SNB

Let's shape tomorrow

Annual Report 2022

Contents

بسم الله الرحمن الرحيم

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

Balance sheet expansion driven by higher retail residential financing and wholesale lending

SAR 18.6 bn

SNB delivers a spectacular financial performance to generate net income of SAR 18.6 billion in 2022, a 47% increase over 2021.

SAR 7,613 mn

Dividends amounting to SAR 7,613 million for the year represent a pay-out of 42% of reported earnings.

SAR 945.5 bn

SNB maintains its position as the largest bank in Saudi Arabia with assets of more than SAR 945 billion.

SAR 1,164 mn

Cost synergies from the merger amount to SAR 1,164 million by year end.

21%

Sustained mortgage growth of 21% helps retail financing to grow by 12% during 2022.

92%

New-to-bank retail accounts using SNB's digital channels account for 92% of all new accounts.

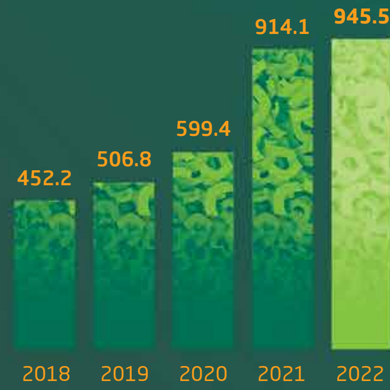
99.3%

SNB's Saudization rate reaches 99.3%, with women now accounting for 13.4% of the workforce and 10.5% of executive staff.

27%

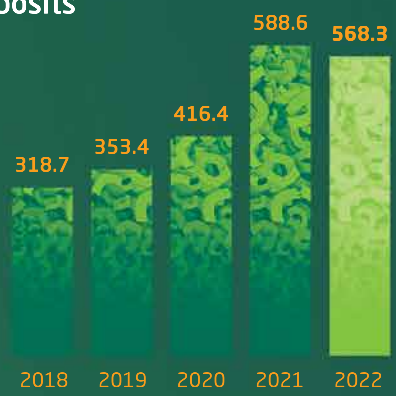
In 2022, the Bank's community investment rises 27%, illustrating SNB's commitment to support the people of our nation to prosper.

Total assets
SAR bn

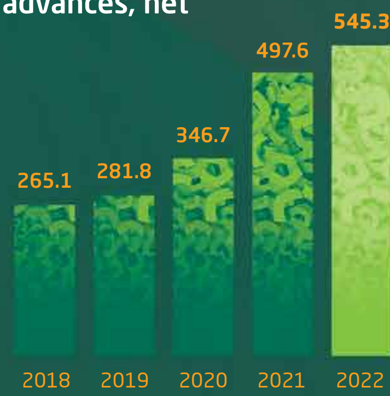


Net income after zakat & tax attributable to equity holders of the Bank
SAR bn

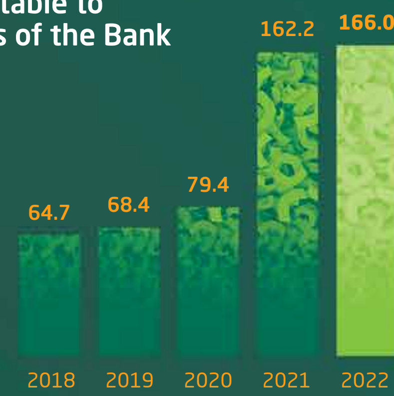
Customers' deposits
SAR bn



Financing and advances, net
SAR bn



Equity attributable to equity holders of the Bank
SAR bn



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

Healthy growth, record profitability, and merger benefits realized ahead of time

Saudi National Bank set out to maximize the many strategic benefits of the merger between NCB and Samba throughout 2022, and to consolidate its position as the Kingdom's national champion of banking. On behalf of the Board of Directors, I am pleased to present SNB's Annual Report for the year ending 31 December 2022, the first full year following our merger.

Saudi Arabia became the world's fastest-growing major economy in 2022, which was driven by a recovery in oil production, oil prices, and non-oil activities. Much of this dynamic growth can be attributed to the success of Saudi Vision 2030 and the achievement of many key economic objectives – essential to the sustainable diversification of the Kingdom's economy in the long term.

Against this supportive economic backdrop, SNB achieved and even exceeded expectations in many of its 2022 goals following the successful conclusion of the merger formalities in record time and within budget.

The strength of the Bank's historic relationships, for example, and the sheer scale of our new institution were instrumental in attracting new business and generating organic growth. We accelerated our digital and innovation capabilities and a new human capital program reflected our status as a major national employer.

At the same time, we remained focused on funding, careful cost management and asset quality. SNB Group's financial results featured strong and record profitability. This was achieved in the context of a booming national economy with GDP growth of 8.5%, but in a challenging setting of rising interest rates, which we successfully navigated.

In 2022, SNB achieved net income of SAR 18.6 billion. Total assets rose to SAR 945.5 billion as of 31 December 2022, and earnings per share reached SAR 4.06. The Bank also retained its strong and stable credit ratings.

Saudization grew during 2022, with nationals representing 99.3% of our total workforce, of which 13.4% are women. This is testament to SNB's commitment to employ and empower women at all levels of the organization.

In addition to our female empowerment initiatives, SNB's wide-ranging Ahalina corporate responsibility programs encourage entrepreneurship, support development projects, home ownership and philanthropic ventures for the disadvantaged, and contribute to the national economy and goals of Saudi Vision 2030.

SNB's leadership as a responsible financial institution is exemplified by our demanding standards of governance, our dedication to safeguarding the communities in which we operate, our philanthropy, and our determination to minimize our environmental impacts. We are proud of our track record as a reliable corporate citizen and our close association with projects that support the common good. The merger gives us further scope to grow our community footprint within our corporate responsibility objectives.

As the new, enlarged financial institution that is SNB, we can look forward with confidence to the next few years and will be ready for the new opportunities upon which we can capitalize to further our objectives.

On behalf of the Board of Directors, I offer my deepest 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 also express our 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, I want to thank the Bank's valued customers, partners and shareholders for their trust and support, along with all SNB employees who work tirelessly to maintain our leadership in the Saudi banking sector.

Ammar Abdulwahid Alkhudairy
Chairman

Residential financing drives spectacular revenue growth

Our strategy for 2022 focused on realizing the benefits of our successful merger and unlocking the opportunities arising from the creation of SNB. The result was a spectacular financial performance and record profitability against the backdrop of a robust Saudi economy.

A notable feature of the Group's performance in 2022 was the across-the-board contribution from all key business lines. The significant increase was fueled by the growth in retail residential finance.

The Bank's focus on growing income, our disciplined approach to cost management, and ongoing efforts to improve operational efficiency translated into a 47% increase in net income to SAR 18.6 billion, up from SAR 12.7 billion in 2021. Total assets were 3% higher, at SAR 945.5 billion as of 31 December 2022.

Retail Banking achieved strong results with significant financing growth, generating net income before zakat and income tax of SAR 7.6 billion, compared to SAR 5.4 billion in 2021, and total operating income of SAR 14.6 billion, compared to SAR 12.5 billion in 2021. A particular highlight was the performance of residential finance, an important area of focus for the Bank that aligns with the Saudi Vision 2030 ambition of increasing home ownership.

Our Wholesale Banking business – the largest in the Kingdom – also performed well, with a return on assets of 2.2%, compared to 1.7% in 2021. Net special commission income and fee income from banking services, as well as efficient risk and cost management, contributed to this growth.

SNB has earned a reputation as the Kingdom's most advanced digital bank. It is pleasing to report that a series of bold initiatives during the year supported our leadership in this area. Digital penetration reached 83% of the retail client base, and digital transaction migration reached 99%. Customers now have access to a wide range of digital sales and services, increasing the speed and convenience by which they can transact whenever they please and wherever they are.

The Bank also continued to invest in its core digital infrastructure. The new SNB Data Center was awarded the Tier IV Gold Certification of Operational Sustainability, ensuring it can meet ambitious digital objectives now and in the future.

Staff training and development have long been a central pillar of the Bank's strategy. In 2022, we conducted more than 60 unique training programs and workshops in our academy, delivering more than 600 sessions. The Bank's recruitment and talent development initiatives – such as the SNB Rowad graduate development program – serve to foster the skills and competencies needed by today's talent to become the next generation of SNB leaders.

We can look back on 2022 with satisfaction, having delivered on our promise to unlock the benefits arising from the merger and create substantial value for our stakeholders. We did so while remaining true to the other cornerstones of our strategy, namely to grow financing and our profitability, maintain our cost and risk discipline, accelerate our digital convergence, and develop our human capital.

The year ahead will bring fresh challenges. However, our commitment to delivering exceptional customer service, creating a safe and supportive working environment for our staff, meeting our regulatory obligations, and being a good corporate citizen will not diminish.

I thank the Board of Directors for their counsel and support throughout the year, SNB's talented staff for their unswerving dedication to delivering on the Bank's objectives, and our valued customers for their loyalty.

Saeed Mohammed AlGhamdi
Managing Director and Group Chief Executive Officer

Board of Directors

Ammar Abdulwahid Alkhudairy
Chairman of the Board
Non-executive - Representative of Public Investment Fund (PIF)
Chairman of the 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

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

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

Saeed Mohammed Alghamdi
Managing Director and Group Chief Executive Officer
Member of the Risk Committee
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

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

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

Zaid Abdulrahman Algwaiz
Board Member
Independent
Chairman of the Risk Committee
Member of the Nomination and Remuneration Committee

Abdullah Abdulrahman Alrowais
Board Member
Independent
Chairman of the Audit Committee

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

Executive Management

Saeed Mohammed Al Ghamdi
Managing Director/Group CEO

Talal Ahmed Alkhereiji
Chief Executive Officer Wholesale

Naif Sufouk Al-Marshed
Group Chief Risk Officer

Mutlaq Salim Al Anezi
Group Chief Human Resources Officer

Ahmad Ali Aldhabi
Group Chief Financial Officer

Saleh Mohammed Saleh
Group Chief Technology and Digital Officer

Waleed Hassan Abdulshakoor
Group Chief Legal Officer

Saud Abdulaziz Bajbair
Head, Retail Business Group

Sara Abdullateef Nugali
Group Chief Operating Officer

Fuad Abdullah Alharbi
Group Chief Compliance Officer

Abdulaziz Mohammed Al-Shushan
Group Chief Audit Officer

Key Themes of 2022

Unlocking Maximum Value from our Merger

The merger between NCB and Samba realized synergies and cost benefits that exceeded our expectations and had a significant and positive impact on our business operations in 2022.

The many strategic opportunities presented by our merger quickly translated into tangible benefits. These included greater cross-selling, economies of scale in capital allocation and asset gathering, the sharing of best practice among teams in both the front and back offices, and accelerated digital automation.

Operationally, we capitalized on the organic growth of our retail customer base to deliver a strong performance. We also benefited from additional corporate and investment business as a direct outcome of the merger.

Final cost synergies are likely to amount to SAR 1.4 billion by the end of 2023. The cost of integrating the two institutions – SAR 940 million – is well below our original budget of SAR 1.1 billion.

Our merger has resulted in a significantly larger and more diverse institution with the scale and ambition to achieve not only greater penetration of attractive and profitable segments, but also an even stronger reputation as the Kingdom's national banking champion and one of the most important financial powerhouses in the region.

SNB has delivered on all the expected benefits of the merger, creating an even stronger profile and position to achieve further business wins.

In exceeding the original predictions for synergies – and given how quickly our merger was implemented – it delivered more than the sum of its parts and can be hailed as an outstanding success.

SAR 1.4 bn

Final cost synergies from the 2021 merger are likely to amount to SAR 1.4 billion by the end of 2023.

SNB has delivered on all the expected benefits of the merger, creating an even stronger profile and position to achieve further business wins.

SNB is the bank of choice for funding the Kingdom's exciting giga projects. In 2022 we led a syndicated financing for The Red Sea Development Company, which is developing the world's most ambitious regenerative tourism project.

Driving Forward with Vision 2030

SNB is already engaged in meeting many of the central objectives of the Kingdom's far-reaching Vision 2030 blueprint, such as increasing home ownership, helping Saudi companies address global markets, supporting micro, small and medium enterprises (MSMEs), and financing Saudi Arabia's visionary giga projects.

In response to the call for 70% of Saudi families to own their homes by 2030, SNB has simplified the home loan process with its highly popular residential finance offerings, refining the mortgage process and offering a competitive product range to make the customer experience as swift and seamless as possible.

Our eTrade platform has become a major enabler of business and trade for smaller businesses keen to access global markets – another opportunity highlighted in Saudi Vision 2030.

Among MSMEs, eTrade is now used by 37% of the client base, compared to 23% in 2021.

In a similar way, we are committed to actively supporting MSMEs, a segment that is central to the Kingdom's growth and development aspirations. In partnership with the new SME Bank, SNB is addressing many of the issues MSMEs face, such as access to funding and tailored banking services.

Lastly, SNB is the bank of choice for funding the Kingdom's exciting giga projects. In 2022 we led a syndicated financing for The Red Sea Development Company, which is developing the world's most ambitious regenerative tourism project. Vision 2030 articulates how access to funding for these landmark projects, along with other major infrastructure initiatives, is essential for diversifying the Saudi economy into growth areas such as tourism.

The Digital Banking Innovator

74%

Wholesale Banking clients are enthusiastically adopting digital, to the point where 74% of Corporate and MSME clients now transact digitally.

Digital capability is the new frontier in banking as technically savvy customers demand solutions that make managing their finances simpler and more accessible.

SNB's corporate strategy has at its core the delivery of cutting-edge digital services that benefit our customers through speed, efficiency and accuracy. We refine and enhance these services using data analytics to enhance the customer's experience.

The Bank's investment in this key area and the acceleration of our digital capabilities in recent years have positioned SNB as a regional leader in digital financial services, geared to serving a younger, growing and digitally sophisticated client base.

SNB further expanded its digital capabilities in 2022 with the launch of several successful initiatives, resulting in a digital transaction migration rate of 99% and 83% digital penetration for the entire Retail customer base.

Some 92% of new personal accounts were opened using end-to-end, straight-through processing over the Bank's digital channels. Moreover, our eight million Retail customers conducted more than 50 million digital transactions in 2022.

The picture in Wholesale Banking is broadly similar, as clients with more complex needs enthusiastically adopt digital to the point where 74% of Corporate and MSME clients now transact digitally.

Although we are witnessing spectacular take-up of SNB's digital services, the role of the branch and its place in Saudi banking remains critical, particularly in the residential and personal financing areas.

SNB's eight million Retail customers conducted more than 50 million digital transactions in 2022.

Review of the Saudi Economy


SNB

The Kingdom's efforts to accelerate the diversification of its economic base, in line with the ambitions of Saudi Vision 2030, will help to spur non-oil activities by 4.8% in 2023.

Provisional full-year GDP data for 2022 indicates that the Saudi economy registered real GDP growth of 8.7% year-on-year (versus 3.9% in 2021), which was the highest among the G20 countries. This significant improvement was driven by growth in oil-related activities (up 15.4% year-on-year) and, to a lesser extent, by non-oil activities (up 5.4%).

Looking forward to 2023, we expect the Saudi economy to continue showing robust growth of 2.1% (chart 1). Bearing in mind that 'oil activities' GDP will be determined by Saudi Arabia's commitment to a recent OPEC+ agreement, growth will likely be driven by the non-oil economy.

The Kingdom's efforts to accelerate the diversification of its economic base, in line with the ambitions of Saudi Vision 2030, will help to spur non-oil activities by 4.8% in 2023. Further expansion in domestic entertainment and leisure events, and a rise in the number of inbound tourist visits – buoyed by a recent decision to remove all COVID-19 restrictions for the 2023 Hajj season – will help to sustain growth in wholesale and retail, restaurants and hotels, transportation, storage and communication.

The immense size and scale of the Public Investment Fund (PIF) and government projects currently under development should boost the construction sector. Additionally, expansion of the Kingdom's industrial base through the continued rollout of initiatives under the National Industrial Development and Logistic Program (NIDLP) – such as the 'Saudi Made' and 'Stimulating Local Industry' initiatives – together with financial initiatives and support from the Saudi Industrial Development Fund (SIDF), will help to spur growth in the non-oil manufacturing sector (chart 2).

As a result of the Kingdom's commitment to the OPEC+ agreement, crude oil output averaged 10.6 million barrels per day (MMBD) in 2022, 16% higher than 2021. This resulted in oil related GDP jumping 15.4% year-on-year in 2022. Crude oil refining, the other component of this GDP category, is also expected to show strong growth, having trended 9% higher in the year to November 2022.

Following the 33rd OPEC and non-OPEC Ministerial Meeting in October 2022, OPEC+ as a whole agreed to moderate overall oil production by 2 MMBD from November 2022 to December 2023, with Saudi Arabia's voluntary adjustment amounting to an output of 10.5 MMBD over the same period. Assuming the current agreement remains unchanged to the end of 2023, Saudi crude oil production should decline by about 1% year-on-year, resulting in a similar decline in oil related GDP.

Inflation Largely Contained

In 2022, inflation hit multi-year highs in many parts of the world and the consensus is that it will remain elevated in the near term. By contrast, Saudi Arabia has seen a moderate level vis-à-vis international peers, with inflation averaging 2.5% in 2022, down from 3.1% in 2021, among the lowest in the G20.

Inflation was relatively low in the Kingdom due to several factors: the rising strength of the trade-weighted US dollar (up 8% in 2022) which helped contain the cost of imported goods; price caps on certain products, such as gasoline; and a steady supply of local labor (with a net addition of 231,000 Saudi workers in the private sector in the year to Q3 2022) which helped to prevent the labor tightness and wage inflation seen in many parts of Europe and the US.

Looking ahead, exogenous factors contributing to domestic inflationary pressures are receding. International food prices have begun to trend downward since Q3 2022, reducing pressures on the domestic food and beverages segment. In addition, global shipping costs have fallen dramatically over the last year. In line with the generally observed deflationary trend, wholesale prices have also decreased. Overall – despite the rental housing segment's increases for most of the year – inflation should trend lower on a year-to-year basis, to an average of 2.3% in 2023 (chart 3).

Chart 1: Saudi Arabia Real Gross Domestic Product
(% Year-on-Year Change)

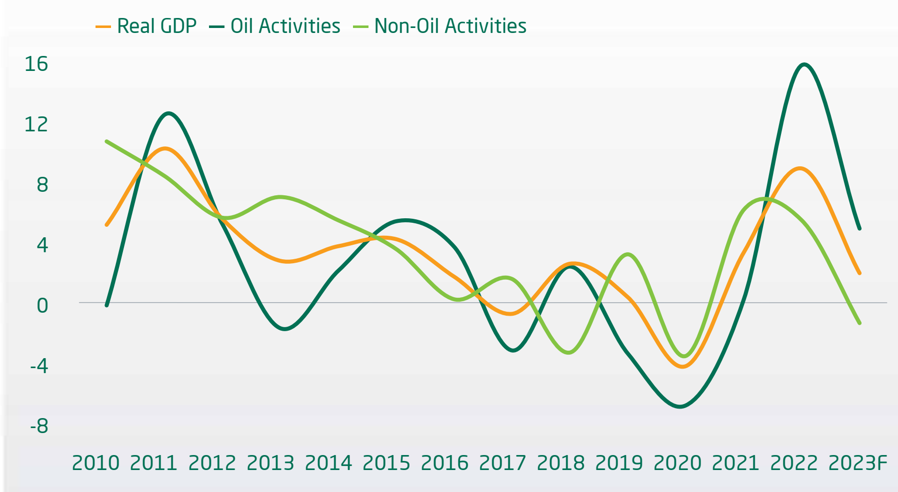


Chart 2: Manufacturing Industrial Production Index
(% Year-on-Year Change)

Export and Import Trends

In line with higher oil prices and crude output, Saudi Arabia's oil exports rose 67% in the year to November 2022, versus the same period last year. At the same time, improved international prices for petrochemicals, plastics and metals helped to boost non-oil exports by 18% year-on-year.

However, the rise in international prices of these items also contributed to pushing the Kingdom's import bill up by 23% year-on-year. Overall, the Kingdom's trade balance was 92% higher at USD 210 billion in the year to November 2022, compared to USD 110 billion for the same period in 2021.

Looking ahead, as a result of projected lower Brent oil prices (USD 90 per barrel) and Saudi crude oil output in line with OPEC+ commitments, the value of oil exports is expected to decline.

A slowdown in global trade is also expected to present a more challenging year ahead for the Kingdom's non-oil exports, with global economic growth and trade expected to slow in all major economies. The World Bank expects global trade growth to decelerate to 1.6% in 2023 (versus 4% in 2022), while the World Trade Organization (WTO) projects global trade volumes will slow to 1%, versus 3.5% in 2022.

Meanwhile, yearly declines in the value of exports are not expected to be mirrored in imports. In parallel with the improving domestic non-oil economy, they will likely hit record levels. Despite this, the Kingdom is expected to continue recording a positive trade balance in 2023. This will help to sustain a sizable current account surplus, albeit slightly lower on a yearly basis, at 9.1% of GDP in 2023 compared to an expected 12.6% of GDP in 2022 (chart 4).

Financial Services

In 2022, bank lending to the private sector grew by 14% year-on-year, to SAR 2.35 trillion at the end of 2022. Looking at the breakdown by sector, personal finance rose by 14% (SAR 142 billion) while corporate lending was also up 14% (SAR 147 billion). Within the corporate segment, the highest annual rises were in real estate (up 32% year-on-year), mining (up 22%) and finance (up 22%).

In 2022, cumulative gross mortgage originations, provided by banks and finance companies, rose 27% year-on-year to a total of SAR 587 billion.

Looking ahead, continued government support for lower income groups - such as the provision of interest rate subsidies via the Real Estate Development Fund - to raise home ownership levels to 70% by 2030 will help to sustain momentum in mortgage lending in the year ahead.

Chart 3: Saudi Arabia Inflation
(% Year-on-Year)

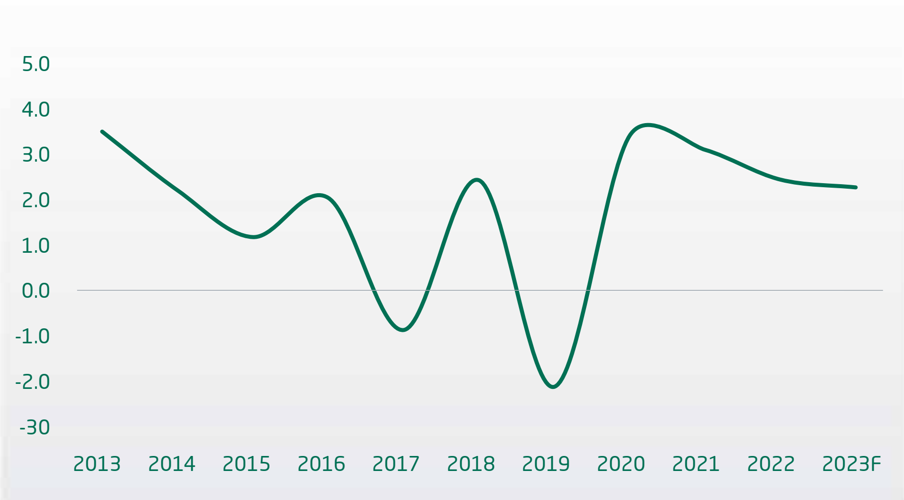
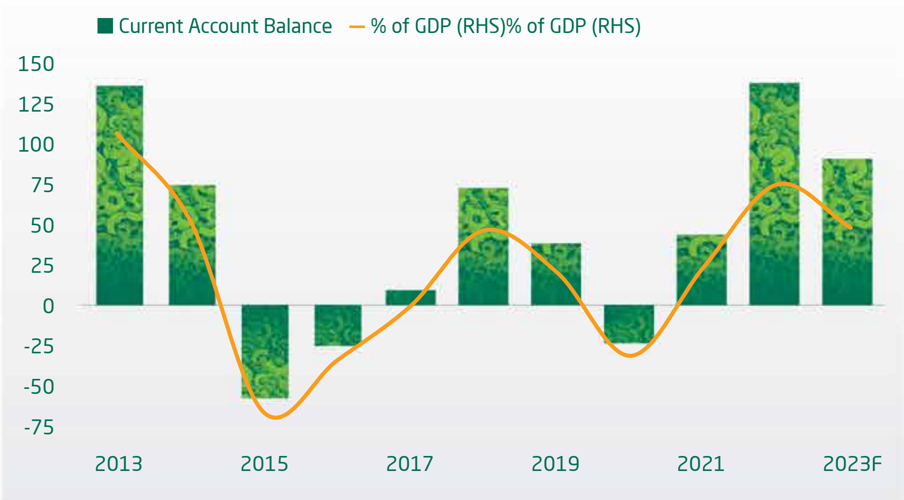


Chart 4: Saudi Arabia Current Account



However, growth in the non-subsidized mortgage segment is likely to face headwinds. Specifically, the prevalence of multi-year high domestic lending rates and the recent upward trend in residential real estate prices in the three main cities is likely to result in softening mortgage demand.

Separately, the combination of more considered utilization of credit products and banks offering more convenient and easy-to-open savings accounts are likely to result in higher time and savings deposits, at the expense of some consumer discretionary spending that will negatively impact the personal finance segment. That said, strong growth in non-oil activities and the continued progress of several giga projects, should support corporate credit growth.

Public Debt

By the end of 2022, total public debt stood at SAR 990 billion – equivalent to 25% of GDP – representing a SAR 52 billion rise year-on-year. This included SAR 48 billion of pre-funding for 2023 maturities and a SAR 4 billion drawdown from the Government Alternative Funding account.

Looking ahead, according to the National Debt Management Center (NDMC), another SAR 45 billion in funding will be needed in 2023, which would imply a principal repayment of SAR 84 billion for sovereign debt to reach SAR 951 billion by year-end, as per the NDMC's 2023 annual borrowing plan.

Beyond this, while the stock of government debt is expected to rise marginally to SAR 962 billion by the end of 2025, a faster expansion in economic growth over the same period will see debt-to-GDP fall to 22.6% by the middle of the decade.

Despite our continued confidence in the performance of the Saudi economy, global economic developments – especially the trajectories of the US and Chinese economies and the potential for lower oil prices – stand out as exogenous risks to our forecast for the economy. In addition, uncertainty over global financing conditions, especially in relation to future US interest rate hikes, and the associated implications for the domestic cost of borrowing, also represent a prominent risk to the economy over the year ahead.

While the stock of government debt is expected to rise marginally by the end of 2025, a faster expansion in economic growth will see debt-to-GDP fall to 22.6% by the middle of the decade.

Business Review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SNB

To build upon the successful merger and integration of NCB and Samba of 2021 - the largest and fastest merger witnessed in the region - in 2022 the Saudi National Bank (SNB) shifted its focus to maximizing the benefits of the merger.

Specifically, this involved realizing merger synergy benefits and driving the Bank's ambitious business objectives forward. This shift in focus has resulted in record profitability, healthy growth through balance sheet expansion, and merger benefits realized ahead of time and above target.

Balance sheet expansion was driven by higher financing - up 10% to SAR 545.3 billion - and a strong performance in all key business lines. Further expansion of residential financing in Retail and healthy growth in Wholesale financing and investments drove this increase.

This solid growth in financing, coupled with improved net special commission margins, drove operating income 8% higher to SAR 32 billion on a pro-forma basis. This income growth, disciplined cost management, and improved operational efficiency translated to a 26% increase in pro-forma net income to reach SAR 18.5 billion from SAR 14.7 billion in 2021.

On the merger front, SNB exceeded expectations by accelerating the realization of synergies. Originally, cost synergies were expected to be SAR 800 million by 2023, subsequently rising to SAR 1.2 billion. As of the fourth quarter of 2022, this expectation was revised: cost synergies are now expected to rise to SAR 1.4 billion on an annualized basis by 2023. At the end of 2022, cost synergies of SAR 1.164 billion had already been achieved, representing 83% of the upward revised SAR 1.4 billion target.

At the end of 2022, cost synergies of SAR 1.164 billion from the merger had already been achieved.

The successful integration of NCB and Samba's customer bases was not only done in record time and below integration cost estimates, but it also brought increased scale to SNB and delivered additional cross-sell opportunities.

In 2022, SNB's performance was achieved thanks to supportive macroeconomic conditions that saw GDP grow by 8.5%. This favorable backdrop was tempered by an environment of rising rates, with three-month SAIBOR rates increasing from 0.8% on average in 2021 to 3.1% on average in 2022, representing a four-fold increase and a significant challenge that SNB successfully navigated in 2022.

Group Strategy Review

The creation of SNB saw the establishment of a true national champion and regional financial powerhouse. Our strategy for 2022 focused on realizing the benefits of the merger and unlocking opportunities arising from Saudi Arabia's Vision 2030. This comprised of leveraging our leading market position and strong client relationships in order to capture attractive business opportunities and foster growth, accelerating our digital and innovation capabilities, and fostering our human capital agenda while maintaining our focus on funding, cost management, and asset quality.

The 2022 strategy is summarized in the following five pillars:

Grow Financing and Profitability

Net financing and advances grew by 10% year on year to SAR 545.3 billion from SAR 497.5 billion in 2021. Retail financing grew by 12% in 2022. This was due to strong performance in residential mortgage lending (up by 21%) and other retail financing (up by 6%). A solid contribution from the High-Net-Worth financing further enhanced other Retail Financing growth.

Wholesale financing grew 7% thanks to healthy underwriting activity which took place in line with the Bank's strategy and was bolstered by favorable domestic economic conditions.

Operating income for 2022 amounted to SAR 32 million, an increase of 8% since 2021. This was driven by balance sheet expansion and a higher net special commission income but was partly offset by lower fees and other income. This healthy income growth, in combination with improved operational efficiency and a lower cost of risk, saw net income increase by 26% on a pro-forma basis year on year to SAR 18.5 billion.

SNB's return on average tangible equity for 2022 was 16.5%, a solid improvement from 12.5% reported in 2021. Average return on tangible assets similarly increased to 2.1% from 1.7% in the previous year.

The record levels of profitability achieved during 2022, together with the Bank's solid levels of capitalization, allowed the Bank to propose dividends amounting to SAR 7,613 million for the year, representing a payout of 42% of reported earnings.

Unlock Merger Benefits

The merger of NCB and Samba in 2021 was a transformational moment for the Bank. However, for a merger to be deemed a success, it must deliver synergies and opportunities. SNB has delivered on all the anticipated benefits of the merger and exceeded originally anticipated synergies. This is a noteworthy achievement given the rapidity of execution. The resulting creation of the Saudi national champion bank directly led to the strong results seen in 2022.

At the end of 2022, SAR 1.164 billion of cost synergies were achieved compared with an originally targeted level of SAR 800 million. Subsequently, the Bank upgraded anticipated cost synergies twice, first to SAR 1.2 billion by 2023, and second, at the end of 2022, to SAR 1.4 billion by 2023. The achievement of SAR 1.164 billion level in 2022 puts SNB's realized cost synergies well above the SAR 800 million level and within close proximity to the initially revised SAR 1.2 billion level, nearly a full year ahead of schedule. The Bank is confident it will deliver SAR 1.4 billion in cost synergies on an annualized basis by the end of 2023.

Cost savings and operational synergies were achieved across a range of activities, including combining the talents of the two banks to optimize our human capital; efficiencies achieved through combining the technology stack of the two banks; and driving efficiencies from control and support functions such as risk, compliance, marketing, and operations. Overall, the combined bank delivers greater scale which has allowed for the realization of efficiency and savings.

Note: Unless otherwise noted as being on a reported basis, all Business Review income statement figures are presented on a pro-forma basis, whilst balance sheet metrics are shown on a reported basis. The pro-forma financial information was prepared to clarify the material effects that the merger (which came into effect on 1 April 2021) would have had on the consolidated historical statement of financial position if the Group had already existed in the structure created by the merger as of 1 January 2020 and on the consolidated historical income statement for the year ending 31 December 2021.

In terms of integration costs, SAR 841 million of the total targeted cash spend had been committed by the end of 2022, out of a revised total of SAR 940 million. The main source of integration costs arose from capital expenditures represented 63% of total, and comprising of IT stack optimization spend, data migration and rebranding costs. Operating expenditures related to integration costs included advisory, consulting services, marketing, and relocation.

The result of the merger is a bank with greater scale, greater penetration of attractive segments including mass, affluent, and corporate banking, as well as an enhanced presence across all business lines in the Kingdom. These results place SNB in an advantageous position for future potential mandates and business opportunities.

In this sense, the merger has delivered more than the sum of its parts: the enhanced set of opportunities presented is already reaping benefits, including greater cross-sales, economies of scale in capital allocation and asset gathering, and the sharing of best practice among teams in both among the front line and back office.

Maintain Cost and Risk Discipline

Maintaining cost discipline and a focus on operational efficiency were key strategic priorities for 2022, leading to a 9% improvement in pro-forma operating expenses year on year to SAR 8.9 billion. This decline in costs was seen bank-wide and was driven by strong synergy realization from the merger in addition to the Bank's ongoing cost optimization efforts.

This reduction in expenses, together with the 8% increase in operating income, resulted in a 500 basis point year-on-year improvement in the Group's cost-to-income ratio to 27.7% on a pro-forma basis. This sector-leading ratio resulted from a range of productivity improvements arising from the merger. These included branch optimization and further measures to implement our lean distribution strategy. The achievement of a 23% increase in automation levels means that SNB began 2023 with 73% of transactions being automated across all services and functions. This also delivered a reduction of 20% in turnaround times.

Another key focus area for the year was asset quality. SNB's prudent approach to risk resulted in a stable NPL ratio (excluding POCI) of 1.62% at the end of 2022, while the cost of risk improved 27 basis points year on year to reach 33 basis points on a pro-forma basis. The Bank continues to apply prudent risk management in the underwriting and management of credit risk, and has strong practices in place for credit remediation and collections.

Accelerate Digital Convergence

SNB serves a digitally active client base across all its businesses. The Bank's digital strategy is aimed at delivering cutting edge digital services to customers with speed, efficiency, and accuracy, while leveraging data analytics to continuously upgrade our offering.

Effective investment in the firm's digital strategy has transformed the Bank. SNB is now positioned as a regional digital leader through embedding digital transformation into its everyday operations while focusing on serving the constantly evolving customer needs.

The Bank's status as a leader in digital offerings is a key area of focus of SNB. In 2022, SNB invested in enriching and expanding its digital capabilities, resulting in a continued rise in clients' digital banking adoption including transactions, migration, and digital sales.

73%

The achievement of a 23% increase in automation levels means that SNB began 2023 with 73% of transactions being automated across all services and functions.

	2022	2021
Retail		
Digital user penetration (% of total retail base)	**83%**	81%
Digital financial transactions (% digital vs. branch)	**99.2%**	98.9%
Digital account opening (% of total accounts opened)	**92%**	88%
Digital sales (% retail digital sales)	**63%**	62%
Self-service (% card issuance)	**91%**	86%
Corporate		
Digital user penetration (% of total corporate base)	**82%**	65%
Digital user penetration (% of total SME base)	**73%**	64%
Digital user penetration (% of total Corp & SME base)	**74%**	73%
Digital financial transactions (% digital vs. branch)	**98%**	97%
Digital account opening (% of total accounts opened)	**72%**	69%
POS digital sales (% of total POS terminal sales)	**63%**	56%
POS market share (# transactions/value)	**21%/19%**	20%/22%

In retail, digital penetration reached 83% of the total client base. Digital transaction migration reached 99%, with multiple successful initiatives succeeding in increasing the availability of digital sales and services, and reducing the need for customers to perform transactions in branches. For example, the Aqar AlAhli Mobile App has enabled customers to apply for residential finance anytime and from anywhere, without the need to visit a branch.

Given the Bank's robust digital acquisition engine, 92% of all new-to-bank Retail accounts were opened end-to-end over SNB's digital channels. The release of a new retail mobile application was enthusiastically received by customers, as SNB Mobile has transformed banking processes. For example, new credit card applications are processed, approved, and made ready to use with just a few clicks.

In Wholesale Banking, 2022 continued the trend of clients' adoption of digital banking. Overall, some 74% of the Corporate and SME client base now transact digitally, with digital transaction migration reaching 98%, while 72% of new accounts were opened digitally.

The eTrade platform continued to be adopted by clients, registering a 44% increase in penetration in 2022. Among SMEs, eTrade is now used by 37% of the customer base compared with 23% in 2021. eTrade is a key enabler of business and trade, helping Saudi companies to address global markets: a central ambition of Saudi Vision 2030.

In corporate and micro, small and medium-sized enterprises (MSME) banking, point of sale (POS) penetration continues to grow, reaching a Saudi market share of 21% by volume. Increasingly, this channel is delivered entirely digitally, with 63% digital POS terminal sales in 2022 compared to 56% in 2021.

Foster Human Capital

SNB aspires be the employer of choice in the Saudi Arabian banking sector. In order to compete in the banking market, to deliver the best service levels to our clients, and to deliver growth and returns for our shareholders, we rely on the expertise, dedication, and diligence of our employees. SNB prides itself on the attractive and professional working environment it provides, along with the exciting career paths and structured professional development opportunities from which SNB's talented staff benefit.

To become an employer of choice relies upon the provision of an attractive and competitive working environment. SNB provides a competitive salary and benefits package, performance driven bonuses and incentives, and a career path built on merit.

But over and above these provisions, the Bank seeks to nurture and aid in the evolution of its human capital across the following areas:

Training and Development

Training and development have long been a core part of the SNB's strategy. Through its specialized academy, SNB has conducted more than 65 unique training programs and workshops, delivering more than 675 sessions, with more than 23,880 training days completed at an average of three training days per employee in 2022.

SNB Academy played a material role in managing regulatory risk in 2022. This was achieved primarily through the certification of 5,574 colleagues with mandatory professional certificates of the Saudi Central Bank.

SNB Rowad is the Bank's flagship graduate development program in partnership with Harvard and Kaplan, to attract and qualify young national talents and prepare future leaders of the banking sector. This specialist development program launched with three cohorts in 2022, providing a total of 66 trainees with over 8,000 training days.

Retention and Engagement

Employee retention and engagement is a key priority, and various programs and benefits have been developed to support this aim. These include rewards for performance initiatives, preferential employee loans, attractive medical and life insurance policies, and an enhanced employee savings scheme.

To measure our progress in employee engagement, we regularly conduct an employee engagement survey, where the results assist in defining our future action plans and priorities. In 2021, 82% of staff completed the survey.

Meritocracy and Performance Culture

SNB strives to provide a performance-driven culture, set within a meritocratic working environment. Our employees know that high-achieving performance will be rewarded, and that all colleagues are given the opportunity to excel. This explicitly cultural approach is supported by multiple communications and the provision of a toolkit that explains the respective responsibilities of managers and employees. In all performance review processes, employees are supported by the promotion of transparency and the clarity of expectations, values, and objectives.

Diversity and Inclusion

SNB believes in empowering women, and this is reflected in our employment statistics: 18.9% of new hires in 2022 were female, taking the total representation to 13.4% of the workforce and 10.5% of executive staff.

Saudization

In line with SNB's commitment to its national champion role, SNB continued to benefit from the talent and dedication of local Saudi talent. This strategy of Saudization meant that in 2022, Saudis represented 99.3% of the total workforce.

Financial Review

Balance Sheet

On a reported basis, the overall balance sheet grew by 3% during 2022 to SAR 945.5 billion from solid 10% growth in financing and a 6% increase in investments, partly offset by moderation in cash, SAMA, and interbank balances. Liabilities rose by 4% to fund total assets growth, largely from increased interbank funding as the funding strategy was optimized against a backdrop of rising rates.

Reported Balance Sheet Highlights

	2022 SAR billion	2021 SAR billion	Change %
Cash and balances with SAMA	**41.6**	52.2	-20%
Due from banks and financial Institutions	**16.5**	40.4	-59%
Investments	**258.3**	242.6	+6%
Financing and advances, net	**545.3**	497.6	+10%
Other assets	**83.8**	81.4	+3%
Total assets	**945.5**	914.1	+3%
Due to banks and other financial institutions	**150.9**	117.6	+28%
Customers' deposits	**568.3**	588.6	-3%
Debt securities issued	**13.0**	6.1	+112%
Other liabilities	**46.5**	39.1	+19%
Total liabilities	**778.7**	751.4	+4%
Equity attributable to shareholders of the Bank	**150.5**	150.0	+0%
Tier 1 Sukuk	**15.5**	12.2	+27%
Equity attributable to equity holders of the Bank	**165.9**	162.2	+2%
Non-controlling interests	**0.8**	0.6	+33%
Total equity	**166.8**	162.8	+2%
NPL ratio, excluding POCI	**1.62%**	1.61%	+1bps
NPL coverage ratio, excluding POCI	**127.0%**	135.3%	-830bps
Tier 1 ratio	**18.3%**	18.4%	-10bps
Capital adequacy ratio (CAR)	**19.0%**	19.2%	-20bps
Liquidity coverage ratio (LCR)	**278%**	230%	+4,800bps
Net stable funding ratio (NSFR)	**116%**	120%	-400bps
SAMA financing to customers' deposits ratio	**82.6%**	74.5%	+811bps

Financing and Advances

Net financing and advances grew by 10% year on year to SAR 545.3 billion due to solid growth in both Retail and Wholesale financing, which was partly offset by marginally lower international financing.

Retail financing grew by 12% in 2022 thanks to a sustained mortgage growth of 21% and other retail financing's growth by 6%.

Growth in Wholesale financing was driven by healthy underwriting activity in line with the Bank's strategy, and it was supported by favorable domestic economic conditions. This growth was partly offset by elevated levels of repayments and the Bank's focus on managing the portfolio for value. Financing to financial institutions saw a strong increase thanks to lucrative opportunities over the course of the year.

International financing was impacted by a 29% depreciation of the Turkish Lira, resulting in a 6% reduction in Saudi Riyal terms by SAR 1 billion. However, financing expanded to almost 34% in local currency terms.

The Turkish economy was designated as "hyperinflationary" in accordance with the applicable accounting standard IAS 29 in June 2022. This standard requires non-monetary assets and liabilities to be restated with conversion factors derived from the CPI. The full year 2022 impact on income attributable to equity holders as a result of implementation was SAR 323 million.

Investments

The Bank's investment portfolio increased by 6% in 2022 to SAR 258.3 billion, driven mainly by 3% growth in Saudi government securities, reflecting SNB's role as primary dealer and principal investor in these securities. The portfolio was further supplemented by growth in other fixed income issuances, mainly in developed countries, and a SAR 5 billion increase in the funds and equity category. The investment portfolio is built on high-quality securities, with over 83% being investment grade.

Customers' Deposits

Customers' deposits declined by 3% in 2022 to SAR 568.3 billion as of 31 December 2022. This was a result of some moderation in current and savings account balances (CASA), partly offset by growth in time and other deposits.

This shifting deposit mix was reflective of the rising rate environment and the transitory nature of some institutional deposits. Despite this, the overall funding mix remained extremely healthy with the CASA ratio reaching 75.3% at the end of the year.

Credit Quality

Non-performing financing (NPLs) rose 10% during 2022 to SAR 9.0 billion. This was the result of business-as-usual NPL formation as well as strong recent growth in the retail portfolio. Including purchased or originated credit-impaired financial assets (POCI) of SAR 3.0 billion, total credit impaired financing amounted to SAR 11.9 billion as of 31 December 2022. The NPL ratio excluding POCI stood at 1.62% at the end of 2022, which was stable compared with the previous year.

Capital

The tier 1 ratio stood at 18.3% as of 31 December 2022, while the capital adequacy ratio was 19.0%. These ratios modestly declined relative to 2021 year-end levels because healthy retained earnings generation and additional Tier 1 Sukuk issuance were partly offset by the negative movement in other comprehensive income caused by the rising interest rates, as well as dividend payments. The Bank's capital position remains strong and comfortably above regulatory minima.

Liquidity

The Bank enjoys a strong and stable position in terms of its liquidity. The net stable funding ratio was 116% at the end of 2022 compared with 120% at the previous year-end, while the liquidity coverage ratio improved to 278% in the fourth quarter of 2022 relative to 230% in the comparative quarter of last year. In addition, the SAMA mandated loans to deposit ratio stood at 82.6%, below the regulatory ceiling of 90%. The Bank's liquidity position remains robust, and at comfortable levels in relation to regulatory limits.

Income Statement

On a pro-forma basis, net income attributable to equity holders increased by 26% year on year to SAR 18.5 billion in 2022 due to 8% growth in total operating income in combination with improved operating efficiency and risk cost.

Operating Income

The operating income for 2022 amounted to SAR 32 billion, a growth of 8% relative to 2021. This was due to higher net special commission income which was partly offset by lower fee and other income.

Net special commission income rose by 12% year on year, reaching SAR 25.3 billion. This was reflective of a 4.5% growth in average earning assets—from both financing and investments—and an improved net special commission margin.

The net special commission margin for 2022 was 3.15%, a 21 basis points increase from 2021 due to the impact of the higher rate environment, improved Wholesale spreads on portfolio optimization and the favorable change in asset mix towards Retail as a result of continued growth in high yielding mortgages. These positive factors were partly offset by higher funding costs resulting from higher interest rates and the changing deposit mix during the period.

Fee and other income declined 6% year on year to SAR 6.7 billion. This resulted primarily from a normalization of investment-related income relative to the previous year when significant opportunities arose to realize capital gains from the sale of securities. On the positive side, fees from banking services rose by 9% year on year, mainly from financing fees.

Pro-Forma Income Statement Highlights

	2022 SAR billion	2021 SAR billion	Change %
Net special commission income	25,317	22,604	+12%
Fee and other income	6,717	7,116	-6%
Total operating income	32,034	29,720	+8%
Operating expenses	(8,868)	(9,722)	-9%
Total impairment charge	(1,685)	(3,004)	-43%
Income from operations	21,481	16,994	+26%
Other non-operating income/expenses	(258)	(259)	-0%
Net income for the period before Zakat and income tax	21,223	16,735	+27%
Zakat and income tax expense	(2,542)	(1,959)	+30%
Net Income for the period after Zakat and income tax	18,681	14,776	+26%
Net income attributed to non-controlling interests	148	115	+29%
Net income attributed to equity holders	18,533	14,662	+26%
Return on equity	16.55%	12.54%	+401bps
Net special commission margin	3.15	2.94%	+21bps
Cost-to-income ratio	27.7	32.7%	-500bps
Cost of risk	0.33%	0.60%	-27bps

Operating Expenses

Operating expenses decreased 9% year on year to SAR 8.9 billion. This cost improvement was broad-based and primarily resulted from strong synergy realization from the merger in addition to the Bank's ongoing cost optimization efforts. This reduction in expenses, together with the 8% increase in operating income, resulted in a 500 basis points year-on-year improvement in the Group cost-to-income ratio to 27.7% on a pro-forma basis.

Credit Impairments and Cost of Risk for Financing

The Group cost of risk improved 27 basis points year on year to 0.33% on a pro-forma basis. This resulted from a 43% decline in the impairment charge for financing to SAR 1.7 billion, while average gross financing increased 14.4% year on year. The lower impairment charge was driven by lower wholesale provisions due to the healthy domestic operating environment and proactive provisioning during previous year, partly offset by higher retail impairments on lending growth and higher provision releases last year.

Prudent risk management remains at the heart of SNB's underwriting and management of credit risk practices. SNB's management strategies include having strong governance in place to ensure efficient credit remediation, collections, as well as effective risk limit setting and management.

Dividends

In July 2022, the Board of Directors recommended the distribution of an interim dividend for the first half of the year amounting to SAR 4,926 million (SAR 1.10 per share), which was paid in August 2022. Following the year-end, the Board of Directors announced the distribution of a proposed final dividend for 2022 amounting to SAR 2,687 million (SAR 0.60 per share). This took the dividend for the full year to SAR 7,613 million (SAR 1.70 per share), representing a 42% payout of reported earnings. In addition, a bonus issue was proposed on January 12, 2023, of one bonus share for every three shares owned through capitalization of SAR 15,220 million from retained earnings.

Delivery Against Guidance

As part of SNB's investor relations program, market guidance is typically provided at the beginning of the year for the expected outcome of key financial metrics, subject to quarterly review and revision as the year progresses. These guidance parameters for 2022 are summarized below.

Overall, SNB's results mostly exceeded or were in line with both original and revised guidance for the year.

Net financing and advances grew 10%, slightly below the guidance provided at the beginning of the year of "11% to 13% growth". This was primarily attributable to elevated levels of early settlement by customers during the year and the Bank's focus on managing the portfolio for value.

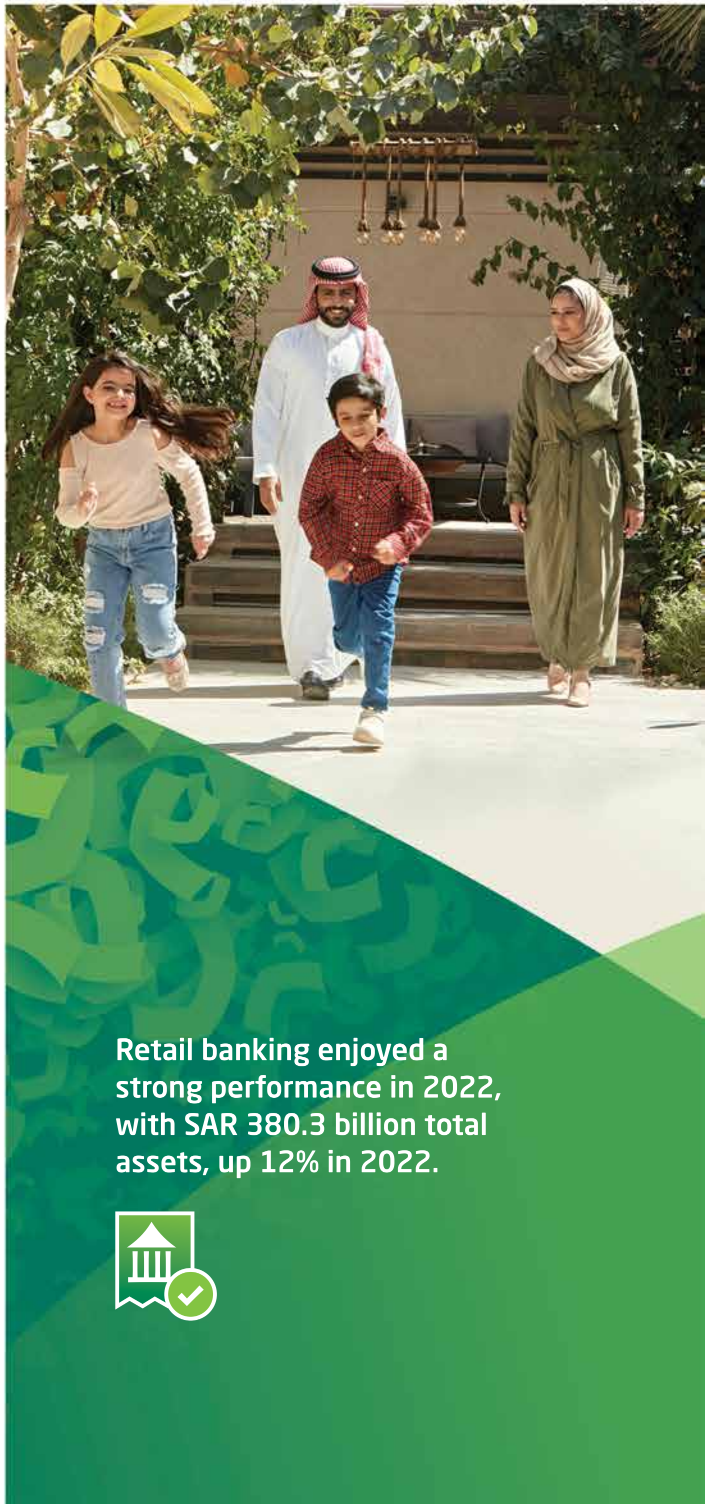
At the outset of 2022, the Bank expected the net special commission margin to increase by 3.00 to 3.10% from the 2.92% reported in 2021. This was predicated upon the expectation of three hikes in US federal reserve rates for the year ahead. The eventual trajectory of rates was more hawkish than originally anticipated, resulting in an upward revision of margin guidance during the year to the "3.15 to 3.30%" range and the pro-forma net special commission margin for 2022 came in within that improved guidance range of 3.15%.

SNB's cost-to-income ratio for 2022 was 27.7%, well below the original expectation of "Below 30%" and in line with the revised guidance of "Below 28%". This resulted from greater than projected cost synergies realized from the merger, as well as ongoing efficiencies gained from the Bank's focus on digitization and productivity.

The 0.33% cost of risk for 2022 was better than the originally expected range of "0.4% to 0.6%" and in line with the revised guidance of "0.3% to 0.4%". This was mainly driven by the healthy domestic operating environment and proactive provisioning during the previous year. In terms of capitalization, SNB ended the year with a Tier 1 capital ratio of 18.3% within both original and revised guidance ranges. Finally, the Bank added ROTE as an additional guidance metric of "16% to 17%" during the year. The actual outcome for 2022 was in line with the metric at a healthy 16.5%.

Guidance metric	2021 baseline	2022 guidance at start of year	2022 guidance revisions during the year	2022 outcome
Financing growth	SAR 498 billion	+11% to 13%	Unchanged	SAR 545.3 billion
NSCI margin	2.92%	3.00% to 3.10%	3.15% - 3.30%	3.15%
Cost-to-income ratio	33.5%	< 30%	<28%	27.7%
Cost of risk	0.59%	0.4% to 0.6%	0.3% to 0.4%	0.33%
Tier 1 CAR	18.4%	17.0% to 18.0%	17.5% to 18.5%	18.3%
ROTE	13.7%	-	16% to 17%	16.5%

Guidance metrics are presented on a pro-forma basis, except for financing growth and Tier 1 CAR, which are on a reported basis.



Retail banking enjoyed a strong performance in 2022, with SAR 380.3 billion total assets, up 12% in 2022.

Business Review

Business Segment Review

Retail Banking

SNB's retail business is a leading consumer bank in Saudi Arabia. It has a large market share and the trust of millions of customers kingdom wide. It offers a comprehensive Sharia-compliant product range and serves all segments of society, from the general population to affluent and high-net-worth clients, as well as small business owners. Retail Banking's services are delivered through our extensive branch network, contact centers, relationship managers, and our leading digital platform.

Strategic and Operational Results

On a pro-forma basis, 2022 saw significant lending growth, with the portfolio increasing by over SAR 32.3 billion (up 12%), allowing SNB to maintain its strong market position in retail banking.

Retail banking enjoyed a strong performance in 2022, with SAR 380.3 billion total assets, up 12% in 2022. Net income before zakat and income tax grew by 41% to SAR 7.6 billion on a reported basis. Both net special commission income and fee income from banking services contributed strongly to this growth, as well as efficient risk and cost management.

A particular highlight of 2022 was the performance of residential finance, a key strategic area of focus that aligns with the Vision 2030 ambition of increasing home ownership. SNB increased mortgage lending to SAR 142.4 billion, a strong increase of 21%. This was a deliberate focus that is fully in line with the aims of Vision 2030. This growth was achieved through our competitive product range, from increasing direct sales capacity and by leveraging alliances and partnerships with property brokers and developers.

The Arqar mortgage app represents one of our residential financing customer journeys that has been digitized, as a part of our overall efforts to enhance customer journeys and experiences.

While mortgages saw standout growth, Other Retail financing also increased during 2022 by 6%, or SAR 7.9 billion during the year. This increase was supported by enhancements to our digitization and sales channels, as well as ensuring tailored service at the highest levels to our various segments.

Further progress was made in 2022 toward our goal of establishing a lean, smart branch network: Overall, the average number of employees per branch improved from 9.2 to 8.2 in 2022.

Fees from banking services rose by 9% year on year, mainly from financing fees.

SAR

While we witness an increasing take up of digital services, the role of the branch remains critical to Saudi banking, in particular in residential finance and personal finance origination, as well as for serving the affluent segments, and in 2022 SNB was the first bank in the Kingdom to launch a high-net-worth customer-only branch in Riyadh.

SNB continued to increase digital penetration, successfully launching a new mobile app in 2022. This advance helped to increase digital transactions from 77% in 2021 to 83% of total transactions, while digital sales of financing products increased to 63% in 2022.

Digital is a critical enabler of growth in Saudi banking, and SNB delivered a number of initiatives in this area in 2022. A new banking app with improved functionality and user experience proved popular. We digitized significant aftersales services, notably for mortgage and auto lease, and we improved the digitization of key product journeys, including current account opening and personal finance, credit card, and mortgage applications. Similarly, our Quick Pay app continues to be highly popular and the primary channel serving SNB's remittance-focused customer segment.

SNB Retail Banking also effectively served its growing and highly promising Business Banking segment, which falls under the umbrella of SNB's MSME business. Activities in 2022 included the highly successful rollout of the POS financing solution. The product is designed specifically for MSMEs and opens additional financing options to support small businesses to access financing in an efficient and cost effective manner. Because of the success of the program and strong customer appetite, SNB expanded it. Additional details on SNB's MSME program and progress during 2022 are covered in greater detail in subsequent sections of this report.

Wholesale Banking

SNB's Wholesale Banking business is the largest in the Kingdom, with more than SAR 519 billion in assets including financing and investments. It provides market-leading banking services – both Sharia-compliant and conventional – to the full spectrum of business and corporate clients, from SMEs to multinational institutions and government entities with sophisticated financing needs.

Clients are further supported by product specialist areas within Wholesale. For example, Global Transaction Banking seamlessly offers Wholesale clients trade finance, payments services, and cash management solutions. SNB also operates the largest Treasury business group in the GCC region, responsible for funding & liquidity management as well as proprietary investment management and market making. SNB Wholesale's Institutional & International Group oversees the SNB international wholesale branches, Financial Institutions, Public Sector relationships and Global Markets businesses providing a full range of hedging and yield enhancement solutions for customers.

Strategic and Operational Results

The Wholesale Banking business enjoyed a strong performance in 2022 with SAR 519 billion total assets, delivering a return on assets of 3.5% on a risk-adjusted basis. Net income before zakat and income tax grew by 55% to SAR 11.4 billion on a reported basis. Both net special commission income and fee income from banking services contributed strongly to this growth, as well as efficient risk and cost management. The rising interest rate environment that dominated 2022 had several impacts on performance: Clients increased their hedging activities, particularly in the rates space, and demand for structured products increased, which contributed to higher revenues in Treasury and Global Markets.

The business successfully pursued its strategy in 2022, which had three areas of focus:

- Grow in attractive opportunities, capturing Saudi Vision 2030 opportunities
- Upgrade the Transaction Banking proposition
- Expand the digital platform

Corporate Banking

The Bank actively supported a range of Vision 2030 initiatives in 2022. SNB successfully completed several giga project financing transactions, financed major infrastructure and other flagship projects, and continued its role as the bank of choice for the most important large financing projects in the Kingdom.

The Bank's role as key enabler and partner to Saudi Vision 2030 is demonstrated by several key transactions:

- SNB participated in the syndicated financing for The Red Sea Development Company (TRSDC), the developer behind the world's most ambitious regenerative tourism project, and a key strategic giga project in the tourism sector. This transaction was the first ever Riyal-denominated credit facility to receive Green Financing accreditation.
- Another major highlight of the year was a unique USD 750 million transaction involving the sovereign assets of the Kingdom's crude pipeline.
- In the mining sector, we participated in a syndication of SAR 3.5 billion with Ma'aden Saudi Mining Co, expected to be utilized in 2023 as new capital and operating expenditure for a new mining project.

In parallel to the solid year of asset growth, the prudent risk management and governance maintained by the wholesale business led to lowering of the overall cost of risk significantly while maintaining the health of the portfolio.

In other efficiency moves:

- Wholesale Banking deployed advanced information systems to enhance productivity and reduce operating costs.
- In digital developments, Wholesale Banking succeeded in increasing digital adoption of the corporate customer base from 65% to 82% and 64% to 72% for SMEs. Wholesale customers now engage with us digitally, and some 98% of wholesale financial transactions are carried out digitally. Further benefitting our deposit growth strategy, 72% of new accounts in our wholesale customer base were opened digitally.
- We also enhanced our One SNB customer relationship management framework to grow our ancillary business by managing the wholesale portfolio of customers more proactively. These efforts enable the Bank to manage and track the healthy customer service and transaction pipeline, while ensuring clients have convenient access to the full suite of SNB solutions.

The business also enjoyed a successful year in servicing the liability needs of our customers. Our strategy of engaging clients with the Bank's full suite of capabilities provides new solutions for clients' cash investments and enhances the level of cash balances.

These solutions were delivered through several areas, including:

- Offering a full suite of diversified customer placement solutions
- Offering digital banking channels and products to cement SNB's status as our clients' main operating bank in Cash Management
- SwiftNet integration with our biggest clients to support deposit generation
- Offering retailers POS finance at reduced rates in exchange for operating accounts and retention of cash inflows
- Introducing a new and improved eCorp platform to increase digital penetration of our client database, which also contributed to deposit gathering, as it facilitates convenient digital access for our clients to their accounts

Of particular note in 2022 was the contribution of Global Transaction Banking, which succeeded in contributing effectively to revenue grow owing to strong demand for its trade finance and cash management services. Growth was also driven by strong demand for structured products and an increase in uptake of the Bank's e-platforms.

Micro, Small and Medium-Sized Enterprises

SNB's leading MSME franchise saw a robust performance as the Bank cemented its position as the bank of choice for the nation's entrepreneurs. We took a disciplined approach to lending to this segment, maintaining credit quality with prudent account management.

In a new strategic development, SNB entered into a partnership with SME Bank, a division of the National Development Fund, to offer products to MSMEs on a risk- and profit-sharing basis. The purpose of the agreement is to support MSMEs, a vital component for the growth and development agenda of the country as part of Vision 2030.

The SME Bank and SNB, through this partnership aim to address issues currently faced by MSMEs, including access to key banking services and financing needs for this specialized and high-growth-potential segment.

We expect this partnership to come to fruition in 2023 and to become a mainstay in the funding landscape for MSMEs in the Kingdom.

The bank leveraged its cross-sell capabilities to expand financing through launching POS Financing to SME segments

Treasury

Despite a heightened level of global market uncertainty in 2022, SNB's Treasury Business Group delivered a strong performance in 2022.It profited from proprietary investment management, interest-rate, as well as through market making activities.

Treasury's investment book is a key source of liquidity, income, and diversification to the Bank. Despite challenging global market conditions this year, SNB Treasury was successful in maintaining increased returns from the portfolio, as naturally occurring maturities were replaced at higher yields due to rate movements.

SNB participated in the continuing flow of government, corporate, and institutional capital raising. In turn, the Bank successfully addressed market opportunities to grow investment returns Treasury also oversees SNB's liquidity and funding profile, and in this regard, it continued to pursue its prudent balance sheet management strategy in 2022:

The Bank's total liability growth was driven by growing from a diversified set of wholesale funding instruments, including but not limited to certificates of deposits, trade loans, bi-lateral loans and debt issuances, which which together helped balance reliance on more expensive customer deposits more expensive customer deposits.

The rising rates environment in 2022 attracted some customers to seek higher returns on deposits, a development that was expected, and which drove the move to increase wholesale liabilities as a part of the efforts of optimizing SNB's funding mix and containing the rise in cost of funds. The Bank's robust liquidity related regulatory ratios, and its strong funding profile, provided the flexibility to nimbly pivot into cheaper sources of funding, which additionally had the added diversification benefits i.e. across investor type, geography, currency, product and tenor.

SNB actively utilized a broad set of instruments including secured borrowing and hedging derivatives to continue to optimize its funding costs, while further adding to the stability of its liquidity profile. SNB also leverages its international wholesale branch footprint to diversify investor pools and increase wholesale funding at optimized cost.

2022 also saw Treasury underscore the breadth of accessible liquidity by dynamically utilizing a range of tools to meet its requirements. Over SAR 9bn in debt securities were issued during 2022, of which SAR 3.3bn in Additional Tier 1 Sukuk were issued, supporting the Bank's regulatory leverage ratios, liquidity position and helping maintain flexible and diversified funding options to support growth.

Capital Markets

SNB Capital operates five business lines: Asset Management, Wealth Management, Investment Banking, Securities and Principal Investments. All business lines delivered a strong performance in 2022, benefiting from the additional scale, staffing and client relationships that arose from the Capital Markets' arms merger in 2021.

Strategic and Operational Results

In 2022, SNB Capital's strategic focus areas were:

- Strengthen and future-proof existing businesses by enhancing our value proposition, positioning, coverage, share of wallet, and penetration
- Shape the growth of local and regional capital markets through new business, products/services, segments, markets, and channels
- Drive efficiency and productivity of assets and people by deploying our scale, technology, and affiliation with SNB to drive efficiency and productivity of assets and people

Asset Management and Wealth Management

SNB Capital is the Kingdom's largest asset manager with SAR 230.4 billion in assets under management in multiple asset classes. SNB Capital has maintained its MQ1 rating (Moody's highest rating for investment manager quality).

In 2022, SNB Capital successfully launched 8 funds in real estate, credit, and equity markets. Fourteen of SNB Capital's funds performed in the top quartile of their respective markets, underscoring the quality of the team and the management of the portfolio and attracting new investors to SNB Capital.

Asset and Wealth Management reaped the rewards of the merger. SNB Capital successfully diversified the suite of mutual funds available across all asset classes, in both conventional and Sharia-compliant forms.

SNB entered into a partnership with SME Bank, a division of the National Development Fund, to offer products to MSMEs on a risk- and profit-sharing basis.

Securities

In the securities business, SNB Capital expanded its product offerings to serve a wider client base and to diversify revenue streams. A custody platform, with a Saudi-based data center was introduced, while an agreement with the National Debt Management Center (NDMC) to be a sole distribution manager was signed.

To capture the growing institutional and financial investor market, a dedicated institutional trading desk was established. Moreover, our Equity Research Department provided pre-listing research to four milestone IPOs, representing 53% of the total amount raised in the IPO market in 2022.

In terms of the Employee Share Plan Services (ESPS) program, the number of share transactions increased significantly. The Securities division has also maintained its leading market position in 2022 with a brokerage market share of 18.2%, all the while maintaining its disciplined pricing strategies.

Investment Banking

In 2022, the Investment Banking business closed over 30 transactions across its service lines. Despite the continuous interest rate hikes, the year witnessed successful closing of important and visible fixed income issuances with the first ever bond issuance by the PIF, the Century Green Bond. Equity market continued to be active and attractive to clients across all product offerings during 2022 with the stock market outlook cautiously positive supported by strong economic fundamentals, government commitment towards the 2030 vision and the PIF capital recycling and deployment program.

The Investment Banking business continued to be the market leader in lead management and financial advisory closing transactions that raised over SAR 20bn on the Saudi Stock Exchange (Tadawul) acting as lead manager, financial advisor, bookrunner, global coordinator and lead underwriter on unique transactions including the concurrent repurchase and issuance of Government of Saudi Arabia Sukuk, the PIF Green Bond, the first concurrent and dual listing and offering of shares on Tadawul and Abu Dhabi Stock Exchange (Americana Restaurants Company IPO), Al Nahdi Medical Company (Al Nahdi Pharmacy) IPO, Saudi Aramco Base Oil Company (Luberef) IPO, Arabian Drilling Company IPO, the conversion of Alinma Real Estate Fund debt into capital in Jabal Omar Real Estate Company, and the Rights Issue for Saudi Real Estate Company (Alakaria).

Principal Investments

A key achievement in 2022 was the award of a standalone rating (A3) by Moody’s, making SNBC the first Capital Market Institution to obtain a standalone rating. The strength of the Bank, its track record, sound governance, and solid balance sheet all contributed to this notable achievement. In addition to this standalone rating, Principal Investments also obtained an ESG rating of CIS-2 from Moody’s.

The Principal Investments business is proud of its role as supporter and enabler of other areas of the Bank. In 2022, this was evinced in the Principal Investments Business’ role as seed fund provider to SNBC funds, and participating in IPOs managed by SNBC’s Investment Banking, as well as accelerated book buildings.

Principal investments completed a Short-term Sukuk issuance program, the first of its kind in the region. Additionally, it issued two series totaling SAR 2.25 billion over the course of 2022.

International

SNB has a 67.03% controlling stake in Sharia-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

Türkiye Finans Katılım Bankası

The 2022 operating environment in Turkey 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 the economy. TFKB demonstrated resilience in the challenging circumstances, with a focus on strategy to navigate the challenging operating conditions and drive ahead on their focused business agenda.

TFKB focused on customer experience and digital transformation in 2022. Notable achievements included digital customer acquisition, the introduction of a successful new debit card product, payments with QR code, SWIFT GPI integration, and the introduction of a digital cheque system.

TFKB continued to transform timeless business models into excellent customer experience, innovative products and services by further investing in its banking vision of serving its customers anytime, anywhere.

Strengthening its key position in the industry with various innovations, TFKB continues to attract new customers to the participation finance system, and turn the ever-growing competition into an opportunity. With innovative products such as extra Limit, TFXTarget Investment Platform and Fast Financing, a widespread deposit strategy, various financing options, and the ability to quickly adapt to innovative practices that contribute to financial inclusion, TFKB continued to achieve success with its pioneering efforts in 2022.

TFKB maintained a strategy of partnering with companies in production, trade, and export, allocating TRY 101 billion in cash and non-cash loans. TFKB diversified its funding structure with a currency protected deposit (CPD). Total deposits, consisting of current and participation deposits increased to TRY 116 billion.

Credit quality was maintained through a series of pro-active measures including a sector-specific escalation mechanism in credit limit underwriting and renewal rules, which resulted in a year-on-year decrease of the NPL ratio from 4.1% to 2.7%.

Samba Pakistan

Despite a challenging macro environment, Samba Pakistan increased net interest income by 9.9% over 2021 to Rs 4,734 million. Foreign exchange income also registered healthy growth of 165% to Rs 1,051 million. This was due to multiple increases in benchmark interest rates totaling 625 basis points during the year.

Careful efforts were made to mitigate the impact of the rising interest rates on fixed income investments and persistent decline in capital markets over the year, by which SBL Pakistan succeeded in containing its losses to Rs 1,284 million on its investment portfolio.

Operating expenses for the year ended December 2022 were higher by Rs 667 million or 19.8% over the comparative period. This increase was due to inflation, devaluation of the Rupee, and expenses incurred in driving ahead on initiatives prioritized by the Bank.

The Bank strategically reduced its balance sheet size by 11% or Rs 22,064 million, comprising a reduction of Rs 17,242 million in investments and Rs 6,551 million in lending. This reduction was executed to counter the effects of rising interest rates on the Bank's fixed rate assets, and to minimize market losses. Conversely, the Bank was able to grow customer deposits, which increased by Rs 25,976 million or 33%.

SNB 2022 Awards

First in Middle East by Tier One Capital
The Banker Top 1000 Global Bank Rankings

Bank of the Year 2022, Saudi Arabia
The Banker

Best Retail Bank in Saudi Arabia
Middle East Economic Digest (MEED)

Top 100 Banking Brands in the World
Brand Finance

Best Consumer Digital Bank in Saudi Arabia
Best User Experience (UX) design in the Middle East
Best Mobile Banking Adaptive Site in the Middle East
Best Bank for Payments and Collections in the Middle East
Global Finance

GCC Award for Housing, Saudi Arabia
GCC Award for Housing Work

First Place for the National Award for Voluntary Work at the level of the private sector from the Ministry of Human Resources and Social Development.

Corporate Banking Market Leader
Best Private Bank in Saudi Arabia
Best Saudi Bank for ESG
Euromoney

Best Customer Experience Award
Best Financing Entity for Off-plan Product
Sakani

Elite STP Award
JPMorgan Chase

STP Excellence Award
Citibank

Best Trade Finance Bank in Saudi Arabia
Most Sustainable Trade Finance Bank in Saudi Arabia
10th Annual Saudi Trade Finance Summit

Environmental, Social and Governance Review

Our Approach to Sustainability

At SNB, we champion the responsible delivery of long-term environmental, social, and ethical value. We aim to embed our ESG principles across our business. In 2023 we will establish an ESG framework that will take the lead on the development, coordination and value contribution of SNB's broader ESG strategy.

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. The framework has four key pillars which reflect our ESG principles.

Materiality Assessment

SNB undertook a materiality assessment in 2022 which identified 14 material topics that are top priorities for our business and our stakeholders. The findings of the assessment are presented in our materiality matrix below.

Promoting Sustainable Financing

SNB was the first bank in the Kingdom to develop a Sustainable Finance Framework. The Bank's aspiration is to fully integrate our ESG values into our lending and investment activities. SNB established a Sustainable Finance Technical Working Group and a management-level ESG framework to oversee the Bank's ESG performance.

SNB's lending program supports the Saudi Green Initiative, promotes bettering the environment through various means, as well as enhancing the social development of the economies in which it operates.

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

SNB has made a significant investment in the Sustainable Growth Fund, whose strategy is to make 'investments in companies within the growth stage of the sustainable and efficiency sector.'

2022 highlights include:

- Becoming the first Saudi financial institution to issue sustainable public issuance.
- Backing the Green Repo transaction, the first of its kind to allocate secured financing to eligible green assets.
- Lending SAR 7,158 million in eligible assets to both green and social linked projects.
- Contributing to the financing of the NEOM Green Hydrogen Project, Saudi Arabia's first investment in green hydrogen.

Encouraging Ethical Governance

Strong ethical governance sits at the core of the culture and values that underpin our business. Good governance supports the Bank's vision to empower our employees, local economy and society.

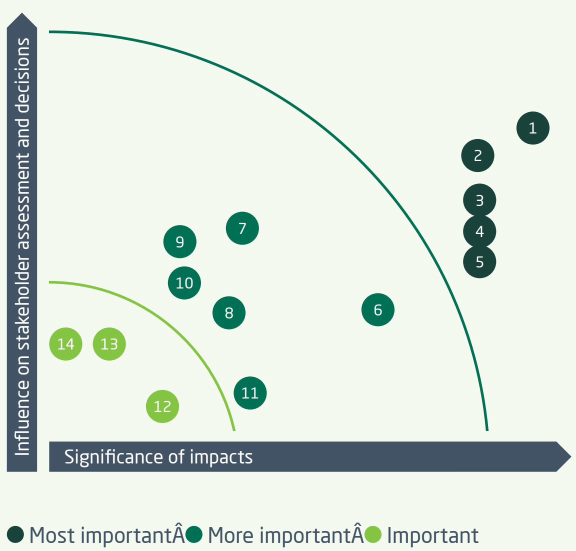
Compliance

SNB adheres to all relevant laws and guidance, and we support our employees to understand and comply with these too. Our employees receive mandatory compliance training, and our grievance system is open to anyone who may wish to make a complaint.

Financial Crime and Anti-Money Laundering

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

In 2022, all our employees completed the Culture of Compliance training course, which focuses on anti-money laundering.



Materiality Assessment

Material topic	Rank
Governance and ethical behaviour	1
Sustainable finance	2
Financial performance	3
Data privacy and security	4
Climate change	5
Customer relationships	6
Talent attraction, development, and retention	7
Access to finance	8
Diversity and equal opportunity	9
Innovation	10
Community engagement	11
Employee well-being	12
Environmental management	13
Responsible supply chain	14

SAR 2,214 mn

SNB total green assets

Note: This is per the criteria for allocation reporting using a look back period of three years.

99.5%

Spending on local suppliers in 2022

Note: The number of suppliers relates only to the head office in Riyadh and the Jeddah Regional Office.

Compliance – Key Performance Indicators (KPIs)

	2022	2020	2021
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%

29%

Decrease in incidents of non-compliance with laws and regulations in 2022

Zero

Data breaches over the last three years

Anti-Corruption and Fraud

SNB has developed several measures to combat corruption and fraud which includes a range of policies and training to support our workforce. We have also established new measures to tackle cyber fraud. This includes analyzing the patterns of cyber fraud and designing controls to help protect the Bank and its customers from fraud attempts.

Data Privacy and Innovation

As the Bank continues to innovate its digital offering, data privacy is one of our top priorities. SNB completed its privacy program in 2022 and we are in the process of establishing an organization-wide Data Privacy Program.

Responsible Procurement

In line with our support for nationalization, which is embedded in Saudi Vision 2030, 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.

Preserving the Environment and Combating Climate Change

SNB is committed to using its position as a regional financial powerhouse to support the Kingdom's goal to reach net zero emissions by 2060. We are also dedicated to doing everything we can to reduce our own environmental impact.

Climate Change

SNB launched the Green Environmental Initiatives to address climate change risks, in collaboration with the Ministry of Environment Water & Agriculture and in line with Saudi Vision 2030. We installed solar panels at SNB's Head Office in Riyadh and at all newly constructed branches. 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 understand the importance of managing and reducing energy demand, water and waste. In 2022, we undertook the following measures to reduce the negative adverse effects of our environmental footprint:

- Turning off lights in main office buildings at 7pm on working days and installing LED lamps in the main office buildings, saving 80% of the energy used compared to incandescent bulbs.
- Replacing all SNB ATMs with newer, more energy-efficient facilities, achieving a 10-20% reduction in power.
- Launching an e-waste and IT assets recycling project.
- Introducing touch-free/auto-sensor water faucets and flushing systems at all of the Bank's facilities.
- Reusing gray water to minimize water consumption at the Bank's head office in the King Abdullah Financial District in Riyadh, and at the Jeddah Regional Office.

Empowering Individuals and Communities

SNB is dedicated to supporting the social and economic prosperity of the Kingdom. We aim to champion our communities and employees and strive to be the 'employer of choice.'

Employee Well-being

SNB continues to invest in employee experience and staff well-being. To support flexible and home working, the Bank upgraded its technology infrastructure to provide access to the best-in-class tools for personal productivity and a wide range of online platforms.

During 2022, several employee well-being initiatives took place, including the 'Office Syndrome' initiative and the Tauwniyah Vitality contest. We have also created an entertainment area for employees and are working on developing a new workplace nursery to support working parents. In 2022, we led several employee engagement initiatives to help increase awareness about health and wellbeing:

- National Day campaign
- Ramadan contest
- Ramadan restaurants
- Hajj contest
- Tauwniyah Vitality contest
- Office Syndrome initiative
- Health and fitness subscription special offer
- Seasonal influenza vaccine initiative
- World Cup campaign
- World Cup contest
- New health and fitness center in KAFD
- KAFU Manager Awareness Campaign

The Bank undertakes continuous risk assessments to identify and address any hazards and risks that may affect employees' safety. SNB's Security and Safety Department reviews, revises and establishes health and safety programs, including staff education and guidelines. The department also monitors and reviews all safety incidents.

Diversity and Equal Opportunities

Inclusion and equal opportunity are core components of our Code of Conduct. Empowering talents and fostering female participation in the workforce remain key strategic objectives for SNB.

1. Internal Job Posting Program, to provide in-house talent with the opportunity to diversify and develop their career within the Bank.
2. Rowad Alahli Program, to attract most talented graduates to build a successful career path within the Bank.

Talent Attraction, Development and Retention

SNB aims to foster a performance driven culture by ensuring that employees are provided with clear performance objectives, ongoing coaching and feedback, professional development, and recognition for superior work.

Nationalization

By the end of 2022, SNB achieved a steady increase in Saudization, reaching 99.3%. Our Rowad program continued to grow, supporting our objective to develop young national talents.

The Rowad program supports the Bank's strategic objective to be the employer of choice, in partnership with Harvard and Kaplan, to attract and qualify young national talents and prepare future leaders of the banking sector.

Rowad provides first-year trainees with the tools that enable them to influence and overcome contemporary challenges, and gives them a comprehensive understanding of banking operations and new technologies, enabling them to grow in various departments within the Bank and take on greater leadership and strategic roles in the future.

Access to Finance

We aspire to unlock the barriers to finance for economically disadvantaged communities, women, people of determination, MSMEs, and local entrepreneurs and start-ups. In 2022, there were 37 SNB branches in low-populated and economically disadvantaged areas.

Empowering Women in the Community

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

2022 highlights include:

- Providing 4,075 interest-free loans to female beneficiaries, with a total value of SAR 22.4 million. This brings the total number of loans funded by the Bank to 26,652, with a total value of SAR 105.1 million.

Supporting MSMEs

SNB has taken a leading role in supporting the growth of the micro, small and medium enterprises (MSME) sector and was ranked the largest Saudi bank in terms of the value of Kafala guarantees provided to MSME clients in 2022.

During the last year, 7,954 (MSMEs) received financial facilities, with a grand total of SAR 46 billion.

Fostering female participation is a key strategic objective for SNB. In 2022, 18.9% of our new hires were women.

Launching two business accelerators in the Hajj and Umrah sector and the technology and communications sector through the Entrepreneurship Program, and the participation of more than 350 men/women in the Environmental Hackathon workshops.

Customer Relationships

Customer satisfaction is a key priority for the Bank, and we aspire to provide exemplary customer service. To keep our customers informed of our products and services and to ensure we transparently communicate our customers' rights and obligations, we interact with them across a variety of channels including various social media platforms, SMS, point-of-sale brochures and material, and the SNB website.

SNB's dedicated Customer Care Department also helps to answer any questions our customers have about the features and benefits of our products and services.

2022 highlights include:

- SNB has focused on customer awareness campaigns related to products details, available services & fraud prevention.
- The development of a dedicated channel on our website for customers to report any suspicious activities, such as fraud, leaked confidential information, corruption and bribery.
- The introduction of a new Digital Services & Features to help with customer requests and to speed up fulfillment of requests.

Community Engagement

SNB's Ahalina strategy aims to economically empower various community groups. We also continue to support the community through the Ahalina Social Responsibility program, which enables non-profit organizations to implement sustainable projects.

In 2022, the total number of SNB employee volunteering hours increased from 3,330 to 4,906 representing an increase of approximately 47%.

We handed over 115 housing units to families through AlAhli Developmental Housing Program.

We supported 19 development projects in non-profit organizations through the Social Investment Program, and capacity development of 34 non-profit organizations through the capacity building program.

For more information about the Bank's environmental, social and governance achievements, please refer to SNB's Environmental, Social and Governance Report 2022.

Zero

Employee lost-time injuries

Access to Finance – Key Performance Indicators (KPIs)

	2022	2021	2020
Number of branches in low populated and economically disadvantaged areas	**37**	37	35
Number of ATMs in low populated and economically disadvantage areas	**99**	98	95

Note: A remote area is any city with a solo branch, as per the criteria of branch banking division.
The chosen ATMs in low populated areas are 100 km away from the city.

18.9%

Female new hires 2022

4.4%

Increase in employee retention rate

52 hours

Average training hours per employee in 2022

27%

Increase in community investment


SNB

Board of Directors' Report

The Board of Directors of the Saudi National Bank is honored to present its annual report for 2022. 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 Board. The activities are independently managed through an effective organizational structure and internal reporting.

Retail Banking: Provides banking services to individuals, private banking customers and micro and small businesses, including financing and current accounts, as well as products in compliance with Islamic Shariah. These products are supervised by SNB's independent Shariah Board at the Bank.

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. Also, 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 and Samba Pakistan.

2. Key Events and Achievements

The merger of NCB and Samba in 2021 was the region's largest and fastest corporate merger to date. Following the successful integration of the two institutions, throughout 2022 SNB focused on realizing the merger's many strategic and operational synergies, while pushing forward with its ambitious business objectives.

As a result, the SNB Group's results represent healthy growth, record profitability, and benefits from the merger realized ahead of time and above target.

Balance sheet expansion was driven by higher lending, up 10% to SAR 545.3 billion, underpinned by the strong performance achieved by all key business lines. The higher lending was attributed mainly to increased residential financing in Retail, and healthy growth in Wholesale lending. Coupled with improved net special commission margins, this drove the Group's 2022 operating income 17% higher to SAR 33 billion. Net income – boosted by solid income growth, disciplined cost management, and improved operational efficiency – increased by 47% to SAR 18.6 billion.

The landmark merger was completed in record time and synergies were quickly realized that exceeded all expectations. Although the original target was SAR 800 million in cost synergies – later revised to SAR 1.2 billion – the final cost synergies exceeded both estimates, reaching SAR 1.4 billion.

The integration process was also completed ahead of time and below cost. Instead of the original target date of 2023 and budget of SAR 1.1 billion, SNB entered 2022 with the integration completed and significantly improved integration costs of less than SAR 950 million.

Retail Banking

Retail Banking performed well in 2022, having capitalized on the expansion of its customer base and broader reach. The business achieved total operating income of SAR 14.6 billion, leading to net income before zakat and income tax of SAR 7.6 billion.

Financing grew by 12%, reaching SAR 293.4 billion. This was driven by increases across all key product areas, with particularly strong performance from residential finance, cards, and business banking. Of note, mortgages grew 21% in 2022, and on the Business Banking front, the Bank witnessed the enthusiastic adoption of its recently launched point-of-sale financing program. Retail financing growth was not achieved at the expense of margins, with active focus on market pricing and a disciplined approach to financing products pricing, healthy yield on all portfolios was maintained.

Cost discipline was also maintained, primarily through efficiencies. As an example, the average staff-to-branch ratio declined from 9.2 to 8.2 as SNB's physical network was upgraded with the latest technologies and service models, while the Bank's highly advanced digital platforms expanded the array of options for customers.

Significant functionality enhancements across the digital channels and strong customer uptake drove digital customer penetration rates to 83%. The business will continue to invest in digital to enhance the customer journey by driving efficiency, convenience, and speed of sales and services.

Wholesale Banking

Wholesale Banking also had a successful year, achieving total operating income of SAR 13.9 billion and net income before zakat and income tax of SAR 11.4 billion. Enhanced business arising from the merger, and an ongoing focus on meeting customer needs across the Wholesale spectrum, resulted in total assets reaching SAR 519 billion.

Corporate Banking

SNB's strategy of focusing on Saudi Vision 2030 priorities while serving customers' needs proved to be highly successful. Notable examples included the Bank's participation in a financing for Red Sea Global and a syndicated loan for Ma'aden, and SNB's role as bookrunner in the Public Investment Fund's debut green sukuk.

Corporate Banking's asset growth was accompanied by the continued execution of its digital strategy. By the year end, 74% of corporate customers were engaging with the Bank digitally, and 72% of new accounts were digitally opened and onboarded. In parallel to the growth in lending, prudent risk management and governance resulted in significantly lower risk costs, while the health of the portfolio was maintained.

SNB has maintained its trusted position as Saudi Arabia's leading corporate financing franchise. This took another step forward in 2022 with the rollout of the 'One SNB' customer relationship management system, enabling more proactive management of the corporate portfolio and allowing the Bank to take a holistic view when addressing customer needs.

Transaction Banking enjoyed an excellent year. The strategy of cross-selling cash management, payment services, and trade finance solutions for Wholesale customers was very successful, generating incremental fee income and supporting the Bank's strong results in deposit-raising.

Wholesale also covers SNB's large and growing book of medium, small, and micro enterprises, considered the backbone of the Saudi economy and a vital engine for local employment.

Treasury

SNB's Treasury and Global Markets businesses delivered strong performance in 2022 as clients looked to protect against rising rates by using the Bank's range of hedging and yield enhancement solutions and accessing its proprietary investment management and market making expertise.

As SNB continued to participate in the flow of government, corporate, and institutional capital raising, the Bank's investment portfolio ended the year at SAR 258.3 billion.

Treasury also oversees SNB's liquidity and funding profile. This critical role was managed with the customary prudent balance sheet management strategy, optimizing the Bank's funding mix and carefully managing the cost of funds in an environment of rising rates.

Capital Markets

SNB Capital performed well in 2022, with robust net income before zakat and income tax of SAR 1.4 billion and all key business lines delivering solid growth.

Investment Banking continued to be the market leader in lead management and financial advisory closing transactions that raised over SAR 20bn on the Saudi Stock Exchange (Tadawul) acting as lead manager, financial advisor, bookrunner, global coordinator and lead underwriter on IPOs and follow on offerings; primary research coverage of over 50% of the country's IPOs by value; a strong deal flow in debt capital markets despite a challenging market environment; and the standalone Moody's Investors Service credit and ESG rating awarded to SNB Capital.

Asset Management demonstrated the quality of its business and value delivered to customers, with SAR 230.4 billion assets under management in 2022 and top quartile performance achieved by 14 SNB Capital funds. Asset Management also maintained its highest MQ1 rating assigned by Moody's. This success further solidified SNB Capital's position as the clear leader in the Kingdom's capital markets, and a trusted partner in customers' saving and investing journeys.

International

SNB’s International business comprises its Turkish subsidiary, Türkiye Finans Katılım Bankası (‘Türkiye Finans’) and Samba Bank Ltd (‘Samba Pakistan’). During the year, International contributed SAR 971 million in net income before zakat and income tax to the Group.

Türkiye Finans experienced a challenging macro environment in 2022. However, the bank’s robust performance demonstrated its resilience while overcoming challenges from hyper-inflation, rising rates, and difficult operating conditions. The bank saw assets reach to TRY 145 billion with growth of 30%.

Türkiye Finans strategically refocused its wholesale and corporate lending towards clients in the manufacturing, trade, and export sectors, in response to regulatory limitations placed on banking for domestic companies. In total, the bank distributed TRY 101 billion in cash and non-cash loans.

With innovative products such as extra Limit and Fast Financing, a widespread deposit strategy, various financing options, and the ability to quickly adapt to innovative practices, Türkiye Finans achieved the success thanks to this pioneering efforts in 2022.

The bank’s diversified funding structure benefitted from Currency Protected Deposit (CPD), while total deposits increased to TRY 116 billion.

Samba Pakistan delivered a resilient performance against a similarly challenging economic backdrop. Net interest income and healthy foreign exchange income reached SAR 78 million and SAR 17 million, respectively. Operating expenses for the year reached SAR 67 million and were adversely impacted by inflation, devaluation of the Pakistani Rupee, and expenses incurred on certain strategic initiatives.

The bank reduced its balance sheet size by 11%, or Rs. 22,064 million, by curtailing investment lending, while customer deposits grew by 33%.

Digitization and Productivity

In line with SNB’s ambitious digital aspirations, the year saw a significant acceleration in digital convergence across all group sectors. SNB Mobile, the Bank’s new retail application, has proved to be popular. More than 83% of retail customers now conduct their banking digitally, covering 99% of all retail financial transactions. Corporate customers achieved a penetration rate of 82% and 73% for SMEs, with both covering 98% of all wholesale financial transactions digitally, with rates demonstrating an upward trajectory.

SNB boosted the automation of transactions by 23% in 2022, bringing the total proportion of automated processes to 73%. This has reduced turnaround times by 20%, making a material contribution to the Group’s cost-to-income ratio, which was 27.7% for the year.

The Group also continued to invest in its core digital infrastructure. The new SNB Data Center was awarded the Tier IV Gold Certification of Operational Sustainability, ensuring it can meet ambitious digital objectives now and in the future.

Human Capital

SNB aspires to be Saudi Arabia’s employer of choice, a bold ambition driving the ongoing investment in people that has the full support of the Board. People are a critical enabler to success and the positive engagement and wellbeing of staff are competitive differentiators for customers.

The year brought further advances in the nurturing of SNB’s talent. Recruitment and talent development initiatives, such as SNB-Rowad, are hugely successful and help foster the skills and competencies needed by today’s talent to become tomorrow’s leaders.

Saudization has continued to grow, with nationals representing 99.3% of the total workforce by the end of 2022 year. SNB continues to empower women, who accounted for 18.9% of new hires over the course of the year. The proportion of women in the total workforce reached 13.4% (10.5% for executive staff) by the end of 2022.

Training and development have long been key pillars in SNB’s strategy, with every employee undergoing at least with an average of (3) three training days per employee of training in 2022.

Environmental, Social and Governance (ESG)

At SNB, we champion the responsible delivery of long-term environmental, social and ethical value. We aim to embed our ESG principles across our business. In 2023 we will establish an ESG Management Committee that will take the lead on the development, coordination and value contribution of SNB's broader ESG strategy.

ESG Highlights in 2022

- 200,000 mangrove trees were planted.
- Employees carried out 4,906 hours of volunteering.
- Total incidents of non-compliance with laws and regulations decreased by 29%.
- 100% of transactions were screened for money laundering.
- The total value of green assets was SAR 2,214 million.
- Community investments increased by 27%.
- Females represented 13.4% of SNB's full-time employees.
- There were zero data security breaches over the last three years.
- Of SNB's total procurements at the Riyadh Head Office and the Jeddah Regional Office, 99.54% were from local suppliers.
- 7,954 micro, small and medium enterprises (MSMEs) received financing, which was valued at SAR 46.0 billion in total.
- Solar panels were installed at the Bank's Head Office in Riyadh and all newly constructed branches.
- 525 women were trained through 35 handicraft production training programs in 15 cities across the Kingdom.
- 99.3% of SNB's workforce were Saudi nationals.
- 4,075 interest-free loans were provided to female beneficiaries, valued at SAR 22.4 million in total.
- We supported and encouraged emerging ideas and projects through specialized business accelerators.
- We handed over 115 housing units through AlAhli Developmental Housing Program.
- We contributed to development of the non-profit sector through the AlAhli Social Investment Program to support development projects and enhance the efficiency of workers in the sector.

For more information about the Bank's environmental, social and governance achievements, please refer to the ESG Review on page 47, and SNB's Environmental, Social and Governance Report 2022.

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 18.6 billion for equity holders in 2022, after Zakat and income tax, compared to SAR 12.7 billion in 2021 – an increase of SAR 5.9 billion and growth of 47%. Earnings per share after Zakat and income tax were SAR 4.06.

Net special commission income increased by 18% to SAR 26.3 billion, up from SAR 22.2 billion. Total operating income rose by 17% to SAR 33.0 billion from SAR 28.2 billion, while total operating expenses decrease by 15% from SAR 13.5 million to SAR 11.5 million.

The Bank's assets increased by 3% to SAR 945.5 billion from SAR 914.1 billion, while the financing and advances portfolio grew by 10% from SAR 497.6 billion to SAR 545.3 billion. Investments increased by 6% from SAR 242.6 billion to SAR 258.3 billion, and customers' deposits decreased by 3% from SAR 588.6 billion to SAR 568.3 billion.

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

	2022	2021	2020	2019	2018
Total assets	**945,496**	914,147	599,446	506,819	452,177
Net financing and advances	**545,311**	497,568	346,705	281,843	265,062
Net investments	**258,292**	242,561	144,853	134,077	118,090
Total liabilities	**778,719**	751,378	519,228	437,476	386,508
Customers' deposits	**568,283**	588,574	416,419	353,389	318,701
Total equity attributable to equity holders of the Bank	**165,973**	162,198	79,410	68,443	57,737
Total operating income	**33,003**	28,236	21,458	20,575	18,927
Total operating expenses	**11,469**	13,523	8,448	7,719	8,082
Net income attributable to equity holders of the Bank	**18,581**	12,668	11,440	11,401	9,594

Financial results of the Bank's operational segments in 2022 and 2021 (in SAR million):

	Retail		Wholesale		Capital Market		International		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Total operating income	**14,627**	12,466	**13,854**	12,503	**1,931**	1,577	**2,591**	1,690	**33,003**	28,236
Total operating expenses	**7,073**	6,968	**2,516**	4,957	**573**	586	**1,308**	1,012	**11,469**	13,523
Net income before zakat and income tax	**7,573**	5,389	**11,375**	7,317	**1,358**	992	**971**	756	**21,277**	14,454
Total assets	**380,314**	339,622	**519,030**	532,110	**13,844**	6,616	**32,308**	35,799	**945,496**	914,147
Total liabilities	**343,086**	346,731	**403,054**	371,304	**3,951**	611	**28,628**	32,732	**778,719**	751,378

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

	Net income attributable to equity holders	% of total income
Saudi National Bank	17,018	91.6%
SNB Capital and its subsidiaries	1,220	6.6%
TŸrkiye Finans Katılım Bankası and its subsidiaries	302	1.6%
Samba Bank Limited, Pakistan (SBL)	41	0.2%
Total	18,581	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
2022	**22,781**	**2,380**	**137**	**7,705**	**33,003**

5. Credit Rating

International credit rating agencies underscored the fact that SNB maintained a stable rating over 2022, reflecting the Bank's aspirations to increase profitability and liquidity. Credit agencies' detailed evaluations for the year were:

	2022		
Rating agency	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 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, to 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 SAR per share	Total Payout Ratio Net of Zakat SAR '000	Type	Status
2023	To be announced	0.60	2,686,800	Final	Proposed
2022	April 2022	0.90	4,030,200	Final	Paid
	July 2022	1.10	4,925,800	Interim	Paid
2021	April 2021	0.80	3,582,400	Final	Paid
	August 2021	0.65	2,910,700	Interim	Paid

7. Income Distribution

2022	SAR Million
Net income for year before Zakat and income tax	21,277
Zakat and income tax expense	2,548
Transfer to statutory reserve	4,645
Interim paid dividend	4,926
Final proposed dividend	2,687
Tier I Sukuk related costs	568
Non-controlling Interests	148
Purification amounts	24
Transfer to retained earnings	5,731

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 46 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 76.6 billion by the end of 2022. SNB's share exceeded SAR 22.1 billion, with 3,970 enterprises benefiting from SNB financing since the inception of the program. SNB was also the leading bank that responded to SAMA's Guaranteed Finance Program to mitigate the financial and economic impact of Covid-19 and enable MSMEs to play their role in supporting economic stability in this critical period.

The most significant initiatives undertaken with our partners in 2022 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 (more than 300 enterprises have benefited to date); 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.

SME Bank

- Crowdfunding agreement, whereby SNB participates in studying and designing financing programs for MSMEs; agreement to join the SME Bank financing platform aiming to enable entrepreneurs and MSME owners to benefit from SNB's finance services and streamline the procedures through a digital channel. This will give entrepreneurs access to the financing entities' details and their financing services. They will also be able to contact them and apply for financing.

General Entertainment Authority

- SNB signed an MOU with the General Entertainment Authority to develop customized products that can support MSMEs investing in entertainment projects.

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 finance not exceeding SAR 500,000.
- 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.

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 small, medium, and micro 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**

Quantitative disclosure for 2021 (in SAR '000)

Particulars	Micro	Small	Medium	Total
Financing of micro, small, and medium enterprises – on-balance items	922,989	12,303,379	21,718,319	34,944,687
Financing of micro, small, and medium enterprises – off-balance items	528,511	2,564,446	5,552,785	8,645,742
On-balance financing of micro, small, and medium enterprises as a percentage of total on-balance financing	0.19%	2.56%	4.52%	7.27%
Off-balance financing of micro, small, and medium enterprises as a percentage of total off-balance financing	0.69%	3.33%	7.22%	11.24%
Number of financings (on-balance and off-balance)	2,399	7,226	7,696	17,321
Number of financed customers (on-balance and off-balance)	1,928	3,211	1,428	6,567
Number of financings guaranteed by Kafalah Program (on-balance and off-balance)	143	878	311	1,332
Total financings guaranteed by Kafalah Program (on-balance and off-balance)	101,462	1,620,125	2,142,139	3,863,726

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

(a) Compensation to Board Members of the Saudi National Bank

The Board has prepared SNB's Policy of Annual Compensation of Board Members and Board Committees. The policy was approved by the Shareholders' General Assembly. The policy aims to set the approved 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 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, Company Governance Regulations issued by the Capital Market Authority (CMA), Companies' Law issued by the Ministry of Commerce, and SNB's Articles of Association.

Compensation paid to the Board members for the fiscal year 2022 was as follows, without any substantial deviation from applicable laws and regulations:

	SAR															
	Fixed Compensation							Fixed Compensation								
Board Members	Fixed amount	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	Total aggregate#	Expense allowance
I. Independent members																
Ziad Mohammed S Altunisi	700,000	55,000	50,000	-	-	-	805,000	-	-	-	-	-	-	-	500,000	3,000
Zaid Abdulrahman A Algwaiz	700,000	55,000	60,000	-	-	-	815,000	-	-	-	-	-	-	-	500,000	3,000
Abdullah Abdulrahman Sainin Al-Ruwais *	700,000	55,000	40,000	-	-	-	795,000	-	-	-	-	-	-	-	795,000	3,000
Sheila Othayeb Alrowaily **	221,097	20,000	5,000	-	-	-	246,097	-	-	-	-	-	-	-	246,097	0
Huda Mohammed Bin Ghoson ***	156,714	25,000	10,000	-	-	-	191,714	-	-	-	-	-	-	-	191,714	12,000
Total	2,477,811	210,000	165,000	-	-	-	2,852,811	-	-	-	-	-	-	-	2,232,811	21,000
II. Non-executive directors																
Ammar Abdulwahed Faleh Alkhudairy	600,000	55,000	30,000	-	-	5,000,000	5,685,000	-	-	-	-	-	-	-	5,500,000	3,000
Yazeed Abdulraman Ibrahim Alhumied	500,000	55,000	20,000	-	-	-	575,000	-	-	-	-	-	-	-	500,000	3,000
Rashid Ibrahim M Sharif	500,000	55,000	30,000	-	-	-	585,000	-	-	-	-	-	-	-	500,000	3,000
Saoud Solaiman A Aljuhni	500,000	55,000	25,000	-	-	-	580,000	-	-	-	-	-	-	-	500,000	3,000
Abdulrahman Mohammed Alodan	554,247	55,000	45,000	-	-	-	654,247	-	-	-	-	-	-	-	500,000	3,000
Ibrahim Saad Ibrahim Almojel	500,000	55,000	25,000	-	-	-	580,000	-	-	-	-	-	-	-	500,000	3,000
Total	3,154,247	330,000	175,000	-	-	5,000,000	8,659,247	-	-	-	-	-	-	-	8,000,000	18,000
III. Executive directors																
Saeed Mohammed A AlGhamdi	600,000	55,000	60,000	-	-	-	715,000	-	-	-	-	-	-	-	500,00	3,000
Total	600,000	55,000	60,000	-	-	-	715,000	-	-	-	-	-	-	-	500,00	3,000

* Appointment of Mr. Abdullah A. Alrowais as the Chairman of the Audit Committee for the Board's term began on 15th May 2021

** The membership is expired with the resignation of Ms. Sheila Othayeb Alrowaily from her position as a member of the Board of Directors on 09/06/2022.

*** Appointment of Ms. Huda Mohammed Bin Ghoson as a member of the Board of Directors starting from 05/09/2022.

The total aggregate number of the board members has been reduced to match the number specified by law.

(b) Compensation to Board Committees Members

Executive Committee Members	SAR Fixed Compensation (excluding board meeting attendance allowance)	Board meeting attendance allowance	Total
Ammar Abdulwahed Faleh Alkhudairy	200,000	30,000	230,000
Saeed Mohammed A AlGhamdi	100,000	30,000	130,000
Ibrahim Saad Ibrahim Almojel	100,000	25,000	125,000
Ziad Mohammed S Altunisi	100,000	30,000	130,000
Zaid Abdulrahman A Algwaiz *	45,753	15,000	60,753
Abdulrahman Mohammed Alodan **	54,247	15,000	69,247
Total	600,000	145,000	745,000

* Mr. Zaid Abdulrahman A Algwaiz membership is expired from his position as a member of the Executive Committee on 16/06/2022.

** Appointment of Mr. Abdulrahman Mohammed Alodan as a member of the Executive Committee starting from 16/06/2022.

Risk Committee Members	SAR Fixed Compensation (excluding board meeting attendance allowance)	Board meeting attendance allowance	Total
Zaid Abdulrahman A Algwaiz	200,000	30,000	230,000
Saeed Mohammed A AlGhamdi	100,000	30,000	130,000
Rashid Ibrahim M Sharif	100,000	30,000	130,000
Abdulrahman Mohammed Alodan	100,000	30,000	130,000
Saoud Solaiman A Aljuhni	100,000	25,000	125,000
Total	600,000	145,000	745,000

Nomination and Renumeration Committee Members	SAR Fixed Compensation (excluding board meeting attendance allowance)	Board meeting attendance allowance	Total
Ziad Mohammed S Altunisi	200,000	20,000	220,000
Yazeed Abdulraman Ibrahim Alhumied	100,000	20,000	120,000
Zaid Abdulrahman A Algwaiz *	54,247	15,000	69,247
Sheila Othayeb Alrowaily **	45,754	5,000	50,754
Huda Mohammed Bin Ghoson ***	28,494	10,000	38,494
Total	428,495	70,000	498,495

* Appointment of Mr. Zaid Abdulrahman A Algwaiz as a member of Nomination and Remuneration Committee starting from 16/06/2022.

**The membership is expired of Ms. Sheila Othayeb Alrowaily from her position as a member of the Nomination and Remuneration Committee on 09/06/2022.

** Appointment of Ms. Huda Mohammed Bin Ghoson as a member of the Nomination and Remuneration Committee starting from 18/09/2022.

(c) Compensation of the Audit Committee

The Shareholders' Extraordinary General Assembly has approved the charter for the Audit Committee, members' selection rules, its duties, bylaws, 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 Articles of Association. The table below sets out the compensation levels paid to Audit Committee members for the fiscal year 2022:

	SAR		
Audit Committee Members	Fixed compensation other than meeting attendance allowance	Meeting attendance allowance	Total
Abdullah Abdulrahman Sainin Alruwais	300,000	40,000	340,000
Dr Khaled M Altaweel – Non-Board Member	200,000	35,000	235,000
Dr Abdul Rahman M. Albarrak – Non-Board Member	200,000	40,000	240,000
Abdulaziz Sulaiman Alatiqi - Non-Board Member	200,000	40,000	240,000
Ali Suleiman Alayed - Non-Board Member	200,000	40,000	240,000
Total	1,100,000	195,000	1,295,000

(d) 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 2022 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
14,492	8,061	143	22,697	-	489	26,235	-	14,991	41,715	1,264	65,675

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 2022, the Bank through a Shariah-compliant arrangement issued additional cross-border Tier 1 Sukuk amounting to SAR 3.3 billion (SAR denominated). These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.

In 2022, the Bank, its subsidiaries, and affiliated companies issued and retrieved detailed debt securities as follows:

Issuer	Debt securities issued SAR'000	Term	Debt securities paid SAR'000	Outstanding amount SAR'000
SNB domestic	7,171,153	Maximum of 7 years	(225,153)	12,782,563
SNB international subsidiaries	3,385,807	Maximum of 10 years	(3,381,299)	204,613

12. Waiver of Interests

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 2022 amounted to SAR 2,633 million and contributions to the General Organization for Social Insurance (GOSI) amounted to SAR 256 million.

14. Related Party Transactions

In 2022, Several recommendations were presented by the Board of Directors to the General Assembly to approve the authorization of transactions and contracts to which the members of the Board of Directors will have a direct or indirect interest. The rules and procedures of the Bank's Internal Conflict of Interest Policy are in compliance with the instructions issued by the regulatory authorities, noting that that all these contracts are made without preferential conditions or benefits.

The following table details the business and contracts that have been approved by the General Assemblies that have been held in 2022, in addition to business and contracts that had been conducted between SNB and related parties, and the works and contracts for which the Bank seeks to obtain the General Assembly's approvals.

Business and contracts in which the Board of Directors, senior Executives or any related parties have a direct or indirect interest.

Sl. #	Name of the Company providing service	Relevant Member	Service provided	Period	Contract Value
1	Saudi Telecom Company (STC)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Renewal of Bulk SMS Contract for the year 2022	One Year	243,331,087.50
2	Saudi Telecom Company (STC)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Renewal of Point of Sale (POS) services for the year 2022	One Year	35,517,750
3	Saudi Telecom Company (STC)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Bank's credit card loyalty points redemption partnership for the year 2022 with the Qitaf program	One Year	3,450,000
4	Saudi Telecom Company (STC)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Installation and service fees for landlines and voice channels	One Year	506,000
5	Saudi Telecom Company (STC)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Contract of establishing a new toll-free service line (800)	One Year	36,892
6	Saudi Telecom Company (STC)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Contract renewal of Microsoft Enterprise as part of the merger project to add Samba's users under the Saudi National Bank contract.	One Year	15,193,122
7	Saudi Telecom Company (STC)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Internet connection upgrade	One Year	2,646,178
8	Arabian Internet and Communications Services Company (SOLUTIONS)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Contract of procurement of additional storage equipment to increase data storage capacity at MITC & NDC	-	21,102,500
9	Arabian Internet and Communications Services Company (SOLUTIONS)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Incident Response and Remediation Advisory Services - L2 requirements. And support services in cyber security engineering and processing	One Year	3,263,902

Sl. #	Name of the Company providing service	Relevant Member	Service provided	Period	Contract Value
10	Arabian Internet and Communications Services Company (SOLUTIONS)	1) Representatives of the Public Investment Fund 2) Yazeed Abdulraman Ibrahim Alhumied	Purchase of bulk SMS Service to cover the service until the end of December 2022	5 months	172,845,000
11	Saudi Accenture	Ziad Mohammed S Altunisi	IT Integration Support Services – 5th Phase related to the integration process	3 months	5,037,000
12	Saudi Accenture	Ziad Mohammed S Altunisi	IT Integration Support Services – 6th Phase related to the integration process	2 months	3,358,000
13	Saudi Accenture	Ziad Mohammed S Altunisi	Merger integration and archiving works	3 months	2,277,000
14	Saudi Accenture	Ziad Mohammed S Altunisi	SNB Digital PMO Assignment	One Year	14,375,000
15	Saudi Accenture	Ziad Mohammed S Altunisi	Hire a technical specialist to support the development of the Charles River system	4 Year	2,587,500
16	Saudi Accenture	Ziad Mohammed S Altunisi	Contract for a Technical Engineering Program for the Development of Digital Projects.	3 months	2,875,000
17	Saudi Accenture	Ziad Mohammed S Altunisi	SNB-DV Digital Enablers Project	One Year	31,090,250
18	Etihad Etisalat Company (Mobily)	1) Zaid Abdulrahman A Algwaiz 2) Abdullah Abdulrahman Sainin Al-Ruwais	Purchase of bulk SMS Service to cover the service until the end of December 2022	5 months	65,297,000
19	Etihad Etisalat Company (Mobily)	1) Zaid Abdulrahman A Algwaiz 2) Abdullah Abdulrahman Sainin Al-Ruwais	Partnership for redeeming points for the bank's credit card loyalty program (LAK) for the year 2022 with the Neqaty program	One Year	3,450,000
20	Etihad Etisalat Company (Mobily)	1) Zaid Abdulrahman A Algwaiz 2) Abdullah Abdulrahman Sainin Al-Ruwais	Bulk SMS Contract for the year 2023	One Year	130,094,953.12
21	Elm Information Security Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Subscribing to the (Najiz) service to transfer legal cases electronically	3 months	2,750,000
22	Elm Information Security Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Renewal of the fingerprint verification service for the year 2022, in addition to the fees for the fourth quarter of 2021	One Year	31,553,565
23	Elm Information Security Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Renewal of Natheer service usage fees for the year 2022	One Year	1,886,000
24	Elm Information Security Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Renewal of customer mobile phone number verification service via (Verification) for the year 2022, in addition to the fees for the third and fourth quarters of the year 2021	One Year	36,067,090
25	Elm Information Security Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Renewal of the Yakeen service for the year 2022, in addition to the fees for the third and fourth quarters of the year 2021	One Year	36,926,811
26	Elm Information Security Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Renewal of Tamm service contract for the year 2022	One Year	5,750,000

Sl. #	Name of the Company providing service	Relevant Member	Service provided	Period	Contract Value
27	Elm Information Security Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Subscribing to the (Najiz) service for judicial services through the Ministry of Justice	One Year	1,080,000
28	Elm Information Security Company	Representatives of the Public Investment Fund	Contract of Yakeen service to verify the information of retail customer information	One Year	279,450
29	Elm Information Security Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Resident data verification service for the purpose of supporting collections	One Year	338,167
30	Silah Company	Representatives of the Public Investment Fund	The Bank's sponsorship of the Riyadh season for the year 2022 (premium sponsor)	4 months	69,000,000
31	Tadawul	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Trading & Listing fees for the first half of 2022	6 months	570,274
32	Tadawul	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Trading & Listing fees for the second half of 2022	6 months	579,726.03
33	Edaa Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Edaa fees for registration services (listed companies) for the year 2022	One Year	805,000
34	Edaa Company	1) Representatives of the Public Investment Fund 2) Abdulrahman Mohammed Alodan	Edaa Annual membership fees (Settlement) for the year 2022	One Year	34,500
35	The Company for Cooperative Insurance (Tawuniya)	Abdulrahman Mohammed Alodan	Renewal of the annual medical insurance contract for the SNB Group for the year 2022	One Year	The value of contracts exceeded (1%) of the total revenue of the bank as per the last audited annual financial statement.
36	The Company for Cooperative Insurance (Tawuniya)	Abdulrahman Mohammed Alodan	Contract to provide insurance services to Individual auto financing for the year 2022	One Year	46,000,000
37	Bupa Arabia for Cooperative insurance Co. (Bupa)	1) Huda Mohammed Bin Ghoson 2) Zaid Bin Abdulrahman Algwaiz	Renewal of the annual medical insurance contract for the SNB Group for the year 2023	One Year	335,445,867
38	Arabian Shield Cooperative Insurance Company (formerly AlAhli Takaful Company)	The bank is a major shareholder in the company	The additional cost of life insurance for the mortgage financing product for the year 2021	-	12,846,146
39	Arabian Shield Cooperative Insurance Company (formerly AlAhli Takaful Company)	The bank is a major shareholder in the company	Renewal of the life insurance policy for the mortgage financing product for the year 2022	One Year	261,915,099
40	Arabian Shield Cooperative Insurance Company (formerly AlAhli Takaful Company)	The bank is a major shareholder in the company	Renewal of the life insurance policy for the credit card product for the year 2022	One Year	1,276,923
41	Arabian Shield Cooperative Insurance Company (formerly AlAhli Takaful Company)	The bank is a major shareholder in the company	Renewal of the life insurance policy for the SNB Group for the year 2022	One Year	3,462,016

Sl. #	Name of the Company providing service	Relevant Member	Service provided	Period	Contract Value
42	Arabian Shield Cooperative Insurance Company (formerly AlAhli Takaful Company)	The bank is a major shareholder in the company	Renewal of the life insurance policy for the SNB Group for the year 2023	One Year	3,089,857
43	Arabian Shield Cooperative Insurance Company (formerly AlAhli Takaful Company)	The bank is a major shareholder in the company	Renewal of the life insurance policy for the credit card product for the year 2023	One Year	1,195,849
44	Arabian Shield Cooperative Insurance Company (formerly AlAhli Takaful Company)	The bank is a major shareholder in the company	Renewal of the life insurance policy for the mortgage financing product for the year 2023	One Year	328,662,135.15

- The Board of Directors members representing the Public Investment Fund for the term, which began on 05/15/2021 and ends on 05/14/2024, are:

1) Mr. Ammar Abdulwahed Faleh Alkhudairy 2) Mr. Yazeed Abdulraman Ibrahim Alhumied 3) Dr. Ibrahim Saad Ibrahim Almojel

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
40 million shares	SAR 2,028 million	Employees' Shares Program Reserve and shares acquired as a result of merger with Samba Group

15. Employee Benefits

In 2022, SNB continued its efforts in pursuance, recruitment, and retention of the best Saudi talents. Through employment programs designed for attracting top talents, SNB achieved a steady increase in Saudization, reaching 99.3% by the end of 2022. 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 saving scheme gives employees an opportunity to build personal savings as an attractive benefit that helps to retain qualified talents.

In terms of scheme 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 138 million by the end of 2022. 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 1,907 million as at 31 December 2022.

16. SAMA Statutory Penalties

	2022		2021	
Subject of the violation	Number of penalties	Total amount of penalties in SAR	Number of penalties	Total amount of penalties in SAR
Violation of SAMA supervisory instructions	**52**	**26,468,425**	49	21,071,000
Violation of the SAMA instructions on customers' protection	**10**	**8,831,950**	5	2,075,850
Violation of the SAMA instructions on due diligence	**1**	**45,000**	-	-
Violation of the SAMA instructions on the level of the ATMs and POS machines	**1**	**15,000**	-	-
Violation of the SAMA instructions on due diligence in combating money laundering and terrorism financing	**1**	**50,000**	5	1,160,000
Total	**65**	**35,410,875**	59	24,306,850

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: Executive Committee, Audit Committee, Risk Committee, and 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 , according to this, the 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 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 17 April 2022, the Shareholders' Extraordinary Assembly approved the appointment of Ernst and Young & Partners / KPMG & Partners as the Bank's external auditors for the fiscal year ending 31 December 2022 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 2022, along with the determined fees. The next meeting of the Assembly will decide the appointment of the external auditors for the year 2023 based on the Audit Committee's recommendation in this regard.

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. 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 operations 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. Credit risk assessment function assesses risks related to losses that might arise from failure to repay outstanding obligations. Accordingly, corporate clients are analyzed using internally developed credit assessment forms and a robust risk-rating model (a measurement tool and indicator of portfolio asset quality) that uses personal profiling and credit behavior to analyze retail customers. Credit risk also continually carries out assessments of provision adequacy and ECL coverage for the risk portfolio.

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 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 a 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 at their maturity dates or having to make payment at excessive costs.

Accordingly, the main function of the Bank's liquidity risk management efforts 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 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

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 on 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 canceling 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 Company 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 nearest Board meeting. Also, there is an e-mail address: ShareholdersAffairs@alahli.com , a telephone number: 0118111222 and mail address to receive ad hoc shareholder comments and suggestions (if any), linked directly to the Board Secretary so that the Board can review submissions.

22. External Auditor Reservations on the Financial Statements

The audit report did not include Reservations to the annual financial statements.

23. Board 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 that 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.

Compliance with the laws, regulations, instructions, and policies is one of the most important factors for the Bank's success, as well as maintenance of its reputation and credibility. Therefore, Bank staff shall be committed to consistent compliance with these requirements, without any violation or negligence. They may not conduct, on behalf of the Bank, any dealings that may violate the Bank's laws, regulations, instructions or policies.

25. Approved International Accounting Standards

The consolidated financial statements for the year ended 31 December 2022 were prepared in accordance with International Financial Reporting Standards approved by the Kingdom of Saudi Arabia and other standards and publications issued by SOCPA and in conformity with the Banking Control Law, the Companies' Law of Saudi Arabia, and the Bank's Articles of Association.

Subsidiary companies

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
NCB 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 Varlik Kiralama A.Ş., which are special purpose entities (SPEs) established in connection with issuance of sukuks 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
AlAhli Insurance Services Marketing Company	500,000	50,000	100%	A Limited Liability Company, engaged as an insurance agent for distribution and marketing of Islamic insurance products in Saudi Arabia. The Board of Directors of the subsidiary in their meeting held on 28 January 2021 resolved to liquidate Alahli Insurance Service Marketing Company. As at the reporting date, the required regulatory approvals and the legal formalities in respect of liquidation of the subsidiary are in progress.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
SNB Markets Limited	187,500	50,000	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
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 Sharia 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

Subsidiary company	Capital (SAR)	Number of issued shares	Ownership (%)	Main activity	Country of incorporation	Country of main activity
Co-Invest Offshore Capital Limited (COCL)	238,733	50,000	100%	A Limited Liability Company registered in Cayman Islands, engaged in managing certain overseas investments through a fully owned entity, Investment Capital (Cayman) Limited (ICCL). ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, which is also a Cayman Island limited liability company, that manages these overseas investments. As at the reporting date, the required regulatory approvals and the legal formalities in respect of liquidation of the subsidiary are in progress	Cayman Islands	Cayman Islands
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	187,000	1	100%	A Limited Liability Company registered in Cayman Islands, engaged in managing certain treasury related transactions.	Cayman Islands	Cayman Islands
SNB Funding Limited	187,000	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

On 4 February 2021, NCB Capital Board of Directors decided to discuss the integration with Samba Capital and Investment Management Company (Samba Capital). All relevant regulatory approvals in relation to the merger between NCB Capital and Samba Capital have been obtained on 9 July 2021. By this time, the Bank announced that the merger of Samba Capital into NCB Capital was effective from 9 July 2021, pursuant to which Samba Capital has ceased to exist and all of the assets and liabilities of Samba Capital transferred to the NBC Capital, i.e. the completion of the merger. Subsequent to the merger, the name of NCB Capital has been changed to SNB Capital (SNBC). Pursuant to the merger with Samba Capital, SNB Capital also acquired two special purpose entities namely Samba US Logistics Fund LP, an exempted limited partnership, registered on 9 September 2020; and Samba US Logistics Fund GP an exempted company, incorporated on 7 July 2020. These entities are governed under the laws of the Cayman Islands and are formed for the purpose of holding and managing principal investments.

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 248.5 billion in client assets under management across various local and international asset classes at the end of December 2022 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) NCB 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 Katilim Bankasi
SNB owns a 67.03% (2021: 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 29% in 2022, the gross financing portfolio rose by 34%, customer deposits by 31%, and the ratio of loans to deposits increased from 68% to 69%. Income for 2022 was TRY 1,968 million, up from TRY 923 million in 2021.

Wholesale funding (including Tier-II borrowing from SNB) increased from TRY 15.7 billion in 2021 to 22.4 billion in 2022, 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 31% from TRY 88.4 billion to TRY 115.9 billion, of which participation deposits rose by 33%.

Individual auto financing increased by 233% from TRY 1.2 billion to TRY 3.7 billion, while general purpose financing for individuals including credit cards by 74%.

The Bank had 308 branches was at the end of 2022, 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) AlAhli Insurance Services Company
SNB has 100% effective ownership of AlAhli Insurance Services Marketing Company, a limited liability company registered in Saudi Arabia under commercial registration 4030195150 dated 21/12/1430H (8/12/2009) with capital of SAR 500,000. The Company's objectives are to serve as an agent for marketing Islamic insurance products and services in Saudi Arabia and marketing all the insurance products of AlAhli Takaful Company. In its meeting on 28 January 2021, the Board of the subsidiary decided to liquidate AlAhli Insurance Services Company. At the time of this report issuance, the relevant legal approvals and procedures are still in progress.

(g) 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). The Company specializes in trading of derivatives, purchases, and repurchases on behalf of the Bank.

(h) 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 Sharia compliant direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).

(i) AlAhli Outsourcing Company (Isnad)

The Bank has 100% direct ownership of AlAhli 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.

(j) 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. During the year to 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. As at the reporting date, the fair value less cost to sell of SBL is not materially different from its net asset value. 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.

(k) Co-Invest Offshore Capital Limited (COCL)

Limited Liability Company registered in Cayman Islands, engaged in managing certain overseas investments through a fully owned entity, Investment Capital (Cayman) Limited (ICCL). ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, which is also a Cayman Island limited liability company, that manages these overseas investments. As at the reporting date, the required regulatory approvals and the legal formalities in respect of liquidation of the subsidiary are in progress.

(l) 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.

(m) SNB Global Limited

The Bank has 100% direct ownership of Samba 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.

(n) SNB Funding Limited

The Bank has 100% direct ownership of Samba 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 Trading Company	1,600,000,000	1,600,000	60%	Owning, managing, maintaining, and cleaning Jamjoom Commercial Center	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

(a) Commercial Real Estate Markets Trading Company

SNB has 60% direct ownership of Real Estate Markets Trading 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 Real Estate Markets Trading, 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.

Islamic Banking

SNB Shariah Committee

The Bank's Shariah Committee is an independent body that acts with complete independence. Its members include eminent scholars who specialize in the jurisprudence of financial transactions and economics. It is responsible for the adoption of Shariah-compliant products and services, ensures the integrity of their application, follows up on Shariah supervisory observations, and contributes to their solutions.

The Shariah Committee comprises six prominent scholars in Shariah and Islamic economics:

- His Excellency Sheikh Abdullah Sulaiman Al Manea (Advisor to the Saudi Royal Court, member of the Supreme Council of Senior Scholars, and Chairman of the SNB Shariah Committee)
- His Excellency Sheikh Dr. Abdullah Mohammed Al Mutlaq (Advisor to the Saudi Royal Court, member of the Supreme Council of Senior Scholars, and Deputy Chairman of the SNB Shariah Committee)
- His Excellency Sheikh Dr. Saad Nasser Al-Shithri (Advisor to the Saudi Royal Court and member of the Supreme Council of Senior Scholars)
- His Excellency Sheikh Dr. Abdullah Abdulaziz Al-Musallah (former Head of Commission on Scientific Signs in the Qur'an)
- His Excellency Sheikh Dr. Mohammed Ali Al-Qari (former Head of the Institute of Islamic Economics)
- His Excellency Sheikh Dr. Khaled Mohammed Abdullah Al-Sayyari (member of the teaching staff at the Saudi Electronic University, member of the Shariah Standards Committee at the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Riyadh, and member of the Saudi Fiqh Association)

In 2022, 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.

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 Development and Support Department

The 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 across the various activities of the Bank, such as products, services, agreements, contracts, etc. It is also responsible for project management, including the important task of holding a symposium on the future of Islamic banking every year.

The Shariah Consulting and Research Department has studied 360 requests sent to it from different SNB businesses, SNB Capital, and SNB's UAE branch. By the end of 2022, it had issued 367 decisions.

It also answered nearly 60 queries from the Bank's employees and customers throughout the year, in accordance with the Shariah-compliant Committee decisions for these transactions, which were received by email (Ask Shariah).

It continued its efforts to spread awareness among the Bank's employees through the Islamic Banking Awareness Project by publishing monthly campaigns for employees, resulting in a total of 12 campaigns. It also conducted training for the Bank's employees in branches and in private banking to give participants concept insights into Islamic banking, its importance, and the history of the development of Islamic banking at SNB. Another aim was to introduce the Shariah Committee and its members, the Shariah management and its departments, and the most prominent Islamic financing products at the Bank.

The Department continued to qualify new Shariah scholars to work on Shariah boards through the Bank's unique and distinguished program. To date, seven Islamic banking scholars have graduated from this program.

It also participated in many committees, the most important of which were the Tadawul Shariah Advisory Committee and the Islamic Banking Committee at the Saudi Central Bank (SAMA), where it assumed the chairmanship and secretariat of the Committee for the year 2022.

Shariah Development and Support Department
The Department focuses on providing support to the business sector for product development and innovation through all stages (until Shariah approval is obtained) and its implementation framework (e.g., new products, improving existing products, or updating procedures and policies).

The Shariah Development and Support Department team develops new products and improves contracts and executive documents for several entities, namely the retail banking sector, SNB Capital, the SNB Emirates branch, the corporate banking sector, and digital banking services. In addition, the team offers Shariah support and training, while also facilitating procedures and obtaining Shariah approvals from the Shariah Committee Shariah Advisor and internal Shariah Committee. The team improves and develops some products related to the remarks monitored by the Shariah Supervision Team and the Shariah Compliance Team, as well as the remarks monitored by the Central Bank of the UAE for the Emirates branch.

Special workshops were also provided to the relevant areas responsible for the development and improvements of Islamic products in banking culture. In coordination with the product departments, knowing the difficulties to overcome them and developing training materials that are easy to refer to, the team completed 479 requests related to all the above in terms of support and development. The team also assisted business departments in processing 26 Shariah supervisory observations.

Shariah Compliance and Governance Department
This Department focuses on providing reasonable assurance to the Bank's management, the management of the 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. Its most important achievements include:

- Reviewing and approving product policies, procedures, and programs after ensuring their compliance with the Committee's controls, resulting in a total of 871 documents
- Reviewing and approving advertising materials and system development documents, resulting in a total of 478 documents
- Issuing reports and notices on the level of compliance with the controls and requirements of Shariah governance, resulting in a total of 37 documents
- Updating the SNB Shariah governance framework in preparation for submitting it to the Board of Directors for approval

The management, in partnership with PWC, has completed the project "Risk Management Framework for Banking Services Compliant with the Provisions of Islamic Shariah." Currently, AlTamanah departments are reviewing the outputs of the project in preparation for submitting it to the Board of Directors for approval. SNB is the first bank in the Kingdom of Saudi Arabia to launch this project.

The administration has completed the "Disbursement from the Purification Account" project as part of the efforts exerted to achieve SNB's strategic objectives. A disbursement committee was formed, the required accounts were opened, and funds began to be disbursed to charities.

Regarding SNB's foreign branches, the Department has carried out the following:

- Utilized the Bank's Shariah management resources and provided services to UAE branches
- Conducted a gap analysis to achieve the governance framework
- Formed the Internal Shariah Supervision Committee for the UAE branch following the approval of the Central Bank
- Formed the internal control departments and the Shariah audit department of the branch
- Held the first ISSC meeting on April 19, 2022
- Closed 90% of the UAE Central Bank's remarks

Shariah Review Department

This Department is one of the Shariah management units. It undertakes the task of Shariah review to ensure that all products and services provided by SNB and its sister companies are in accordance with the decisions and fatwas issued by the Shariah Committee, the Shariah Advisor, or the Shariah Consultation and Research Department by giving reasonable assurance to the Shariah Committee that the Bank complies with the rules and principles of Islamic Shariah.

The Shariah Review Department has issued seven Shariah review reports on SNB products in various sectors. Five Shariah review reports have been issued on product and investment funds provided by SNB Capital. They were submitted to both the Shariah Committee and the Audit Committee in 2022.

The Shariah Review Department regularly follows up with a range of departments to correct the observed Shariah notes as required by the policy of the Department. These follow-ups resulted in the correction of 60 Shariah notes during the year.

The Shariah Review Department has also been tasked with carrying out Shariah audit work on the Islamic window of SNB's branch in the UAE. The Shariah review team reviewed the Islamic activities of the window and ensured their compliance with the decisions of the Shariah Committee and the instructions of the UAE Central Bank in this regard.

Symposium on the Future of Islamic Banking

SNB, represented by the Shariah Division, held its 14th annual symposium 'The Future of Islamic Banking' in 2022, which explored the topic 'Banks with Islamic Windows.' A group of senior scholars and specialists in Islamic banking participated, with attendance exceeding 300 people.

Within the symposium, a workshop entitled 'The Jurisprudential Approach to Rooting Islamic Financial Transactions' was conducted by Professor Dr. Nazih Hammad. The focus of his workshop was twofold: to discuss newly developed complex financial transactions and basic concepts in the transactions of Islamic banks. Nearly 50 people specializing in financial transactions participated.

The research papers and the decisions of the Shariah Committee were printed and distributed in line with the symposium.

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.

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

Changes to the Board of Directors in 2022

(1) SNB announced in the Saudi Stock Exchange (Tadawul), the Board of Directors resolution by circulation of the resignation of Ms. Sheila Othayeb Alrowaily from her position as a member of the Board of Directors on 09/06/2022, corresponding to 10/11/1443H, due to the issuance of the Royal Decree, dated 05/06/2022, corresponding to 06/11/1443H, appointing her as a member of the Board of Directors of the Saudi Central Bank.

(2) SNB announced in the Saudi Stock Exchange (Tadawul), the Board approved by circulation the appointment of Ms. Huda Mohammed Bin Ghoson as a member of the Board of Directors, in the vacant position in the Board to continue the current Board term that will end in 14/05/2024, after obtaining the Saudi Central Bank's no objection on 09/02/1444 corresponding to 05/09/2022. The Board's approval shall not be deemed final, and this appointment will be submitted to the next meeting of the General Assembly for ratification.

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 and members of the Board. The Secretary General of the Board is responsible for taking minutes of the Board meeting.

During the Extraordinary General Assembly held on the 6th of May, 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 31/12/2022

	Name	Title	Membership Class
1	Ammar Abdulwahed Faleh Alkhudairy	Chairman, Chair of Executive Committee	Non-Executive
2	Yazeed Abdulrahman Ibrahim Al Humied	Vice Chairman, Member, Nomination and Remuneration Committee	Non-Executive
3	Ibrahim Saad Almojel	Board Member, Member of Executive Committee	Non-Executive
4	Rashid Ibrahim M Sharif	Board Member, Member, Risks Committee	Non-Executive
5	Ziad Mohammed S Altunisi	Board Member, Chair of Nomination and Remuneration Committee, Member of the Executive Committee	Independent
6	Zaid Abdulrahman A Algwaiz	Board Member, Member, Chair, Risk Committee, Member of the Executive Committee,	Independent
7	Saud Suliman Aljuhani	Board Member, Member, Risks Committee	Non-Executive
8	Saeed Mohammed Ali Al-Ghamdi	Managing Director & CEO, Member, Executive Committee, Member, Risks Committee	Executive
9	Abdulrahman Mohammed Alodan	Board Member, Member, Risks Committee, Member, Executive Committee	Non-Executive
10	Abdullah A. AlRowais	Board Member, Chairman, Audit Committee	Independent
11	Huda Mohammed Bin Ghoson	Board Member, Member, Nomination and Remuneration Committee	Independent

Board Members, their qualifications and Experiences:

Mr. Ammar Abdulwahid Faleh Alkhudairy, Chairman

Mr. Alkhudairy is the Chairman of the Board of Directors and Chairman of the Executive Committee of the Saudi National Bank. He is a non-executive Board member. He played key leadership roles in various Saudi financial institutions, including Riyad Bank, United Saudi Bank, and Banque Saudi Fransi. Mr. Alkhudairy was also a board member from 2015 to 2018, chairman of the Audit Committee from 2015 to 2018, and served as the interim managing director/CEO at Banque Saudi Fransi from October 2017 to March 2018. Mr. Alkhudairy has over 30 years' experience in the financial sector, with a special focus on the areas of corporate banking, project finance, corporate finance, M&A, and asset management. He currently serves as deputy chairman of SPIMACO, and a board member of Almarai. He has also served as a member on various public and private boards, including chairman of Goldman Sachs Saudi Arabia, chairman of Morgan Stanley Saudi Arabia, chairman of Allianz Saudi Arabia, chairman of Herfy Company, SAVOLA, Zain KSA. He founded and chairs Amwal AlKhaleej based in Riyadh and Amwal Capital Partners based in United Arab Emirates, an asset management business based in Dubai International Financial Center. He also serves as a board member with government-related entities, such as the Real Estate Development Fund. He also served as board member at the Economic Cities Authority. Mr. Alkhudairy earned an MSc in Engineering Administration and a BSc in Civil Engineering from George Washington University.

Mr. Alkhudairy's academic qualification and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1984	Master's degree	Engineering Administration	George Washington University (USA)
1983	Bachelor's degree	Civil engineering	George Washington University (USA)

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman of the Board	SNB Capital	Closed shareholding company	Financial & Banking
Board Member	Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO)	Public shareholding company – inside KSA	Pharmaceutical
Board Member	Almarai	Public shareholding company – inside KSA	Food & Beverage
Board Member	Real Estate Development Fund	-	Government
Chairman	Amwal Capital Partners	Limited Liability company	Finance

Professional experience

Job title	Name	Legal form	Sector
Chairman	Saudi National Bank	Public shareholding company – inside KSA	Banks
Chairman	Samba Financial Group	Public shareholding company – inside KSA	Banks
Chairman	Goldman Sachs Saudi Arabia	Closed Joint Stock Company	Banks
Chairman	Morgan Stanley Saudi Arabia	Closed Joint Stock Company	Banks
Chairman	Allianz Saudi Arabia	Public shareholding company – inside KSA	Insurance
Chairman	Herfy	Public shareholding company – inside KSA	Consumer Services
Board Member	Banque Saudi Fransi	Public shareholding company – inside KSA	Banks
Board Member	Savola Group	Public shareholding company – inside KSA	Consumer Staples
Board Member	Zain KSA	Public shareholding company – inside KSA	Telecommunications Services
Board Member	Economic Cities Authority	-	Government

Mr. Yazeed Abdulrahman Alhumied, Vice-Chairman

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

Mr. Yazeed Alhumied is the Deputy Governor and the Head of MENA Investments at the Public Investment Fund (PIF). Where his responsibilities include managing two key investment pools: Saudi Equity Holdings and Saudi Sector Development with a significant number of key assets under management.

His responsibilities also include attracting international strategic partners and other entities to Saudi Arabia – both for investing as well as to localize cutting edge technologies- thus enabling PIF to effectively execute its role as a driver of the Kingdom's economy.

Mr. AlHumied joined PIF in 2015 as an Advisor to His Excellency the Governor of PIF- to contribute to the restructuring of the organization as well as for crafting its strategy- post its reallocation to Council of Economic and Development Affairs (CEDA). In 2016, he was appointed as the Chief of Staff while retaining his advisory post. As Chief of Staff, he was responsible for a number of outstanding achievements and accomplishments that included contributing to the development of the PIF updated strategy and business plan; managing PIF investment projects from inception to becoming established companies; developing a comprehensive governance model fro PIF portfolio companies along with establishing the foundations and mechanisms for representations in the Boards of Directors of PIF portfolio companies, developing several international strategic partnerships, and enhancing PIF relations to become an enabler to other local entities.

In addition to his tenure at PIF, Mr. AlHumied's career spans in excess of 18 years of extensive and valuable experience in both financial and management fields, working in a leading international company Price Waterhouse Coopers as well as the House of National Consulting from 2004-2008- thereafter joining the Capital Market Authority (CMA) until 2015. During this period, he headed the Mergers and Acquisitions team and was exposed to leading international investment practices as he also got seconded to work at the Malaysian Securities Commission and the regulatory body of mergers and acquisitions in the United Kingdom. He also served as 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 Investment Committee, Management Liquidity Committee and the Annual Report Steering Committee. And his contributions extend through his memberships in several committees such as the Management Committee, the Portfolio Companies Nomination Committee and Management Investment Committee as will 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, Vice Chairman for: the Saudi National Bank, the Saudi Tadawul Holding Group, Saudi Telecom Company (STC), and Saudi Egyptian Investment Company; and board memberships in Saudi Arabian Airlines, Civil Aviation Holding, Richard Attias & Associates and Flyadeal, Saudi Information Technology Company (SITE), Water Solutions Company, Red Sea Cruise Company, and Saudi Electronic Gaming Holding Company (Savvy); in addition to being a member in several sub-committees of the aforementioned Boards of Directors.

Mr. Yazeed Al-Humied holds a Bachelor's degree in Accounting from the King Saud University, along with being certified by several top tier international academic institutes such as the 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	Governmental Entity	Investment
Chairman	National Security Services Company (safe)	Joint Stock Company	Security
Vice-Chairman	Saudi National Bank	Public shareholding company – inside KSA	Bank
Vice-Chairman	Saudi Telecom Company	Public shareholding company – inside KSA	Communications
Vice-Chairman	Saudi Egyptian Investment and Finance (SEIGA)	Public shareholding company – Outside KSA	Investment
Vice-Chairman	Saudi Tadawul Group Holding Co.	Public shareholding company – inside KSA	Capital Market
Board Member	Saudi Arabian Airlines General Corporation	Governmental Entity	Aviation
Board Member	flyadeal	Joint Stock Company	Aviation
Board Member	Saudi Civil Aviation Holding Company	Joint Stock Company	Investment
Board Member	Richard Attias & Associates	Shareholding company – Outside KSA	Event Management
Board Member	Saudi Information Technology Company (SITE)	Closed Joint Stock Company	Information Technology
Board Member	Water Solutions Company	Closed Joint Stock Company	Power & utilities
Board Member	Saudi Electronic Games Holding Company	Closed Joint Stock Company	Games & Esports
Board Member	Red Sea Cruise Company	Closed Joint Stock Company	Entertainment

Professional experience

Job title	Name	Legal form	Sector
Head of Local Holding Investments	Public Investments Fund (PIF)	Governmental Entity	Investment
Chief of Staff	Public Investments Fund (PIF)	Governmental Entity	Investment
Advisor	Public Investments Fund (PIF)	Governmental Entity	Investment
Manager – Merger and Acquisition Dep	Capital Market Authority	Government Organization	Capital Market
Advisor of Governor	Capital Market Authority	Government Organization	Capital Market
Senior Specialist in the Merger and Acquisition Dep	Capital Market Authority	Government Organization	Capital Market
Advisor	National Consulting House	Company	Services
Senior Advisor	Price water house Cooper	Company	Services

Dr. Ibrahim Saad Ibrahim 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, committee member of several government boards. 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
Chief Executive Officer	The Saudi Industrial Development Fund	Government Financial institution	Financial & Banking
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	Industry
Vice Chairman Chairman, Investment Committee	Awqaf Investmnet Company	Joint Stock Company – inside KSA	Investment
Vice Chairman Member, Investment Committee	The Arabian Mining company	Joint Stock Company – outside KSA	Mining
Board Member	The Arabian Mining company – Alfujairah	Limited Liability company – outside KSA	Mining
Member, Investment Committee	Public Investment Fund	Governmental Entity	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
Founding Board Member	National Infrastructure Fund	Government Financial Institution	Financial & Banking Services
Board Member	Montreal Group	Global Forum	Financial Consulting
Co-President	Long-term Investors Club	International Entity	Investment

Professional experience

Job title	Name	Legal form	Sector
Board Member Member, Executive Committee	Samba Financial Group	Public shareholding company – inside KSA	Banks
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	Shareholding company – inside KSA	Energy
Head, International Investment	Saudi Aramco Energy Ventures	Shareholding company – inside KSA	Energy
Strategic Planning Department and Energy Sector	Saudi Aramco Company	Shareholding company – inside KSA	Energy
Local Committee Secretary of the Energy Strategies	Saudi Aramco Company	Shareholding company – inside KSA	Energy
Consultant	Saudi Aramco Company	Shareholding company – inside KSA	Energy

Mr. Rashed Ibrahim M Sharif, Board Member

Mr. Sharif 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 Department	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Chief Executive Officer	SNB Capital	Shareholding company – inside KSA	Banks
Board Member	AVILEASE | Aircraft Leasing Company	Closed shareholding company	Aircraft leasing and investment company
Investment committee member	Saudi Telecom Company	Public shareholding company – inside KSA	Communications
Board Member (Independent Non-Executive)	NEOM Tech and Digital Company	Closed shareholding company	Communications

Professional experience

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

Mr. Ziad Mohammed S 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 Statements	INSEAD Institute, France
2003	Senior Executives' Course	Private equity rights and venture capital	Harvard Business School
1996	Master's Degree	Securities and Investment Services	University of Reading, UK
1991	Bachelor's Degree	Business Management	King Saud University, Riyadh, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
CEO	Al Faisaliah Group	Closed shareholding company – inside KSA	Multiple investments
Chairman of the Board of Directors	Nuwa Capital	Shareholding company – outside KSA	Financial
Chairman of the Board of Directors	Axantia Cayman Holding Ltd.	Shareholding company – outside KSA	Pharmaceuticals
Chairman of the Board of Directors	Al Safi Danone Company	Closed shareholding company – inside KSA	Producing milk and dairy products
Chairman of the Board of Directors	Phillips Joint Venture Saudi Arabia	Closed shareholding company – inside KSA	Medical devices and equipment
Chairman of the Board of Directors	Arabian Intnl. Healthcare Holding Co.Ltd. (Tibbiyah)	Closed joint stock company inside KSA	Healthcare
Board Member	AWJ Holding Company	Closed shareholding company – inside KSA	Asset and investment management
Board Member	Sackville Capital	Shareholding company – outside KSA	Multiple investments
Board Member	Tamkeen Human Resources	Closed joint stock company inside KSA	Human resources
Board Member	Saudi Angel Investors	Shareholding company -outside KSA	Multiple investments
Board Member	Accenture Saudi Arabia Ltd.	Closed shareholding company – inside KSA	Information technology
Board Member	Lafana Holding	Closed shareholding company – inside KSA	Real Estate investment
Board Member	Knowledge Economic City	Public shareholding 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

Professional experience

Job title	Name	Legal form	Sector
Board Member	National Commercial Bank	Public shareholding company – inside KSA	Banks
Board Member	Solidere International	Closed shareholding company	Real estate investment
Board Member	Samba Capital	Shareholding company – inside KSA	Banking
Board Member	Pharma International	Closed shareholding company	Production of medicines and drugs
Vice Chairman and Operation Manager	Al Faisaliah Holding Group	Closed shareholding company	Multiple investments
Executive Director for Finance	Al Faisaliah Holding Group	Closed shareholding company	Multiple investments
Treasury Manager	Al Faisaliah Holding Group	Closed shareholding company	Multiple Investments
Investment Advisor – Private Banking	Samba Financial Group	Public shareholding company	Banks

Mr. Zaid Abdulrahman A Algwaiz, Board Member

Mr. Algwaiz is a Board member, Chairman Risk Committee, and a member of the Bank's Compensation, Nomination Committee. 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 Member Member of Risk Committee	Bupa Arabia for Cooperative Insurance Co	Public shareholding company – inside KSA	Insurance
Board Member and Chairman of Audit Committee	AWJ Holding Company	Closed shareholding company – inside KSA	Multiple investments
Member of Risk and Assets and Liabilities Committee	Mohammed Ibrahim Alsubeaei & Sons Investment Co. – MASIC	Closed shareholding company – inside KSA	Multiple investments
Member of the Investment Committee	Real Estate General Authority	Public authority – inside KSA	Real estate
Member of Audit Committee	New Jeddah Downtown	Closed shareholding company – inside KSA	Real estate development

Professional experience

Job title	Name	Legal form	Sector
Board Member, Audit Committee Member	Bupa Arabia for Cooperative Insurance Co	Public shareholding company – inside KSA	Insurance
Board member Chairman of Nomination, Compensation and Governance Committee Member of Executive Committee	National Commercial Bank	Public shareholding company	Banks
Board Member and Chairman of Audit Committee	GIB Capital	Closed shareholding company – inside KSA	Financial
Chairman of Audit Committee	Noon Investment Company	Closed shareholding company – inside KSA	Retail
Audit Committee Member	Zakher Real Estate Development Company	Limited liability company – inside KSA	Real estate development

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

Mr. Saoud Solaiman A 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 representing of the General Organization of the Social Insurance (GOSI). 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
Chairman of the Board of Directors	Tabuk Cement Company	Public shareholding company – inside KSA	Basic materials
Board Member	National Industrialization Company	Public shareholding company – inside KSA	Basic materials

Professional experience

Job title	Name	Legal form	Sector
Board Member	National Commercial Bank	Public shareholding company – inside KSA	Banks
Board Member	Saudi Industries Development Company	Closed shareholding company – inside KSA	Investment

Mr. Saeed Mohammed AlGhamdi, Managing Director and Group Chief Executive Officer

Mr AlGhamdi is the Managing Director & Group Chief Executive Officer and member Executive Committee, and a member of the Bank's Risk Committee. He is an Executive Board member. Mr AlGhamdi's academic qualification 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

Experience

Mr Al Ghamdi began his career in 1987 with the Ministry of Defense and Aviation and then he moved to Al Rajhi Bank in 1991, where he progressed in a number of jobs to assume later several leading positions.

Other current positions and memberships

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

Professional experience

Job title	Name	Legal form	Sector
Chairman of Board of Directors	NCB Capital	Closed shareholding 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 shareholding company – Inside KSA	Financial Services
Chairman of Board of Directors	TŸrkiye Finans Katılım Bankası	Turkish closed shareholding company – Outside KSA	Banking Sector
Chairman of Board of Directors	National Commercial Bank	Public shareholding company	Banking sector
Chief Executive Officer	National Commercial Bank	Public shareholding company	Banking sector
Board Member	Al Rajhi Takaful	Public shareholding company/inside KSA	Insurance
Board Member	Al Rajhi Capital	Closed shareholding company – inside KSA	Financial services
Deputy CEO	Al Rajhi Bank	Public shareholding company	Banks
Board Member	Al Rajhi Bank Malaysia	Malaysian limited liability company	Banks
Board Member	INJAZ-Saudi Arabia	Saudi non-profit organization – inside KSA	Civil society
Board Member	Advisory Board of MasterCard Middle East & Africa	US public shareholding company	Financial services
Board member	The Institute of International Finance	Global non-profit organization	Education

Mr. Abdulrahman Mohammed Alodan, Board Member

Mr. Alodan is a Board member, a member of SNB's Risk Committee, and a member of the Bank's Executive Committee. a non-executive Board member and representative of the General Organization of the Social Insurance (GOSI). Mr. Alodan has more than 25 years of experience in information technology and commercial banking consultancy. He held several positions at Riyad 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 Co.	Public shareholding company	Information Technology
Audit Committee Member	Saudi Stock Exchange (Tadawul)	Public shareholding company	Capital Market Authority
Board Member	The Company for Cooperative Insurance, Tawuniya	Public shareholding company	Insurance
Member of the Founding Council	SME Bank	Government Finance Bank	Financial
Director	Komate Industrial Company	Closed shareholding company	Industrial
Owner and Director	Security House Trading	Establishment	Business

Professional experience

Job title	Name	Legal form	Sector
Member of Audit Committee – Non-Board Member	National Commercial Bank	Public shareholding company	Banking
IT Advisor to the DCEO	Riyad Bank	Public shareholding company	Banking
Executive VP	Riyad Bank	Public shareholding company	Banking
Execution Manger, Performance Transformation	Riyad Bank	Public shareholding company	Banking
Manger – Solution Support	Riyad Bank	Public shareholding company	Banking
Wholesale Program Manager	Riyad Bank	Public shareholding company	Banking
Manager – Process Reengineering	United Saudi Bank	Sector is banking	
Manager – Computer Operations	SAMA	Governmental institution	financial
Systems Programmer	SAMA	Governmental institution	financial
System Analyst	Saudi Aramco	Shareholding company	Energy

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

Mr. Abdullah 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	Public Shareholding company – inside KSA	Communications
Board Member	Saudi Tourism Authority	Government entity	Tourism
Board Member	Bawan Co.	Public Shareholding company – inside KSA	Industry
Board Member	Acwa Power	Public Shareholding company – inside KSA	Energy
Member of Audit Committee	Jeddah Central Development Company	Closed Shareholding company – inside KSA	Real Estate
Member of Audit Committee	Roshn Real Estate	Closed Shareholding company – inside KSA	Real Estate
Chairman of Audit Committee	Noon	Closed Shareholding company – inside KSA	E-Commerce
Chairman of Audit Committee	Boutique Group	Closed Shareholding company – inside KSA	Hospitality
Member of Audit Committee	Saudi Information Technology Company	Closed Shareholding company – inside KSA	Technology

Professional experience

Job title	Name	Legal form	Sector
Board Member – Chairman of Audit Committee	Samba Financial Group	Public Shareholding company – inside KSA	Banks
Board Member – Member of Risk Committee	Samba Financial Group	Public Shareholding company – inside KSA	Banks
Assistant of General Auditor	Saudi Aramco	Public Shareholding company – inside KSA	Energy
Manager of IT Audit	Saudi Aramco	Public Shareholding company – inside KSA	Energy
Manager of SAP Software and Applications Department	Saudi Aramco	Public Shareholding company – inside KSA	Energy
Senior Internal Auditor	Saudi Aramco	Public Shareholding company – inside KSA	Energy
Internal Auditor	SAMA	Saudi Central Bank	Financial
Member of Audit Committee	Alinma Tokio Marine	Public Shareholding company – inside KSA	Insurance
Member of Audit Committee	Public Investment Authority	Government Entity	Investment
Member of Audit Committee	Deutsche Gulf Finance	Closed Shareholding 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	Vocational
Member of Audit Committee	Saudi Authority for Industrial Cities	Government Entity	Investment
Chairman of Audit Committee	Endowments Sheikh Mohammed Abdul Aziz Al-Rajhi	Charity Organization	Voluntary
Board Member, Chairman of Audit Committee	Manafea Holding	Closed Shareholding company – inside KSA	Investment

Ms. Huda Mohammed Bin Ghoson

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)	Public shareholding company – inside KSA	Telecommunications Services
Board Member Chair of Nomination & Remuneration Committee	Bupa Arabia for Cooperative Insurance Co.	Public shareholding company – inside KSA	Insurance
Board Member Member of Nomination & Remuneration Committee	The Saudi National Bank (SNB)	Public shareholding company – inside KSA	Banks

Professional experience

Job title	Name	Legal form	Sector
Executive Director	Saudi Aramco	Shareholding company – inside KSA	Energy
Board Member	General Organization for Social Insurance (GOSI)	Government organization	Government
Board Member	Yanbu Aramco Sinopec Refining Company (YASREF)	Public shareholding company – inside KSA	Energy
Board Member	Johns Hopkins Aramco Healthcare Company (JHAH)	Shareholding company – inside KSA	Health Care
Board Member	Saudi Aramco Asia Company (SAAC)	Shareholding company – inside KSA	Energy
Chairman	Board of Trustees of the Arabian Society of Human Resources Management (ASHRM)	Not for Profit	Human Resources
Board Member	Saudi Aramco Development Company (SADCO)	Shareholding company – inside KSA	Energy
Board Member	Saudi Aramco Investment Management Company (SAIMCO)	Shareholding company – inside KSA	Energy
Board Member	Vela International Marine Ltd.	Shareholding company – inside KSA	Energy
Board Member Chair of Nomination & Remuneration Committee	Credit Suisse Saudi Arabia Bank	Shareholding company – inside KSA	Banks
Board Member Member of Executive Committee and Nomination & Remuneration Committee	Institute of Public Administration	Government organization	Education

Members of the Audit Committee

In its meeting held on 06 May 2021, SNB's Shareholders' Extraordinary General Assembly approved the re-formation of Committee Members, identification of the Committee's duties and responsibilities, and compensation of members from 15/05/2021 to 14/05/2024. In its meeting held on 28 June 2021, SNB's Shareholders' Extraordinary General Assembly also approved increasing of the Audit Committee's membership from four to five, and appointing Mr. Abdullah A. Alrowais (Independent Board member) to the Audit Committee, effective from the date of General Assembly approval until the expiry of the present Committee term on 14/05/2024.

Audit Committee Members for the current term:

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 government and private sectors, is a Board Member of many listed and unlisted shareholding 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

Other current positions and memberships

Job title	Name	Legal form	Sector
Board Member	Saudi Credit Bureau (SIMAH)	Closed shareholding company – inside KSA	Financial services
Board Member	Naqel	Partnership – inside KSA	Transport
Board Member	Tasheel	Limited liability company – inside KSA	Financial services
Chairman of Board of Directors	SIMAH	Limited liability company – inside KSA	Credit rating
Partner and Board Member	LEORON Professional Development Institute	Closed shareholding company – Outside KSA	Training and Development
Partner and Board Member	Saudi Experts Co. for Training and Development	Closed shareholding company – inside KSA	Training and Development
Partner and Board Member	Cheeky Monkeys	Closed shareholding company – Outside KSA	Entertainment
Member of the Board of Trustees	The Prince Sultan University	Civil Academic Institution – inside KSA	Education

Professional experience

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

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

Dr Albarrak is an external Member of the Audit Committee at SNB and non-Board Member. He is a committee chairman and board member of many listed and unlisted companies. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2005	Ph.D.	Financial	Newcastle University, UK
2001	Master's Degree	Financial	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	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"	Governmental	Governmental
Board Member Audit Committee Chairman	Transport General Authority	Governmental	Governmental
Audit Committee Chairman	Zakat, Tax and Customs Authority	Governmental	Governmental
Audit Committee Member	Local Content & Government Procurement Authority	Governmental	Governmental

Job title	Name	Legal form	Sector
Audit & Risk Committees Member	Expenditure & Projects Efficiency Authority (EXPRO)	Governmental	Governmental
Audit Committee Member	National Security Center	Governmental	Governmental
Audit Committee Member Risk Committee Member	Non-oil Revenue Development Center	Governmental	Governmental
Audit Committee Member Risk Committee Member	National Center for Privatization	Governmental	Governmental
Audit Committee Member	Royal Saudi Airlines	Governmental	Governmental
Audit Committee Member	Decision Support Center	Governmental	Governmental
Board Member Audit Committee Chairman Governance Committee Chairman	BinDawood Holding Company	Listed Joint-Stock Company	Retail
Board Member Audit Committee Chairman	Alandalus Property Company	Listed Joint-Stock Company	Real estate
Board Member Audit Committee Chairman	Saudi Credit Bureau - SIMAH	Closed Joint-Stock Company	Credit Information
Board Member Audit Committee Chairman	Gulf Telecom Company	Closed Joint-Stock Company	Technology
Board Member Governance Committee Chairman	Thiqah Business Services Company	limited liability Company	Business Services
Board Member	Al Watania Poultry Company	limited liability Company	Foods
Audit Committee Chairman	Al-Elm Information Security Company	Closed Joint-Stock Company	Information Technology
Audit Committee Chairman	Saudi Cargo Company	Closed Joint-Stock Company	Cargo Services
Audit Committee Chairman	Saudi Logistics Services Company SAL	Closed Joint-Stock Company	Logistic Services

Professional experience

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

Mr. Ali Sulaiman Alayed, Committee Member and non-Board Member

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

Academic qualifications

Year	Qualification	Major	University
1979	Bachelor's degree	Accounting	King Saud University

Other current positions and memberships

Job title	Name	Legal form	Sector
Board Member, Chairman of the Audit	Alinma Tokio Marine Company	Public shareholding company- inside KSA	Insurance
Member of the Audit Committee	Tabuk Cement Company	Public shareholding company- inside KSA	Materials

Professional experience

Job title	Name	Legal form	Sector
Member of Audit Committee – Non-Board Member	Samba Financial Group	Public shareholding company – inside KSA	Banks
Director General Insurance Control	Saudi Arabian Monetary Agency	Government Financial Institution	Financial
Chief Executive Officer and Member of Executive and Investment Committees	Malath Insurance and Reinsurance	Public shareholding company – inside KSA	Insurance
Executive Vice President and Chief Financial Officer	Saudi Electricity Company	Public shareholding company – inside KSA	Energy
Chief Financial Officer	The Company for Cooperative Insurance (Tawuniya)	Public shareholding company – inside KSA	Insurance
Finance & Admin Manager	Al Maward Company Ltd	Closed shareholding company – inside KSA	investment
Director L/C Documentation	Saudi Basic Industries Corporation (SABIC)	Public shareholding company – inside KSA	Materials
Internal Auditor	Saudi Basic Industries Corporation (SABIC)	Public shareholding company – inside KSA	Materials
Board member, Member of Audit Committee and Nomination & Remuneration Committee.	Saudi Air Navigation Services (SANS)	Closed shareholding company – inside KSA	Commercial
Board member, chairman of audit committee.	Jazan Development Company	Public shareholding company – inside KSA	Energy and Development
Member the National Committee for shareholding companies	The Council of Saudi Chambers.	General Secretariat of the Council of Saudi Chambers	Economy
Member of Audit Committee	in Watan Investment Company.	Closed shareholding company – inside KSA	investment
Member of Audit Committee	Saudi Paper Manufacturing Company	Closed shareholding company – inside KSA	Materials
Member of the National Insurance Committee	The Council of Saudi Chambers.	General Secretariat of the Council of Saudi Chambers	Economy
Chairman of the Advisory Board for Business School in Community College,	King Saud University.	Public University – inside KSA	Education
Chairman of the Executive Committee for Insurance Companies CEO's	Saudi Arabian Monetary Agency	Government Financial Institution	Financial & Banking
Board Member	AlJazira Capital.	Closed shareholding company – inside KSA	Financial
Chairman	Najm Insurance Services.	Closed shareholding company – inside KSA	Insurance
Member of Council and the Investment committee	Cooperative Health Insurance (CCHI).	Government Authority	Insurance

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

Mr. Alatiqi is an external 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
Member of the Audit Committee	Filing and Packing Materials Manufacturing Co.	Public shareholding company – inside KSA	Materials
General Manager	Abdulaziz Alatiqi for Accounting & auditing Services	Individual Foundation	Commercial & 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
Chairman of the Audit Committee	Saudi Falcon Club	Public Benefit Entity	Sport

Professional experience

Job title	Name	Legal form	Sector
Member of Audit Committee – Non-Board Member	Samba Financial Group	Public shareholding company – inside KSA	Banks
Member of Audit Committee – Non-Board Member	Malath Cooperative Insurance Co.	Public shareholding company – inside KSA	Insurance
Member of Audit Committee – Non-Board Member	Abdullah Alrajhi & his Sons Holding Co.	Closed shareholding company – inside KSA	investment
Member of Audit Committee – Non-Board Member	ASTRA Industrial Group Co	Public shareholding company – inside KSA	Industrials
Member of Auditing Standards Committee	The Saudi Organization for Certified Public Accountants (SOCPA).	Government Authority	Financial
Director of market supervision department.	Capital Market Authority "CMA"	Government Authority	Financial
Manager of shares department (Investor's relationships).	Saudi Basic Industries Corporation (SABIC)	Public shareholding company – inside KSA	Materials

Members of Executive Management

Mr. Saeed Mohammed Al Ghamdi, Managing Director and Group Chief Executive Officer

Mr. AlGhamdi is the Managing Director & Group Chief Executive Officer and member Executive Committee, and a member of the Bank's Risk Committee. He is an Executive Board member. Mr. AlGhamdi's academic qualification 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

Experience

Mr. Al Ghamdi began his career in 1987 with the Ministry of Defense and Aviation and then he moved to Al Rajhi Bank in 1991, where he progressed in a number of jobs to assume later several leading positions. During 2012, he worked as an advisor to HE the Governor of the Saudi Arabian Monetary Agency (SAMA), and an advisor to the Chairman of the Board of Directors of NCB.

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman of Board of Directors	Jabal Omar Company	Public shareholding company – inside KSA	Real estate
Chairman of Board of Directors	Manga Productions	Subsidiary – Misk Foundation – Inside KSA	Art sector
Board Member	Misk Foundation	Charity – inside KSA	Non-profit sector
Board Member	Saudi National Bank	Public shareholding company – inside KSA	Banking sector
Board member	The Institute of International Finance	Global non-profit organization	Education

Professional experience

Job title	Name	Legal form	Sector
Chairman of Board of Directors	NCB Capital	Closed shareholding 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 shareholding company – Inside KSA	Financial Services
Chairman of Board of Directors	TŸrkiye Finans Katılım Bankası	Turkish closed shareholding company – Outside KSA	Banking Sector
Chairman of Board of Directors	National Commercial Bank	Public shareholding company	Banking sector
Chief Executive Officer	National Commercial Bank	Public shareholding company	Banking sector
Advisor to HE the Governor	Saudi Central Bank	Government organization	Government
Advisor to the Chairman	National Commercial Bank	Public shareholding company	Banking
Board Member	Al Rajhi Takaful	Public shareholding company/inside KSA	Insurance
Board Member	Al Rajhi Capital	Closed shareholding company – inside KSA	Financial services
Deputy CEO	Al Rajhi Bank	Public shareholding company	Banks
Board Member	Al Rajhi Bank Malaysia	Malaysian limited liability company	Banks
Board Member	Advisory Board of BA College at Prince Sultan University	Saudi organization – inside KSA	Education
Board Member	Advisory Board of the College of Industrial Management, King Fahad University of Petroleum and Minerals	Saudi non-profit organization – inside KSA	Education
Board Member	Advisory Board of MasterCard Middle East & Africa	US public shareholding company	Financial services

Mr. Talal Ahmed Alkhereiji, Chief Executive Officer Wholesale

His role oversees Wholesale Banking, Retail Banking, Finance, Human Recourses, Risk, Technology, Digital Banking, Shared Services and Strategy, in addition to several executive committees within The Saudi National Bank Group, and membership of several executive committees within The Saudi National Bank Group. 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

Experience

Mr. Al-Khereiji has over 25 years' experience in financial services, where he started his career at the Saudi Central Bank (SAMA) in 1995 in its Investment 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
Deputy CEO	National Commercial Bank	Public shareholding company	Banks
Acting CEO	National Commercial Bank	Public shareholding company	Banks

Mr. Naif Sufouk Al-Marshed, Group Chief Risk Officer

Mr. Al Morshed is the Group Chief Risk Officer at the Saudi National Bank. He oversees the risk functions of Wholesale Risk, Retail Risk, Enterprise Risk Management, Operational Risk, and Information Security. Mr. Al Morshed's academic qualification and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1988	Bachelor's Degree	Business Management	California State University, USA

Experience

Mr. Al Morshed has more than 34 years' banking experience, including corporate, retail and risk. He assumed several executive and leadership positions at NCB, including, Head of Risk Group, Regional Director at CBG, Regional Director for the Central Region at GBC, Head of Commercial Business Group, Branch Manager.

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman, Operational Risk Committee	Saudi National Bank	Public shareholding company	Banks
Secretary, Risk 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
Member, Micro, Small and Medium Enterprises Committee	Saudi National Bank	Public shareholding company	Banks
Member, Business Continuity Committee	Saudi National Bank	Public shareholding company	Banks
Member, Board of Trustees	Riyadh Economic Forum	Closed shareholding company – inside KSA	Financial services
Board Member	Charitable Societyfor theCareof Low-IncomePatients	Charitable Society	Charity

Professional experience

Job title	Name	Legal form	Sector
Board Member	Advanced Electronics Company	Limited liability company – Inside KSA	Defense & Aerospace
Board Member	Saudi Real Estate Company	Shareholding company – inside KSA	Real Estate

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.

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

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

Ms Sara Abdullateef Nugali, Group Chief Operating Officer

Ms Sara is the Group COO at the Saudi National Bank. Nugali's academic qualification and professional experience are:

Academic qualifications

Qualification	Major	University
Bachelor's degree	International Business Administration	King Abdulaziz University

Experience

Ms. Nugali has more than 15 years of banking experience, having begun her career with NCB in Audit Division prior to moving to Treasury Operations Department in NCB. She has then assumed several positions and tasks within Operations and Shared Services Group and was the Head of Wholesale Operations from the years of 2016 to 2020 and the Head of Operations from 2020 till Dec 2021, where after the Merger with Samba has lead the COO position within the Wholesale bank in SNB and has led the migration and integration activities of the latter before assuming her current role.

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman, Customer Care Committee	Saudi National Bank	Public shareholding company	Banks
Chairman, Business Continuity Committee	Saudi National Bank	Public shareholding company	Banks
Member, Higher Management Committee	Saudi National Bank	Public shareholding company	Banks
Member, Information Security Committee	Saudi National Bank	Public shareholding company	Banks
Member, Purchasing Committee	Saudi National Bank	Public shareholding company	Banks
Member, Employee Grievances Study and Dismissal Support Committee	Saudi National Bank	Public shareholding company	Banks
Board Member	Türkiye Finans Katılım Bankası	Public shareholding company	Banks
Member, Audit Committee	Türkiye Finans Katılım Bankası	Public shareholding company	Banks

Professional experience

Job title	Name	Legal form	Sector
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. Mutlaq Salim Al Anezi, Group Chief Human Resources Officer

Mr. Al Enazi is the Group Chief Human Resources Officer at the Saudi National Bank. Mr. Al Enazi's academic qualification and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2001	Master's Degree	English Language	Murray State University, Kentucky, USA
1998	Bachelor's Degree	Languages and Translation	King Saud University, Riyadh, KSA

Professional experience

Mr. Al Anezi has over 22 years' experience, where he started his career at the Institute of Public Administration, then he Joined SABB in 2005 in Human Resources Group. He worked in Learning & Development department and Talent Management. He was appointed as Head of Learning & Development in SABB 2010. In 2013, he joined The National Commercial Bank (NCB) as Head of Recruitment, Training & Development & Talent Management in NCB HR, till his appointment as Group Head Human Resources in 2018.

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 more than 14 years' experience across all CFO office disciplines. Over this period he has demonstrated the ability to streamline business operations and partner with group businesses to drive better insights, growth, efficiency and value creation. His strengths include 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 Management Committee (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
Board Member	AlTamayyuz Academy	–	–
Chairman of Audit Committee	SNB Capital	Closed shareholding company – inside KSA	Financial services

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, Group Chief Technology and Digital Officer

Mr. Saleh is the Group Chief Technology Officer at Saudi National Bank. He is leading the IT merger/transformation as well as serving on several executive committees within the SNB Group. 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, Information Technology Committee	Saudi National Bank	Public shareholding company	Banks
Member, Compliance Committee	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, Operational Risk Committee	Saudi National Bank	Public shareholding company	Banks
Member, Information Security 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. He is also a member of the Compliance Committee, the Operational Risk ,Information Security committees, I.T. Steering Committee, Business Continuity Committee and Anti-financial Fraud Steering Committee. In addition, he chaired multiple committees for Banks operating in the Kingdom, 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 more than 26 years' experience in accounting, control and compliance, and anti-money laundering. He began his career at Taiba Real Estate Investment and Development Company, becoming Head of Accounting. He joined NCB in 1997, holding various positions and co-founding the Compliance Department where he held several roles until his present position.

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. He is also a member of Compliance Committee.
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

Experienc

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

Key roles and responsibilities of the Board of Directors

The Board's roles and responsibilities include the following:

- Setting SNB overall strategy and guiding its strategy and objectives. Therefore, the Board shall be accountable for developing performance objectives, taking resolutions affecting substantial capital expenditure, acquisition, purchase, sale, and liquidation operations.
- Monitoring the financial objectives of the Bank and verifying corporate performance against previously agreed strategic, operational, and business plans.
- Aligning and monitoring the organizational structure of all businesses, staffing levels, the Bank's compensation system, and supervising succession plans.

Board of Directors Meetings, 2022

Name	Number of meetings	Attendance	Apologies	Attendance percentage	26 January	02 February	06 March	14 March	20 April	16 June	18 September	24 October	11 November	23 November	27 December
Ammar Abdulwahed Faleh Alkhudairy	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yazeed Abdulraman Ibrahim Alhumied	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Saeed Mohammed A AlGhamdi	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Rashid Ibrahim Mohammed Rashid Sharif	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Saoud Solaiman A Aljuhni	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ziad Mohammed S Altunisi	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Zaid Abdulrahman A Algwaiz	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Abdulrahman Mohammed Alodan	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Abdullah Abdulrahman Sainin Al-Ruwais	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr Ibrahim Saad Ibrahim Almojel	11	11	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sheila Othayeb Alrowaily *	5	4	1	80%	Yes	Yes	No	Yes	Yes	-	-	-	-	-	-
Huda Mohammed N Bin Ghoson **	5	5	0	100%	-	-	-	-	-	-	Yes	Yes	Yes	Yes	Yes

* The membership is terminated with the resignation of Ms. Sheila Othayeb Alrowaily from her position as a member of the Board of Directors on 09/06/2022.
** Appointment of Ms. Huda Mohammed Bin Ghoson as a member of the Board of Directors starting from 05/09/2022.

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 integrity of financial statements.
- The external/internal auditors' qualifications, independence, and performance supervision.
- The Bank's compliance with all applicable legal and regulatory requirements and ethical standards.
- Performing the internal audit, compliance, anti-money laundering, and financial crime functions according to the standards stipulated by laws as required by the Saudi Central Bank.
- Reviewing the contracts and transactions suggested to be conducted by the Bank with related parties based on the assurances, obtaining the necessary guarantees from the Executive Management that they are carried out without preferential benefits or conditions, according to the internal policies and procedures and providing its recommendations to the Board.

Audit Committee meetings, 2022

Name	Number of meetings	Attendance	Apologies	Attendance percentage	29 January	03 March	24 April	25 July	29 August	19 October	27 November	14 December
Abdullah Abdulrahman Sainin Al-Ruwais	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr.Khalid Mohammed Altaweel	8	7	1	87.50%	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Dr Abdurahman Mohammed Albarrak	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Abdulaziz Sulaiman Alatiqi	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ali Sulaiman Alayed	8	8	0	100%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Executive Committee

The Executive Committee consists of five Members: The Chairman, three Board Members, and the CEO. It shall be headed by the Chairman. The Committee holds six periodic meetings per year or whenever needed . Quorum for the meeting of the Committee shall be completed if attended by a majority in originality or by proxy. Absent members may vote by proxy. 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. Executive Committee shall guarantee that the Bank is sufficiently represented in the affiliated companies. 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, 2022

Name	Number of meetings	Attendance	Apologies	Attendance percentage	06 March	14 April	06 June	07 September	09 October	06 December
Ammar Abdulwahed Faleh Alkhudairy	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Saeed Mohammed A AlGhamdi	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Dr Ibrahim Saad Ibrahim Almojel	6	5	1	83.33%	Yes	Yes	Yes	Yes	No	Yes
Ziad Mohammed S Altunisi	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Zaid Abdulrahman A Algwaiz *	3	3	0	100%	Yes	Yes	Yes	-	-	-
Abdulrahman Mohammed Alodan **	3	3	0	100%	-	-	-	Yes	Yes	Yes

* Mr. Zaid Abdulrahman A Algwaiz membership is terminated from his position as a member of the Executive Committee on 16/06/2022.
** Appointment of Mr. Abdulrahman Mohammed Alodan as a member of the Executive Committee starting from 16/06/2022.

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 may 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. Voting may not be withheld or delegated. 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:

The NRC is in charge of a number of roles and responsibilities, which include:

- Provide recommendations to the Board of Directors and its Committee members in relation to Board membership, 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, 2022

Name	Number of meetings	Attendance	Apologies	Attendance percentage	16 February	08 September	23 November	18 December
Ziad Mohammed S Altunisi	4	4	0	100%	Yes	Yes	Yes	Yes
Yazeed Abdulraman Ibrahim Alhumied	4	4	0	100%	Yes	Yes	Yes	Yes
Zaid Abdulrahman A Algwaiz *	3	3	0	100%	-	Yes	Yes	Yes
Sheila Othayeb Alrowaily **	1	1	0	100%	Yes	-	-	-
Huda Mohammed N Bin Ghoson ***	2	2	0	100%	-	-	Yes	Yes

* Appointment of Mr. Zaid Abdulrahman A Algwaiz as a member of Nomination and Remuneration Committee starting from 16/06/2022.
** The membership is terminated of Ms. Sheila Othayeb Alrowaily from her position as a member of the Nomination and Remuneration Committee on 09/06/2022.
*** Appointment of Ms. Huda Mohammed Bin Ghoson as a member of the Nomination and Remuneration Committee starting from 18/09/2022.

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, 2022

Name	Number of meetings	Attendance	Apologies	Attendance percentage	14 February	31 march	05 June	31 August	15 November	22 December
Zaid Abdulrahman A Algwaiz	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Saeed Mohammed A AlGhamdi	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Rashid Ibrahim Mohammed Rashid Sharif	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Abdulrahman Mohammed Alodan	6	6	0	100%	Yes	Yes	Yes	Yes	Yes	Yes
Saoud Solaiman A Aljuhni	6	5	1	83.33%	Yes	Yes	No	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 should 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, a number of training programs inside and outside Saudi Arabia have been designed. SNB will continue the preparation of such programs in the coming year 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 2022.

Shareholder's name	Number of shares at the Beginning of 01/01/2022	Number of shares at the End of the Year 31/12/2022	Net Change	Y-o-Y%	Ownership%
Public Investments Fund (PIF)	1,667,501,159	1,667,501,159	–	–	37.23%
General Organization for Social Insurance	591,742,015	–	–	–	–

30. Ownership of SNB's Shares by Directors and Senior Executives, and their Relatives, and Changes during 2022

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 01/01/2022	Number of shares at the end of the year 31/12/2022	Net change	Y-o-Y%
Ammar Abdulwahed Faleh Alkhudairy	141149	295000	153851	92%
Yazeed Abdulraman Ibrahim Alhumied	0	0	-	-
Saeed Mohammed A AlGhamdi	722478	722478	-	-
Rashid Ibrahim Mohammed Rashid Sharif	3000	3000	-	-
Saoud Solaiman A Aljuhni	0	0	-	-
Ziad Mohammed S Altunisi	0	0	-	-
Zaid Abdulrahman A Algwaiz	124384	107093	17291	-13.9%
Ibrahim Saad Ibrahim Almojel	20684	20684	-	-
Abdulrahman Mohammed Alodan	196	196	-	-
Sheila Othayeb Alrowaily	150	N/A	-	-
Huda Mohammed N Bin Ghoson	N/A	369	-	-
Abdullah Abdulrahman Sainin Al-Ruwais	4695	4695	-	-

(b) Senior Executives and their relatives

Name of beneficiary	Title	Number of shares at the beginningof the year 01/01/2022	Number of shares at the end of the year 31/12/2022	Net change	Y-o-Y%
Talal Ahmed Al Khereji	CEO – Wholesale Banking	135,070	239,906	104,836	78%
Walid Hassan Abdul Shakur	Group Chief Legal Counsel	155,742	206,220	50,478	32%
Fouad Abdullah Al Harbi	Group Chief Compliance Officer	0	-	-	-
Majid AlGhamdi	CEO – Retail Banking	0	N/A	N/A	N/A
Mutlaq Ben Salem Al Enazi	Group Chief Human Resources Officer	20,000	46,676	26,676	133%
Naif Safouk Al Bashir Al Morshed	Group Chief Risk Officer	505,425	599,295	93,870	19%
Abdulaziz Mohammed Alshushan	Group Chief Audit Officer	1,087	2,174	1,087	100%
Ahmed Ali Aldhabi	Group Chief Financial Officer	96,967	173,102	76,135	79%
Saleh Mohammed Saleh	Group Chief Technology and Digital Officer	46,409	96,527	50,118	108%
Shujaat Nadeem Nadeem	Group Head, International & Strategy	847	N/A	-	-
Suliman Abdulaziz Alobead	Group Chief Administrative Officer	6,096	N/A	-	-
Sara Abdullateef Nugali	Group Chief Operating Officer	N/A	138868	-	-
Saud Abdulaziz Bajbair	Head, Retail Business Group	N/A	38066	-	-

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 December 2022:

Number of requests	Date of request	Reasons for the request
1	04/01/2022	Corporate's internal procedures
2	21/02/2022	Corporate's internal procedures
3	19/04/2022	Distribution of the cash profits to SNB Shareholders
4	17/07/2022	Distribution of the cash profits to SNB Shareholders
5	16/11/2022	Corporate's internal procedures
6	17/11/2022	Corporate's internal procedures

32. SNB Shareholders' General Assemblies

During the fiscal year ending in 31 December 2022, SNB held an extraordinary general assembly for its Shareholders in which a number of topics announced on the Tadawul website were discussed. The Board also reviewed Shareholder resolutions and recommendations issued by the General Assembly. The following statement shows the attendance of the Board Members at the General Assemblies meetings:

Attendance Register

	Name	Shareholders Extraordinary General Assembly meeting (first meeting) 16-09-1443H / 17-04-2022
1	Ammar Abdulwahed Faleh Alkhudairy Chairman, Chairman of Executive Committee	Attended
2	Yazeed Abdulraman Ibrahim Alhumied Vice-Chairman	Attended
3	Saeed Mohammed A AlGhamdi Managing Director & CEO	Attended
4	Dr Ibrahim Saad Ibrahim Almojel	Attended
5	Saoud Solaiman A Aljuhni	Attended
6	Abdulrahman Mohammed Alodan	Attended
7	Rashid Ibrahim M Sharif	Attended
8	Zaid Abdulrahman A Algwaiz Chairman of Risk Committee	Attended
9	Ziad Mohammed S Altunisi, Chairman of Nomination and Remuneration Committee	Attended
10	Sheila Othayeb Alrowaily	Attended
11	Abdullah Abdulrahman Sainin Al-Ruwais Chairman of Audit Committee	Attended

33. Corporate Governance

In general, SNB operates in compliance with the provisions and guidelines of the Corporate Governance Regulations in the 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 supplementing 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 standard 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, and 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 2021 results.

May the Peace and Mercy of Allah be Upon You

Board of Directors

Consolidated Financial Statements

Ernst & Young Professional Services (Professional LLC)
Head Office, Al Faisaliah Office Tower, 14th Floor, King Fahad Road
P.O. Box 2732, Riyadh 11461
Kingdom of Saudi Arabia

Paid-up capital SR 5,500,000
C.R. No. 1010383821

KPMG Professional Services (Professional Closed Joint Stock Company)
Zahran Business Center, Prince Sultan Street
P. O. Box 55078, Jeddah 21534, Kingdom of Saudi Arabia
Commercial Registration No 403029792

Headquarters in Riyadh

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

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

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 2022, 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, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("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 this 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 judgment, 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
Goodwill impairment assessment	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 2022. The goodwill was allocated to the Retail and Wholesale cash generating units ("CGUs") amounting to SR 25.6 billion and SR 8.4 billion, respectively. No goodwill was allocated to Capital and International CGUs. 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 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, which reflects the specifics of the banking business and its regulatory environment. Based on the management impairment assessment, no impairment charge against goodwill was identified. 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. 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. *Refer to the summary of significant accounting policies note 3.21.1 for goodwill and note 43 which contains the disclosure of goodwill and the impairment testing of goodwill.*	• 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. • We reviewed the strategic/operating plan as approved by the management, and ensured they were consistently applied in the goodwill impairment assessment conducted by management. • We involved our specialists for assessing the reasonableness of the VIU calculations and the underlying assumptions, including cash flow projections and discount rates used. • We reviewed 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. • We tested input data on a sample basis in the VIU model, and also reviewed the mathematical accuracy of the calculations. • We assessed the adequacy of disclosures in the consolidated financial statements in respect of goodwill impairment assessment.
Expected Credit Loss allowance against financing and advances	As at 31 December 2022, the Group's gross financing and advances amounted to SR 556,719 million (2021: SR 508,585 million), [including purchased or originated credit impaired loans ('POCI') amounting to SR 2,957 million (2021: SR 2,624 million)], against which an Expected Credit Loss ("ECL") allowance of SR 11,408 million (2021: SR 11,017 million) was maintained. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include:	• 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 • We compared the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. • 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: - 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);

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
Expected Credit Loss allowance against financing and advances (continued)	(1) Categorisation of financing and advances into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. 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'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the financing and advances ('Lifetime ECL'). The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR. (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. (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 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 2022. *Refer to the summary of significant accounting policy note 3.26, 3.27 and 3.29 for the impairment of financial assets; note 2.5(h) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 7.2 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.*	- 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; - the IT systems and applications underpinning the ECL model; and - the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: - the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information in particular; - the staging as identified by management; and - management's computations for ECL; and - for selected financing and advances, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment. • We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's financing and advances portfolio. • We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise. • We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios. • We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2022. • 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. • We assessed the adequacy of disclosures in the consolidated financial statements.
Impairment for credit losses on debt investments held at IAC and FVOCI	As at 31 December 2022, the Group had gross investments in debt instruments held at amortised cost (IAC) and fair value through other comprehensive income (FVOCI) amounting to SR 230,683 million (2021: SR 217,314 million) against which an impairment allowance of SR 55.3 million has been maintained as at 31 December 2022 (2021: SR 116 million). These investments comprise government, qausi government, corporate sukuks and bonds and other bonds which are subject to the risk of impairment in value due to either adverse market conditions and / or liquidity constraints faced by the issuers.	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.

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Impairment for credit losses on debt investments held at IAC and FVOCI (continued)	Due to the subjectivity inherent in the process of identifying and computing impairment charge for credit losses, it requires significant management judgment. As per the requirements of IFRS 9, management is required to determine and recognize expected credit losses ('ECL'). This required significant judgment, 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. 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'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the investments ('Lifetime ECL'). 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. Since debt investments form a significant component of the Group's consolidated assets, and on account of the significance of judgments 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. *Refer to the summary of significant accounting policy note 3.26, 3.27 and 3.29 for the impairment of financial assets; note 2.5(h) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 6.2 which contains the disclosure of impairment against investmetns and note 33 for details of credit quality analysis and key assumptions.*	• 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. • 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. • 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. • Where relevant, we used specialists including IT specialists and financial risk modelling experts to gain comfort on model recalibration, resultant ECL calculations and data integrity. • We assessed the adequacy of related disclosures in the consolidated financial statements. • There were no exposures determined to be individually impaired classified as stage 3 as at 31 December 2022.
Valuation of unquoted derivative and unquoted non-derivative financial instruments carried at fair value	As at 31 December 2022, the carrying values of derivative and non-derivative financial assets and financial liabilities carried at fair value aggregated to SR 72,188 million (2021: SR 66,812 million) and SR 19,420 million (2021: SR 9,410 million), respectively. The fair value of these financial instruments is determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates. Estimation uncertainty exists for those instruments not traded in an active market (i.e. unquoted) and where the internal modelling techniques use: • significant observable valuation inputs (i.e. level 2 investments); and • significant unobservable valuation inputs (i.e. level 3 investments) Estimation uncertainty is particularly high for level 3 investments. 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 judgments and estimates made by the management. *Refer to note 2.5(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 judgments and estimates.*	• We assessed the design and implementation and tested the operating effectiveness of key controls over; - management's processes for performing valuation of unquoted derivative and unquoted non-derivative financial instruments; and - IT system and the data integrity of the investment portfolio information held. • We evaluated the valuation techniques, inputs and reasonableness of assumptions used by management to value unquoted derivative and non-derivative financial instruments. • 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. • In addition to independently testing the valuation of derivatives, we have also checked the valuation of selected samples against counterparty valuation statements. • We assessed the adequacy of the financial instrument hierarchy and also considered IFRS 9 related disclosures in the consolidated financial statements.

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)

Other Information included in the Bank's 2022 Annual Report

The Board of Directors of the Bank (the Directors) are responsible for the other information in the Bank's annual report. Other information consists of the information included in the Bank's 2022 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.

Responsibilities of Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws, and for such internal controls as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are 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 Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors 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 controls 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.

Report on other legal and regulatory requirements

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

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Ebrahim Oboud Baeshen
Certified Public Accountant
License No. 382

15 Rajab 1444H
6 February 2023G

Consolidated Statement of Financial Position

As at 31 December

	Note	2022 SAR '000	2021 SAR '000
ASSETS			
Cash and balances with SAMA	4	**41,611,004**	52,196,800
Due from banks and other financial institutions, net	5	**16,496,730**	40,446,413
Investments, net	6	**258,291,891**	242,560,709
Financing and advances, net	7	**545,310,659**	497,568,062
Positive fair value of derivatives	12	**20,574,129**	8,909,910
Investments in associates, net	8	**246,049**	319,600
Property, equipment and software, net	9	**9,993,143**	8,875,143
Goodwill	43	**34,006,782**	34,006,782
Intangible assets	43	**7,382,528**	8,227,393
Right of use assets, net	10	**1,533,960**	1,802,287
Other assets	11	**10,049,291**	19,234,346
Total assets		**945,496,166**	914,147,445
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	13	**150,994,919**	117,565,288
Customers' deposits	14	**568,283,076**	588,573,879
Debt securities issued	15	**12,987,176**	6,112,447
Negative fair value of derivatives	12	**19,420,104**	9,410,294
Other liabilities	16	**27,033,260**	29,716,025
Total liabilities		**778,718,535**	751,377,933
EQUITY			

	Note	2022 SAR '000	2021 SAR '000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Share capital	17	**44,780,000**	44,780,000
Share premium	17	**63,701,800**	63,701,800
Treasury shares	25	**(2,027,503)**	(2,137,887)
Statutory reserve	18	**36,020,442**	31,262,024
Other reserves (cumulative changes in fair values)	19	**(7,807,848)**	883,722
Employees' share based payments reserve	25	**409,021**	347,885
Retained earnings		**19,278,912**	13,211,790
Proposed dividend	29	**2,686,800**	4,030,200
Foreign currency translation reserve		**(6,555,990)**	(6,069,092)
Equity attributable to shareholders of the Bank		**150,485,634**	150,010,442
Tier 1 Sukuk	28	**15,487,500**	12,187,500
Equity attributable to equity holders of the Bank		**165,973,134**	162,197,942
Non-controlling interest	41	**804,497**	571,570
Total equity		**166,777,631**	162,769,512
Total liabilities and equity		**945,496,166**	914,147,445

Ahmed A. Aldhabi
Group Chief Financial Officer

Saeed M. Al-Ghamdi
Managing Director/Group CEO

Ammar A. AlKhudairy
Chairman

The accompanying notes from 1 to 48 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the years ended 31 December

	Note	2022 SAR '000	2021 SAR '000
Special commission income	21	**34,392,329**	25,438,832
Special commission expense	21	**(8,106,271)**	(3,231,245)
Net special commission income		**26,286,058**	22,207,587
Fee income from banking services, net	22	**3,704,163**	3,058,631
Exchange income, net		**1,580,071**	1,588,112
Income from fair value through income statement (FVIS) financial instruments, net	23	**1,694,061**	1,527,878
Gains/income on non-FVIS financial instruments, net	24	**773,837**	1,034,548
Other operating (expenses), net		**(1,034,738)**	(1,181,037)
Total operating income		**33,003,452**	28,235,719
Salaries and employee-related expenses		**4,310,284**	4,166,814
Rent and premises-related expenses		**529,659**	517,498
Depreciation/amortisation of property, equipment, software and right of use assets	9 & 10	**1,435,235**	1,107,501
Amortization of intangible assets	43	**844,865**	688,965
Other general and administrative expenses		**2,663,574**	3,080,961
Total operating expenses before expected credit losses		**9,783,617**	9,561,739
Net impairment charge for expected credit losses	6 & 7	**1,685,484**	3,960,860
Total operating expenses		**11,469,101**	13,522,599
Income from operations, net		**21,534,351**	14,713,120
Other non-operating (expenses), net		**(257,572)**	(258,922)
Net income for the year before Zakat and income tax		**21,276,779**	14,454,198
Zakat and income tax expenses		**(2,547,942)**	(1,670,061)
Net income for the year		**18,728,837**	12,784,137
Net income for the year attributable to:			
Equity holders of the Bank		**18,580,690**	12,668,176
Non-controlling interests	41	**148,147**	115,961
Net income for the year		**18,728,837**	12,784,137
Basic earnings per share (expressed in SAR per share)	27	**4.06**	2.99
Diluted earnings per share (expressed in SAR per share)	27	**4.05**	2.98

Ahmed A. Aldhabi
Group Chief Financial Officer

Saeed M. Al-Ghamdi
Managing Director/Group CEO

Ammar A. AlKhudairy
Chairman

The accompanying notes from 1 to 48 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended 31 December

	2022 SAR '000	2021 SAR '000
Net income for the year	**18,728,837**	12,784,137
Other comprehensive income		
Items that cannot be reclassified to the consolidated statement of income in subsequent years:		
Net gains/(losses) of movement in fair value through other comprehensive income in equity instruments and actuarial valuation	**(1,800,964)**	727,002
Items that are or may be reclassified to the consolidated statement of income in subsequent years:		
Net movement in foreign currency translation reserve (losses)	**(703,506)**	(1,399,191)
Fair value through other comprehensive income – debt instruments:		
– Net change in fair values	**(6,025,085)**	(735,795)
– Net amounts transferred to the consolidated statement of income	**(179,014)**	(595,798)
Cash flow hedges:		
– Effective portion of changes in fair values	**(649,134)**	(150,328)
– Net amounts transferred to the consolidated statement of income	**20,431**	(38,439)
Total other comprehensive income (loss)	**(9,337,272)**	(2,192,549)
Total comprehensive income for the year	**9,391,565**	10,591,588
Attributable to:		
Equity holders of the Bank	**9,358,779**	10,915,746
Non-controlling interests	**32,786**	(324,158)
Total comprehensive income for the year	**9,391,565**	10,591,588

Ahmed A. Aldhabi
Group Chief Financial Officer

Saeed M. Al-Ghamdi
Managing Director/Group CEO

Ammar A. AlKhudairy
Chairman

The accompanying notes from 1 to 48 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended 31 December

		SAR '000			
		Attributable to equity holders of the Bank			
	Note	Share capital	Share premium	Treasury shares	Statutory reserve
Balance as at 1 January 2022		**44,780,000**	**63,701,800**	**(2,137,887)**	**31,262,024**
Other comprehensive loss for the year		-	-	-	-
Net income for the year		-	-	-	-
Total comprehensive income/(loss) for the year		-	-	-	-
Other consolidation adjustments		-	-	-	-
Transfer to statutory reserve		-	-	-	**4,645,184**
Impact arising from the application of IAS 29 at a foreign subsidiary		-	-	-	**113,234**
Tier 1 Sukuk issued	28	-	-	-	-
Tier 1 Sukuk related costs	28	-	-	-	-
Settlement of vested share based payment plan via treasury shares	25	-	-	**110,384**	-
Employees' share based payments plan reserve - charged to the consolidated statement of income	25	-	-	-	-
Final dividend paid for 2021	29	-	-	-	-
Interim dividend paid for 2022	29	-	-	-	-
Proposed dividend	29	-	-	-	-
Balance as at 31 December 2022		**44,780,000**	**63,701,800**	**(2,027,503)**	**36,020,442**
Balance as at 1 January 2021		30,000,000	-	(371,071)	28,369,948
Other comprehensive loss for the year		-	-	-	-
Net income for the year		-	-	-	-
Total comprehensive income/(loss) for the year		-	-	-	-
Other consolidation adjustments		-	-	-	-
Issuance of ordinary shares	17	14,780,000	63,701,800	-	-
Transfer to statutory reserve	18	-	-	-	2,892,076
Tier 1 Sukuk issued	28	-	-	-	-
Tier 1 Sukuk called	28	-	-	-	-
Tier 1 Sukuk related costs	28	-	-	-	-
Treasury shares acquired through business combination	25	-	-	(1,889,971)	-
Settlement of vested share based payments plan via treasury shares	25	-	-	123,155	-
Share based payments reserve acquired, net	25	-	-	-	-
Employees' share based payments plan reserve - charged to the consolidated statement of income	25	-	-	-	-
Final dividend paid for 2020	29	-	-	-	-
Interim dividend paid for 2021	29	-	-	-	-
Final proposed dividend 2021	29	-	-	-	-
Balance as at 31 December 2021		44,780,000	63,701,800	(2,137,887)	31,262,024

Ahmed A. Aldhabi
Group Chief Financial Officer

Saeed M. Al-Ghamdi
Managing Director/Group CEO

Ammar A. AlKhudairy
Chairman

SAR '000										
Attributable to equity holders of the Bank										
Other reserves										
Cash flow hedge reserves	FVOCI Financial instrument reserve	Employees' share based payments reserve	Retained earnings	Proposed dividend	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
(140,568)	**1,024,290**	**347,885**	**13,211,790**	**4,030,200**	**(6,069,092)**	**150,010,442**	**12,187,500**	**162,197,942**	**571,570**	**162,769,512**
(628,703)	**(8,106,310)**	**-**	**-**	**-**	**(486,898)**	**(9,221,911)**	**-**	**(9,221,911)**	**(115,361)**	**(9,337,272)**
-	**-**	**-**	**18,580,690**	**-**	**-**	**18,580,690**	**-**	**18,580,690**	**148,147**	**18,728,837**
(628,703)	**(8,106,310)**	**-**	**18,580,690**	**-**	**(486,898)**	**9,358,779**	**-**	**9,358,779**	**32,786**	**9,391,565**
-	**-**	**-**	**24,386**	**-**	**-**	**24,386**	**-**	**24,386**	**-**	**24,386**
-	**-**	**-**	**(4,645,184)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**43,443**	**-**	**304,578**	**-**	**-**	**461,255**	**-**	**461,255**	**200,141**	**661,396**
-	**-**	**-**	**-**	**-**	**-**	**-**	**3,300,000**	**3,300,000**	**-**	**3,300,000**
-	**-**	**-**	**(567,915)**	**-**	**-**	**(567,915)**	**-**	**(567,915)**	**-**	**(567,915)**
-	**-**	**(130,254)**	**(16,833)**	**-**	**-**	**(36,703)**	**-**	**(36,703)**	**-**	**(36,703)**
-	**-**	**191,390**	**-**	**-**	**-**	**191,390**	**-**	**191,390**	**-**	**191,390**
-	**-**	**-**	**-**	**(4,030,200)**	**-**	**(4,030,200)**	**-**	**(4,030,200)**	**-**	**(4,030,200)**
-	**-**	**-**	**(4,925,800)**	**-**	**-**	**(4,925,800)**	**-**	**(4,925,800)**	**-**	**(4,925,800)**
-	**-**	**-**	**(2,686,800)**	**2,686,800**	**-**	**-**	**-**	**-**	**-**	**-**
(769,271)	**(7,038,577)**	**409,021**	**19,278,912**	**2,686,800**	**(6,555,990)**	**150,485,634**	**15,487,500**	**165,973,134**	**804,497**	**166,777,631**
48,199	1,628,294	242,713	14,401,446	-	(5,109,433)	69,210,096	10,200,000	79,410,096	804,885	80,214,981
(188,767)	(604,004)	-	-	-	(959,659)	(1,752,430)	-	(1,752,430)	(440,119)	(2,192,549)
-	-	-	12,668,176	-	-	12,668,176	-	12,668,176	115,961	12,784,137
(188,767)	(604,004)	-	12,668,176	-	(959,659)	10,915,746	-	10,915,746	(324,158)	10,591,588
-	-	-	29,007	-	-	29,007	-	29,007	90,843	119,850
-	-	-	-	-	-	78,481,800	-	78,481,800	-	78,481,800
-	-	-	(2,892,076)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,687,500	4,687,500	-	4,687,500
-	-	-	-	-	-	-	(2,700,000)	(2,700,000)	-	(2,700,000)
-	-	-	(484,533)	-	-	(484,533)	-	(484,533)	-	(484,533)
-	-	-	-	-	-	(1,889,971)	-	(1,889,971)	-	(1,889,971)
-	-	(108,696)	13,070	-	-	27,529	-	27,529	-	27,529
-	-	64,975	-	-	-	64,975	-	64,975	-	64,975
-	-	148,893	-	-	-	148,893	-	148,893	-	148,893
-	-	-	(3,582,400)	-	-	(3,582,400)	-	(3,582,400)	-	(3,582,400)
-	-	-	(2,910,700)	-	-	(2,910,700)	-	(2,910,700)	-	(2,910,700)
-	-	-	(4,030,200)	4,030,200	-	-	-	-	-	-
(140,568)	1,024,290	347,885	13,211,790	4,030,200	(6,069,092)	150,010,442	12,187,500	162,197,942	571,570	162,769,512

The accompanying notes from 1 to 48 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended 31 December

	Note	2022 SAR '000	2021 SAR '000
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		**21,276,779**	14,454,198
Adjustments to reconcile net income to net cash from operating activities:			
Amortisation of discount on non-trading financial instruments, net		**135,041**	538,008
(Gains) on non-FVIS financial instruments, net	24	**(381,371)**	(733,243)
(Gains) on disposal of property, equipment and software, net		**(159,557)**	(52,696)
Loss on disposal of other repossessed assets		**71,492**	67,093
Depreciation/amortisation of property, equipment, software, and right of use assets	9 & 10	**1,435,235**	1,107,501
Net impairment charge for expected credit loss	6 & 7	**1,685,484**	3,960,860
Amortization of intangible assets	43	**844,865**	688,965
Share of results of associates, net	8	**-**	122,014
Share based payments plan expense	25	**191,390**	148,893
Net monetary loss from the application of IAS 29-Hyperinflanary economies		**308,951**	-
		25,408,309	20,301,593
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		**206,087**	359,946
Due from banks and other financial institutions with original maturity of more than three months, net		**97,806**	(422,990)
Held at fair value through income statement (FVIS) investments		**1,608,942**	(2,152,397)
Financing and advances, net		**(55,312,838)**	(12,530,011)
Positive fair value of derivatives		**(11,476,694)**	4,444,432
Other assets		**9,060,854**	1,943,512
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**34,313,342**	18,828,601
Customers' deposits		**(12,920,144)**	(8,337,846)
Negative fair value of derivatives		**10,039,539**	(3,806,370)
Other liabilities		**(5,264,632)**	(558,481)
Net cash (used in)/generated from operating activities:		**(4,239,429)**	18,069,989

	Note	2022 SAR '000	2021 SAR '000
INVESTING ACTIVITIES			
Proceeds from sale and maturity of non-FVIS investments		**37,039,460**	48,388,606
Purchase of non-FVIS investments		**(63,823,184)**	(72,184,318)
Purchase of property, equipment and software	9	**(2,071,246)**	(1,781,601)
Cash and cash equivalents acquired through business combination		**-**	24,639,421
Proceeds from disposal of property and equipment		**304,687**	434,945
Net cash (used in) investing activities:		**(28,550,283)**	(502,947)
FINANCING ACTIVITIES			
Debt securities issued	15	**10,556,960**	4,309,349
Debt securities payment	15	**(3,606,452)**	(5,016,884)
Tier 1 Sukuk Issuance	28	**3,300,000**	4,687,500
Tier 1 Sukuk called	28	**-**	(2,700,000)
Tier 1 Sukuk related costs	28	**(567,915)**	(484,533)
Final dividend paid for 2021 and 2020	29	**(4,030,200)**	(3,582,400)
Interim dividend paid for first half of 2022 and 2021	29	**(4,925,800)**	(2,910,700)
Net cash generated from/(used in) financing activities:		**726,593**	(5,697,668)
Net (decrease)/increase in cash and cash equivalents		**(32,063,119)**	11,869,374
Foreign currency translation reserve - net movement on cash and cash equivalents at the beginning of the year		**(651,750)**	(887,892)
Cash and cash equivalents at the beginning of the year		**52,873,302**	41,891,820
Cash and cash equivalents at the end of the year	30	**20,158,433**	52,873,302
Special commission income received during the year		**32,996,576**	27,639,846
Special commission expense paid during the year		**6,519,638**	2,962,323
Supplemental non-cash information			
Movement in other reserve and transfers to the consolidated statement of income		**(6,832,802)**	(1,520,360)

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Group Chief Financial Officer

Saeed M. Al-Ghamdi
Managing Director/Group CEO

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Chairman

The accompanying notes from 1 to 48 form an integral part of these consolidated financial statements.

1. General

(1.1) Introduction

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

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).

On 11 October 2020, the Bank announced that it has entered into a legally binding merger agreement pursuant to which the Bank and Samba Financial Group (Samba) have agreed to take necessary steps to implement merger between the two Banks in accordance with the applicable regulations.

The above mentioned merger was completed on 1 April 2021 pursuant to which Samba ceased to exist and all of its assets and liabilities were transferred to the Bank. As a result of the merger, the Bank's name has changed from "The National Commercial Bank" to "The Saudi National Bank" from the date of the merger pursuant to the Bank's extraordinary general meeting approval on 17 Rajab 1442H (corresponding to 1 March 2021). For further information please refer to notes 17 and 42.

The Bank operates through its 494 branches (2021: 506 branches), 16 retail service centers (2021: 12 centers) and 120 QuickPay remittance centers (2021: 130 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

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 Board.

(1.2) Group's subsidiaries

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

	Ownership %			
Name of subsidiaries	**2022**	2021	Functional currency	Description
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.
NCB 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.

Name of subsidiaries	Ownership % 2022	Ownership % 2021	Functional currency	Description
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.
AlAhli Insurance Service Marketing Company	**100.00%**	100.00%	Saudi Arabian Riyal	A Limited Liability Company, engaged as an insurance agent for distribution and marketing of Islamic insurance products in Saudi Arabia. The Board of Directors of the subsidiary in their meeting held on 28 January 2021 resolved to liquidate Alahli Insurance Service Marketing Company. As at the reporting date, the required regulatory approvals and the legal formalities in respect of liquidation of the subsidiary are in progress.
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.
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 Sharia 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. 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.
Co-Invest Offshore Capital Limited (COCL)	**100.00%**	100.00%	UK Pound Sterling	A Limited Liability Company registered in Cayman Islands, engaged in managing certain overseas investments through a fully owned entity, Investment Capital (Cayman) Limited (ICCL). ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, which is also a Cayman Island limited liability company, that manages these overseas investments. As at the reporting date, the required regulatory approvals and the legal formalities in respect of liquidation of the subsidiary are in progress.
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.

1. General (continued)

(1.3) Merger of NCB Capital Company and Samba Capital

Pursuant to merger agreement executed between the Bank and Samba, the Board of the Directors of SNBC, on February 4, 2021, resolved for the Company to consider and pursue merger discussions with Samba Capital & Investment Management Company (Samba Capital). All the requisite legal and regulatory formalities in this regard were completed on July 09, 2021, which represents the effective date of the merger between SNBC and Samba Capital and pursuant to which Samba Capital ceased to exist and all of its assets and liabilities were transferred to SNBC. Prior to the merger, SAMBA Capital was a subsidiary of the Bank as a result of it's merger with Samba. Since this merger represents a business combination transaction under common control and SNBC has opted, as an accounting policy, to apply the book value method of accounting therefore, it did not have an impact on Group's consolidated financial statements. Moreover, subsequent to the merger the name of NCB Capital Company has been changed to SNB Capital. Pursuant to foregoing, SNB Capital also acquired two special purpose entities namely Samba US Logistics Fund L.P., an exempted limited partnership, registered on 9 September 2020, and Samba US Logistics Fund G.P. an exempted company, incorporated on 7 July 2020 which were subsidiaries of SAMBA Capital prior to the merger. These entities are governed under the laws of Cayman Island and are formed for the purpose of holding and managing principal investments.

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) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA); 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.

(2.2) Basis of measurement

The consolidated financial statements are prepared and presented under the historical cost convention except for the measurement at fair value of financial assets held at fair value derivatives, [financial assets held at fair value through income statement (FVIS), Fair value through other comprehensive income (FVOCI) - debt instruments and equity instruments] and defined benefit obligation. In addition, financial assets or liabilities that are carried at amortized cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged. The consolidated statement of financial position is broadly 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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

(2.5) Critical accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with the IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future period affected.

In preparing these consolidated financial statements, the critical accounting judgments, estimates and assumptions made by management are primarily consistent with those applied to the annual consolidated financial statements for the year ended 31 December 2021.

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.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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) Going concern

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

(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 cash-generating units, or groups of cash-generating units, 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 cash-generating unit 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.

2. Basis of Preparation (continued)

(2.5) Critical accounting judgments and estimates and assumptions (continued)

(c) Impairment of non-financial assets (continued)

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained. Please refer note 43 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 benefits obligation

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 (note 1) and the related goodwill impairment assessment. Please refer to notes 42 and 43 for details.

3. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these consolidated financial statements, and changes therein, are set out below:

(3.1) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Loan commitments are Bank commitments to provide credit under pre-specified terms and conditions.

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.

(3.2) Changes in accounting policies, estimates and assumptions

(a) Significant 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 2021, except for the adoption of new standards effective as of 1 January 2022, which is explained in note 3.3 below and the application of International Accounting Standard 29, "Financial Reporting in Hyperinflationary Economies"("IAS 29") , for the Group's operations in Turkey as explained in (b) below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(b) Classification of Turkey as a hyperinflationary economy

During the year, 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. Accordingly, during the year, Türkiye Finans Katılım Bankası (TFKB), has applied IAS 29 requirements.

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 2022	1,128.45	1.0000
31 December 2021	686.95	1.6427

Since the Group's presentation currency is stable, the consolidated comparative financial statements have not been restated as per the requirements of IAS 21, "The Effect of Changes in Foreign Exchange Rates".

All amounts pertaining to current year results and financial position of TFKB, after applying hyperinflation accounting, were translated at the closing rate (SAR/TRY 0.2006) at the date of the consolidated statement of financial position.

The net monetary loss for the year ended 31 December 2022 amounting to SAR 309 million has been recorded in these consolidated financial statements and included under other non-operating expenses. The total impact of the application of IAS 29 on net income attributable to equity holders of the bank for the year ended 31 December 2022 amounted to SAR 323 million.

In terms of initial application of IAS 29, the Group has elected to present the entire cumulative impact as at 1 January 2022 in the statement of changes in equity. Moreover, for subsequent measurement, the Group has elected to present the entire restatement impact (other than net monetary loss) in other comprehensive income.

3. Summary of Significant Accounting Policies (continued)

(3.3) New standards, interpretations and amendments promulgated by International Accounting Standard Board (IASB) and adopted by the Group:

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

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

(3.4) 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 OCI. 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.

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.

(3.5) 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.

(3.6) 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).

(3.7) Classification of financial liabilities

- The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.
- All money market deposits, customers' deposits, term financing and other debt securities in issue are initially recognised at fair value less transaction costs.
- Subsequently, financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through income statement or the Group has opted to measure a liability at fair value through statement of income.
- Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the effective special commission rate.

3. Summary of Significant Accounting Policies (continued)

(3.8) 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.

(3.9) 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.

(3.9.1) 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.

(3.9.2) 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 in 'income from FVIS instruments, 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.

(3.9.3) 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.

(3.9.4) 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.

(3.9.5) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS 9;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair values, with all changes in fair value recognized in statement of income unless they form part of a qualifying cash flow or net investment hedging relationship.

(3.10) 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. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

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. Summary of Significant Accounting Policies (continued)

(3.11) 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.

(3.12) 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 SNB Group is Saudi Arabian Riyals. For the functional currencies of the Group's subsidiaries please refer to note 1.

(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 (Saudi Arabian Riyals) at the rate of exchange ruling at the statement of financial position date, equity (pre-acquisition) is translated at historical exchange rate 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 in 'Other operating expenses' or 'Other operating 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.

(3.13) 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.

(3.14) Revenue / expenses recognition

(3.14.1) Special commission income and expenses

Special commission income and expense are recognised in the consolidated statement of income using the effective interest 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 statement of income over the life of the respective financial asset. The '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 interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the 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.

(3.14.2) 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 are recognised when earned.

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

Fees income and expenses are recognised on an accrual basis 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 based on the applicable service contracts, usually on a time-proportionate basis. Fee income received on other services that are provided over an extended period of time, are recognised proportionately over the period 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. Summary of Significant Accounting Policies (continued)

(3.15) 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 are continued to be measured in accordance with related accounting policies for investments held as FVTPL, FVOCI, other investments held at amortized cost. The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in "Due to banks and other financial institutions" as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective special commission rate.

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 Saudi Central Bank, ("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.

(3.16) 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 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 (see note 42).

(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.

(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.

(3.17) 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.

(3.18) 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.

(3.19) Other real estate and repossessed assets

The Group, in the ordinary course of business, acquires certain real estate and other assets against settlement of due financing and advances. These are considered as assets held for sale and are initially stated at the lower of net realizable value of due financing and advances or the current fair value of such related assets, less any costs to sell (if material). No depreciation is charged on such assets.

Subsequent to the initial recognition, such assets are revalued on a periodic basis and adjusted for any subsequent provision for impairment. Previously recognised unrealised revaluation losses of such assets can be reversed through the consolidated statement of income on an individual basis upon subsequent increase in fair value. Any unrealised losses on revaluation (or reversal), realised losses or gains on disposal and net rental income are recognised in the consolidated statement of income as other operating income (expense), net.

The other real estate assets are disclosed in note 11.2 while other repossessed assets are included in other assets. Gain/loss on disposal of repossessed assets are included in other operating income (expense), net.

3. Summary of Significant Accounting Policies (continued)

(3.20) 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 and equipment 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 the amortisation 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 such 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.

(3.21) Goodwill and Intangible assets

(3.21.1) 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 43 for further details.

(3.21.2) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of the 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 such as the Core Deposit Intangible ("CDI") will be amortized over a period of 11 years and the Purchased Credit Card Relationships ("PCCR") and Customer Relationships will be amortized over a period of 10 years.

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.

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.

(3.22) Leases

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. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the internal cost of funds as the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and is reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are included within other liabilities.

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.

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 lease the assets for additional terms of one to five years. 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).

(3.23) 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. Summary of Significant Accounting Policies (continued)

(3.24) Financial guarantees and financing commitments

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.

Financing commitments are commitments to provide credit under pre-specified terms and conditions.

(3.25) 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. Provision balance 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.

(3.26) 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.

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 categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

Stage 1 – financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).

Stage 2 – financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.

Stage 3 – for Financial assets that are impaired, the Group recognizes the impairment allowance based on life time ECL.

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.

(3.27) 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 any.

Expected credit losses are discounted to the reporting date at the effective interest rate (EIR) determined at initial recognition or an approximation thereof and consistent with income recognition.

(3.28) 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.
- 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 special commission rate of the existing financial asset.

(3.29) 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 Bank on terms that the Bank would not consider otherwise ;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

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 the 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 seperately disclosed.

3. Summary of Significant Accounting Policies (continued)

(3.29) Credit-impaired financial assets (continued)

Purchased or Originated Credit Impaired (POCI) financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest 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.

(3.30) Write-off

Financing, 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.

(3.31) 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.

(3.32) 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.

(3.33) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with Saudi Central Bank ("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.

(3.34) 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.

(3.35) 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.

(3.36) 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 respective Shariah Boards and Shariah advisor at the Bank and its subsidiaries. Shariah complaint 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:

(3.36.1) 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 (including the cost of the bank 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.

(3.36.2) 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-Construction / Sale on the map), personal finance, credit cards, corporate finance, structured finance, syndications, as well as interbank transactions.

(3.36.3) Ijara
The bank has two types of Ijara forms based on the lease contract. Ijarah with the promise of transfer ownership, which is based on requests from customers, either purchases assets with agreed-upon specifications on a cash basis and leases them to customers for an agreed-upon rent to be settled in agreed-upon installments. The second type is forward Ijara, which assets are not in existence and not specified. In this case, it remains a liability on the bank to deliver the agreed upon usufruct.

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.

(3.36.4) 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 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. Summary of Significant Accounting Policies (continued)

(3.36) Banking products that comply with Shariah rules (continued)

(3.36.5) 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.

(3.37) Shariah-compliant deposit products

The Group offers its customers certain deposit products that comply with Shariah rules. These are approved and overseen by respective Shariah Boards at the Bank and its subsidiaries

(3.37.1) 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.

(3.37.2) Structured AlKhairaat

This product is an enhanced deposit product which provides a Shariah compliant alternative to structured deposits. It combines a 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.

(3.38) Shariah-compliant treasury products

The Group offers its customers certain treasury products that comply with Shariah rules. These products are approved and overseen by respective Shariah Boards and Shariah advisor at the Bank and its subsidiaries.

(3.38.1) 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.

(3.38.2) 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.

(3.38.3) 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.

(3.38.4) 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.

(3.39) 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.

(3.40) End of service benefits

The provision for end of service benefits is based on IAS 19 "Employee Benefits", the rules stated under the Saudi Arabian Labor and Workmen Law and in accordance with the local statutory requirements of the foreign branches and subsidiaries. The provision for the Group is also in line with independent actuarial valuation.

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.

(3.41) Staff compensation

The Bank's Board of Directors and its Nomination and Remuneration Committee oversee the design and implementation of the Bank's Compensation System in accordance with SAMA's Compensation Rules, local statutory requirements of the foreign branches and subsidiaries and Financial Stability Board's (FSB) Principles and Standards of Sound Compensation Practice.

The Nomination and Remuneration Committee was established by the Board of Directors and is composed of four non-executive members including the Chairman of the Committee. The Committee's role and responsibilities are in line with SAMA's Compensation Rules.

The Committee is responsible for the development and implementation of the compensation 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 compensation in the Bank:

(3.41.1) Fixed Compensation

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.

(3.41.2) Variable Compensation

Variable compensation 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 and is normally paid during the 1st quarter of the following year.

3. Summary of Significant Accounting Policies (continued)

(3.41) Staff compensation (continued)

(3.41.2) Variable Compensation (continued)

(b) 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.

(3.42) 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.

(3.43) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government 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 Financial Instruments. 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 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.

(3.44) 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.

(3.45) Zakat and Income taxes

(a) Current zakat and income taxes

Zakat is computed on the Saudi shareholders' share of equity or net income before zakat and income tax using the basis defined by Zakat, Tax and Customs Authority ("ZATCA"). Income taxes are computed on the foreign shareholders' share of net income for the year. The Bank accrues liabilities for Zakat and income tax on a monthly basis.

Zakat and income taxes are charged to the Bank's statements of consolidated income. Overseas branches and subsidiaries are subject to income tax as per rules and regulations of the country in which they reside. 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 Bank 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

	2022 SAR '000	2021 SAR '000
Cash in hand	**7,054,673**	8,394,415
Balances with SAMA:		
Statutory deposit	**33,982,625**	34,188,712
Money market placements and current accounts	**573,706**	9,613,673
Cash and balances with SAMA	**41,611,004**	52,196,800

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.

5. Due from Banks and other Financial Institutions, Net

	2022 SAR '000	2021 SAR '000
Current accounts	**11,280,335**	25,428,435
Money market placements	**5,170,001**	14,084,885
Reverse repos (note 32(e))	**47,902**	935,642
Expected credit loss allowance	**(1,508)**	(2,549)
Due from banks and other financial institutions, net	**16,496,730**	40,446,413

6. Investments, Net

(6.1) Investments are classified as follows:

	SAR '000		
2022	Domestic	International	Total
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**
2021			
Fixed rate securities	1,652,955	3,197,641	4,850,596
Equity instruments	181,235	390,574	571,809
Mutual Funds, Hedge Funds and Others	1,568,154	11,635,478	13,203,632
Held at FVIS	3,402,344	15,223,693	18,626,037
Fixed rate securities	36,122,051	26,224,017	62,346,068
Floating rate securities	7,144,483	9,903,120	17,047,603
Equity instruments	5,808,980	928,091	6,737,071
Held at FVOCI, net	49,075,514	37,055,228	86,130,742
Fixed rate securities	87,465,641	7,341,695	94,807,336
Floating rate securities	38,362,101	4,703,489	43,065,590
Expected credit loss allowance	(9,920)	(59,076)	(68,996)
Held at amortised cost, net	125,817,822	11,986,108	137,803,930
Investments, net	178,295,680	64,265,029	242,560,709

(6.2) An analysis of changes in expected credit loss allowance for debt instruments carried at amortized cost and FVOCI, is as follows:

2022	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
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

2021	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Balance as at 1 January 2021	94,621	84,684	-	179,305
Net ECL charge/(reversal)	(47,808)	(14,065)	-	(61,873)
Transfer to stage 1	1,380	(1,380)	-	-
Transfer to stage 2	(54)	54	-	-
Transfer to stage 3	-	-	-	-
Foreign currency translation and other adjustments	(1,453)	-	-	(1,453)
Balance as at 31 December 2021	46,686	69,293	-	115,979

(6.3) The analysis of the composition of investments is as follows:

	2022 SAR '000 Quoted	Unquoted	Total
Fixed rate securities	169,061,843	5,821,882	174,883,725
Floating rate securities	42,901,349	15,027,572	57,928,921
Equity instruments, mutual funds, hedge funds and others	14,412,412	11,098,264	25,510,676
Expected credit loss allowance for investments held at amortised cost	(3,058)	(28,373)	(31,431)
Investments, net	226,372,546	31,919,345	258,291,891

6. Investments, Net (continued)

(6.3) The analysis of the composition of investments is as follows: (continued)

	2021 SAR '000		
	Quoted	Unquoted	Total
Fixed rate securities	160,673,860	1,330,140	162,004,000
Floating rate securities	42,520,394	17,592,799	60,113,193
Equity instruments, mutual funds, hedge funds and others	9,905,663	10,606,849	20,512,512
Expected credit loss allowance for investments held at amortised cost	(60,596)	(8,400)	(68,996)
Investments, net	213,039,321	29,521,388	242,560,709

(a) Investments held at amortised cost include investments amounting to SAR 6,687 million (2021: SAR 4,491 million) which are held under a fair value hedge relationship. As at 31 December 2022, the fair value of these investments amounts to SAR 4,924 million (2021: SAR 4,441 million).

(b) Investments, net, include securities that are issued by the Ministry of Finance of Saudi Arabia amounting to SAR 151,713 million, (2021: SAR 146,641 million).

(c) Dividend income recognized during 2022 for FVOCI investments amount to SAR 392 million (2021: SAR 294 million).

(d) Total investments include Shariah based investments amounting to SAR 159,161 million (31 December 2021: SAR 149,400 million).

(6.4) Securities lending transactions

The Group pledges financial assets for the securities lending transactions which are generally conducted under terms that are usual and customary for standard securitised borrowing contracts. As at 31 December 2022, securities amounting to SAR 4,904 million (2021: SAR 3,221 million) have been lent to counterparties under securities lending transactions.

(6.5) The analysis of unrealised revaluation gains/(losses) and fair values of investments held at amortised cost are as follows:

	SAR '000			
2022	**Carrying value**	**Gross unrealised gain**	**Gross unrealised loss**	**Fair value**
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)**
Total investments held at amortised cost, net	**157,469,124**	**225,219**	**(10,904,541)**	**146,789,802**

	SAR '000			
2021	Carrying value	Gross unrealised gain	Gross unrealised loss	Fair value
Fixed rate securities	94,807,336	649,064	(601,418)	94,854,982
Floating rate securities	43,065,590	7,213	(36,907)	43,035,896
Expected credit loss allowance	(68,996)	-	-	(68,996)
Total investments held at amortised cost, net	137,803,930	656,277	(638,325)	137,821,882

(6.6) Counterparty analysis of the Group's investments, net of impairment

	2022 SAR '000	2021 SAR '000
Government and Quasi Government	**198,645,980**	198,199,201
Corporate	**21,562,116**	20,260,766
Banks and other financial institutions	**38,083,795**	24,100,742
Investments, net	**258,291,891**	242,560,709

7. Financing and Advances, Net

(7.1) Financing and advances, net

	SAR '000				
2022	**Consumer & Credit card**	**Corporate**	**International**	**Others**	**Total**
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**
Total financing and advances	**295,623,796**	**215,432,352**	**17,528,349**	**25,177,303**	**553,761,800**
Allowance for financing losses (ECL allowance) (note 7.2)	**(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**
Financing and advances, net	**293,430,094**	**210,048,593**	**16,740,009**	**25,091,963**	**545,310,659**

	SAR '000				
2021	Consumer & Credit card	Corporate	International	Others	Total
Performing financing and advances	262,118,105	206,053,336	17,802,675	11,847,174	497,821,290
Non-performing financing and advances	843,698	6,411,564	884,342	-	8,139,604
Total financing and advances	262,961,803	212,464,900	18,687,017	11,847,174	505,960,894
Allowance for financing losses (ECL allowance) (note 7.2)	(1,909,308)	(8,186,074)	(911,700)	(9,525)	(11,016,607)
Purchased or originated credit impaired	22,882	2,600,893	-	-	2,623,775
Financing and advances, net	261,075,377	206,879,719	17,775,317	11,837,649	497,568,062

Others includes financing and advances related to financial institutions.

Below is a breakdown by financing products, included in gross financing and advances, in compliance with Shariah rules:

	2022 SAR '000	2021 SAR '000
Murabaha	**145,726,665**	120,240,458
Tawarooq	**265,893,611**	246,881,668
Ijara	**41,705,113**	44,610,200
Other Islamic Products	**23,894,939**	15,900,168
Total Gross Shariah Financing	**477,220,328**	427,632,494

7. Financing and Advances, Net (continued)

(7.2) An analysis of changes in ECL allowance is, as follows:

2022	Expected credit loss allowance SAR '000 Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
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

2021	Expected credit loss allowance SAR '000 Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
Consolidated				
At 1 January 2021	1,807,770	2,447,925	4,535,680	8,791,375
Net impairment charge	572,930	1,213,636	2,797,494	4,584,060
Transfer to stage 1	96,068	(80,325)	(15,743)	-
Transfer to stage 2	(78,572)	86,779	(8,207)	-
Transfer to stage 3	(10,394)	(756,172)	766,566	-
Bad debts written off	-	-	(1,799,632)	(1,799,632)
Foreign exchange gains and losses	(48,818)	(101,355)	(505,377)	(655,550)
Other movements	25,439	5,981	64,934	96,354
As at 31 December 2021	2,364,423	2,816,469	5,835,715	11,016,607

2022	Expected credit loss allowance SAR '000 Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
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

2021	Expected credit loss allowance SAR '000 Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
Consumer and Credit card				
At 1 January 2021	855,914	286,259	286,414	1,428,587
Net impairment charge	142,141	132,305	1,045,032	1,319,478
Transfer to stage 1	93,868	(78,125)	(15,743)	-
Transfer to stage 2	(23,721)	31,928	(8,207)	-
Transfer to stage 3	(5,065)	(19,251)	24,316	-
Bad debts written off	-	-	(838,757)	(838,757)
Foreign exchange gains and losses	-	-	-	-
Other movements	-	-	-	-
As at 31 December 2021	1,063,137	353,116	493,055	1,909,308

7. Financing and Advances, Net (continued)

(7.2) An analysis of changes in ECL allowance is, as follows: (continued)

2022	Expected credit loss allowance SAR '000 Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
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

2021	Expected credit loss allowance SAR '000 Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate				
At 1 January 2021	838,195	1,966,199	3,294,387	6,098,781
Net impairment charge	450,198	967,147	1,554,677	2,972,022
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(53,528)	53,528	-	-
Transfer to stage 3	(5,329)	(712,555)	717,884	-
Bad debts written off	-	-	(883,628)	(883,628)
Foreign exchange gains and losses	-	-	-	-
Other movements	23,756	(103)	(24,754)	(1,101)
As at 31 December 2021	1,253,292	2,274,216	4,658,566	8,186,074

2022	Expected credit loss allowance SAR '000 Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
International				
At 1 January 2022	38,469	189,137	684,094	911,700
Net impairment charge	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

2021	Expected credit loss allowance SAR '000 Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
International				
At 1 January 2021	59,387	195,441	954,879	1,209,707
Net impairment charge	25,340	114,210	197,785	337,335
Transfer to stage 1	2,200	(2,200)	-	-
Transfer to stage 2	(1,323)	1,323	-	-
Transfer to stage 3	-	(24,366)	24,366	-
Bad debts written off	-	-	(77,247)	(77,247)
Foreign exchange gains and losses	(48,818)	(101,355)	(505,377)	(655,550)
Other movements	1,683	6,084	89,688	97,455
As at 31 December 2021	38,469	189,137	684,094	911,700

7. Financing and Advances, Net (continued)

(7.2) An analysis of changes in ECL allowance is, as follows: (continued)

2022	Expected credit loss allowance SAR '000			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
Others				
At 1 January 2022	9,525	-	-	9,525
Net impairment charge	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

2021	Expected credit loss allowance SAR '000			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for significant increase in credit risk)	Stage 3 (lifetime ECL for credit impaired)	Total
Others				
At 1 January 2021	54,274	26	–	54,300
Net impairment reversal	(44,749)	(26)	–	(44,775)
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 2021	9,525	–	–	9,525

(7.3) Impairment charge for financing and advances losses in the consolidated statement of income represents:

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
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	**-**	**-**	**(1,101,863)**	**(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**	**1,618,549**	**1,745,924**

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2021	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Consolidated				
Net impairment (reversal)/charge	572,930	1,213,636	2,797,494	4,584,060
Provision/(reversal) against indirect facilities (included in other liabilities)	85,888	(6,033)	101,893	181,748
Recoveries	-	-	(911,951)	(911,951)
Direct write-off	-	-	172,011	172,011
Others	(820)	(2,315)	-	(3,135)
Net charge for the year	657,998	1,205,288	2,159,447	4,022,733

(7.4) An analysis of changes in gross carrying amounts is as follows:

	Gross carrying amount SAR '000			
	Stage 1	Stage 2	Stage 3	
2022	12-month ECL	lifetime ECL for SICR	lifetime ECL for credit impaired	Total
Consolidated				
At 1 January 2022	**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)**
As at 31 December 2022	**519,489,592**	**25,154,679**	**9,117,529**	**553,761,800**

7. Financing and Advances, Net (continued)

(7.4) An analysis of changes in gross carrying amounts is as follows: (continued)

2021	Gross carrying amount SAR '000 Stage 1 12-month ECL	Stage 2 lifetime ECL for SICR	Stage 3 lifetime ECL for credit impaired	Total
Consolidated				
At 1 January 2021	331,567,013	17,801,108	6,128,435	355,496,556
Net increase/(decrease) during the year	24,446,092	1,424,115	846,472	26,716,679
Transfer to stage 1	1,105,064	(1,063,990)	(41,074)	-
Transfer to stage 2	(4,040,794)	4,040,794	-	-
Transfer to stage 3	(733,730)	(3,099,053)	3,832,783	-
New acquired through business combination	135,977,608	256,861	83,982	136,318,451
Foreign exchange losses and other movements	(9,170,798)	(997,856)	(602,506)	(10,771,160)
Bad debts written off	-	-	(1,799,632)	(1,799,632)
As at 31 December 2021	479,150,455	18,361,979	8,448,460	505,960,894

(7.5) Economic sector risk concentrations for the financing and advances and allowances for financing losses are as follows:

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

2021	Gross financing and advances	ECL allowance	POCI	Financing and advances, net
	SAR '000			
Government and Quasi Government	2,543,743	(4,287)	–	2,539,456
Banks and other financial institutions	13,797,629	(15,502)	–	13,782,127
Agriculture and fishing	731,781	(19,309)	–	712,472
Manufacturing	44,197,930	(1,762,939)	239,144	42,674,135
Mining and quarrying	7,852,572	(39,431)	–	7,813,141
Electricity, water, gas and health services	36,242,762	(104,552)	8,395	36,146,605
Building and construction	17,850,986	(2,806,112)	458,592	15,503,466
Commerce	63,048,904	(3,839,771)	1,604,229	60,813,362
Transportation and communication	19,319,335	(118,681)	–	19,200,654
Consumers	262,961,803	(1,909,308)	22,882	261,075,377
Others	37,413,449	(396,715)	290,533	37,307,267
Financing and advances, net	505,960,894	(11,016,607)	2,623,775	497,568,062

(7.6) Financing and advances include finance lease receivables (including Ijara in compliance with Shariah rules) which are analysed as follows:

	2022 SAR '000	2021 SAR '000
Gross finance lease receivables:		
Less than 1 year	**4,768,901**	3,872,021
1 to 5 years	**15,391,019**	13,855,514
Over 5 years	**29,606,246**	35,721,483
Total	**49,766,166**	53,449,018
Unearned finance income on finance leases:		
Less than 1 year	**(125,161)**	(110,740)
1 to 5 years	**(2,176,153)**	(2,114,781)
Over 5 years	**(5,971,980)**	(6,973,776)
Total	**(8,273,294)**	(9,199,297)
Net finance lease receivables:		
Less than 1 year	**4,643,740**	3,761,281
1 to 5 years	**13,214,866**	11,740,733
Over 5 years	**23,634,266**	28,747,707
Total	**41,492,872**	44,249,721

Allowance for uncollectable finance lease receivables included in the allowance for expected credit losses is SAR 212 million (2021: SAR 360 million).

8. Investments in Associates, Net

	2022 SAR '000	2021 SAR '000
Cost:		
At the beginning of the year	**1,014,000**	1,014,000
Disposal	**(54,000)**	-
At 31 December	**960,000**	1,014,000
Allowance for impairment and share of results:		
At beginning of the year	**(694,400)**	(572,386)
Net impairment charge during the year	**-**	(122,014)
Disposal	**(19,551)**	-
At 31 December	**(713,951)**	(694,400)
Investment in associates, net	**246,049**	319,600

Investment in associates primarily consists of a 60% (2021: 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.

During the year ended 31 December 2022, Bank's investee Al-Ahli Takaful Company (ATC) merged with Arabian Shield Cooperative Insurance Company (ASC) and therefore has ceased to exist as a legal entity. As a result of the merger, the Bank holds investment in ASC of 11.2% and has been classified as part of financial asset.

9. Property, Equipment and Software, Net

	SAR '000									
	2022					2021				
	Land, buildings and leasehold improvements	Furniture, equipment and vehicles	Software	Capital work in progress	Total	Land, buildings and leasehold improvements	Furniture, equipment and vehicles	Software	Capital work in progress	Total
Cost:										
At beginning of the year	**7,819,775**	**4,277,850**	**2,868,064**	**1,256,288**	**16,221,977**	5,716,399	3,515,323	2,573,216	799,613	12,604,551
Impact of Hyperinflation	**214,981**	**248,479**	**250,316**	**826**	**714,601**	-	-	-	-	-
Foreign currency translation adjustment	**(65,022)**	**(43,703)**	**(48,705)**	**(3,441)**	**(160,871)**	(158,489)	(88,738)	(90,375)	(5,766)	(343,368)
Assets acquired through business combination (note 42)	**-**	**-**	**-**	**-**	**-**	1,986,548	266,909	22,652	317,273	2,593,382
Additions	**300,749**	**566,024**	**20,450**	**1,184,023**	**2,071,246**	117,043	547,069	38,608	1,078,881	1,781,601
Disposals and retirements	**(148,327)**	**(35,266)**	**-**	**(1,517)**	**(185,110)**	(6,492)	(109,520)	(297,744)	(433)	(414,189)
Transfer from capital work in progress	**661,603**	**54,309**	**551,430**	**(1,267,342)**	**-**	164,766	146,807	621,707	(933,280)	-
As at 31 December	**8,783,759**	**5,067,693**	**3,641,555**	**1,168,837**	**18,661,843**	7,819,775	4,277,850	2,868,064	1,256,288	16,221,977
Accumulated depreciation/amortisation:										
At beginning of the year	**2,841,076**	**2,886,514**	**1,619,244**	**-**	**7,346,834**	2,609,820	2,661,944	1,490,333	-	6,762,097
Impact of Hyperinflation	**73,828**	**175,439**	**190,878**	**-**	**440,145**	-	-	-	-	-
Foreign currency translation adjustment	**(9,218)**	**(36,702)**	**(15,372)**	**-**	**(61,292)**	(30,895)	(38,465)	(77,959)	-	(147,319)
Charge for the year	**314,249**	**387,307**	**281,437**	**-**	**982,993**	267,695	264,172	232,129	-	763,996
Disposals and retirements	**(19,049)**	**(20,931)**	**-**	**-**	**(39,980)**	(5,544)	(1,137)	(25,259)	-	(31,940)
As at 31 December	**3,200,886**	**3,391,627**	**2,076,187**	**-**	**8,668,700**	2,841,076	2,886,514	1,619,244	-	7,346,834
Net book value:										
As at 31 December	**5,582,873**	**1,676,065**	**1,565,368**	**1,168,837**	**9,993,143**	4,978,699	1,391,336	1,248,820	1,256,288	8,875,143

10. Right of use Assets, Net

	2022 SAR '000	2021 SAR '000
Cost:		
At beginning of the year	2,625,757	2,046,896
Impact of hyperinflation	134,187	-
Additions	321,659	399,342
Acquired through business combination (note 42)	-	330,085
Terminations	(181,031)	(58,715)
Foreign currency translation adjustment	(39,619)	(91,851)
As at 31 December	2,860,953	2,625,757
Accumulated depreciation		
At beginning of the year	823,470	521,610
Impact of hyperinflation	35,133	-
Charge for the year	452,242	343,505
Terminations	(36,052)	(18,938)
Foreign currency translation adjustment	(23,736)	(22,707)
Other movements	75,936	-
As at 31 December	1,326,993	823,470
Right of use assets, net	1,533,960	1,802,287

11. Other Assets

(11.1) Other Assets

	2022 SAR '000	2021 SAR '000
Assets purchased under Murabaha arrangements	2,278,068	2,558,966
Prepayments and advances	2,594,641	1,051,087
Margin deposits against derivatives and repos	3,557,449	12,201,225
Other real estate, net (note 11.2)	556,826	706,305
Others	1,062,307	2,716,763
Total	10,049,291	19,234,346

11. Other Assets (continued)

(11.2) Other Real Estate, Net

	2022 SAR '000	2021 SAR '000
Cost:		
At beginning of the year	**1,533,582**	1,400,226
Additions	**60,284**	183,260
Acquired through business combination (note 42)	**-**	114,950
Disposals	**(234,722)**	(164,854)
At 31 December	**1,359,144**	1,533,582
Provision and foreign currency translation:		
Foreign currency translation adjustment	**(340,719)**	(306,759)
Provision for impairment	**(461,599)**	(520,518)
At 31 December	**(802,318)**	(827,277)
Other real estate, net	**556,826**	706,305

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, fixed special commission payments and 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 monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

			SAR '000					
			Notional amounts by term to maturity					
2022	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
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	547,361,374
Forward foreign exchange contracts	537,416	(416,866)	232,028,764	144,095,716	64,306,849	23,626,199	-	206,405,375
Options	29,949	(32,859)	4,592,927	730,679	3,507,419	354,829	-	14,505,622
Held as fair value hedges:								
Special commission rate instruments	1,318,713	(442,882)	19,280,981	112,500	551,334	8,692,097	9,925,050	14,520,865
Held as cash flow hedges:								
Special commission rate instruments and cross currency swaps	301,518	(966,626)	15,566,853	858,417	7,125,000	7,506,891	76,545	15,558,200
Total	20,574,129	(19,420,104)	846,031,306	183,833,934	142,977,706	359,055,337	160,164,329	

			SAR '000					
			Notional amounts by term to maturity					
2021	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate instruments	7,783,561	(7,319,256)	458,366,644	21,166,116	49,704,687	252,363,764	135,132,077	329,781,043
Forward foreign exchange contracts	732,703	(223,378)	179,140,776	86,974,988	46,721,403	45,444,385	-	142,431,157
Options	160,366	(164,537)	5,850,833	1,597,267	3,505,463	748,103	-	6,947,174
Held as fair value hedges:								
Special commission rate instruments	121,943	(1,535,423)	10,474,585	-	-	2,591,335	7,883,250	9,984,835
Held as cash flow hedges:								
Special commission rate instruments and cross currency swaps	111,337	(167,700)	15,379,921	-	1,000,000	14,190,830	189,091	12,349,826
Total	8,909,910	(9,410,294)	669,212,759	109,738,371	100,931,553	315,338,417	143,204,418	

12. Derivatives (continued)

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					
2022	**Fair value**	**Cost**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Description of hedged items						
Fixed rate instruments	**18,226,664**	**19,144,775**	Fair value	Special commission rate instruments	**1,318,713**	**(442,882)**
Fixed rate and floating rate instruments	**14,730,375**	**14,725,723**	Cash flow	Special commission rate instruments and cross currency swaps	**301,518**	**(966,626)**

	SAR '000					
2021	Fair value	Cost	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed rate instruments	12,409,259	10,823,088	Fair value	Special commission rate instruments	121,943	(1,535,423)
Fixed rate and floating rate instruments	15,360,064	15,343,653	Cash flow	Special commission rate instruments and cross currency swaps	111,337	(167,700)

Approximately 57% (2021: 48%) of the positive fair value of the Group's derivatives are entered into with financial institutions and 43% (2021: 52%) 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 flows 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 indicating as at 31 December, the periods when the hedged undiscounted cash flows are expected to occur and when they are expected to affect profit or loss:

	SAR' 000			
2022	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
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**

	SAR' 000			
2021	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	253,726	4,300,476	184,802	90,836
Cash outflows (liabilities)	(206,962)	(4,379,146)	(171,531)	(77,230)
Net cash inflows (outflows)	46,764	(78,670)	13,271	13,606

13. Due to Banks and Other Financial Institutions

	2022 SAR '000	2021 SAR '000
Current accounts	**4,251,759**	8,072,955
Money market deposits	**86,197,555**	74,362,811
Repos (note 32 (a))	**60,545,605**	35,129,522
Total	**150,994,919**	117,565,288

14. Customers' Deposits

	2022 SAR '000	2021 SAR '000
Current and call accounts	**427,245,252**	454,313,110
Time	**116,646,379**	111,552,707
Others	**24,391,445**	22,708,062
Total	**568,283,076**	588,573,879

Other customers' deposits include SAR 5,134 million (2021: SAR 4,848 million) of margins held for irrevocable commitments and contingencies.

International segment deposits included in customers' deposits comprise of:

	2022 SAR '000	2021 SAR '000
Current and call accounts	**9,047,056**	11,545,715
Time	**12,871,846**	13,402,991
Others	**3,155,855**	1,526,490
Total	**25,074,757**	26,475,196

Details on foreign currency deposits included in customers' deposits as follows:

	2022 SAR '000	2021 SAR '000
Current and call accounts	**31,758,495**	46,506,491
Time	**68,993,057**	34,224,821
Others	**4,011,880**	1,982,844
Total	**104,763,432**	82,714,156

15. Debt Securities Issued

Issuer	Year of issue	Tenure	Particulars	2022 SAR '000	2021 SAR '000
Türkiye Finans Katılım Bankası A.Ş.	2021	2 month	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	239,965
	2021	4 month	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	2,836
	2021	5 month	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	-	4,779
	2022-2021	6 month	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**23,969**	19,669
	2022-2021	7 month	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**75,131**	8,635
	2022	11 month	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**8,941**	-
	2022	1 year	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**5,791**	-
SNB	2019	5 year	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**3,865,683**	3,864,495
	2020	7 year	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**1,731,336**	1,972,068
	2022	2 year	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**378,833**	-
	2022	3 year	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**108,466**	-
	2022	5 year	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a fixed rate.	**3,067,828**	-
	2022	5 year	Non-convertible listed Euro medium term note on the London stock exchange, carrying profit at a Float rate.	**2,429,534**	-
SNBC	2022	1 year	Non-convertible private, not listed, short term sukuk, carrying profit at fixed rate.	**1,200,883**	-
SBL	2022	10 years	Non-convertible listed TFCs on Pakistan Stock Exchange carrying profit at a floating rate.	**90,781**	-
Total				**12,987,176**	6,112,447

Movement of the debt securities issued during the year is as follows:

	2022 SAR '000	2021 SAR '000
Balance at beginning of the year	**6,112,447**	1,772,690
Debt securities acquired through business combination (note 42)	-	5,824,935
Debt securities issued	**10,556,960**	4,309,349
Debt securities payment	**(3,606,452)**	(5,016,884)
Foreign currency translation and other adjustment	**(75,779)**	(777,643)
Balance at the end of the year	**12,987,176**	6,112,447

16. Other Liabilities

(16.1) Other Liabilities

	2022 SAR '000	2021 SAR '000
Zakat payable including subsidiaries (see note 16.2)	**2,633,168**	2,398,555
Staff-related payables	**1,441,049**	1,965,586
Accrued expenses and accounts payable	**6,999,638**	8,257,052
Allowances for credit losses on indirect facilities	**4,278,517**	4,315,791
Employee benefit obligation (note 26)	**1,451,639**	1,838,046
Lease liabilities	**1,821,791**	2,082,295
Treasury related and other payables	**1,790,376**	3,646,999
Others	**6,617,082**	5,211,701
Total	**27,033,260**	29,716,025

(16.2) Zakat and Tax

The Group is subject to zakat in accordance with regulations of Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the consolidated statement of income. The Bank calculated zakat accruals for the year ended 31 December 2022 based on applicable zakat rules for financial institutions. The Bank submitted its zakat return for the year ended 31 December 2021, and obtained the unrestricted zakat certificate. The financial years 2019 through 2021 are under the review of ZATCA, the assessments in respect to the Bank's zakat returns for the financial year up to 2018 have been finalized.

Moreover, pursuant to the merger with Samba (see note 42) the Bank assumed all 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 installments until 2023. The Bank has two remaining installments with a total amount of SAR 400 million to be paid in 2023.

17. Share Capital

The authorized, issued and fully paid share capital of the Bank consists of 4,478,000,000 shares of SAR 10 each (31 December 2021: 4,478,000,000 shares of SAR 10 each). The capital of the Bank excluding treasury shares consists of 4,438,259,561 shares of SAR 10 each (31 December 2021: 4,435,809,536 shares of SAR 10 each).

As stated in note 42, the Bank issued 1,478,000,000 new ordinary shares pursuant to the merger. As a result, share capital increased by SAR 14,780 million and share premium increased by SAR 63,702 million, respectively against a purchase consideration of SAR 78,482 million

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. Upon approval, the number of shares will increase by 1,522,000,000 shares to reach 6,000,000,000 shares and the capital of the Bank will increase by SAR 15,220,000,000 to reach SAR 60,000,000,000.

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 reserves are 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 2022 the Bank had capital commitments of SAR 1,880 million (2021: SAR 2,058 million) in respect of building, equipment and software purchases and capital calls on private equity funds.

(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:

	SAR '000				
2022	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

2021	SAR '000 Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	11,939,660	5,011,502	1,166,696	28,588	18,146,446
Guarantees	16,502,162	28,466,482	11,058,239	3,187,198	59,214,081
Acceptances	2,099,437	892,274	308,250	9,784	3,309,745
Irrevocable commitments to extend credit	1,875,000	1,036,500	860,156	2,872,878	6,644,534
Total	32,416,259	35,406,758	13,393,341	6,098,448	87,314,806

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

	2022 SAR '000	2021 SAR '000
Government and Quasi Government	**6,745,625**	5,016,199
Corporate	**72,841,716**	62,728,894
Banks and other financial institutions	**18,167,003**	19,171,493
Others	**329,565**	398,220
Total	**98,083,909**	87,314,806

21. Net Special Commission Income

	2022 SAR '000	2021 SAR '000
Special commission income:		
Investments - FVOCI	**4,267,857**	2,222,310
Investments held at amortised cost	**3,348,573**	2,433,120
Sub total - investments	**7,616,430**	4,655,431
Due from banks and other financial institutions	**623,148**	338,888
Financing and advances	**26,152,751**	20,444,513
Total	**34,392,329**	25,438,832
Special commission expense:		
Due to banks and other financial institutions	**3,154,600**	868,578
Customers' deposits	**4,606,586**	1,871,118
Debt securities issued	**345,085**	491,549
Total	**8,106,271**	3,231,245
Net special commission income	**26,286,058**	22,207,587

22. Fee Income from Banking Services, Net

	2022 SAR '000	2021 SAR '000
Fee income:		
Shares brokerage	**836,672**	996,019
Investment management services	**1,017,587**	871,647
Financing and advances	**650,718**	156,219
Credit cards	**1,173,763**	969,459
Trade finance	**567,286**	470,190
Others	**879,927**	770,245
Total	**5,125,953**	4,233,779
Fee expenses:		
Shares brokerage	**(307,793)**	(368,565)
Investment management services	**(37,225)**	(31,919)
Credit cards	**(1,058,522)**	(764,824)
Others	**(18,250)**	(9,840)
Total	**(1,421,790)**	(1,175,148)
Fee income from banking services, net	**3,704,163**	3,058,631

23. Income from Fair Value Through Income Statement (FVIS) Financial Instruments, Net

	2022 SAR '000	2021 SAR '000
Investments held at FVIS	**397,246**	1,397,199
Derivatives	**1,296,815**	130,679
Total	**1,694,061**	1,527,878

24. Gains/Income on Non-FVIS Financial Instruments, Net

	2022 SAR '000	2021 SAR '000
Gains on disposal of non-FVIS financial instruments, net	**381,371**	733,243
Dividend income from non-FVIS financial instruments	**392,466**	301,305
Total	**773,837**	1,034,548

25. Share Based Payments Reserve

Employees' share based payment plan and Treasury shares:

(25.1) Employee share based payment plan:

The Bank has established a share based compensation 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 compensation scheme, the Bank has six outstanding plans. Significant features of these plans are as follows:

Nature of Plan	Equity Based Long Term Bonus Plan
Number of outstanding plans	6 Plans
Grant date	March 2018 to April 2022
Maturity date	December 2022 - December 2024
Vesting period	3-5 years
Method of settlement	Equity
Fair value per option/share on grant date adjusted for bonus share issue	Average price SAR 53.70

The table below illustrates the sensitivity of the end of service valuation as at 31 December 2022 and 2021:

	Weighted average price (in SAR)		Number of shares (in 000's)	
	2022	2021	2022	2021
Beginning of the year	49	44	9,224	8,503
Forfeited	59	46	(411)	(176)
Exercised/Expired	58	46	(2,450)	(2,745)
Granted during the year	73	54	2,441	2,775
Acquired through business combination	-	53	-	867
End of the year	54	49	8,804	9,224

(25.2) Treasury shares:

The movement in the number of treasury shares is as below:

	Number of treasury shares (in 000's)	
	2022	2021
Beginning of the year	42,191	9,582
Acquired through Business combination	-	35,127
No of shares settled during the year	(2,450)	(2,518)
End of the year	39,741	42,191

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 oversees 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 106 million (2021: SAR 225 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) 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:

	2022	2021
Discount rate	**4.7%**	3.5%
Normal retirement age (years)	**60**	60

Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the end of service valuation as at 31 December 2022 and 2021:

	2022 SAR '000	2021 SAR '000
Discount rate +1%	**128,381**	169,621
Discount rate -1%	**(150,990)**	(200,623)

27. Basic and Diluted Earnings Per Share

Basic earnings per share for the years ended 31 December 2022 and 31 December 2021 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 2022 and 31 December 2021 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	
	2022	2021	2022	2021
Weighted-Average number of shares outstanding (in thousands)	**4,438,140**	4,075,058	**4,445,480**	4,081,860
Earnings per share (in SAR)	**4.06**	2.99	**4.05**	2.98

28. Tier 1 Sukuk

During 2022, the Bank issued, through a Shariah compliant arrangement, additional Tier 1 Sukuk (the Sukuk), amounting to SAR 3.3 billion (SAR-denominated). These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.

In 2021, the Bank through a Shariah compliant arrangement, issued additional cross border Tier 1 Sukuk (the Sukuk), amounting to SAR 4.7 billion (denominated in US Dollars). During the same year, the Bank exercised the call option on its existing Tier 1 sukuk amounting to SAR 2.7 billion. These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.

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

The applicable profit rate 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 Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

29. Dividend

The details of dividends proposed/paid to the Bank's shareholders are as follows:

Year	Distribution Date	Amount (SAR per share)	Total Payout Net of Zakat (SAR '000)	Type	Status
2023	To be announced	0.60	2,686,800	Final	Proposed
2022	April 2022	0.90	4,030,200	Final	Paid
	July 2022	1.10	4,925,800	Interim	Paid
2021	April 2021	0.80	3,582,400	Final	Paid
	August 2021	0.65	2,910,700	Interim	Paid

30. Cash and Cash Equivalents

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

	2022 SAR '000	2021 SAR '000
Cash and balances with SAMA excluding statutory deposit (note 4)	**7,628,379**	18,008,088
Due from banks and other financial institutions with original maturity of three months or less	**12,530,054**	34,865,214
Total	**20,158,433**	52,873,302

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 Board, 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.

31. Operating Segments (continued)

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 supports 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, by business segments, are as follows:

	SAR '000				
2022	Retail	Wholesale	Capital Market	International	Total
Total assets	380,314,319	519,029,669	13,843,869	32,308,309	945,496,166
Total liabilities	343,085,724	403,053,452	3,951,301	28,628,058	778,718,535
– Customers' deposits	331,222,696	210,982,140	1,003,483	25,074,757	568,283,076
Total operating income from external customers	14,227,845	14,185,577	1,999,210	2,590,820	33,003,452
– Intersegment operating income (expense)	399,201	(331,218)	(67,983)	-	-
Total operating income	14,627,046	13,854,359	1,931,227	2,590,820	33,003,452
of which:					
Net special commission income	13,811,963	10,166,186	317,229	1,990,680	26,286,058
Fee income from banking services, net	1,118,662	907,571	1,479,893	198,037	3,704,163
Total operating expenses	7,072,906	2,515,535	573,078	1,307,582	11,469,101
of which:					
– Depreciation/amortisation of property, equipment, software and Right of use assets	974,654	213,768	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	628,975	717,825	3,369	335,315	1,685,484
Other non-operating (expenses)/income, net	18,970	36,291	(79)	(312,754)	(257,572)
Net income for the year before Zakat and income tax	7,573,110	11,375,115	1,358,070	970,484	21,276,779

2021	SAR '000 Retail	Wholesale	Capital Market	International	Total
Total assets	339,622,102	532,110,268	6,615,912	35,799,163	914,147,445
Total liabilities	346,731,282	371,303,567	610,651	32,732,433	751,377,933
- Customers' deposits	331,773,994	230,319,107	5,582	26,475,196	588,573,879
Total operating income from external customers	11,951,279	13,010,234	1,584,378	1,689,828	28,235,719
- Intersegment operating income (expense)	515,013	(507,860)	(7,153)	-	-
Total operating income	12,466,292	12,502,374	1,577,225	1,689,828	28,235,719
of which:					
Net special commission income	12,378,881	8,651,159	54,323	1,123,224	22,207,587
Fee income from banking services, net	645,924	782,362	1,464,163	166,182	3,058,631
Total operating expenses	6,967,877	4,957,298	585,371	1,012,053	13,522,599
of which:					
- Depreciation/amortisation of property, equipment, software and Right of use assets	798,191	186,282	23,322	99,706	1,107,501
- Amortization of intangible assets	428,201	161,566	99,198	-	688,965
- Net impairment charge for expected credit losses	743,235	2,917,966	-	299,659	3,960,860
Other non-operating (expenses)/income, net	(109,615)	(227,607)	(45)	78,345	(258,922)
Net income for the year before Zakat and income tax	5,388,800	7,317,469	991,809	756,120	14,454,198

(31.2) The Group's credit risk exposure by business segments, is as follows:

2022	SAR '000 Retail	Wholesale	Capital Market	International	Total
Statement of financial position assets	**298,860,100**	**492,688,754**	**2,814,637**	**22,234,714**	**816,598,205**
Commitments and contingencies (credit equivalent)	**1,454,169**	**62,542,285**	**-**	**2,137,605**	**66,134,059**
Derivatives (credit equivalent)	**-**	**23,042,647**	**-**	**145,832**	**23,188,479**

2021	SAR '000 Retail	Wholesale	Capital Market	International	Total
Statement of financial position assets	267,959,401	481,527,772	2,262,217	24,642,817	776,392,207
Commitments and contingencies (credit equivalent)	5,648,962	53,305,656	-	2,269,312	61,223,930
Derivatives (credit equivalent)	-	25,489,495	-	257,901	25,747,396

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 2022:

(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:

	2022 SAR '000		2021 SAR '000	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Held at FVOCI	**22,277,519**	**22,277,519**	22,179,946	22,179,946
Investments held at amortised cost	**38,938,924**	**38,090,135**	16,861,133	18,647,415
Total	**61,216,443**	**60,367,654**	39,041,079	40,827,361

(b) The Bank has placed a margin deposit of SAR 1,666 million (2021: SAR 2,203 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 2022 and 31 December 2021.

(d) For details of margin deposits held for the irrevocable commitments and contingencies, please refer to note 14 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 648 million (2021: SAR 936 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 (6.6). 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).

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 Group holds real estate collateral against registered mortgage as a collateral financial instruments such as financing and advances and customers' deposits are shown gross on the consolidated statement of financial position and no offsetting has been done.

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:

	2022 SAR '000	2021 SAR '000
Assets		
Due from banks and other financial institutions, net (note 5)	16,496,730	40,446,413
Investments (note 33.2 (a))	230,659,238	217,266,597
Financing and advances, net (note 7.1)	545,310,659	497,568,062
Other assets - margin deposits against derivatives and repos (note 11.1)	3,557,449	12,201,225
Total assets	796,024,076	767,482,297
Contingent liabilities and commitments, net (notes 16 and 20)	88,671,338	79,422,432
Derivatives - positive fair value of derivatives, net (note 12)	20,574,129	8,909,910
Total maximum credit exposure	905,269,543	855,814,639

(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)

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
Due from Bank and Other financial institutions					
Investment grade	9,785,934	-	-	-	9,785,934
Non-investment grade	4,394,662	-	-	-	4,394,662
Unrated	2,317,642	-	-	-	2,317,642
Gross carrying amount	16,498,238	-	-	-	16,498,238
Financing and advances					
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
Gross carrying amount	519,489,592	25,154,679	9,117,529	2,956,723	556,718,523
Debt investment securities at amortised cost					
Saudi Government Bonds, Sukuk and Treasury Bills	125,857,441	-	-	-	125,857,441
Investment Grade	27,382,240	194,761	-	-	27,577,001
Non-investment Grade	3,432,012	634,101	-	-	4,066,113
Gross carrying amount	156,671,693	828,862	-	-	157,500,555
Debt investment securities at FVOCI					
Saudi Government Bonds, Sukuk and Treasury Bills	24,777,579	-	-	-	24,777,579
Investment Grade	40,565,284	267,735	-	-	40,833,019
Non-investment Grade	7,051,293	496,792	-	-	7,548,085
Gross carrying amount	72,394,156	764,527	-	-	73,158,683
Commitment and contingencies					
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
Total	87,033,051	5,113,521	1,104,905	4,832,432	98,083,909

2021	SAR'000 Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total
Due from Bank and Other financial institutions					
Investment grade	31,448,881	–	–	–	31,448,881
Non-investment grade	6,241,803	–	–	–	6,241,803
Unrated	2,758,278	–	–	–	2,758,278
Gross carrying amount	40,448,962	–	–	–	40,448,962
Financing and advances					
Investment Grade	67,187,357	5,169	–	–	67,192,526
Corporate	54,960,008	–	–	–	54,960,008
International	3,971,162	5,169	–	–	3,976,331
Others	8,256,187	–	–	–	8,256,187
Non-investment Grade	154,690,605	15,896,825	–	–	170,587,430
Retail	4,514,438	269,013	–	–	4,783,451
Corporate	137,133,515	13,959,972	–	–	151,093,487
International	10,003,119	1,667,840	–	–	11,670,959
Others	3,039,533	–	–	–	3,039,533
Unrated	257,272,493	2,459,985	–	–	259,732,478
Retail	254,708,409	2,430,829	–	–	257,139,238
Corporate	–	–	–	–	–
International	2,012,630	29,156	–	–	2,041,786
Others	551,454	–	–	–	551,454
Individually impaired	–	–	8,448,460	2,623,775	11,072,235
Retail	–	–	1,039,114	22,882	1,061,996
Corporate	–	–	6,411,405	2,600,893	9,012,298
International	–	–	997,941	–	997,941
Gross carrying amount	479,150,455	18,361,979	8,448,460	2,623,775	508,584,669
Debt investment securities at amortised cost					
Saudi Government Bonds, Sukuk and Treasury Bills	105,759,968	–	–	–	105,759,968
Investment Grade	26,433,779	1,288,853	–	–	27,722,632
Non-investment Grade	4,200,194	190,132	–	–	4,390,326
Gross carrying amount	136,393,941	1,478,985	–	–	137,872,926
Debt investment securities at FVOCI					
Saudi Government Bonds, Sukuk and Treasury Bills	39,311,467	–	–	–	39,311,467
Investment Grade	33,520,722	867,893	–	–	34,388,615
Non-investment Grade	5,607,943	85,646	–	–	5,693,589
Gross carrying amount	78,440,132	953,539	–	–	79,393,671
Commitment and contingencies					
Investment Grade	24,016,635	11,506	–	–	24,028,141
Non-investment Grade	49,208,411	3,251,516	996,505	5,261,171	58,717,603
Unrated	4,549,331	19,731	–		4,569,062
Total	77,774,377	3,282,753	996,505	5,261,171	87,314,806

33. Credit Risk (continued)

(33.2) Financial Risk Management (continued)

(a) Credit quality analysis (continued)

(ii) The table below details the aging of the performing financing and advances:

	SAR '000				
2022	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

	SAR '000				
2021	Consumer & Credit card	Corporate	International	Others	Total
Neither past due nor impaired	255,669,494	203,484,110	16,490,087	11,847,174	487,490,865
Past due but not impaired					
Less than 30 days	4,192,005	1,350,827	98,908	-	5,641,740
30-59 days	1,779,638	503,601	49,199	-	2,332,438
60-89 days	476,968	714,798	1,164,481	-	2,356,247
Total past due not impaired	6,448,611	2,569,226	1,312,588	-	10,330,425
Total performing financing and advances	262,118,105	206,053,336	17,802,675	11,847,174	497,821,290

(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.

Recovery from COVID-19:

The economy has successully bounced back from the effects of COVID-19 , with strong GDP growth estimates for both this year and next year. While the economy displays a healthy level of growth and activity, the group will continue to closely monitor lending portfolios and economic indicators regularly.

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.

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.

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).

33. CREDIT RISK (continued)

(33.2) Financial Risk Management (continued)

(b) Amounts arising from ECL - Significant increase in credit risk (continued)

(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.

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 for the year ended 31 December 2022.

(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 Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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. Moreover, a sensitivity analysis has been conducted on the macro-economic impact in order to assess the change in ECL. A shift of 10% would result in a shift of 7 basis points in ECL.

(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.

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 magntiude 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.

(34.1) Market risk – Trading book

The principal tool used to measure and control market risk exposure within the Group's trading book is Value at Risk (VaR). The VaR of a trading position is the estimated loss that will arise on the position over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period, except for Fair Value through Income Statement (FVIS) investments which are computed over a 3-month holding period (i.e., VaR is measured daily, except for VaR on FVIS investments which are computed on a monthly basis), to facilitate the comparison with the trading income (loss) which is also computed and reported on a daily basis. The model computes volatility and correlations using relevant historical market data.

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.

The table below shows the VaR arises from special commission rate, foreign currency exposure and equity exposure held at FVIS portfolio:

	SAR '000			
2022	**Foreign exchange risk**	**Special commission risk**	**Equity Price Risk**	**Overall risk**
End of year VaR	**10,045**	**10,919**	**2,004**	**22,968**
Average VaR	**11,391**	**13,999**	**11,368**	**36,758**

	SAR '000			
2021	Foreign exchange risk	Special commission risk	Equity Price Risk	Overall risk
End of year VaR	9,900	15,091	17,006	41,997
Average VaR	19,601	29,610	21,701	70,912

(34.2) Market risk - 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 2022 including the effect of hedging instruments. The sensitivity of the equity is calculated by revaluing the fixed rate fair value through income statement, including the effect of any associated hedges, as at 31 December 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.

			SAR '000 Sensitivity of equity (other reserves)				
2022	**Increase/decrease in basis points**	**Sensitivity of special commission income**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Currency							
SAR	± **10**	± **212,999**	± **-**	± **15**	± **5,541**	± **96,976**	± **102,532**
USD	± **10**	± **52,305**	± **64**	± **619**	± **23,135**	± **109,561**	± **133,379**

			SAR '000 Sensitivity of equity (other reserves)				
2021	Increase/decrease in basis points	Sensitivity of special commission income	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Currency							
SAR	± 10	± 230,673	± -	± 23	± 8,083	± 188,609	± 196,715
USD	± 10	± 7,891	± 11	± 617	± 21,677	± 154,228	± 176,533

(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.

34. Market Risk (continued)

(34.2) Market risk - Banking book (continued)

(34.2.1) Special commission rate risk (continued)

The table below summarizes the Group's exposure to special commission rate risks:

	SAR '000					
2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	648,000	-	-	-	40,963,004	41,611,004
Due from banks and other financial institutions, net	4,749,674	461,649	5,072	-	11,280,335	16,496,730
Investments, net	45,608,561	19,045,809	50,282,700	117,844,145	25,510,676	258,291,891
- 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
Financing and advances, net	109,066,141	148,799,550	141,915,913	145,416,593	112,462	545,310,659
- 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
Positive fair value of derivatives, net	12,286,927	4,487,380	1,960,159	1,272,298	567,365	20,574,129
Total financial assets	172,359,303	172,794,388	194,163,844	264,533,036	78,433,842	882,284,413
Liabilities						
Due to banks and other financial institutions	111,908,865	21,487,971	11,404,929	1,941,395	4,251,759	150,994,919
Customers' deposits	150,298,736	17,398,357	853,570	-	399,732,413	568,283,076
- 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
Debt securities issued	2,525,433	285,861	9,152,146	1,023,736	-	12,987,176
Negative fair value of derivatives, net	12,397,133	3,625,798	1,776,638	1,170,810	449,725	19,420,104
Total financial liabilities	277,130,167	42,797,987	23,187,283	4,135,941	404,433,897	751,685,275
On-balance sheet position gap	(104,770,864)	129,996,401	170,976,561	260,397,095	(326,000,055)	
Off-balance shweet position gap	18,662,222	(1,167,767)	11,267,493	(28,761,948)	-	
Total special commission rate sensitivity gap	(86,108,642)	128,828,634	182,244,054	231,635,147	(326,000,055)	
Cumulative special commission rate sensitivity gap	(86,108,642)	42,719,992	224,964,046	456,599,193	130,599,138	

2021	SAR '000 Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	8,797,112	-	-	-	43,399,688	52,196,800
Due from banks and other financial institutions, net	19,448,557	1,208,373	38,864	-	19,750,619	40,446,413
Investments, net	52,885,281	26,295,746	42,218,807	100,648,363	20,512,512	242,560,709
- Held at FVIS	632,701	246,636	2,830,435	1,140,824	13,775,441	18,626,037
- Held at FVOCI	8,918,463	8,242,928	14,364,889	47,867,391	6,737,071	86,130,742
- Investments held at amortised cost	43,334,117	17,806,182	25,023,483	51,640,148	-	137,803,930
Financing and advances, net	119,805,503	153,330,546	112,297,811	112,016,581	117,621	497,568,062
- Consumer & Credit Card	10,732,517	50,594,652	95,510,436	104,237,772	-	261,075,377
- Corporate	102,876,931	84,527,349	12,336,381	7,139,058	-	206,879,719
- International	4,601,436	8,152,364	4,448,231	572,716	570	17,775,317
- Others	1,594,619	10,056,181	2,763	67,035	117,051	11,837,649
Positive fair value of derivatives, net	5,475,822	1,917,481	779,538	84,002	653,067	8,909,910
Total financial assets	206,412,275	182,752,146	155,335,020	212,748,946	84,433,507	841,681,894
Liabilities						
Due to banks and other financial institutions	78,577,225	12,675,663	20,031,883	-	6,280,517	117,565,288
Customers' deposits	137,079,108	34,943,316	204,113	42,585	416,304,757	588,573,879
- Current and call accounts	57,588,127	-	-	-	396,724,983	454,313,110
- Time	76,748,283	34,694,117	101,256	9,051	-	111,552,707
- Others	2,742,698	249,199	102,857	33,534	19,579,774	22,708,062
Debt securities issued	257,611	18,943	3,910,631	1,925,262	-	6,112,447
Negative fair value of derivatives, net	5,512,897	3,073,913	500,258	85,794	237,432	9,410,294
Total financial liabilities	221,426,841	50,711,835	24,646,885	2,053,641	422,822,706	721,661,908
On-balance sheet position gap	(15,014,566)	132,040,311	130,688,135	210,695,305	(338,389,199)	
Off-balance sheet position gap	14,972,358	(1,838,541)	(4,439,998)	(8,717,543)	-	
Total special commission rate sensitivity gap	(42,208)	130,201,770	126,248,137	201,977,762	(338,389,199)	
Cumulative special commission rate sensitivity gap	(42,208)	130,159,562	256,407,699	458,385,461	119,996,262	

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.

34. Market Risk (continued)

(34.2) Market risk - 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:

	2022 SAR '000 Long (short)	2021 SAR '000 Long (short)
Currency		
US Dollar	**(5,234,340)**	(1,323,637)
TRY	**2,752,501**	1,703,518

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 2022 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.

	2022 SAR '000			2021 SAR '000		
Currency	**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%**	**± 30,226**	**± 234,435**	± 10%	± 26,851	± 183,752

(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 2022 and 31 December 2021 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:

	2022 SAR '000		2021 SAR '000	
Market index - (Tadawul)	**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%**	**± 520,164**	± 10%	± 710,442

(34.3) Interest rate benchmark reform

The Bank has established a committee to oversee SNB's IBOR transition journey supported by working group. The committee is updated on monthly basis on the overall progress of the project including key achievements. The transition project will include changes to systems, processes and models, as well as managing related tax and accounting implications. Further, the Bank currently anticipates that the areas of significant change will be amendments to the contractual terms of LIBOR-referenced floating-rate debt, derivatives and update of hedge designations. Further, the project will also manage the timely and comprehensive communication of the IBOR transition with the customers and assisting them in taking informed and timely decision.

IBOR reforms exposes the Bank to various risk which are managed and monitored closely. Some of the key risks which the Bank is exposed to include the following:

- Conduct risk arising on account of discussion with the client for repapering of existing contacts that extends beyond December 2022;
- Financial risk that may transpires at the time of transition to RFR's; and
- Operational risk on account of changes in the systems, models and process.

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.

	2022 SAR '000		
	Non-Derivative Financial Assets	Non-Derivative Financial Liabilities	Derivatives Nominal amount
LIBOR USD	45,768,398	8,846,250	208,888,258
LIBOR JPY	-	900,000	-
Total	45,768,398	9,746,250	208,888,258

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 2022 and 31 December 2021 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.

35. Liquidity Risk (continued)

(35.1) Analysis of undiscounted financial liabilities by remaining contractual maturities

	SAR '000					
2022	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities						
Due to banks and other financial institutions	4,259,271	107,712,590	25,841,401	12,085,884	7,106,618	157,005,764
Customers' deposits	456,731,487	97,209,819	20,439,733	2,576,443	33,714	576,991,196
- Current and call accounts	427,245,252	-	-	-	-	427,245,252
- Time	5,630,472	96,948,099	19,863,816	2,575,240	33,714	125,051,341
- Others	23,855,763	261,720	575,917	1,203	-	24,694,603
Debt securities issued	-	216,047	2,836,723	12,881,682	291,048	16,225,500
Derivative financial instruments (gross contractual amounts payable)	4,765	6,927,772	1,229,249	11,223,017	18,277,171	37,661,974
Lease Liabilities	-	157,251	454,987	1,472,242	413,232	2,497,712
Total undiscounted financial liabilities	460,995,523	212,223,479	50,802,093	40,239,268	26,121,783	790,382,146

	SAR '000					
2021	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities						
Due to banks and other financial institutions	8,072,955	89,297,990	15,200,131	23,015,376	2,025,144	137,611,596
Customers' deposits	488,283,543	76,002,524	34,877,278	2,016,224	34,216	601,213,785
- Current and call accounts	457,078,145	–	–	–	–	457,078,145
- Time	8,497,336	76,002,524	34,877,278	2,016,224	34,216	121,427,578
- Others	22,708,062	–	–	–	–	22,708,062
Debt securities issued	–	287,859	270,118	4,463,506	3,199,539	8,221,022
Derivative financial instruments (gross contractual amounts payable)	–	14,452,171	6,803,296	8,211,367	19,534,088	49,000,922
Lease Liabilities	–	153,591	449,760	1,668,413	583,104	2,854,868
Total undiscounted financial liabilities	496,356,498	180,194,135	57,600,583	39,374,886	25,376,091	798,902,193

The contractual maturity structure of the credit-related and commitments and contingencies are shown under note (20.2(a)).

(35.2) Maturity analysis of assets and liabilities

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.

	SAR '000			
2022	Less than 1 year	Over 1 year	No-fixed maturity	Total
Assets				
Cash and balances with SAMA	648,000	-	40,963,004	41,611,004
Due from banks and other financial institutions, net	4,086,149	7,680,658	4,729,923	16,496,730
Investments, net	18,024,616	213,662,828	26,604,447	258,291,891
- Held at FVIS	6,182	900,628	16,110,285	17,017,095
- Held at FVOCI	5,326,984	67,984,526	10,494,162	83,805,672
- Held at amortized cost	12,691,450	144,777,674	-	157,469,124
Financing and advances, net	7,250,469	538,060,190	-	545,310,659
- Consumer & Credit Card	2,539,662	290,890,432	-	293,430,094
- Corporate	1,275,702	208,772,891	-	210,048,593
- International	1,096,987	15,643,022	-	16,740,009
- Others	2,338,118	22,753,845	-	25,091,963
Positive fair value of derivatives, net	63,205	20,510,924	-	20,574,129
Investments in associates, net	-	-	246,049	246,049
Property, equipment and software, net	-	-	9,993,143	9,993,143
Goodwill	-	-	34,006,782	34,006,782
Intangible assets	844,865	6,537,663	-	7,382,528
Right of use assets, net	-	-	1,533,960	1,533,960
Other assets	-	-	10,049,291	10,049,291
Total assets	30,917,304	786,452,263	128,126,599	945,496,166
Liabilities				
Due to banks and other financial institutions	138,098,780	12,896,139	-	150,994,919
Customers' deposits	254,759,498	313,523,578	-	568,283,076
- Current and call accounts	133,791,739	293,453,513	-	427,245,252
- Time	114,172,876	2,473,503	-	116,646,379
- Others	6,794,883	17,596,562	-	24,391,445
Debt securities issued	4,056,785	8,930,391	-	12,987,176
Negative fair value of derivatives, net	84,991	19,335,113	-	19,420,104
Other liabilities	-	-	27,033,260	27,033,260
Total liabilities	397,000,054	354,685,221	27,033,260	778,718,535

35. Liquidity Risk (continued)

(35.2) Maturity analysis of assets and liabilities (continued)

	SAR '000			
2021	Less than 1 year	Over 1 year	No-fixed maturity	Total
Assets				
Cash and balances with SAMA	8,796,837	–	43,399,963	52,196,800
Due from banks and other financial institutions, net	34,189,359	38,866	6,218,188	40,446,413
Investments, net	18,505,950	199,803,776	24,250,983	242,560,709
- Held as FVIS	173,904	877,014	17,575,119	18,626,037
- Held at FVOCI	4,479,237	74,975,641	6,675,864	86,130,742
- Held at amortized cost	13,852,809	123,951,121	–	137,803,930
Financing and advances, net	6,509,329	491,058,733	–	497,568,062
- Consumer & Credit Card	2,231,295	258,844,082	–	261,075,377
- Corporate	2,475,645	204,404,074	–	206,879,719
- International	–	17,775,317	–	17,775,317
- Others	1,802,389	10,035,260	–	11,837,649
Positive fair value of derivatives, net	204,093	8,705,817	–	8,909,910
Investments in associates, net	–	–	319,600	319,600
Property, equipment and software, net	–	–	8,875,143	8,875,143
Goodwill	–	–	34,006,782	34,006,782
Intangible assets	688,965	7,538,428	–	8,227,393
Right of use assets, net	–	–	1,802,287	1,802,287
Other assets	–	–	19,234,346	19,234,346
Total assets	68,894,533	707,145,620	138,107,292	914,147,445
Liabilities				
Due to banks and other financial institutions	95,997,890	21,567,398	–	117,565,288
Customers' deposits	264,215,887	324,357,992	–	588,573,879
- Current and call accounts	150,087,750	304,225,360	–	454,313,110
- Time	109,586,525	1,966,182	–	111,552,707
- Others	4,541,612	18,166,450	–	22,708,062
Debt securities issued	275,885	5,836,562	–	6,112,447
Negative fair value of derivatives, net	102,353	9,307,941	–	9,410,294
Other liabilities	–	–	29,716,025	29,716,025
Total liabilities	360,592,015	361,069,893	29,716,025	751,377,933

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:

	SAR '000					
2022	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	Other countries	Total
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	765,397	804,359	29,875	5,079,125	9,817,974	16,496,730
Investments, net	178,600,240	17,337,138	11,588,940	6,515,780	44,249,793	258,291,891
- Held at FVIS	3,201,312	67,919	1,905,942	906,916	10,935,006	17,017,095
- Held at FVOCI	35,160,490	11,289,691	7,349,848	4,197,757	25,807,886	83,805,672
- Held at amortised cost	140,238,438	5,979,528	2,333,150	1,411,107	7,506,901	157,469,124
Financing and advances, net	491,431,413	34,565,314	348,464	15,416,541	3,548,927	545,310,659
- Consumer & Credit Card	293,259,154	170,940	-	-	-	293,430,094
- Corporate	173,080,296	34,394,374	348,464	-	2,225,459	210,048,593
- International	-	-	-	15,416,541	1,323,468	16,740,009
- Others	25,091,963	-	-	-	-	25,091,963
Positive fair value of derivatives, net	2,963,436	2,361,734	15,089,793	63,965	95,201	20,574,129
Investments in associates, net	243,868	-	-	-	2,181	246,049
Total	714,355,311	55,086,742	27,057,072	27,600,736	58,430,601	882,530,462
Liabilities						
Due to banks and other financial institutions	88,297,999	21,180,402	5,483,793	1,582,170	34,450,555	150,994,919
Customers' deposits	535,459,360	5,070,000	1,857,605	23,242,558	2,653,553	568,283,076
- Current and call accounts	416,777,428	406,103	646,573	8,640,726	774,422	427,245,252
- Time	97,624,117	4,662,662	1,044,014	11,984,436	1,331,150	116,646,379
- Others	21,057,815	1,235	167,018	2,617,396	547,981	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	4,012,934	786,889	14,464,543	85,414	70,324	19,420,104
Total	628,971,176	27,037,291	33,387,621	25,023,974	37,265,213	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	52,204,209	6,173,536	623,891	2,847,791	4,284,632	66,134,059
Derivatives	6,501,264	4,482,926	11,856,784	145,832	201,673	23,188,479

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					
2021	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	Other countries	Total
Assets						
Cash and balances with SAMA	50,463,128	42,185	162,922	1,199,978	328,587	52,196,800
Due from banks and other financial institutions, net	13,903,938	4,342,771	2,181,227	6,373,862	13,644,615	40,446,413
Investments, net	178,436,404	15,653,939	5,936,119	5,245,167	37,289,080	242,560,709
- Held at FVIS	3,576,046	916,428	1,957,405	1,050,918	11,125,240	18,626,037
- Held at FVOCI	49,042,535	9,290,503	1,880,440	3,936,077	21,981,187	86,130,742
- Held at amortised cost	125,817,823	5,447,008	2,098,274	258,172	4,182,653	137,803,930
Financing and advances, net	446,062,855	30,030,292	–	16,105,569	5,369,346	497,568,062
- Consumer & Credit Card	248,102,546	12,972,831	–	–	–	261,075,377
- Corporate	186,123,928	17,056,193	–	–	3,699,598	206,879,719
- International	–	–	–	16,105,569	1,669,748	17,775,317
- Others	11,836,381	1,268	–	–	–	11,837,649
Positive fair value of derivatives, net	3,490,038	1,265,431	3,897,412	208,702	48,327	8,909,910
Investments in associates, net	317,426	–	–	–	2,174	319,600
Total	692,673,789	51,334,618	12,177,680	29,133,278	56,682,129	842,001,494
Liabilities						
Due to banks and other financial institutions	29,409,853	35,953,475	17,362,538	3,182,404	31,657,018	117,565,288
Customers' deposits	559,968,295	1,953,738	10,622	24,845,714	1,795,510	588,573,879
- Current and call accounts	441,024,991	1,607,703	10,622	11,101,105	568,689	454,313,110
- Time	97,963,573	159,207	–	12,641,616	788,311	111,552,707
- Others	20,979,731	186,828	–	1,102,993	438,510	22,708,062
Debt securities issued	–	–	5,836,563	275,884	–	6,112,447
Negative fair value of derivatives, net	655,515	1,136,530	7,451,852	103,810	62,587	9,410,294
Total	590,033,663	39,043,743	30,661,575	28,407,812	33,515,115	721,661,908
Commitments and contingencies (note 20.2)	66,541,604	5,777,132	1,989,995	6,024,075	6,982,000	87,314,806
- Letters of credit	9,706,741	1,648,258	711,385	2,753,007	3,327,055	18,146,446
- Guarantees	48,307,666	2,944,591	1,277,958	3,037,027	3,646,839	59,214,081
- Acceptances	2,384,083	682,863	652	234,041	8,106	3,309,745
- Irrevocable commitments to extend credit	6,143,114	501,420	–	–	–	6,644,534
Credit exposure (credit equivalent) (note 31.2):						
Commitments and contingencies	48,839,079	3,321,222	2,697,469	2,269,312	4,096,848	61,223,930
Derivatives	8,331,007	7,074,261	9,901,340	257,901	182,887	25,747,396

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 corresponding ECL allowances are as follows:

	SAR '000		
2022	**KSA, GCC and Middle East**	**Turkey and Pakistan**	**Total**
Non performing financing and advances	**8,507,931**	**474,594**	**8,982,525**
ECL allowances	**(10,619,524)**	**(788,340)**	**(11,407,864)**

	SAR '000		
2021	KSA, GCC and Middle East	Turkey and Pakistan	Total
Non performing financing and advances	7,255,262	884,342	8,139,604
ECL allowances	(10,104,907)	(911,700)	(11,016,607)

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

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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	SAR '000			
2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments	**-**	**20,574,129**	**-**	**20,574,129**
Financial assets held at FVIS	**520,348**	**7,613,086**	**8,883,661**	**17,017,095**
Financial assets held at FVOCI	**53,611,989**	**30,065,560**	**128,123**	**83,805,672**
Investments held at amortized cost, net – fair value hedged (note 6.3 (a))	**-**	**4,923,751**	**-**	**4,923,751**
Total	**54,132,337**	**63,176,526**	**9,011,784**	**126,320,647**
Financial liabilities				
Derivative financial instruments	**-**	**19,420,104**	**-**	**19,420,104**
Total	**-**	**19,420,104**	**-**	**19,420,104**

37. Determination of Fair Value and Fair Value Hierarchy (continued)

(a) Fair value information for financial instruments at fair value (continued)

	SAR '000			
2021	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	8,909,910	-	8,909,910
Financial assets held as FVIS	2,818,217	8,698,481	7,109,339	18,626,037
Financial assets held at FVOCI	48,477,555	37,132,670	520,517	86,130,742
Investments held at amortized cost, net – fair value hedged (note 6.3 (a))	-	4,440,803	-	4,440,803
Total	51,295,772	59,181,864	7,629,856	118,107,492
Financial liabilities				
Derivative financial instruments	-	9,410,294	-	9,410,294
Total	-	9,410,294	-	9,410,294

(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 2022 on a business as usual basis applying the guidance of IFRS 13 was 3.3% lower than the corresponding book value (2021: 0.6% higher than the corresponding book value).

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 2022 and 31 December 2021 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.

(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 2022 (31 December 2021: 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:

	2022 SAR '000	2021 SAR '000
Balance at beginning of the year	7,629,856	2,318,979
Total gains/(losses), realised and unrealised, in the consolidated statement of income	(323,738)	770,539
Purchases	3,190,488	2,695,928
Acquired through business combination (note 1 and note 42)	-	2,068,482
Sales/Maturities	(1,503,572)	(290,843)
Others	18,750	66,771
Balance at end of the year	9,011,784	7,629,856

(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 2022 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. Related party balances include the balances resulting from transactions with Governmental shareholders.

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 31 December included in the consolidated financial statements are as follows:

	2022 SAR '000	2021 SAR '000
Bank's Board of Directors and Senior Executives:		
Financing and advances	91,896	129,968
Customers' deposits	116,856	225,524
Commitments and contingencies	2,702	4,356
Investments (Assets under Management)	23,775	105,864
Other liabilities - end of service benefits	39,600	40,678
Balances of companies and institutions owned by 5% or more by related parties:		
Financing and advances	35,457,879	39,630,955
Customers' deposits	14,722,591	4,175,518
Commitment and contingencies	4,696,665	7,878,422
Investments	6,564,127	8,376,534
Major shareholders:		
Customers' deposits	10,573,895	40,082,025
Group's investment fund		
Investment	412,513	1,605,540

38. Related Party Transactions (continued)

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

	2022 SAR '000	2021 SAR '000
Special commission income	**947,525**	960,857
Special commission expense	**343,170**	383,032
Fees and commission income and expense, net	**989,117**	719,321

(38.3) The total amount of compensation paid to the Group's Board of Directors and key management personnel during the year is as follows:

	2022 SAR '000	2021 SAR '000
Directors' remuneration	**16,923**	20,422
Short-term employee benefits	**90,772**	89,166
End of service benefits	**2,848**	6,192

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).

39. Group's Staff Compensation

The following table summarizes the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended 31 December 2022 and 2021, and the forms of such payments:

	2022			2021		
Categories of employees	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	**20**	**44,642**	**84,729**	23	42,568	97,908
Employees engaged in risk taking activities	**843**	**390,477**	**272,001**	964	376,421	178,785
Employees engaged in control functions	**696**	**262,113**	**101,455**	684	236,870	77,644
Other employees	**7,281**	**1,495,696**	**299,379**	8,246	1,481,430	275,966
Other employee related benefits	**-**	**477,326**	**-**	-	582,737	-
Subsidiaries	**7,066**	**721,411**	**266,444**	7,198	674,290	207,482
Group total	**15,906**	**3,391,665**	**1,024,007**	17,115	3,394,316	837,785

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.

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.

The Group's variable compensation and other employees related benefits recognized as staff expenses in the consolidated statement of income for 2022 is SAR 1,243 million (2021: SAR 1,048 million).

40. Capital Adequacy

Capital adequacy ratio

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

The Group monitors the adequacy of its capital using the ratios and weights established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. SAMA requires banks to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted asset at or above the minimum ration communicated by SAMA. Regulatory Capital is computed for Credit, Market and Operational risks which comprise the Pillar 1 minimum capital requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 1 January 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

The following table summarizes the Bank's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	2022 SAR '000	2021 SAR '000
Risk Weighted Assets		
Credit risk	**619,906,133**	586,468,551
Operational risk	**61,288,606**	57,123,430
Market risk	**14,887,480**	21,734,754
Total Pillar-1 - risk weighted assets	**696,082,220**	665,326,735
Core capital (Tier 1)	**127,338,804**	122,347,607
Supplementary capital (Tier 2)	**5,212,922**	5,411,423
Core and supplementary capital (Tier 1 and Tier 2)	**132,551,726**	127,759,030
Capital Adequacy Ratio (Pillar 1):-		
Core capital (Tier 1 ratio)	**18.3%**	18.4%
Core and supplementary capital (Tier 1 and Tier 2 ratios)	**19.0%**	19.2%

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 eligible debt securities issued and prescribed amounts of eligible portfolio (collective) provisions less prescribed deductions.

The Group uses the Standardized approach of Basel III 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 III requirements. Quarterly prudential returns are submitted to SAMA showing the Capital Adequacy Ratio.

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 28,938 million and SAR 26,739 million, respectively (2021: SAR 31,237 million and SAR 29,757 million, respectively).

41. Group's Interest in Other Entites (continued)

(41.1) Material partly-owned subsidiaries (continued)

(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).

	2022 SAR '000	2021 SAR '000
Summarised statement of financial position		
Financing and advances, net	**15,416,541**	16,105,569
Other assets	**13,521,664**	15,130,967
Liabilities	**26,739,373**	29,756,800
Net assets	**2,198,832**	1,479,736
Carrying amount of NCI	**724,955**	487,871
Summarised statement of income		
Total operating income	**2,380,454**	1,402,582
Net income	**450,935**	400,575
Total comprehensive income/(loss)	**112,050**	(983,194)
Total comprehensive income/(loss) attributable to NCI	**36,943**	(324,158)
Summarised cash flow statement		
Net cash from/(used in) operating activities	**(339,773)**	1,350,964
Net cash from/(used in) investing activities	**(498,814)**	1,641,191
Net cash from/(used in) financing activities	**(82,723)**	(1,110,812)
Net increase/(decrease) in cash and cash equivalents	**(921,310)**	1,881,343

(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.

	2022 SAR '000	2021 SAR '000
Hedge funds	**372,799**	360,640
Private equity funds	**19,845**	24,055
Total	**392,644**	384,695

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. At 31 December 2022, the Group holds an interest in all structured entities it has sponsored.

42. Business Combination

On 1 April 2021, the Bank completed a statutory merger with Samba, a Saudi multinational banking company based in Saudi Arabia. Following the merger, Samba legal entity ceased to exist and assets, liabilities and all the business activities of Samba were transferred in exchange for newly issued shares of the Bank. Shares of Samba were cancelled and the new shares of the Bank were issued to the shareholders of Samba, after obtaining necessary regulatory approvals, at a predetermined exchange ratio of 0.739 new share for each Samba share. The issue of new shares resulted in increase in the Bank's paid-up capital by 14,780,000,000 from SAR 30,000,000,000 to SAR 44,780,000,000 and the number of its issued shares increased by 1,478,000,000 from 3,000,000,000 to 4,478,000,000. The Bank and Samba's original shareholders owned 67% and 33%, respectively, of the combined bank on a fully diluted basis on the merger date.

The fair value of the 1,478,000,000 shares issued as the consideration paid for Samba merger was determined on the basis of closing market price of the Bank's ordinary share on the Saudi stock exchange, on the last trading date prior to the date of acquisition date of 1 April 2021 of SAR 53.1 per share. The purchase consideration consists of the issue of 1,442,390,843 new shares to the shareholders of Samba net of treausry shares. Issue costs which were directly attributable to the issue of the shares were not material to these consolidated financial statements. As a result of issuance of shares, there was an increase in share capital and share premium of the Bank by SAR 14,780,000 thousands and SAR 63,701,800 thousands, respectively.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with the Bank being the acquirer and Samba being the acquiree. As required by IFRS 3, the Bank has completed the process of allocating the purchase consideration to the identifiable assets and liabilities within twelve months from the date of acquisition.

The merger created a pre-eminent financial institution with significant value creation potential for shareholders, customers and employees, structured to finance economic development, support Vision 2030 and facilitate trade and capital flows with the region and the rest of the world. The Bank will benefit from a strengthened competitive position as a superior retail banking franchise and the largest wholesale lender in the Kingdom. With a robust capital base and balance sheet, a balanced universal banking model, and improved liquidity, the Bank will be optimally positioned to compete regionally and locally.

43. Goodwill and Other Intangibles

(43.1) Intangibles amounts arising from business combination

	2022 SAR '000	2021 SAR '000
Goodwill	34,006,782	34,006,782
Other intangibles	7,382,528	8,227,393
Total	41,389,310	42,234,175

		SAR '000 Other Intangible		
2022	Goodwill	Core Deposit Intangible	Customer relationships, brand, and tradmark	Total
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

43. Goodwill and Other Intangibles (continued)

(43.1) Intangibles amounts arising from business combination (continued)

		SAR '000 Other Intangible		
2021	Goodwill	Core Deposit Intangible	Customer relationships, brand, and tradmark	Total
Cost:				
As at 1 January 2021	-	-	-	-
Acquired through business combination	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 2021	-	-	-	-
Charge for the year	-	535,383	153,582	688,965
As at 31 December	-	535,383	153,582	688,965
Net book value: As at 31 December	34,006,782	7,316,904	910,489	42,234,175

(43.2) Impairment testing of goodwill

In accordance with the requirements of International Accounting Standard (IAS 36), the Bank has performed an annual impairment test as at 31 December 2022 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:

Cash Generating Unit	Goodwill allocated SAR '000
Retail	**25,647,455**
Wholesale	**8,359,327**
	34,006,782

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, 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.

43. Goodwill and Other Intangibles (continued)

(43.2) Impairment testing of goodwill (continued)

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

(a) Growth rates

The long term growth rate 4.5% (2021: 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% (2021: 9.25%).

(c) Projected GDP and local inflation rates

Assumptions are based on published industry research.

44. Investment 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 248,495 million (2021: SAR 247,783 million).

45. IBOR Transition (Interest Rate Benchmark Reforms)

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

The Group has exposure to IBOR rates that are subject to reform through its issuance of sukuk, the structural profit rate position, holdings of investment securities, and products denominated in foreign currencies.

During 2020 the management established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group's LIBOR transition plan.

This steering committee put in place a transition project for those contracts which reference LIBOR to transition them to an appropriate risk free rate, with the aim of minimizing the potential disruption to business and mitigating operational risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications.

As at 31 December 2022, 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 in the process of implementation. 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 Group continues to engage with industry participant, to ensure an orderly transition to Sterling overnight index average ("SONIA") and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with LIBOR replacement.

The Group currently has contracts which reference LIBOR, including swaps which will transition under the International Swaps and Derivatives Association ("ISDA") protocols.

46. Prospective Changes in Accounting Policies

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2023. 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 IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024.
Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in 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.	Annual periods beginning on or after 1 January 2023.

47. Comparative Figures

Certain prior period figures have been reclassified to conform to current period presentation. As disclosed in note 1, SBL ceased to be classified as held for sale and thus has been consolidated in this consolidated financial statements.

48. Board of Directors' Approval

The consolidated financial statements were approved by the Board of Directors on 31 January 2023, corresponding to 09 Rajab 1444H.

Ahmed A. Aldhabi
Group Chief Financial Officer

Saeed M. Al-Ghamdi
Managing Director/Group CEO

Ammar A. AlKhudairy
Chairman

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