1-3 years	3-5 years	Over 5 years
2023				
Cash inflows (assets)	183,868	416,630	324,651	230,508
Cash outflows (liabilities)	(501,481)	(613,416)	(271,530)	(208,978)
Net cash inflows (outflows)	(317,613)	(196,786)	53,121	21,530

	SAR' 000			
	Within 1 year	1-3 years	3-5 years	Over 5 years
2022				
Cash inflows (assets)	4,013,511	540,750	185,668	88,632
Cash outflows (liabilities)	(4,306,438)	(999,876)	(167,057)	(72,201)
Net cash inflows (outflows)	(292,927)	(459,126)	18,611	16,431



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13. Due to Banks and other Financial Institutions

	2023 SAR '000	2022 SAR '000
Current accounts	2,829,623	4,251,759
Money market deposits	81,973,645	86,197,555
Repos (note 32 (a))	126,862,362	60,545,605
Total	211,665,630	150,994,919

The amount of due to banks and other financial institutions compliant with Shariah is SAR 50,071 million (2022: SAR 38,529 million).

14. Customers’ Deposits

	2023 SAR '000	2022 SAR '000
Current and call accounts	447,507,213	427,245,252
Time	120,018,607	116,646,379
Others	22,525,242	24,391,445
Total	590,051,062	568,283,076

Other customers’ deposits include SAR 6,887 million (2022: SAR 5,134 million) of margins held for irrevocable commitments and contingencies.

The amount of customers’ deposits compliant with Shariah is SAR 440,015 million (2022: SAR 438,491 million).

International segment deposits included in customers’ deposits comprise of:

	2023 SAR '000	2022 SAR '000
Current and call accounts	7,576,570	9,047,056
Time	16,070,675	12,871,846
Others	1,753,364	3,155,855
Total	25,400,609	25,074,757

Details on foreign currency deposits included in customers’ deposits as follows:

	2023 SAR '000	2022 SAR '000
Current and call accounts	50,900,655	31,758,495
Time	55,252,135	68,993,057
Others	2,305,737	4,011,880
Total	108,458,527	104,763,432

15. Debt Securities Issued

Issuer	Year of issue	Tenure	Particulars	2023 SAR '000	2022 SAR '000
Türkiye Finans Katılım Bankası A.Ş.	2022-2021	2 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	23,969
	2022-2021	4 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	75,131
	2022	5 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	8,941
	2022	6 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	5,791
	2023	6 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	4,081	-
	2023	7 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	6,753	-
	2023	10 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	845	-
	2023	11 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	1,266	-
	2023	1 year	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	416	-
SNB	2019	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	3,775,236	3,865,683
	2020	7 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	1,742,410	1,731,336
	2022	2 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	378,833	378,833
	2022	3 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	107,543	108,466
	2022	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	3,156,531	3,067,828
	2022	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	2,431,859	2,429,534
	2023	2 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	189,691	-
	2023	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	79,758	-
	2023	10 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	107,431	-
	2023	3 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	105,965	-
	2023	5 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	564,979	-
	2023	7 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	37,835	-
	2023	10 years	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	140,104	-
SNBC	2023	1 year	Short-term certificates issued at commercial market rate	985,500	1,200,883
SBL	2022	10 years	Non-convertible listed TFCs on Pakistan Stock Exchange carrying profit at a floating rate.	72,106	90,781
Total				13,889,142	12,987,176

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15. Debt Securities Issued (continued)

Movement of the debt securities issued during the year is as follows:

	2023 SAR '000	2022 SAR '000
Balance at beginning of the year	12,987,176	6,112,447
Debt securities issued	2,382,867	10,556,960
Debt securities payment	(1,916,733)	(3,606,452)
Foreign currency translation and other adjustment	435,832	(75,779)
Balance at the end of the year	13,889,142	12,987,176

The amount of debt securities issued complied with Shariah is SAR 3,962 million (2022: SAR 4,051 million).

16. Other liabilities

(16.1) Other Liabilities

	2023 SAR '000	2022 SAR '000
Zakat (see notes 16.2.1)	2,210,953	2,478,615
Staff-related payables	1,610,377	1,441,049
Accrued expenses and accounts payable	5,960,550	6,999,638
Allowances for credit losses on indirect facilities	3,959,488	4,278,517
Employee benefit obligation (note 26)	1,501,866	1,451,639
Lease liabilities	1,201,865	1,821,791
Treasury related and other payables	1,551,569	1,790,376
Others	6,704,564	6,771,635
Total	24,701,232	27,033,260

(16.2) Zakat and Tax

The Bank and it's Saudi subsidiaries are subject to zakat in accordance with regulations of the Zakat, Tax and Customs Authority ("ZATCA"). The Bank's foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Zakat expense is charged to the consolidated statement of income. The Bank calculated zakat accruals for the year ended 31 December 2023 based on applicable zakat rules for financial institutions. The Bank submitted its zakat return for the year ended 31 December 2022, and obtained the unrestricted zakat certificate. The financial years 2019 through 2022 are under the review of ZATCA, the assessments in respect to the Bank's zakat returns for the financial years up to 2018 have been finalized.

Moreover, pursuant to the merger with Samba Financial Group ("Samba"), the Bank assumed all of Samba's obligations owed to ZATCA, under a settlement agreement signed by Samba with ZATCA in respect to prior years (from 2006 to 2018), which are to be paid in equal instalments until 2023. The Bank paid the last two instalments amounting to SAR 400 Million in December 2023. Hence, there is not outstanding balance to be paid by the Bank.

(16.2.1) The movement in Zakat provision is as follows:

	2023 SAR '000	2022 SAR '000
As at 1 January	2,478,615	2,229,067
Charge during the year	2,167,360	2,112,164
Amount paid during the year	(2,435,022)	(1,862,616)
At 31 December	2,210,953	2,478,615

17. Share Capital

The authorized, issued and fully paid share capital of the Bank consists of 6,000 million shares of SAR 10 each (31 December 2022 4,478 million shares of SAR 10 each).

On 12 January 2023, corresponding to 19 Jumad al-thani 1444H, the Board of Directors of the Bank recommended to an Extraordinary General Shareholders Assembly an increase of 34% of the Bank's existing capital through bonus shares with approximately 1 bonus share for every 3 shares owned. Subsequently, the Extraordinary General Assembly of the Bank resolved on 7 May 2023 (corresponding to 17 Shawwal 1444H) to increase the share capital from SAR 44,780 million to SAR 60,000 million by transferring an amount of SAR 15,220 million from the "Retained Earnings" account to "Share Capital" account.

18. Statutory Reserve

In accordance with Saudi Arabian Banking Control Law, a minimum of 25% of the net income attributable to equity holders of the Bank is required to transfer to a statutory reserve up to where the reserve equals a minimum amount of paid up capital of the Bank. The statutory reserve is not available for distribution.

19. Other Reserves (Cumulative Changes in Fair Values)

Other reserves represent the net unrealised revaluation gains (losses) of cash flow hedges (effective portion), FVOCI equity investments, FVOCI debt investments and actuarial gain or loss. The movement of other reserves during the year is included under consolidated statement of other comprehensive income and the consolidated statement of changes in equity.

20. Commitments and Contingencies

(20.1) Capital and other non-credit related commitments

As at 31 December 2023 the Bank had capital commitments of SAR 6,530 million (2022: SAR 6,488 million) in respect of building, equipment and software purchases, capital calls on private equity funds and in respect of capital contribution toward hedge fund investments.

(20.2) Credit-related commitments and contingencies

Credit-related commitments and contingencies mainly comprise letters of credit, guarantees, acceptances and commitments to extend credit (irrevocable). The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantees including standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that customers cannot meet their obligations to third parties, carry the same credit risk as financing and advances.

Cash requirements under guarantees are normally considerably less than the amount of the related commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipment of goods to which they relate and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent unused portions of authorisation to extended credit, principally in the form of financing, guarantees and letters of credit. With respect to credit risk relating to commitments to extend unused credit lines, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The likely amount of loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

(a) The contractual maturity structure of the Group's credit-related commitments and contingencies is as follows:

2023	SAR '000				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	10,074,763	7,219,874	1,963,785	36,700	19,295,122
Guarantees	17,189,358	24,694,284	20,181,128	1,048,633	63,113,403
Acceptances	3,784,165	2,644,164	29,374	14,873	6,472,576
Irrevocable commitments to extend credit	-	451,080	8,617,742	9,645,534	18,714,356
Total	31,048,286	35,009,402	30,792,029	10,745,740	107,595,457

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20. Commitments and Contingencies (continued)

(20.2) Credit-related commitments and contingencies (continued)

(a) The contractual maturity structure of the Group’s credit-related commitments and contingencies is as follows: (continued)

2022	SAR '000				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	9,391,176	5,393,388	1,150,422	136,231	16,071,217
Guarantees	13,854,680	25,837,223	17,555,142	1,476,322	58,723,367
Acceptances	3,161,323	2,132,392	14,884	16,474	5,325,073
Irrevocable commitments to extend credit	-	1,012,714	7,498,907	9,452,631	17,964,252
Total	26,407,179	34,375,717	26,219,355	11,081,658	98,083,909

Due to the nature of the contingent liabilities and credit commitment, it is probable that the guarantees and commitments could be called in the less than three months bucket, being the earliest period in which the guarantees could be called, and commitments could be drawn.

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

	2023 SAR '000	2022 SAR '000
Government and Quasi Government	7,394,673	6,745,625
Corporate	80,024,692	72,841,716
Banks and other financial institutions	19,835,111	18,167,003
Others	340,981	329,565
Total	107,595,457	98,083,909

(c) The movement in ECL on commitments and contingencies is as follows:

2023	SAR '000				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired		
Balance as at 1 January 2023	180,147	40,979	323,473	3,733,918	4,278,517
Net re-measurement of loss allowance	(19,109)	7,103	(43,660)	(253,632)	(309,298)
Transfer to stage 1	637	(317)	(320)	-	-
Transfer to stage 2	(1,158)	1,158	-	-	-
Transfer to stage 3	(388)	(2,072)	2,460	-	-
Foreign currency translation	(1,548)	(212)	(7,971)	-	(9,731)
Total	158,581	46,639	273,982	3,480,286	3,959,488

2022	SAR '000				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired		
Balance as at 1 January 2022	177,569	7,469	309,319	3,821,435	4,315,792
Net re-measurement of loss allowance	7,893	30,944	20,705	(87,517)	(27,975)
Transfer to stage 1	72	(72)	-	-	-
Transfer to stage 2	(3,597)	3,597	-	-	-
Transfer to stage 3	(495)	(789)	1,284	-	-
Foreign currency translation	(1,295)	(170)	(7,835)	-	(9,300)
Total	180,147	40,979	323,473	3,733,918	4,278,517

21. Net Special Commission Income

	2023 SAR '000	2022 SAR '000
Special commission income:		
Investments - FVOCI	4,061,231	4,267,857
Investments held at amortised cost	6,212,164	3,349,673
Sub total - investments	10,273,395	7,617,530
Due from banks and other financial institutions	1,040,476	623,148
Financing and advances	38,543,114	26,152,752
Total	49,856,985	34,393,430
Special commission expense:		
Due to banks and other financial institutions	8,832,382	3,154,601
Customers’ deposits	13,386,239	4,606,586
Debt securities issued	629,424	345,044
Total	22,848,045	8,106,231
Net special commission income	27,008,940	26,287,199

22. Fee Income from Banking Services, Net

	2023 SAR '000	2022 SAR '000
Fee income:		
Shares brokerage	731,796	836,672
Investment management services	887,749	1,017,587
Financing and cards	3,081,925	2,698,268
Trade finance	564,091	567,286
Others	722,934	570,681
Total	5,988,495	5,690,494
Fee expenses:		
Shares brokerage	(244,358)	(307,793)
Investment management services	(50,623)	(37,224)
Financing and cards	(1,741,863)	(1,591,297)
Others	(26,570)	(18,248)
Total	(2,063,414)	(1,954,562)
Fee income from banking services, net	3,925,081	3,735,932

23. Income from Fair Value Through Income Statement (FVIS) Financial Instruments, Net

	2023 SAR '000	2022 SAR '000
Investments held at FVIS	1,331,901	397,246
Derivatives	1,083,740	1,296,815
Total	2,415,641	1,694,061



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24. Gains/Income on Non-FVIS Financial Instruments, Net

	2023 SAR '000	2022 SAR '000
Gains on disposal of non-FVIS financial instruments, net	228,386	381,371
Dividend income from non-FVIS financial instruments (note 6)	366,039	392,466
Total	594,425	773,837

25. Share Based Payments Reserve

(25.1) Employee share based payment plan:

The Bank has established a share based remuneration scheme for its key management that entitles the related personnel to be awarded shares in the Bank subject to successfully meeting certain service and performance conditions. Under the share based remuneration scheme, the Bank has four outstanding plans. Significant features of these plans are as follows:

Nature of Plan	Equity Based Long Term Bonus Plan		
Number of outstanding plans	4		
Grant date	January 2019 to January 2023		
Maturity date	December 2023 - December 2025		
Vesting period	3-5 years		
Method of settlement	Equity		
Fair value per share on grant date adjusted for bonus share issue	Average price SAR 42.77		

The movement in weighted average price and in the number of shares granted is as follows:

	Weighted average price (in SAR)		Number of shares (in 000's)	
	2023	2022	2023	2022
Beginning of the year	40	36	11,797	12,359
Forfeited	27	44	(1,010)	(550)
Exercised	30	43	(4,610)	(3,283)
Granted during the year	37	54	4,664	3,271
End of the year	43	40	10,841	11,797

(25.2) Treasury shares:

The movement in the number of treasury shares is as below:

	Number of treasury shares (in 000's)	
	2023	2022
Beginning of the year	53,248	56,531
Purchased	10,000	-
Settled	(4,610)	(3,283)
Cancelled	(305)	-
End of the year	58,333	53,248

26. Employee Benefit Obligation

(26.1) The characteristics of the end of service benefits scheme

The Group operates an unfunded end of service benefit plan (the plan) for its employees based on the prevailing Saudi Labor Laws and applicable laws for overseas branches and subsidiaries. The liability in respect of the plan is estimated by a qualified external actuary in accordance with International Accounting Standard 19 - Employee Benefits, and using "Projected Unit Credit Method". The liability recognised in the consolidated statement of financial position in respect of the plan is the present value of the defined benefit obligation at the end of the reporting period. During the year, based on the actuarial assessment, a charge of SAR 232 million (2022: SAR 106 million) related to current service and interest cost was recorded in the consolidated statement of income. The end of service liability is disclosed in note 16.

(26.2) Changes in the present value of defined benefit liability

	2023 SAR '000	2022 SAR '000
As at 1 January	1,451,639	1,838,046
Included in consolidated statement of income		
Current service cost	153,869	72,676
Interest expense	77,687	33,324
Other	-	-
Total amount included in consolidated statement of income	231,556	106,000
Included in other comprehensive loss		
Actuarial gain or loss arising from:		
Changes in demographic assumptions	(1,124)	(173,322)
Changes in financial assumptions	(43,150)	-
Experience adjustment	26,174	(18,126)
Total amount included in other comprehensive income	(18,100)	(191,448)
Other movements		
End of service benefits paid	(163,229)	(300,959)
At 31 December	1,501,866	1,451,639

(26.3) The valuation of the defined benefit obligation

Liability under the plan is based on various assumptions ("actuarial assumptions") including the estimation of the discount rate, inflation rate, expected rate of salary increase and normal retirement ages. Based on the assumptions, also taking into consideration the future salary increases, cash outflows are estimated for the Group's employees as a whole giving the total payments expected over the future years, which are discounted to arrive at the closing obligation. Any changes in actuarial assumptions from one period to another may effect the determination of the estimated closing obligation, which is accounted for as an actuarial gain or loss for the year.

Critical assumptions used:

	2023	2022
Discount rate	5.0%	4.7%
Normal retirement age (years)	60	60
Salary increase rate	3.10%	3.10%

Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the end of service valuation as at 31 December 2022 and 2021:

	2023 SAR '000	2022 SAR '000
Discount rate +1%	114,341	128,381
Discount rate -1%	(131,627)	(150,990)
Salary rate +1%	(133,097)	158,492
Salary rate -1%	117,575	(137,164)

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27. Basic and Diluted Earnings Per Share

Basic earnings per share for the years ended 31 December 2023 and 31 December 2022 is calculated by dividing the net income attributable to common equity holders of the Bank (after deduction of Tier 1 sukuk costs) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share for the years ended 31 December 2023 and 31 December 2022 is calculated by dividing the fully diluted net income attributable to equity holders of the Bank for the year by the weighted average number of outstanding shares. The diluted earning per share is adjusted with the impact of the employees’ share based payment plan.

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

	Basic EPS		Diluted EPS	
	2023	2022	2023	2022
Weighted-Average number of shares outstanding (in thousands)	5,947,986	5,946,592	5,955,993	5,956,426
Earnings per share (in SAR)	3.23	3.03	3.23	3.02

28. Tier 1 Sukuk

During 2023, the Bank exercised the call option on its existing Tier 1 Sukuk (the Sukuk) amounting to SAR 1.3 billion. In addition, one of the subsidiaries of the Group issued Tier 1 Sukuk, amounting to SAR 1 billion (SAR-denominated) through a Shariah Compliant arrangement (the arrangement). These arrangements were approved by the regulatory authorities, the Board of Directors of the Bank and Board of Directors of the subsidiary.

In 2022, the Bank issued, through a Shariah compliant arrangement, additional Tier 1 Sukuk, amounting to SAR 3.3 billion (SAR-denominated). These arrangements were approved by the regulatory authorities and Board of Directors of the Bank.

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

The applicable profit rate on the Sukuk is payable on each periodic distribution date, except upon the occurrence of a non payment event or non-payment election by the Group whereby the Group may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

29. Dividend

The details of dividends paid to the Bank’s shareholders are as follows:

Distribution Date	Amount (SAR per share)	Total Payout Net of Zakat (SAR ‘000)	Type	Status
May 2023	0.60	2,686,800	Final	Paid
Aug 2023	0.85	5,100,000	Interim	Paid
April 2022	0.90	4,030,200	Final	Paid
July 2022	1.10	4,925,800	Interim	Paid

30. Cash and Cash Equivalents

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

	2023 SAR ‘000	2022 SAR ‘000
Cash and balances with SAMA excluding statutory deposit (note 4)	12,811,542	7,628,379
Due from banks and other financial institutions with original maturity of three months or less	27,668,912	12,530,054
Total	40,480,454	20,158,433

31. Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components, whose operating results are reviewed regularly by the Group’s management.

The Group has four reportable segments, as described below, which are the Group’s strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group’s management and internal reporting structure.

Retail

Provides banking services, including lending and current accounts in addition to products in compliance with Shariah rules which are supervised by the independent Shariah Committee, to individuals and private banking customers.

Wholesale

Provides banking services including all conventional credit-related products as well as financing products in compliance with Shariah rules to small sized businesses, medium and large establishments and companies. Wholesale also provides full range of treasury and correspondent banking products and services, including money market and foreign exchange, in addition to carrying out investment and trading activities (local and international) and managing liquidity risk, market risk and credit risk.

Capital Market

Provides wealth management, asset management, investment banking and shares brokerage services (local, regional and international).

International

Comprises banking services provided outside Saudi Arabia. TFKB and SBL are included within this segment.

Transactions between the operating segments are recorded as per the Bank and its subsidiaries’ transfer pricing system.

The support and Head Office expenses are allocated to segments using activity-based costing.

(31.1) The Group’s total assets and liabilities at year end, its operating income and expenses (total and main items) and net income for the year before Zakat and income tax, by business segments, are as follows:

2023	SAR ‘000				
	Retail	Wholesale	Capital Market	International	Total
Total assets	406,082,382	583,693,083	15,759,536	31,546,166	1,037,081,167
Total liabilities	358,220,373	470,319,353	4,172,656	27,740,072	860,452,454
Customers’ deposits	347,346,781	217,260,018	43,654	25,400,609	590,051,062
Total operating income from external customers	16,749,316	12,792,118	1,935,528	3,112,439	34,589,401
Intersegment operating income (expense)	(874,676)	1,014,417	(139,741)	-	-
Total operating income	15,874,640	13,806,535	1,795,787	3,112,439	34,589,401
of which:					
Net special commission income	15,595,629	9,462,969	360,496	1,589,846	27,008,940
Fee income from banking services, net	868,894	1,046,108	1,309,504	700,575	3,925,081
Total operating expenses	7,164,027	1,779,795	620,876	1,715,133	11,279,831
of which:					
Depreciation/amortisation of property, equipment, software and Right of use assets”	867,301	244,168	28,400	319,035	1,458,904
Amortization of intangible assets	551,059	181,941	87,280	-	820,280
Net impairment charge for expected credit losses	810,619	(151,845)	12,016	251,958	922,748
Other non-operating (expenses)/income, net	(21,828)	(55,466)	(6,663)	(453,039)	(536,996)
Net income for the year before Zakat and income tax	8,688,785	11,971,274	1,168,248	944,267	22,772,574

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31. Operating Segments (continued)

(31.1) The Group's total assets and liabilities at year end, its operating income and expenses (total and main items) and net income for the year before Zakat and income tax, by business segments, are as follows: (continued)

2022	SAR '000				
	Retail	Wholesale	Capital Market	International	Total
Total assets	378,838,023	520,759,426	13,843,869	32,054,848	945,496,166
Total liabilities	342,040,029	403,696,476	4,353,972	28,628,058	778,718,535
Customers' deposits	330,224,495	211,577,670	1,406,154	25,074,757	568,283,076
Total operating income from external customers	14,212,636	14,279,213	1,937,630	2,575,074	33,004,553
Intersegment operating income (expense)	399,303	(331,320)	(67,983)	-	-
Total operating income	14,611,939	13,947,893	1,869,647	2,575,074	33,004,553
of which:					
Net special commission income	13,796,395	10,244,475	255,649	1,990,680	26,287,199
Fee income from banking services, net	1,119,134	938,868	1,479,893	198,037	3,735,932
Total operating expenses	7,038,693	2,550,849	573,078	1,307,582	11,470,202
of which:					
Depreciation/amortisation of property, equipment, software and Right of use assets	974,828	213,594	26,105	220,708	1,435,235
Amortization of intangible assets	553,633	192,706	98,526	-	844,865
Net impairment charge for expected credit losses	628,899	717,901	3,369	335,315	1,685,484
Other non-operating (expenses)/income, net	19,150	36,111	(79)	(312,754)	(257,572)
Net income for the year before Zakat and income tax	7,592,396	11,433,155	1,296,490	954,738	21,276,779

(31.2) The Group's credit risk exposure by business segments, is as follows:

2023	SAR '000				
	Retail	Wholesale	Capital Market	International	Total
Statement of financial position assets	323,184,144	551,982,457	2,568,128	22,099,949	899,834,678
Commitments and contingencies (credit equivalent)	4,778,826	68,467,305	-	2,907,299	76,153,430
Derivatives (credit equivalent)	-	15,200,530	-	198,390	15,398,920

2022	SAR '000				
	Retail	Wholesale	Capital Market	International	Total
Statement of financial position assets	297,535,591	494,146,329	2,801,908	22,114,377	816,598,205
Commitments and contingencies (credit equivalent)	4,578,328	62,542,285	-	2,137,605	69,258,218
Derivatives (credit equivalent)	-	23,079,889	-	108,590	23,188,479

The credit exposure of assets as per the consolidated statement of financial position comprises the carrying value of due from banks and other financial institutions, investments subject to credit risk, financing and advances, positive fair value of derivatives, other receivables and refundable deposits.

The credit equivalent of commitments and contingencies and derivatives is calculated according to SAMA's prescribed methodology.

32. Collateral and Offsetting

Following are the details of collaterals held/received by the Group and offsetting carried out as at 31 December 2023:

(a) The Bank conducts Repo transactions under the terms that are usually based on the applicable GMRA (Global Master Repurchase Agreement) collateral guidelines. Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets continue to be measured in accordance with related accounting policies for investments held at FVIS, held at FVOCI and investments held at amortised cost. The carrying amount and fair value of securities pledged under agreement to repurchase (repo) are as follows:

	2023 SAR '000		2022 SAR '000	
	Carrying amount	Fair value	Carrying amount	Fair value
Held at FVOCI	33,863,285	33,863,285	22,277,519	22,277,519
Investments held at amortised cost	96,258,476	90,679,744	38,938,924	38,090,135
Total	130,121,761	124,543,029	61,216,443	60,367,654

- (b) The Bank has placed a margin deposit of SAR 840 million (2022: SAR 1,666 million) as an additional security for these repo transactions.
- (c) Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2023 and 31 December 2022.
- (d) For details of margin deposits held for the irrevocable commitments and contingencies, please refer to note 20.2 and for details of margin deposits against derivatives and repos, refer to note 11.1.
- (e) Securities pledged with the Group in respect of reverse repo transactions comprise of SAR 12,835 million (2022: SAR 648 million). The Group is allowed to sell or repledge these securities in the event of default by the counterparty.
- (f) All significant financial assets and liabilities where the Group has a legal enforceable right and intention to settle on a net basis have been offset and presented net in these consolidated financial statements.

33. Credit Risk

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument or transaction will fail to discharge an obligation and will cause the other party to incur a financial loss. Credit exposures arise principally in credit-related risk that is embedded in financing and advances and investments. There is also credit risk in off-balance sheet financial instruments, such as trade-finance related products, derivatives and financing commitments.

For financing and advances and off-balance sheet financing to borrowers, the Group assesses the probability of default of counterparties using internal rating models. For investments, due from banks and other financial institutions and off-balance sheet financial instruments held with international counterparties, the Group uses external ratings by the major rating agencies.

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 risks and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on a daily basis.

The Group manages the credit exposure relating to its trading activities by monitoring credit limits, entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation and the Group assesses counterparties using the same techniques as for its financing activities in order to control the level of credit risk taken.

Concentrations of credit risk may arise in case of sizeable exposure to a single obligor or when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular customer, industry or geographical location.

The debt securities included in investments are mainly sovereign risk and high-grade securities. Analysis of investments by counterparty is provided in note (6.9). For details of the composition of the financing and advances refer to note (7.5). Information on credit risk relating to derivative instruments is provided in note (12) and for commitments and contingencies in note (20). The information on the Group's total maximum credit exposure is given in note (33.1).



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For the years ended 31 December 2023 and 2022

33. Credit Risk (continued)

Each individual corporate borrower is rated based on an internally developed debt rating model that evaluates risk based on financial, qualitative and industry specific inputs. The associated loss estimate norms for each grade have been developed based on the Group’s experience. These risk ratings are reviewed on a regular basis.

The Group in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in financing and advances. These collaterals mostly include time and other cash deposits, financial guarantees from other banks, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and individual loans and are managed against relevant exposures at their net realisable values.

The Bank has a master rating scale in place that comprises 17 risk rating grades. The rating grades (including the modifiers) are classified into three categories (a) 4 investment grade ratings, (b) 12 non-investment grade ratings, and (c) one non-performing or default grade rating. The table below shows the segregation of the Bank’s master rating scale:

Type	Rating	Number of Modifiers	PD Range
Performing			
Investment grade	AAA to A-	None	0 to 0.12%
	BBB	3	0.12% to 0.35%
Non-Investment grade	BB	4	0.35% to 2.1%
	B	4	2.1% to 12%
	CCC	3	12% to 40%
	CC to C	None	40% to 99.9%
Non-performing	Default	None	100%

The Group also manages its credit risk exposure through the diversification of financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant financing and advances. The Group monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement and Group’s policy.

(33.1) Maximum credit exposure

Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2023 SAR '000	2022 SAR '000
<b>Assets</b>		
Due from banks and other financial institutions, net (note 5)	34,563,457	16,496,730
Investments (note 33.2 (a))	239,665,292	230,659,238
Financing and advances, net (note 7.1)	601,527,454	545,310,659
Other assets - margin deposits against derivatives and repos (note 11.1)	2,774,825	3,557,449
<b>Total assets</b>	<b>878,531,028</b>	796,024,076
Contingent liabilities and commitments, net	96,748,919	88,671,338
Derivatives - positive fair value of derivatives, net (note 12)	21,303,650	20,574,129
<b>Total maximum credit exposure</b>	<b>996,583,597</b>	905,269,543

(33.1.1) Contingent liabilities and commitments, net

These amounts reflect the credit equivalent of the contingent liabilities and commitments by applying appropriate credit conversion factors. For full amount of the contingent liabilities and commitments (refer note 20).

(33.2) Financial Risk Management

(a) Credit quality analysis

(i) The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

- Investment Grade is composed of Very Strong Credit Quality (AAA to BBB)
- Non-Investment Grade is composed of: Good, Satisfactory and Special Mention Credit Quality (BB+ to C)

2023	SAR'000 Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Due from Bank and Other financial institutions</b>					
Investment grade	26,717,220	-	-	-	26,717,220
Non-investment grade	6,239,334	-	-	-	6,239,334
Unrated	1,608,271	-	-	-	1,608,271
<b>Gross carrying amount</b>	<b>34,564,825</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,564,825</b>
<b>Financing and advances</b>					
Investment Grade	101,012,964	2,029,802	-	-	103,042,766
Corporate	74,892,681	-	-	-	74,892,681
International	3,183,227	107,197	-	-	3,290,424
Others	22,937,056	1,922,605	-	-	24,859,661
Non-investment Grade	152,425,887	23,211,715	-	-	175,637,602
Retail	2,406,693	61,727	-	-	2,468,420
Corporate	135,959,356	20,686,881	-	-	156,646,237
International	8,251,418	929,882	-	-	9,181,300
Others	5,808,420	1,533,225	-	-	7,341,645
Unrated	319,363,059	2,969,325	243,320	-	322,575,704
Retail	315,821,245	2,929,184	243,320	-	318,993,749
Corporate	-	-	-	-	-
International	3,541,814	40,141	-	-	3,581,955
Others	-	-	-	-	-
Individually impaired	-	-	7,359,471	3,187,215	10,546,686
Retail	-	-	1,716,279	-	1,716,279
Corporate	-	-	5,224,182	3,187,215	8,411,397
International	-	-	419,010	-	419,010
<b>Gross carrying amount</b>	<b>572,801,910</b>	<b>28,210,842</b>	<b>7,602,791</b>	<b>3,187,215</b>	<b>611,802,758</b>
<b>Debt investment securities at amortised cost</b>					
Saudi Government Bonds, Sukuk and Treasury Bills	130,095,996	-	-	-	130,095,996
Investment Grade	22,044,459	-	-	-	22,044,459
Non-investment Grade	5,155,654	455,029	-	-	5,610,683
Unrated	-	-	-	-	-
<b>Gross carrying amount</b>	<b>157,296,109</b>	<b>455,029</b>	<b>-</b>	<b>-</b>	<b>157,751,138</b>
<b>Debt investment securities at FVOCI</b>					
Saudi Government Bonds, Sukuk and Treasury Bills	23,632,554	-	-	-	23,632,554
Investment Grade	50,411,804	55,039	-	-	50,466,843
Non-investment Grade	5,640,218	645,403	-	-	6,285,621
Unrated	1,529,136	-	-	-	1,529,136
<b>Gross carrying amount</b>	<b>81,213,712</b>	<b>700,442</b>	<b>-</b>	<b>-</b>	<b>81,914,154</b>
<b>Commitment and contingencies</b>					
Investment Grade	35,996,958	397,259	-	-	36,394,217
Non-investment Grade	52,475,102	7,230,054	894,054	4,161,337	64,760,547
Unrated	6,399,033	15,743	25,248	669	6,440,693
<b>Total</b>	<b>94,871,093</b>	<b>7,643,056</b>	<b>919,302</b>	<b>4,162,006</b>	<b>107,595,457</b>

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For the years ended 31 December 2023 and 2022

33. Credit Risk (continued)

(33.2) Financial Risk Management (continued)

(a) Credit quality analysis (continued)

	SAR'000 Gross carrying amount				
2022	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Due from Bank and Other financial institutions</b>					
Investment grade	9,785,934	-	-	-	9,785,934
Non-investment grade	4,394,662	-	-	-	4,394,662
Unrated	2,317,307	-	-	-	2,317,307
<b>Gross carrying amount</b>	<b>16,497,903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,497,903</b>
<b>Financing and advances</b>					
Investment Grade	73,812,728	926,701	-	-	74,739,429
Corporate	58,463,597	-	-	-	58,463,597
International	4,023,099	43,201	-	-	4,066,300
Others	11,326,032	883,500	-	-	12,209,532
Non-investment Grade	150,147,731	21,659,770	-	-	171,807,501
Retail	1,385,594	127,302	-	-	1,512,896
Corporate	129,928,912	19,903,955	-	-	149,832,867
International	8,689,966	1,142,119	-	-	9,832,085
Others	10,143,259	486,394	-	-	10,629,653
Unrated	295,529,133	2,568,208	135,004	-	298,232,345
Retail	290,217,673	2,386,180	135,004	-	292,738,857
Corporate	-	-	-	-	-
International	2,973,342	182,028	-	-	3,155,370
Others	2,338,118	-	-	-	2,338,118
Individually impaired	-	-	8,982,525	2,956,723	11,939,248
Retail	-	-	1,372,043	22,256	1,394,299
Corporate	-	-	7,135,888	2,934,467	10,070,355
International	-	-	474,594	-	474,594
<b>Gross carrying amount</b>	<b>519,489,592</b>	<b>25,154,679</b>	<b>9,117,529</b>	<b>2,956,723</b>	<b>556,718,523</b>
<b>Debt investment securities at amortised cost</b>					
Saudi Government Bonds, Sukuk and Treasury Bills	126,344,483	-	-	-	126,344,483
Investment Grade	26,895,173	194,761	-	-	27,089,934
Non-investment Grade	3,397,802	634,101	-	-	4,031,903
Unrated	34,235	-	-	-	34,235
<b>Gross carrying amount</b>	<b>156,671,693</b>	<b>828,862</b>	<b>-</b>	<b>-</b>	<b>157,500,555</b>
<b>Debt investment securities at FVOCI</b>					
Saudi Government Bonds, Sukuk and Treasury Bills	25,209,422	-	-	-	25,209,422
Investment Grade	40,133,441	267,735	-	-	40,401,176
Non-investment Grade	5,374,658	496,792	-	-	5,871,450
Unrated	1,676,635	-	-	-	1,676,635
<b>Gross carrying amount</b>	<b>72,394,156</b>	<b>764,527</b>	<b>-</b>	<b>-</b>	<b>73,158,683</b>
<b>Commitment and contingencies</b>					
Investment Grade	29,367,407	3,874	-	-	29,371,281
Non-investment Grade	55,896,577	5,109,170	1,104,905	4,832,432	66,943,084
Unrated	1,769,067	477	-	-	1,769,544
<b>Total</b>	<b>87,033,051</b>	<b>5,113,521</b>	<b>1,104,905</b>	<b>4,832,432</b>	<b>98,083,909</b>

(ii) The classification of investments in debt instruments as per their external ratings is as follows:

2023	Held at FVIS	Held at FVOCI	Held at amortized cost	Total
<b>Rating</b>				
AAA	-	6,213,075	1,543,167	7,756,242
AA+	-	12,628,991	2,254,845	14,883,836
AA	7,479	3,346,780	1,719,033	5,073,292
AA-	93,550	1,900,137	2,279,715	4,273,402
A+	1,808,134	27,966,839	135,096,971	164,871,944
A	349,441	3,544,416	4,501,812	8,395,669
A-	417,978	5,443,348	2,267,546	8,128,872
BBB+	195,957	3,529,762	497,824	4,223,543
BBB and below	1,343,519	15,811,670	7,566,699	24,721,888
Unrated	1,381	1,529,136	-	1,530,517
<b>Investments in debt instrument, net</b>	<b>4,217,439</b>	<b>81,914,154</b>	<b>157,727,612</b>	<b>243,859,205</b>

2022	Held at FVIS	Held at FVOCI	Held at amortized cost	Total
<b>Rating</b>				
AAA	-	11,697,723	2,721,317	14,419,040
AA+	-	39,608	312	39,920
AA	-	3,164,386	2,342,865	5,507,251
AA-	-	1,877,388	2,337,129	4,214,517
A+	-	1,228,308	1,247,657	2,475,965
A	1,077,568	27,885,835	139,508,926	168,472,329
A-	-	2,296,938	1,030,846	3,327,784
BBB+	-	4,238,717	1,055,991	5,294,708
BBB and below	906,812	19,053,145	7,189,846	27,149,803
Unrated	169,028	1,676,635	34,235	1,879,898
<b>Investments in debt instrument, net</b>	<b>2,153,408</b>	<b>73,158,683</b>	<b>157,469,124</b>	<b>232,781,215</b>

Rating of BBB and below includes financial assets amounting to SR 11,896 million (2022: SR 9,903 million) which are non-investment grade.

(iii) The table below details the aging of the performing financing and advances:

2023	SAR '000				
	Consumer & Credit card	Corporate	International	Others	Total
<b>Neither past due nor impaired</b>	<b>316,191,276</b>	<b>225,352,591</b>	<b>15,023,286</b>	<b>32,201,306</b>	<b>588,768,459</b>
<b>Past due but not impaired</b>					
Less than 30 days	3,493,297	3,029,368	72,148	-	6,594,813
30-59 days	1,262,249	1,688,893	9,265	-	2,960,407
60-89 days	515,347	1,468,066	948,980	-	2,932,393
<b>Total past due not impaired</b>	<b>5,270,893</b>	<b>6,186,327</b>	<b>1,030,393</b>	<b>-</b>	<b>12,487,613</b>
<b>Total performing financing and advances</b>	<b>321,462,169</b>	<b>231,538,918</b>	<b>16,053,679</b>	<b>32,201,306</b>	<b>601,256,072</b>

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For the years ended 31 December 2023 and 2022

33. Credit Risk (continued)

(33.2) Financial Risk Management (continued)

(a) Credit quality analysis (continued)

(iii) The table below details the aging of the performing financing and advances: (continued)

2022	SAR '000				
	Consumer & Credit card	Corporate	International	Others	Total
Neither past due nor impaired	289,294,866	202,993,355	15,828,817	25,177,303	533,294,341
Past due but not impaired					
Less than 30 days	3,359,569	1,397,142	52,092	-	4,808,803
30-59 days	1,089,365	1,685,544	39,417	-	2,814,326
60-89 days	507,953	2,220,423	1,133,429	-	3,861,805
Total past due not impaired	4,956,887	5,303,109	1,224,938	-	11,484,934
Total performing financing and advances	294,251,753	208,296,464	17,053,755	25,177,303	544,779,275

(b) Amounts arising from ECL - significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring of exposures involves use of the following data:

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes.	• Internally collected data and customer behavior – e.g. utilization of credit card facilities.	• Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilization of the granted limit • Requests for and granting of forbearance. • Existing and forecasted changes in business, financial and economic conditions.
• Data from credit reference agencies, press articles, changes in external credit ratings.		
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.		

(i) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors including income velocity, government revenue, unemployment ,etc.

Based on inputs from Group’s Economics Department and consideration of a variety of external actual and forecasted information, the Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecasted scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

(ii) Determining whether credit risk has increased significantly

The criteria for determining whether there is a significant increase in credit risk (SICR) since initial recognition, include quantitative changes in PDs and various qualitative factors, including a backstop based on delinquency.

Moreover, the bank also considers information about guarantees or other credit enhancements in assessing changes in credit risk, as well as the impact of the changes in nature, type and value of such collaterals, on the ability and/or economic incentive of a borrower to repay. As such, where available and applicable, the Bank has duly considered the same.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The assessment of significant increase in credit risk, is assessed taking on account of:

- Days past due;
- Change in risk of default occurring since initial recognition;
- Expected life of the financial instrument; and
- Reasonable and supportable information, that is available without undue cost or effort that may affect credit risk.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due unless reasonable evidences are present to prove otherwise. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. Moreover, the Group generally considers a financial asset to have undergone a SICR when its credit rating, where available, has deteriorated by three notches or more.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

(iii) Modified financial assets

The contractual terms of financing and advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognised and the renegotiated financing and advances recognised as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset’s credit risk has increased significantly is completed on the basis of the approved staging criteria. There were no modifications to financial instruments made during the year that could have a material impact on the consolidated financial statements.

The Group renegotiates financing and advances to customers in financial difficulties (referred to as ‘forbearance activities’) to maximize collection opportunities and minimize the risk of default. Under the Group’s forbearance policy, Financing and advances forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of special commission payments and amending the terms of financing and advances covenants. Both retail and corporate financing and advances are subject to the forbearance policy.

For financial assets modified as part of the Group’s forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group’s ability to collect special commission income and principal and the Group’s previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower’s payment performance against the modified contractual terms and considers various behavioral indicators.

The forbearance activities did not have any material impact on the consolidated financial statements of the Bank as of 31 December 2023.



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For the years ended 31 December 2023 and 2022

33. Credit Risk (continued)

(33.2) Financial Risk Management (continued)

(b) Amounts arising from ECL – significant increase in credit risk (continued)

(iv) Definition of ‘Default’

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Group including principal instalments, interest payments and fees. The materiality threshold for recognition of default is 5% of the total outstanding credit obligations of the client.
- The Group considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as realizing security (if any).

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

(v) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group’s Economics Department experts and consideration of a variety of external actual and forecasted information, the Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecasted scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December included the following ranges of key indicators as shown below.

Economic Indicators	2023
Unemployment Rate	Upside : -3.79% Downside: 7.58%
Government Total Expenditure percent of GDP	Upside : 3.49% Downside: -6.98%
Income Velocity of Money (Non-Oil)	Upside : 3.04% Downside: -6.09%
Debt-to-GDP Ratio	Upside : 21.82% Downside: -43.63%
Government Non-Oil Revenue	Upside : 12.66% Downside: -25.32%
Nominal GDP	Upside : 4.14% Downside: -8.29%
Money Supply	Upside : 3.62% Downside: -7.24%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years. The Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	Forecast calendar years used in 2023 ECL model		
	2024	2025	2026
Unemployment Rate	5.3%	4.9%	4.6%
Government Total Expenditure percent of GDP	37.5%	36.5%	36.3%
Income Velocity of Money (Non-Oil)	88.0%	126.4%	125.4%
Debt-to-GDP Ratio	24.2%	22.6%	23.0%
Government Non-Oil Revenue in million	431,436	438,363	448,363
Nominal GDP in million	3,857,325	3,937,324	4,082,489
Money Supply in million	2,964,826	3,217,161	3,496,963

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

2023	Loans and advances	Financial guarantees years”	Letter of credit	Acceptances	Irrevocable
Gross exposure	608,615,543	63,482,856	19,298,592	6,474,611	18,717,015
More optimistic (Upside)	10,122,158	350,467	2,706	1,703	1,819
More pessimistic (Downside)	10,500,778	385,381	4,074	2,298	3,325
Probability weighted	10,275,304	369,453	3,470	2,035	2,659

(vi) Measurement of ECL

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

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

- (a) Probability of default (PD);  
(b) Loss given default (LGD); and  
(c) Exposure at default (EAD).

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financing and advances secured by retail property, LTV (Lending to Value) ratios are a key parameter in determining LGD.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

The Group measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a financing and advances commitment or guarantee.

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33. Credit Risk (continued)

(33.2) Financial Risk Management (continued)

(b) Amounts arising from ECL – significant increase in credit risk (continued)

(vi) Measurement of ECL (continued)

However, for retail overdrafts and credit card facilities that include both a Financing and advances and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group’s exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL.

(c) Collateral

The Group uses a wide variety of techniques to reduce credit risk on its lending; one important credit risk mitigation technique is accepting guarantees and collaterals with appropriate coverage. The Group ensures that the collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depends on the nature of the collateral involved. Types of acceptable collateral to the Group include time and other cash deposits, financial guarantees, equities, real estate, other fixed assets and salary assignment in case of individuals. The collateral is held mainly against commercial and individual financings and is managed against relevant exposures at its net realizable values. The Group monitors the market value of collaterals, requests additional collaterals in accordance with the underlying agreements. Whenever possible, financing and advances are secured by acceptable forms of collateral in order to mitigate credit risk. Group’s policy is to lend against the cash flow of an operating commercial entity as a first way and primary source of repayment. Collaterals provided by the customer are generally only considered as a secondary source for repayment.

(33.3) Incorporation of forward-looking information

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. Compared with last year, the economy has demonstrated an improvement in most of the macroeconomic indicators, which is aligned with the information used by the group for other purposes such as strategic planning and budgeting. . However, in the midst of a high inflationary and interest rate economy, the group has taken the decision to maintain the pessimistic scenario as the most likely outcome with a sustained magnitude as last year. The scenario weights are determined at a portfolio level based on the economic outlook suggested and approved by the management.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and default rates including income velocity, government revenue, unemployment, etc.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 years.

34. Market Risk

Market risk is the risk that changes in market prices, such as special commission rate, credit spreads (not relating to changes in the obligor’s / issuer’s credit standing), 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 optimising the return on risk.

The Group separates its exposure to market risk between trading and banking books. Trading book is mainly held by the treasury division and includes positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested to the Board of Directors. The Risk Group is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day-to-day review of their implementation.

The Group uses VaR limits for total market risk embedded in its trading activities including derivatives related to foreign exchange and special commission rate. The overall structure of VaR limits is subject to review and approval by the Board of Directors. VaR limits are allocated to the trading book. The daily reports of utilisation of VaR limits are submitted to the senior management of the Group. In addition, regular summaries about various risk measures are submitted to the Risk Committee of the Board.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based gives rise to some limitations, including the following:

- (i) A 1-day holding period assumes that it is possible to hedge or dispose of positions within one day horizon. This is considered to be a realistic assumption in most of the cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- (ii) A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 1% probability that losses could exceed the VaR.

(iii) VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.

(iv) The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

(v) The VaR measure is dependent upon the Group’s position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading book. In addition, the Group uses stress tests to model the financial impact of exceptional market scenarios on individual trading book and the Group’s overall trading position.

(34.1) Market risk - Trading book

The table below shows the VaR arises from special commission rate, foreign currency exposure and equity exposure held at FVIS portfolio:

	SAR '000			
	Foreign exchange risk	Special commission risk	Equity Price Risk	Overall risk
2023				
End of year VaR	3,820	17,973	7,766	29,559
Average VaR	5,844	16,669	9,949	32,462
	SAR '000			
	Foreign exchange risk	Special commission risk	Equity Price Risk	Overall risk
2022				
End of year VaR	10,045	10,919	2,004	22,968
Average VaR	11,391	13,999	11,368	36,758

(34.2) Market risk - Non-Trading or Banking Book

Market risk on banking book positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

(34.2.1) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future cash flows or the fair values of financial instruments.

The following table depicts the sensitivity due to reasonably possible changes in special commission rates, with other variables held constant, on the Group’s consolidated statement of income or equity. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, based on the special commission bearing non-trading financial assets and financial liabilities held as at 31 December 2023 and 2022 including the effect of hedging instruments. The sensitivity of the equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges, as at 31 December 2023 and 2022 for the effect of assumed changes in special commission rates. The sensitivity of equity is analyzed by maturity of the assets or cash flow hedge swaps. All significant banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in local currency. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

2023	Increase/ decrease in basis points	Sensitivity of special commission income	SAR '000 Sensitivity of equity (other reserves)				Total
			Within 3 months	3-12 months	1-5 years	Over 5 years	
Currency							
SAR	± 10	± 51,119	± 14	± -	± 9,981	± 100,116	± 110,111
USD	± 10	± 24,345	± 43	± 708	± 38,195	± 168,554	± 207,500

2022	Increase/ decrease in basis points	Sensitivity of special commission income	SAR '000 Sensitivity of equity (other reserves)				Total
			Within 3 months	3-12 months	1-5 years	Over 5 years	
Currency							
SAR	± 10	± 131,902	± -	± 15	± 5,541	± 96,976	± 102,532
USD	± 10	± 30,532	± 64	± 619	± 23,135	± 109,561	± 133,379

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For the years ended 31 December 2023 and 2022

34. Market Risk (continued)

(34.2) Market risk - Non-Trading or Banking Book (continued)

(34.2.1) Special commission rate risk (continued)

(a) Special commission rate sensitivity of assets, liabilities and off-balance sheet items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its consolidated financial position and cash flows. The table below summarizes the Group’s exposure to special commission rate risks. Included in the table are the Group’s assets and liabilities at carrying amounts, categorized by the earlier of the contractual re-pricing or the maturity dates. The Group manages exposure to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The table below summarizes the Group’s exposure to special commission rate risks:

2023	SAR '000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
<b>Assets</b>						
<b>Cash and balances with SAMA</b>	<b>5,731,657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,767,303</b>	<b>47,498,960</b>
<b>Due from banks and other financial institutions, net</b>	<b>15,305,848</b>	<b>2,138,854</b>	<b>509,115</b>	<b>-</b>	<b>16,609,640</b>	<b>34,563,457</b>
<b>Investments, net</b>	<b>41,119,499</b>	<b>11,814,325</b>	<b>56,865,361</b>	<b>134,060,020</b>	<b>25,269,749</b>	<b>269,128,954</b>
- Held at FVIS	1,628,509	1,203,811	500,769	884,350	17,831,829	22,049,268
- Held at FVOCI	9,570,154	3,486,873	25,929,433	42,927,694	7,437,920	89,352,074
- Investments held at amortised cost	29,920,836	7,123,641	30,435,159	90,247,976	-	157,727,612
<b>Financing and advances, net</b>	<b>145,674,346</b>	<b>156,079,685</b>	<b>150,399,617</b>	<b>149,266,484</b>	<b>107,322</b>	<b>601,527,454</b>
- Consumer & Credit Card	14,630,763	55,678,061	106,347,793	143,924,585	-	320,581,202
- Corporate	125,778,716	93,254,804	9,000,996	4,820,670	-	232,855,186
- International	5,264,867	7,146,820	3,027,502	521,229	1,499	15,961,917
- Others	-	-	32,023,326	-	105,823	32,129,149
<b>Positive fair value of derivatives, net</b>	<b>14,554,175</b>	<b>5,378,808</b>	<b>304,127</b>	<b>768,245</b>	<b>298,295</b>	<b>21,303,650</b>
<b>Total financial assets</b>	<b>222,385,525</b>	<b>175,411,672</b>	<b>208,078,220</b>	<b>284,094,749</b>	<b>84,052,309</b>	<b>974,022,475</b>
<b>Liabilities</b>						
<b>Due to banks and other financial institutions</b>	<b>190,031,746</b>	<b>17,407,129</b>	<b>4,042,887</b>	<b>28,442</b>	<b>155,426</b>	<b>211,665,630</b>
<b>Customers’ deposits</b>	<b>184,998,241</b>	<b>19,587,158</b>	<b>1,172,662</b>	<b>-</b>	<b>384,293,001</b>	<b>590,051,062</b>
- Current and call accounts	84,086,792	-	-	-	363,420,421	447,507,213
- Time	99,497,052	19,249,107	1,172,662	-	99,786	120,018,607
- Others	1,414,397	338,051	-	-	20,772,794	22,525,242
<b>Debt securities issued</b>	<b>3,100,538</b>	<b>4,248,730</b>	<b>5,430,384</b>	<b>1,109,490</b>	<b>-</b>	<b>13,889,142</b>
<b>Negative fair value of derivatives, net</b>	<b>12,370,941</b>	<b>4,772,822</b>	<b>586,600</b>	<b>2,209,302</b>	<b>205,723</b>	<b>20,145,388</b>
<b>Total financial liabilities</b>	<b>390,501,466</b>	<b>46,015,839</b>	<b>11,232,533</b>	<b>3,347,234</b>	<b>384,654,150</b>	<b>835,751,222</b>
<b>On-balance sheet position gap</b>	<b>(168,115,941)</b>	<b>129,395,833</b>	<b>196,845,687</b>	<b>280,747,515</b>	<b>(300,601,841)</b>	
<b>Off-balance sheet position gap</b>	<b>(15,988,805)</b>	<b>8,906,436</b>	<b>11,513,451</b>	<b>(4,075,955)</b>	<b>-</b>	
<b>Total special commission rate sensitivity gap</b>	<b>(184,104,746)</b>	<b>138,302,269</b>	<b>208,359,138</b>	<b>276,671,560</b>	<b>(300,601,841)</b>	
<b>Cumulative special commission rate sensitivity gap</b>	<b>(184,104,746)</b>	<b>(45,802,477)</b>	<b>162,556,661</b>	<b>439,228,221</b>	<b>138,626,380</b>	

2022	SAR '000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
<b>Assets</b>						
<b>Cash and balances with SAMA</b>	<b>573,706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,037,298</b>	<b>41,611,004</b>
<b>Due from banks and other financial institutions, net</b>	<b>4,749,674</b>	<b>461,649</b>	<b>5,072</b>	<b>-</b>	<b>11,280,335</b>	<b>16,496,730</b>
<b>Investments, net</b>	<b>45,608,561</b>	<b>19,045,809</b>	<b>50,282,700</b>	<b>117,844,145</b>	<b>25,510,676</b>	<b>258,291,891</b>
- Held at FVIS	5,256	263,779	1,386,701	497,672	14,863,687	17,017,095
- Held at FVOCI	7,363,440	4,503,025	22,732,352	38,559,866	10,646,989	83,805,672
- Investments held at amortised cost	38,239,865	14,279,005	26,163,647	78,786,607	-	157,469,124
<b>Financing and advances, net</b>	<b>109,066,141</b>	<b>148,799,550</b>	<b>141,915,913</b>	<b>145,416,593</b>	<b>112,462</b>	<b>545,310,659</b>
- Consumer & Credit Card	11,231,988	53,846,069	95,902,066	132,449,971	-	293,430,094
- Corporate	92,715,388	85,414,884	19,488,738	12,429,583	-	210,048,593
- International	5,118,765	7,188,243	3,895,294	537,039	668	16,740,009
- Others	-	2,350,354	22,629,815	-	111,794	25,091,963
<b>Positive fair value of derivatives, net</b>	<b>12,286,927</b>	<b>4,487,380</b>	<b>1,960,159</b>	<b>1,272,298</b>	<b>567,365</b>	<b>20,574,129</b>
<b>Total financial assets</b>	<b>172,285,009</b>	<b>172,794,388</b>	<b>194,163,844</b>	<b>264,533,036</b>	<b>78,508,136</b>	<b>882,284,413</b>
<b>Liabilities</b>						
<b>Due to banks and other financial institutions</b>	<b>111,908,865</b>	<b>21,487,971</b>	<b>11,404,929</b>	<b>1,941,395</b>	<b>4,251,759</b>	<b>150,994,919</b>
<b>Customers’ deposits</b>	<b>150,298,736</b>	<b>17,398,357</b>	<b>853,570</b>	<b>-</b>	<b>399,732,413</b>	<b>568,283,076</b>
- Current and call accounts	48,520,845	404,487	-	-	378,319,920	427,245,252
- Time	98,836,209	16,956,600	853,570	-	-	116,646,379
- Others	2,941,682	37,270	-	-	21,412,493	24,391,445
<b>Debt securities issued</b>	<b>2,525,433</b>	<b>285,861</b>	<b>9,152,146</b>	<b>1,023,736</b>	<b>-</b>	<b>12,987,176</b>
<b>Negative fair value of derivatives, net</b>	<b>12,397,133</b>	<b>3,625,798</b>	<b>1,776,638</b>	<b>1,170,810</b>	<b>449,725</b>	<b>19,420,104</b>
<b>Total financial liabilities</b>	<b>277,130,167</b>	<b>42,797,987</b>	<b>23,187,283</b>	<b>4,135,941</b>	<b>404,433,897</b>	<b>751,685,275</b>
<b>On-balance sheet position gap</b>	<b>(104,845,158)</b>	<b>129,996,401</b>	<b>170,976,561</b>	<b>260,397,095</b>	<b>(325,925,761)</b>	
<b>Off-balance sheet position gap</b>	<b>18,662,222</b>	<b>(1,167,767)</b>	<b>11,267,493</b>	<b>(28,761,948)</b>	<b>-</b>	
<b>Total special commission rate sensitivity gap</b>	<b>(86,182,936)</b>	<b>128,828,634</b>	<b>182,244,054</b>	<b>231,635,147</b>	<b>(325,925,761)</b>	
<b>Cumulative special commission rate sensitivity gap</b>	<b>(86,182,936)</b>	<b>42,645,698</b>	<b>224,889,752</b>	<b>456,524,899</b>	<b>130,599,138</b>	

The off-statement of financial position gap represents the net notional amounts of derivative financial instruments, which are used to manage the special commission rate risk.



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34. Market Risk (continued)

(34.2) Market risk - Non-Trading or Banking Book (continued)

(34.2.2) Currency risk

Currency risk is the risk that the value of a financial instrument will 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 consolidated financial position and cash flows. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

At the year end, the Group had the following significant net exposures denominated in foreign currencies:

Currency	2023 SAR '000 Long (short)	2022 SAR '000 Long (short)
US Dollar	292,035	(5,234,340)
TRY	2,730,781	2,752,501

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

The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2023 on its significant foreign currency positions. The analysis is performed for reasonably possible movements of the currency rate against the Saudi Riyal with all other variables held constant, including the effect of hedging instruments, on the consolidated statement of income; the effect on equity of foreign currencies other than Turkish Lira (TRY) is not significant. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

Currency	2023 SAR '000			2022 SAR '000		
	Increase/decrease in currency rate in %	Effect on profit	Effect on equity	Increase/decrease in currency rate in %	Effect on profit	Effect on equity
TRY	± 10%	± 19,548	± 235,086	± ± 10%	± 30,226	± 234,435

(34.2.3) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks.

The effect on equity (other reserves) as a result of a change in the fair value of equity instruments quoted on Saudi Stock Exchange (Tadawul) and held as FVOCI at 31 December 2023 and 31 December 2022 due to reasonably possible changes in the prices of these quoted shares held by the Group, with all other variables held constant, is as follows:

Market index - (Tadawul)	2023 SAR '000		2022 SAR '000	
	Increase/decrease in market prices %	Effect on equity (other reserves)	Increase/decrease in market prices %	Effect on equity (other reserves)
Impact of change in market prices	± 10%	± 454,271	± 10%	± 520,164

(34.3) Interest rate benchmark reform

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

The Bank has considered the requirements of IASB and other necessary changes to systems, processes, related tax and accounting implications and amendments to the contractual terms of LIBOR-referenced floating-rate debt, derivatives and update of hedge designations. Further, the bank also managed the timely and comprehensive communication of the IBOR transition with the customers and assisting them in taking informed and timely decision.

During the year 2023, changes required to systems, processes and models have been implemented. New rate structures and features in the system in view of future market evolution are implemented as well and is capable to handle the alternative relevant rate transactions of the dollar and other major currencies affected by the IBOR transition. There have been communications with counterparties.

The Group has identified that the areas of most significant risk arising from the replacement of LIBOR are:

- Updating systems and processes which capture LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated;
- Mismatches in timing of derivatives and loans transitioning from LIBOR and the resulting impact on economic risk management; and
- Updating hedge designations and models.

The Group has taken steps to manage and mitigate these risks.

The table below shows the Bank’s exposure at the year end to significant IBORs subject to reforms that are yet to transition to risk free rates. These exposures will remain outstanding until the IBOR ceases and will therefore transition to the reference rate in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

	2023 SAR '000		
	Non-Derivative Financial Assets	Non-Derivative Financial Liabilities	Derivatives Nominal amount
LIBOR USD	69,397,495	7,976,250	25,280,621
LIBOR JPY	-	1,560,000	-
Total	69,397,495	9,536,250	25,280,621

35. Liquidity Risk

Liquidity risk is the risk that the Group will 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 has diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Group has lines of credit in place that it can access to meet liquidity needs.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA of 7% of average demand deposits and 4% of average savings and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of the deposit liabilities, in the form of cash, Saudi Government Bonds or assets which can be converted into cash within a period not exceeding 30 days.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. One of these methods is to maintain limits on the ratio of liquid assets to deposit liabilities, set to reflect market conditions. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale and Saudi Government Bonds excluding repos. Deposits liabilities include both customers and Banks, excluding non-resident Bank deposits in foreign currency.

(35.1) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2023 and 31 December 2022 based on contractual undiscounted repayment obligations; as special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities as shown on note (35.2) below (Maturity analysis of assets and liabilities for the expected maturities). Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group’s deposit retention history.

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35. Liquidity Risk (continued)

(35.1) Analysis of undiscounted financial liabilities by remaining contractual maturities (continued)

2023	SAR '000					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial liabilities						
Due to banks and other financial institutions	2,841,313	168,527,306	23,690,333	13,639,921	8,852,380	217,551,253
Customers' deposits	470,013,747	104,229,208	20,381,200	4,893,792	36,867	599,554,814
- Current and call accounts	447,507,213	-	-	-	-	447,507,213
- Time	-	104,229,208	20,381,200	4,893,792	36,867	129,541,067
- Others	22,506,534	-	-	-	-	22,506,534
Debt securities issued	-	-	5,001,333	9,635,742	1,491,974	16,129,049
Derivative financial instruments (gross contractual amounts payable)	-	6,519,803	5,575,223	5,467,268	5,061,595	22,623,889
Lease Liabilities	-	67,829	200,595	890,114	251,653	1,410,191
Total undiscounted financial liabilities	472,855,060	279,344,146	54,848,684	34,526,837	15,694,469	857,269,196

2022	SAR '000					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial liabilities						
Due to banks and other financial institutions	4,259,271	95,455,547	25,841,401	12,085,884	7,106,618	144,748,721
Customers' deposits	451,617,313	100,899,269	17,633,641	2,546,152	33,714	572,730,089
- Current and call accounts	427,245,252	-	-	-	-	427,245,252
- Time	-	100,899,269	17,633,641	2,546,152	33,714	121,112,776
- Others	24,372,061	-	-	-	-	24,372,061
Debt securities issued	-	217,893	2,849,278	12,890,447	789,996	16,747,614
Derivative financial instruments (gross contractual amounts payable)	-	7,219,473	4,407,073	7,692,013	13,895,621	33,214,180
Lease Liabilities	-	157,251	454,987	1,472,242	413,232	2,497,712
Total undiscounted financial liabilities	455,876,584	203,949,433	51,186,380	36,686,738	22,239,181	769,938,316

The contractual maturity structure of the credit-related and commitments and contingencies are shown under note (20.2(a)).

(35.2) Analysis of discounted assets and liabilities by expected maturity

Below is an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See note (35.1) above for the undiscounted financial liabilities by remaining contractual maturities.

2023	SAR '000					Total
	Within 3 months	3-12months	1-5 years	Over 5 years	No-fixed maturity	
Assets						
Cash and balances with SAMA	5,731,658	-	-	-	41,767,302	47,498,960
Due from banks and other financial institutions, net	17,006,483	14,649,190	2,907,784	-	-	34,563,457
Investments, net	14,447,786	9,673,081	78,208,608	138,511,581	28,287,898	269,128,954
- Held at FVIS	705,666	360,696	-	-	20,982,906	22,049,268
- Held at FVOCI	4,080,259	2,402,751	28,749,492	46,814,580	7,304,992	89,352,074
- Held at amortized cost	9,661,861	6,909,634	49,459,116	91,697,001	-	157,727,612
Financing and advances, net	194,454,535	102,445,507	144,664,517	159,962,895	-	601,527,454
- Consumer & Credit Card	19,504,618	36,273,224	105,291,383	159,511,977	-	320,581,202
- Corporate	152,515,344	46,183,574	34,156,268	-	-	232,855,186
- International	4,626,090	7,846,994	3,037,915	450,918	-	15,961,917
- Others	17,808,483	12,141,715	2,178,951	-	-	32,129,149
Positive fair value of derivatives, net	33,898	6,904	23,743	21,239,105	-	21,303,650
Investments in associates, net	-	-	-	-	246,049	246,049
Property, equipment and software, net	-	-	-	-	11,000,461	11,000,461
Goodwill	-	-	-	-	34,006,782	34,006,782
Intangible assets	205,070	615,209	4,033,595	1,708,374	-	6,562,248
Right of use assets, net	-	-	-	-	1,038,915	1,038,915
Other assets	-	2,548,463	-	-	7,655,774	10,204,237
Total assets	231,879,430	129,938,354	229,838,247	321,421,955	124,003,181	1,037,081,167
Liabilities						
Due to banks and other financial institutions	171,743,167	23,159,179	16,762,987	297	-	211,665,630
Customers' deposits	170,959,100	86,378,663	130,543,937	202,169,362	-	590,051,062
- Current and call accounts	76,553,315	59,687,709	109,351,291	201,914,898	-	447,507,213
- Time	92,996,183	22,574,403	4,413,677	34,344	-	120,018,607
- Others	1,409,602	4,116,551	16,778,969	220,120	-	22,525,242
Debt securities issued	985,500	4,167,325	8,306,696	357,515	72,106	13,889,142
Negative fair value of derivatives, net	55,740	5,217	20,084,431	-	-	20,145,388
Other liabilities	58,613	173,474	777,040	173,050	23,519,055	24,701,232
Total liabilities	343,802,120	113,883,858	176,475,091	202,700,224	23,591,161	860,452,454

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35. Liquidity Risk (continued)

(35.2) Analysis of discounted assets and liabilities by expected maturity (continued)

2022	SAR '000					
	Within 3 months	3-12months	1-5 years	Over 5 years	No-fixed maturity	Total
<b>Assets</b>						
<b>Cash and balances with SAMA</b>	573,706	-	-	-	41,037,298	41,611,004
<b>Due from banks and other financial institutions, net</b>	6,448,967	8,123,814	1,923,949	-	-	16,496,730
<b>Investments, net</b>	4,576,890	13,215,151	92,054,343	125,027,481	23,418,026	258,291,891
- Held at FVIS	8,115	927	897,768	-	16,110,285	17,017,095
- Held at FVOCI	1,541,066	3,545,361	27,606,905	43,804,599	7,307,741	83,805,672
- Held at amortized cost	3,027,709	9,668,863	63,549,670	81,222,882	-	157,469,124
<b>Financing and advances, net</b>	175,884,715	86,680,288	140,828,308	141,917,348	-	545,310,659
- Consumer & Credit Card	19,480,198	36,273,224	96,131,407	141,545,265	-	293,430,094
- Corporate	134,005,468	37,122,740	38,920,385	-	-	210,048,593
- International	4,590,566	8,252,713	3,524,647	372,083	-	16,740,009
- Others	17,808,483	5,031,611	2,251,869	-	-	25,091,963
<b>Positive fair value of derivatives, net</b>	50,988	12,217	760	20,510,164	-	20,574,129
<b>Investments in associates, net</b>	-	-	-	-	246,049	246,049
<b>Property, equipment and software, net</b>	-	-	-	-	9,993,143	9,993,143
<b>Goodwill</b>	-	-	-	-	34,006,782	34,006,782
<b>Intangible assets</b>	205,070	615,209	4,058,250	2,503,999	-	7,382,528
<b>Right of use assets, net</b>	-	-	-	-	1,533,960	1,533,960
<b>Other assets</b>	-	2,278,068	-	-	7,771,223	10,049,291
<b>Total assets</b>	187,740,336	110,924,747	238,865,610	289,958,992	118,006,481	945,496,166
<b>Liabilities</b>						
<b>Due to banks and other financial institutions</b>	106,631,076	28,975,635	15,388,208	-	-	150,994,919
<b>Customers' deposits</b>	150,677,264	82,588,372	128,488,760	206,528,680	-	568,283,076
- Current and call accounts	56,031,735	58,830,932	106,234,883	206,147,702	-	427,245,252
- Time	94,645,529	19,553,711	2,447,139	-	-	116,646,379
- Others	-	4,203,729	19,806,738	380,978	-	24,391,445
<b>Debt securities issued</b>	2,520,669	23,386	10,443,121	-	-	12,987,176
<b>Negative fair value of derivatives, net</b>	2,617,395	6,975	16,795,734	-	-	19,420,104
<b>Other liabilities</b>	80,057	292,135	847,016	474,149	25,339,903	27,033,260
<b>Total liabilities</b>	262,526,461	111,886,503	171,962,839	207,002,829	25,339,903	778,718,535

36. Geographical Concentration of Assets, Liabilities, Commitments and Contingencies and Credit Exposure

(36.1) The distribution by geographical region for major categories of assets, liabilities and commitments and contingencies and credit exposure at year end is as follows:

2023	SAR '000						
	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	North America	Other countries	Total
<b>Assets</b>							
<b>Cash and balances with SAMA</b>	45,966,556	17,540	-	831,966	-	682,898	47,498,960
<b>Due from banks and other financial institutions, net</b>	11,900,498	4,306,027	386,322	5,851,732	11,540,809	578,069	34,563,457
<b>Investments, net</b>	175,842,162	14,703,316	9,845,043	6,360,276	44,033,698	18,344,459	269,128,954
- Held at FVIS	3,320,557	323,093	1,561,888	1,066,511	15,185,703	591,516	22,049,268
- Held at FVOCI	34,474,759	8,571,059	6,570,853	3,003,520	22,065,776	14,666,107	89,352,074
- Held at amortised cost	138,046,846	5,809,164	1,712,302	2,290,245	6,782,219	3,086,836	157,727,612
<b>Financing and advances, net</b>	538,838,320	30,785,876	8,010,322	15,263,849	4,428,631	4,200,456	601,527,454
- Consumer & Credit Card	320,581,202	-	-	-	-	-	320,581,202
- Corporate	207,695,243	14,087,649	5,831,001	314,917	4,052,736	873,640	232,855,186
- International	-	-	-	14,948,932	-	1,012,985	15,961,917
- Others	10,561,875	16,698,227	2,179,321	-	375,895	2,313,831	32,129,149
<b>Positive fair value of derivatives, net</b>	3,046,012	1,741,745	16,234,924	42,832	116,489	121,648	21,303,650
<b>Investments in associates, net</b>	243,868	-	-	-	-	2,181	246,049
<b>Total</b>	775,837,416	51,554,504	34,476,611	28,350,655	60,119,627	23,929,711	974,268,524
<b>Liabilities</b>							
<b>Due to banks and other financial institutions</b>	94,814,495	30,392,984	51,261,165	1,053,695	2,824,734	31,318,557	211,665,630
<b>Customers' deposits</b>	523,223,846	4,504,268	213,851	23,842,166	119,214	38,147,717	590,051,062
- Current and call accounts	408,374,501	1,318,914	5,617	7,219,694	119,214	30,469,273	447,507,213
- Time	94,082,342	3,184,283	208,234	15,212,871	-	7,330,877	120,018,607
- Others	20,767,003	1,071	-	1,409,601	-	347,567	22,525,242
<b>Debt securities issued</b>	985,500	-	12,818,175	13,361	-	72,106	13,889,142
<b>Negative fair value of derivatives, net</b>	4,520,780	2,433,762	13,002,674	60,957	-	127,215	20,145,388
<b>Total</b>	623,544,621	37,331,014	77,295,865	24,970,179	2,943,948	69,665,595	835,751,222
Commitments and contingencies (note 20.2)	83,858,709	7,984,004	3,127,603	5,227,684	-	7,397,457	107,595,457
- Letters of credit	13,366,967	1,004,119	1,518,775	1,363,259	-	2,042,002	19,295,122
- Guarantees	50,400,397	2,815,395	1,229,815	3,664,693	-	5,003,103	63,113,403
- Acceptances	3,730,739	1,810,740	379,013	199,732	-	352,352	6,472,576
- Irrevocable commitments to extend credit	16,360,606	2,353,750	-	-	-	-	18,714,356
<b>Credit exposure (credit equivalent) (note 31.2):</b>							
Commitments and contingencies	60,311,865	6,565,618	1,437,708	3,322,847	-	4,515,392	76,153,430
Derivatives	5,819,906	1,958,869	7,112,253	198,390	236,319	73,183	15,398,920



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36. Geographical Concentration of Assets, Liabilities, Commitments and Contingencies and Credit Exposure (continued)

(36.1) The distribution by geographical region for major categories of assets, liabilities and commitments and contingencies and credit exposure at year end is as follows: (continued)

	SAR '000						
	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	North America	Other countries	Total
2022							
Assets							
Cash and balances with SAMA	40,350,957	18,197	-	525,325	-	716,525	41,611,004
Due from banks and other financial institutions, net	987,697	1,118,802	982,749	5,080,187	6,689,236	1,638,059	16,496,730
Investments, net	178,770,616	17,337,138	11,588,940	6,515,780	25,995,151	18,084,266	258,291,891
- Held at FVIS	3,183,244	67,919	1,905,942	906,916	9,729,372	1,223,702	17,017,095
- Held at FVOCI	35,349,362	11,289,691	7,349,848	4,197,757	11,870,902	13,748,112	83,805,672
- Held at amortised cost	140,238,010	5,979,528	2,333,150	1,411,107	4,394,877	3,112,452	157,469,124
Financing and advances, net	491,431,413	26,191,997	3,167,209	16,813,119	4,542,065	3,164,856	545,310,659
- Consumer & Credit Card	293,430,094	-	-	-	-	-	293,430,094
- Corporate	189,280,407	12,659,356	3,167,209	399,556	4,542,065	-	210,048,593
- International	-	-	-	15,416,541	-	1,323,468	16,740,009
- Others	8,720,912	13,532,641	-	997,022	-	1,841,388	25,091,963
Positive fair value of derivatives, net	2,963,436	1,836,726	15,587,333	63,965	27,468	95,201	20,574,129
Investments in associates, net	243,868	-	-	-	-	2,181	246,049
Total	714,747,987	46,502,860	31,326,231	28,998,376	37,253,920	23,701,088	882,530,462
Liabilities							
Due to banks and other financial institutions	89,585,701	19,892,700	5,483,793	1,582,170	188,782	34,261,773	150,994,919
Customers' deposits	535,459,608	1,235	5,022,046	23,242,558	400,782	4,156,847	568,283,076
- Current and call accounts	416,777,428	-	651,894	8,640,726	400,782	774,422	427,245,252
- Time	97,624,117	-	4,203,134	11,984,436	-	2,834,692	116,646,379
- Others	21,058,063	1,235	167,018	2,617,396	-	547,733	24,391,445
Debt securities issued	1,200,883	-	11,581,680	113,832	-	90,781	12,987,176
Negative fair value of derivatives, net	4,997,631	(197,808)	14,464,543	85,414	-	70,324	19,420,104
Total	631,243,823	19,696,127	36,552,062	25,023,974	589,564	38,579,725	751,685,275
Commitments and contingencies (note 20.2)	76,619,356	8,182,106	1,509,609	4,952,427	-	6,820,411	98,083,909
- Letters of credit	10,186,180	1,276,890	806,070	1,763,597	-	2,038,480	16,071,217
- Guarantees	47,720,852	2,827,976	703,539	3,026,455	-	4,444,545	58,723,367
- Acceptances	3,449,628	1,375,684	-	162,375	-	337,386	5,325,073
- Irrevocable commitments to extend credit	15,262,696	2,701,556	-	-	-	-	17,964,252
Credit exposure (credit equivalent) (note 31.2):							
Commitments and contingencies	55,328,368	6,173,536	623,891	2,847,791	-	4,284,632	69,258,218
Derivatives	6,501,264	4,482,926	11,756,912	108,590	145,832	192,955	23,188,479

The credit equivalent of commitments and contingencies and derivatives is calculated according to SAMA's prescribed methodology.

(36.2) The distribution by geographical concentration of non-performing financing and advances and ECL allowances are as follows:

	SAR '000		
	KSA, GCC and Middle East	Turkey and Pakistan	Total
2023			
Non performing financing and advances	6,940,461	419,010	7,359,471
ECL allowances	(9,764,532)	(510,772)	(10,275,304)

	SAR '000		
	KSA, GCC and Middle East	Turkey and Pakistan	Total
2022			
Non performing financing and advances	8,507,931	474,594	8,982,525
ECL allowances	(10,619,524)	(788,340)	(11,407,864)

37. Determination of Fair Value and Fair Value Hierarchy

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

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

Fair value information of the Group's financial instruments is analysed below:

(a) Fair value information for financial instruments at fair value and investments held at amortised cost - fair value hedged

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

- Level 1: Quoted prices in active markets for the same instrument;
- Level 2: Quoted prices in active markets for similar assets and liabilities or valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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37. Determination of Fair Value and Fair Value Hierarchy (continued)

(a) Fair value information for financial instruments at fair value and investments held at amortised cost - fair value hedged (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value: hierarchy:

2023	SAR '000			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Derivative financial instruments</b>				
Held for trading	-	20,621,398	-	20,621,398
Held as cash flow hedges	-	498,266	-	498,266
Held as fair value hedges	-	183,986	-	183,986
	-	21,303,650	-	21,303,650
<b>Financial assets held at FVIS</b>				
Fixed rate debt securities	1,902,017	2,292,899	-	4,194,916
Floating rate securities	22,523	-	-	22,523
Equities	391,364	-	451,575	842,939
Mutual funds, hedge funds and others	356,568	6,463,971	10,168,351	16,988,890
	2,672,472	8,756,870	10,619,926	22,049,268
<b>Financial assets held at FVOCI</b>				
Fixed rate debt securities	46,018,030	19,625,571	230,549	65,874,150
Floating rate securities	6,355,946	9,223,398	460,660	16,040,004
Equities	7,335,956	6,280	95,684	7,437,920
Mutual funds, hedge funds and others	-	-	-	-
	59,709,932	28,855,249	786,893	89,352,074
<b>Financial assets held at amortized cost</b>				
Investments held at amortized cost, net - fair value hedged (note 6.7 (a))	-	1,606,345	-	1,606,345
	-	1,606,345	-	1,606,345
<b>Total financial assets</b>	<b>62,382,404</b>	<b>60,522,114</b>	<b>11,406,819</b>	<b>134,311,337</b>
<b>Financial liabilities</b>				
<b>Derivative financial instruments</b>				
Held for trading	-	19,109,113	-	19,109,113
Held as cash flow hedges	-	434,142	-	434,142
Held as fair value hedges	-	602,133	-	602,133
	-	20,145,388	-	20,145,388
<b>Total financial liabilities</b>	<b>-</b>	<b>20,145,388</b>	<b>-</b>	<b>20,145,388</b>

2022	SAR '000			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Derivative financial instruments</b>				
Held for trading	-	18,953,898	-	18,953,898
Held as cash flow hedges	-	1,318,713	-	1,318,713
Held as fair value hedges	-	301,518	-	301,518
	-	20,574,129	-	20,574,129
<b>Financial assets held at FVIS</b>				
Fixed rate debt securities	-	2,153,408	-	2,153,408
Floating rate securities	-	-	-	-
Equities	183,630	(46)	305,429	489,013
Mutual funds, hedge funds and others	334,942	5,442,752	8,596,980	14,374,674
	518,572	7,596,114	8,902,409	17,017,095
<b>Financial assets held at FVOCI</b>				
Fixed rate debt securities	33,745,081	19,000,169	-	52,745,250
Floating rate securities	9,314,056	11,099,377	-	20,413,433
Equities	10,552,823	(15,207)	109,373	10,646,989
Mutual funds, hedge funds and others	-	-	-	-
	53,611,960	30,084,339	109,373	83,805,672
<b>Financial assets held at amortized cost</b>				
Investments held at amortized cost, net - fair value hedged (note 6.7 (a))	-	3,512,644	-	3,512,644
	-	3,512,644	-	3,512,644
<b>Total financial assets</b>	<b>54,130,532</b>	<b>61,767,226</b>	<b>9,011,782</b>	<b>124,909,540</b>
<b>Financial liabilities</b>				
<b>Derivative financial instruments</b>				
Held for trading	-	18,010,596	-	18,010,596
Held as cash flow hedges	-	442,882	-	442,882
Held as fair value hedges	-	966,626	-	966,626
	-	19,420,104	-	19,420,104
<b>Total financial liabilities</b>	<b>-</b>	<b>19,420,104</b>	<b>-</b>	<b>19,420,104</b>

(b) Fair value information for financial instruments not measured at fair value

The fair value of Group's financing and advances as at 31 December 2023 on a business as usual basis applying the guidance of IFRS 13 "Fair Value Measurement", was 2.3% lower than the corresponding book value (2022: 3.3% lower than the corresponding book value). The fair value of Group's financing and advances is categorized within Level 2 of the fair value hierarchy and the fair value of the investments at amortised cost are categorized within Level 2 as disclosed in note 6.4(b).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customers' deposits and debt securities issued at 31 December 2023 and 31 December 2022 are not materially different from their respective carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

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For the years ended 31 December 2023 and 2022

37. Determination of Fair Value and Fair Value Hierarchy (continued)

(c) 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. These techniques and the significant unobservable inputs used therein are analysed below.

The Group utilises fund managers’ reports (and appropriate discounts or haircuts where required) for the determination of fair values of private equity funds and hedge funds. The fund manager deploys various techniques (such as discounted cashflow models and multiples method) for the valuation of underlying financial instruments classified under levels 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.

For the valuation of unquoted debt securities and derivative financial instruments, the Group obtains fair value estimates from reputable third party valuers, who use techniques such as discounted cash flows, option pricing models and other sophisticated models.

(d) Transfer between Level 1 and Level 2

There were no transfers between level 1 and level 2 during 31 December 2023 (31 December 2022: Nil).

(e) Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balance for Level 3 fair values.

Movement of level 3 is as follows:

	2023			2022		
	Financial asset held at FVIS	Financial asset held at FVOCI	Financial liabilities held at FVIS	Financial asset held at FVIS	Financial asset held at FVOCI	Financial liabilities held at FVIS
Balance at beginning of the year	8,902,407	109,375	-	7,494,972	134,884	-
Total gains/(losses), realised and unrealised, in the consolidated statement of income	(34,062)	43,548	-	(279,479)	(25,509)	-
Purchases	2,324,923	765,222	-	3,190,488	-	-
Sales/Maturities	(573,344)	(131,250)	-	(1,503,574)	-	-
Others	-	-	-	-	-	-
Balance at end of the year	10,619,924	786,895	-	8,902,407	109,375	-

(f) Sensitivity analysis for significant unobservable inputs in valuation of financial instruments at fair value

Certain unobservable inputs were applied in the valuation of hedge funds and private equities for the year ended 31 December 2023 and the impact of the sensitivity is not material.

38. Related Party Transactions

In the ordinary course of its activities, the Group transacts business with related parties. The related party transactions are governed by the limits set by the Banking Control Law and the regulations issued by SAMA and approved by the board of directors and management and transactions are carried out on terms similar to those with external customers / parties. Related party balances include the balances resulting from transactions with Governmental shareholders. The ultimate controlling party is Public Investment fund “PIF”.

Major shareholders represent shareholdings of more than 5% of the Bank’s issued share capital. Related parties are the persons or close members of those persons’ families and their affiliated entities where they have control, joint control or significant influence over these entities.

(38.1) The balances as at December 31 resulting from such transactions included in the (consolidated) financial statements are as follows:

	2023 SAR’000	2022 SAR’000
Major shareholder and their affiliates with significant influence:		
Customers’ deposits	16,184,161	23,803,223
Financing and advances	27,181,114	21,787,032
Commitments and contingencies	8,290,117	3,523,236
Directors, key management personnel and other companies refer to note (38.1.1):		
Financing and advances	16,019,917	13,871,748
Customers’ deposits	1,561,480	3,882,451
Commitments and contingencies	1,123,671	1,283,071
End of service benefit	53,690	38,782
Bank’s mutual funds and employees’ post-employment benefit plan		
Customers’ deposits	426	348

(38.1.1) Directors, key management personnel and other companies :

The above table includes certain balances amounting to SAR 15.9 billion financing and advances pertaining to entities having common directorships or common key management personnel (in accordance with SAMA regulations).

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

	2023 SAR’000	2022 SAR’000
Major shareholder and their affiliates with significant influence:		
Special commission income	1,719,212	218,249
Special commission expense	1,822,436	302,717
Fees and commission income and expense, net	140,122	135,597
Directors, key management personnel and other Companies:		
Special commission income	1,688,805	385,878
Special commission expense	924,971	40,479
Fees and commission income and expense, net	584,366	66,397
End of service benefit obligation	27,850	15,703
Bank’s mutual funds:		
Special commission expense	147	23

(38.3) The total amount of compensation paid to directors and key management personnel during the year is as follows:

	2023 SAR’000	2022 SAR’000
Short-term employee benefits	78,900	51,534
Directors’ remuneration	17,645	16,840
Other long-term benefits	76,100	61,483
Share-based payments	24,930	20,959

The Bank’s Board of Directors includes the Board and Board related committees (Executive Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee). For Group’s senior executives compensation (see note 39).



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For the years ended 31 December 2023 and 2022

39. Group’s Staff Remuneration

The following table summarizes the Group’s employee categories defined in accordance with SAMA’s rules on remuneration practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended 31 December 2023 and 2022, and the forms of such payments:

Categories of employees	2023			2022		
	Number of employees	Fixed compensation (on accrual basis) SAR '000	Variable compensation (on cash basis) SAR '000	Number of employees	Fixed compensation (on accrual basis) SAR '000	Variable compensation (on cash basis) SAR '000
Senior Executives	21	37,587	135,643	20	44,642	84,729
Employees engaged in risk taking activities	881	409,743	263,678	843	390,477	272,000
Employees engaged in control functions	742	269,569	95,111	696	262,113	101,455
Other employees	6,953	1,405,296	297,976	7,281	1,495,696	299,379
Other employee related benefits	-	637,400	-	-	477,326	-
Subsidiaries	7,487	992,934	345,415	7,066	721,411	266,444
Group total	16,084	3,752,529	1,137,823	15,906	3,391,665	1,024,007

All forms of payment for fixed and variable compensation are either in cash or shares in SNB.

The Bank’s Senior Executives are those persons, including an executive director, having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including senior management positions whose appointment requires SAMA’s non-objection.

Employees engaged in risk taking activities comprise those officers of the business sectors of Retail and Wholesale banking, who are the key drivers in undertaking business transactions, and managing related business risks.

Employees engaged in control functions include employees in Risk Management, Internal Audit, Compliance, Finance and Legal divisions and roles in other business sectors who are involved in control activities.

The Group’s variable compensation recognised as expense under salaries and other employee-related expenses in the consolidated statement of income for 2023 is SAR 909 million (2022: SAR 919 million).

40. Capital Adequacy

Capital adequacy ratio

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years’ period comprising 2021 and 2022 effective from 31 March 2021 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

The impact of these revised transitional arrangements to the Group’s Tier 1 and Tier 1 + 2 ratio have been an improvement of 12 bps for the year ended December 31, 2023.

The Bank monitors the adequacy of its capital using ratios established by SAMA and is in compliance. These ratios measure capital adequacy by comparing the Bank’s eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

The current period numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from 01 January 2023, while the prior period is based on Basel III regulations.

The following table summarizes the Bank’s Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	2023 SAR '000	2022 SAR '000
Risk Weighted Assets		
Credit risk	646,191,640	619,906,133
Operational risk	37,283,015	61,288,606
Market risk	20,381,430	14,887,480
Total Pillar-1 - risk weighted assets	703,856,085	696,082,219
Common Equity Tier 1 Capital (CET1)	121,992,919	111,851,304
Core capital (Tier 1)	136,385,218	127,338,804
Supplementary capital (Tier 2)	5,351,740	5,212,922
Core and supplementary capital (Tier 1 and Tier 2)	141,736,958	132,551,726
Capital Adequacy Ratio (Pillar 1):-		
Common Equity Tier 1 Capital (CET1) ratio	17.3%	16.1%
Core capital (Tier 1 ratio)	19.4%	18.3%
Core and supplementary capital (Tier 1 and Tier 2 ratios)	20.1%	19.0%

Tier 1 capital of the Group comprises share capital, statutory reserve, other reserves, proposed dividend, retained earnings, Tier 1 eligible debt securities, foreign currency translation reserve and non-controlling interests less treasury shares, goodwill, intangible assets and other prescribed deductions. Tier 2 capital comprises of prescribed amounts of eligible portfolio (collective) provisions less prescribed deductions.

The Group uses the Standardized approach of Basel IV to calculate the Risk-Weighted Assets and required regulatory capital for Pillar -1 (including Credit Risk, Market Risk and Operational Risk). The Group’s Risk Management is responsible for ensuring that minimum required Regulatory Capital calculated is compliant with Basel IV requirements. Quarterly prudential returns are submitted to SAMA showing the Capital Adequacy Ratio.

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41. Group’s Interest in other Entites

(41.1) Material partly-owned subsidiaries

(a) Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which TFKB operate. The supervisory frameworks require TFKB to keep certain levels of regulatory capital and liquid assets, limits its exposure to other parts of the Group and comply with other ratios. The carrying amounts of TFKB’s assets and liabilities are SAR 28,801 million and SAR 26,808 million, respectively (2022: SAR 28,938 million and SAR 26,739 million, respectively).

(b) Non-controlling interests in subsidiaries

The following table summarises the information relating to the Group’s subsidiary (TFKB) that has material non-controlling interests (NCI).

	2023 SAR '000	2022 SAR '000
Summarised statement of financial position		
Financing and advances, net	14,948,930	15,416,541
Other assets	13,851,873	13,521,664
Liabilities	26,808,049	26,739,373
Net assets	1,992,754	2,198,832
Carrying amount of NCI	657,011	724,955
Summarised statement of income		
Total operating income	2,848,877	2,380,454
Net income	291,631	450,935
Total comprehensive income/(loss)	(1,077,040)	112,050
Total comprehensive income/(loss) attributable to NCI	(355,100)	36,943
Summarised cash flow statement		
Net cash from/(used in) operating activities	2,971,540	(339,773)
Net cash from/(used in) investing activities	(1,121,717)	(498,814)
Net cash from/(used in) financing activities	(64,508)	(82,723)
Net increase/(decrease) in cash and cash equivalents	1,785,315	(921,310)

(41.2) Involvement with unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Hedge funds	To generate returns from trading in the units/shares of the fund and/or via distributions made by the fund. These funds are financed through the issue of units/shares to investors.	• Investments in units issued by the funds.
Private equity funds	To generate returns from long-term capital appreciation in the net worth of the fund, realised via periodic distributions and eventual exit at the end of the life of the fund. These funds are financed through the issue of units/ shares to investors.	• Investments in units/ shares issued by the funds.

The table below sets out an analysis of the carrying amounts of interest held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held.

	2023 SAR '000	2022 SAR '000
Hedge funds	383,906	372,799
Private equity funds	307	19,845
Total	384,213	392,644

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. At 31 December 2023 and 2022, the Group holds an interest in all structured entities it has sponsored.

42. Goodwill and other Intangibles

(42.1) Intangibles amounts arising from business combination

	2023 SAR '000	2022 SAR '000
Goodwill	34,006,782	34,006,782
Other intangibles	6,562,248	7,382,528
Total	40,569,030	41,389,310

2023	SAR '000 Other Intangible			Total
	Goodwill	Core Deposit Intangible	Customer relationships, brand, and trademark	
Cost:				
As at 1 January 2023	34,006,782	7,852,287	1,064,071	42,923,140
As at 31 December	34,006,782	7,852,287	1,064,071	42,923,140
Accumulated amortisation:				
As at 1 January 2023	-	1,249,227	284,603	1,533,830
Charge for the year	-	713,844	106,436	820,280
As at 31 December	-	1,963,071	391,039	2,354,110
Net book value:				
As at 31 December	34,006,782	5,889,216	673,032	40,569,030

2022	SAR '000 Other Intangible			Total
	Goodwill	Core Deposit Intangible	Customer relationships, brand, and trademark	
Cost:				
As at 1 January 2022	34,006,782	7,852,287	1,064,071	42,923,140
As at 31 December	34,006,782	7,852,287	1,064,071	42,923,140
Accumulated amortisation:				
As at 1 January 2022	-	535,383	153,582	688,965
Charge for the year	-	713,844	131,021	844,865
As at 31 December	-	1,249,227	284,603	1,533,830
Net book value:				
As at 31 December	34,006,782	6,603,060	779,468	41,389,310

(42.2) Impairment testing of goodwill

In accordance with the requirements of International Accounting Standard Impairment of Assets (IAS 36), the Bank has performed an annual impairment test as at 31 December 2023 in respect of the goodwill arising as a result of acquisition of Samba Financial Group.

Goodwill is allocated to cash-generating units (“CGU’s”), which represent the lowest level within the Group at which goodwill is monitored by management and which are not larger than a segment. The four CGUs identified are consistent with the operating segments of Banks determined in accordance with IFRS 8 “Operating Segments”. The goodwill allocated is as follows:

	Goodwill allocated SAR '000
Cash Generating Unit	
Retail	25,647,455
Wholesale	8,359,327
	34,006,782

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42. Goodwill and other Intangibles (continued)

(42.2) Impairment testing of goodwill (continued)

No goodwill was allocated to Capital and International CGU's.

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The carrying amount of CGU is derived using a capital allocation model where the Group's core equity capital is allocated to the CGUs. The Group determines the recoverable amounts of its CGUs on the basis of value in use and employs a Discounted Cash Flow model, which reflects the specifics of the banking business and its regulatory environment.

The model calculates the present value of the estimated future earnings that are distributable to shareholders after fulfilling the respective regulatory capital requirements.

The DCF model uses earnings projections and respective capitalisation assumptions based on five-year financial plans approved by the Board of directors of the bank, which are discounted to their present value. Estimating future earnings and capital requirements involves judgement and the consideration of past and current performances as well as expected developments in the respective markets, and in the overall macroeconomic and regulatory environments.

Key inputs for VIU calculation and impairment testing

The VIU used projected cash flows in perpetuity through a five-year forward period of projections, and thereafter applying a (long-term) terminal growth rate.

Assumptions used for value-in-use calculations under CGUs to which the recoverable amount is most sensitive were:

(a) Growth rates

The long term growth rate 4.5% (2022: 4.5%) has been based on estimates provided by macro economic research and analyst reports. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

(b) Discount rates

Discount rates reflect management's estimate of Return on Capital Employed ("ROCE") required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Cost of Equity ("CoE") 11.00% (2022: 11.00%).

(c) Projected GDP and local inflation rates

Assumptions are based on published industry research.

43. Investment Management Services

The Bank offers investment management services to its customers through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors, with assets under management totaling of SAR 264,216 million (2022: SAR 248,495 million).

44. Real Estate Development Fund (REDF)

During the year, the Real Estate Development Fund (REDF) launched a new programme in line with their mandate to facilitate home ownership by eligible Saudi citizens in the Kingdom of Saudi Arabia. The Bank signed an agreement with REDF to become a party to this programme in September 2023, and received an advance payment of SAR 1,000 million for executing a fixed number of discounted real estate financing contracts. In accordance with the requirements of IFRS 9, the programme will result in a fair value loss being booked on origination of these mortgage facilities on day one due to the below-market profit rate. The Bank's management has determined that the amount received from REDF qualifies as a government grant under IAS 20, which will be recognized as income on a systematic basis.

45. Comparative Figures

Certain insignificant prior period figures have been reclassified to conform to current period presentation.

46. Board of Directors' Approval

The consolidated financial statements were approved by the Board of Directors on 05 February 2024, corresponding to 24 Rajab 1445H.

  
Ahmed A. Aldhabi  
Group Chief Financial Officer

  
Talal A. Alkhereiji  
Acting Chief Executive Officer

  
Saeed M. Al-Ghamdi  
Chairman