Accelerating investments.
Delivering on our promises.

Annual Report 2022

SABB ساب

The Custodian of the Two Holy Mosques

King Salman Bin Abdulaziz Al Saud

His Royal Highness Crown Prince

Mohammad Bin Salman Bin Abdulaziz
Al Saud

About SABB

About SABB

To bring a world of financial opportunities to an ambitious Kingdom

Our vision

To bring a world of financial opportunities to an ambitious Kingdom

We enjoy a unique position as the leading international bank in the Kingdom of Saudi Arabia. We give our customers the highest quality service and an unmatchable breadth and depth of experience and know-how from local and international best practice, delivered through digital and personalised service driven by customer preference. Our strategic partnership with HSBC Group, one of the world's leading financial institutions, positions us as a preferred banking partner. As a leader in key segments of the financial sector, we will be where the growth is in Saudi Arabia. Our Staff will see SABB as the best place to work in Saudi Arabia, offering the best training and development, unparalleled access to international best practices and the most progressive working standards in tune with the evolution of the Kingdom.

Our business

Saudi British Bank (SABB) or (the Bank) was established in 1978 as a Saudi Joint Stock Company. Today the Bank has in issue SAR 29.1 bln of share capital and share premium, equating to 2,055 million shares with a nominal value of SAR 10. SABB provides a comprehensive range of banking services to retail, corporate and institutional customers throughout the Kingdom.

Since its foundation, SABB has maintained its strategic partnership with HSBC Group, one of the world's largest and most geographically diverse financial services corporations. The partnership has provided SABB with a vital competitive advantage, affording customers access to the best international services available in the Saudi market. HSBC Group currently retains a 31% stake in SABB.

Our merger with Alawwal Bank

The merger between SABB and Alawwal Bank, completed in June 2019, brought together two of Saudi Arabia's best established and most trusted financial institutions, and was a milestone moment for the Saudi capital market.

The merger was a compelling opportunity to create an institution with enhanced scale and balance sheet strength to support and play an instrumental role in the Vision 2030 economic transformation programme, supporting the financing of infrastructure projects, the development of the capital market, the prioritisation of public services and assets, and the creation and build out of new sectors of the economy.

The merged Bank has cemented its position as a top-tier Saudi financial institution, with total revenue in 2022 amounting to SAR 9.7 bln, more than 1.4 million retail customers and over 21,000 corporate and institutional customers. The combination of the two banks has created a substantial retail and wealth management business, with increased resources to innovate and connect with a young and tech-savvy customer base. SABB continues to be one of the leading corporate banks in the Kingdom and the bank of choice for international customers.

A joint history of over 160 years

البنك الأول
Alawwal bank

1926

Netherlands Trading Society opens in Jeddah

1928

Assists the Kingdom in issuing its first independent currency

1939

Facilitates payment for first oil export

1977

Saudi Hollandi Bank established as a joint venture bank

2017

Launches first digital branch IBDA

Best Digital Bank in Saudi Arabia
(Banker Middle East)

2016

Rebrands to Alawwal Bank

Bank of the Year in KSA (The Banker)

2004

Issues first subordinated bond in the Kingdom

2003

Issues first smart credit card in the Kingdom

2018

Most Innovative Bank in KSA
(Banker Middle East)

2019

Merger

البنك الأول
Alawwal bank SABB

2018

Best Trade Finance Provider (Euromoney)

Best Treasury and Cash Management Provider (Global Finance) SABB

1991

Issuance of SABB's first credit card

2002

First Saudi bank to launch a Home Finance Programme

2005

First Saudi bank to issue international bonds

2016

Best Bank in Saudi Arabia (Asiamoney)

1990

SABB's first ATM launched

1978

Royal Decree establishing SABB

1950

SABB's origins begin at a branch of BBME in Alkhobar

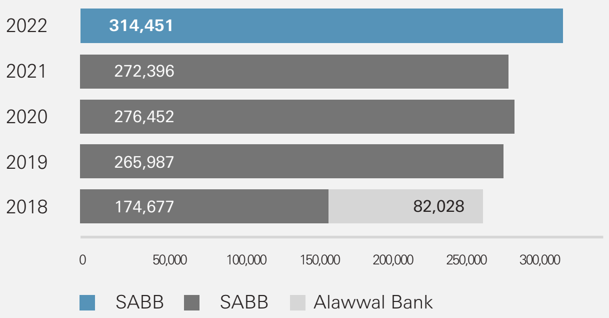
SABB


SABB ساب
البنك الأول
Alawwal bank

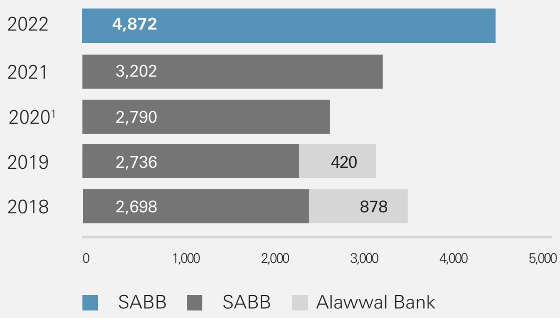
At a glance

Accelerating investments. Delivering on our promises.

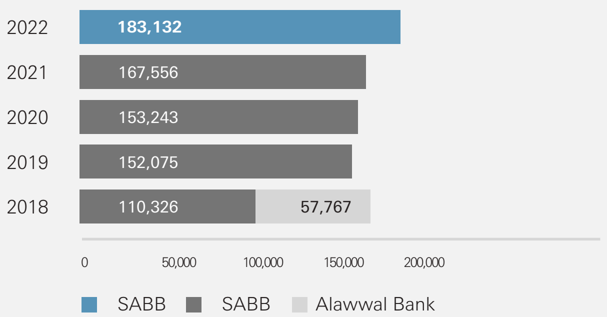
Total assets (SAR mln)



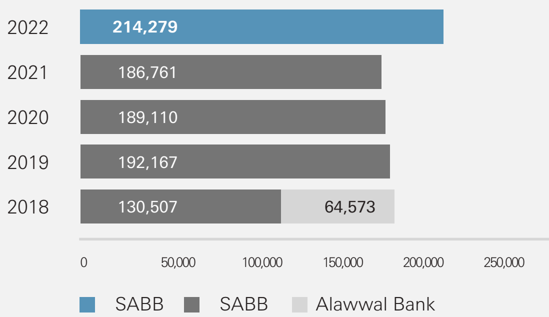
Net income after Zakat and income tax (SAR mln)



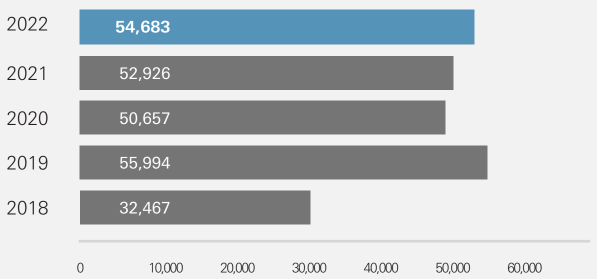
Loans and advances, net (SAR mln)



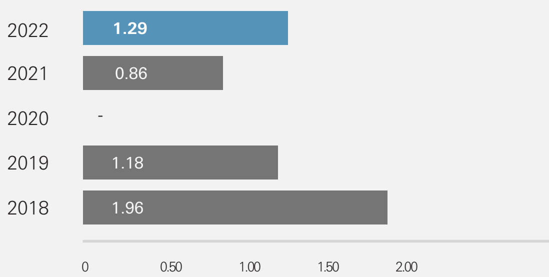
Customer deposits (SAR mln)



Shareholders' equity (SAR mln)



Dividend per share (SAR)



1. Excludes goodwill impairment and associated tax impact

SAR
2.37
EPS

SAR
9.7 bln
2022 revenue

11.5%
Underlying return on tangible equity

1.4 mln
Retail customers

c.21k
Corporate and institutional customers

SAR
22 bln
Mortgage portfolio

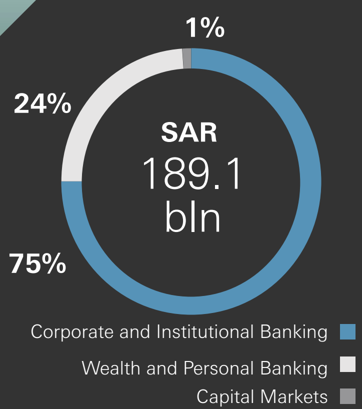
17.7%
CET 1 ratio

12%
Corporate lending market share

49%
Shareholding in HSBC SA - the leading investment bank in the Kingdom

c.20%
Trade market share

SAR
189.1 bln
of gross customer loans



Customer lending
by business

Gross loans
CIB vs. WPB vs. Capital Markets

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2022
awards

Global Finance
Best Bank in KSA
Best Treasury & Cash Management
Best Trade Finance Provider
Best Bank for Sustainable Finance
in Saudi Arabia

International Business Magazine
Best Bank for Wealth Management in KSA
Best Co-Branded Credit Card in KSA

Global Brands Magazine
Best Bank for Customer Experience KSA

Euromoney Cash Management Survey
Domestic Market Leader

Mastercard
Best-in-class eCommerce Acquirer

Bank profile

01

Accelerating investments. Delivering on our promises.

We maintained our strategic focus during a year where we successfully delivered tangible progress on our investment programme, together with leveraging our significant scale and strength to deliver robust results, and position the Bank for further growth ahead.

Following the launch of our 2025 Strategy in 2021, we swiftly moved into execution mode, focusing our investment strategy in areas that would quickly generate growth and returns, achieving double-digit increases in revenue and net income.

The longer-term benefits of the merger are increasingly evident and during 2022 we have shown proof-points of how the outstanding talent, united culture and shared ambition across the organisation and our footprint can unlock value. This has enabled the Bank to capitalise on the Kingdom's robust economic performance and deliver on our promises to Shareholders and Stakeholders alike.

As the Kingdom's transformation accelerated out of the COVID-19 pandemic, we reinforced our position as a key financial sector enabler, contributing to the goals of Vision 2030 and supporting the various giga-projects that are set to redefine the Kingdom, while continuing to act as a robust bridge for ideas and capital between Saudi Arabia and international markets.

Our accelerating investment programme generated momentum across the organisation, driving notable upgrades in infrastructure, products and digital capabilities that delivered immediate value and will support improved performance, greater operating efficiency and enhanced customer experience moving forward.

We also solidified our reputation as a leader and key contributor to the Environmental, Social and Governance (ESG) and sustainable finance ambitions of the Kingdom, as we were recognised by Global Finance as 'Best Bank for Sustainable Finance in Saudi Arabia'. Our standing in this area will only accelerate with the launch of our new ESG Strategy this year, as well as the move to our new, smart headquarters in Riyadh's King Fahad Branch Rd. Yasmeen District, which is set to bolster our brand, support our market-leading employee proposition and minimise our environmental footprint.

We look to the future with confidence and ambition, with a clear strategic roadmap designed to create progressive and sustainable value for all our Stakeholders, ultimately contributing to further growth and achievement for the Kingdom, the Bank and all the people we serve each day.

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Year in review

Jan

- **SABB launched the Kingdom's first green deposit** to allow retail corporate clients to safely deposit their money towards green financing initiatives.
- **SABB awarded 'Best in Class E-Commerce Acquirer' by Mastercard** in recognition of its continued progress in delivering market-leading payment solutions.

Feb

- **SABB reached impressive 35% female leadership**, marking continued progress and alignment with the Kingdom's Vision 2030 goals for gender equality in the workforce.
- **SABB launched the Kingdom's first inventory-financing product** to help customers to manage inventory and hedge commodity prices.
- **SABB signed financing agreement with Nesma & Partners** for the Avenues-Riyadh Mall, a key tourism and entertainment project for Riyadh.

Mar

- **SABB acted as lead arranger and hedge provider on a SAR 5 bln deal with ACWA Power** for the development of various utilities for the Red Sea giga-project.
- **SABB launched the "SABB Digital Academy"** to help attract talent to the financial sector and contribute to the Vision 2030 goal of lowering the unemployment rate.

Apr

- **SABB and Eta'am opened Riyadh's first central catering kitchen** to provide food and ready-made meals to those in need.
- **SABB won 'Saudi Arabia's Best Bank 2022' Award** by Global Finance magazine for the third year in a row, in recognition of the Bank's efforts in providing the best banking experience to customers.

May

- **SABB and HSBC signed MoU** focused on developing new foreign exchange services and real time payments capabilities for SABB in Saudi Arabia.

Jun

- **SABB sponsored the UK-Saudi Renewable Energy Forum**, organised by the Saudi British Joint Business Council (SBJBC) in London.

Jul

- **SABB and Mastercard launched the World Elite Exclusive Credit Card**, offering Private Banking customers access to a wide range of market-exclusive benefits and privileges.

Aug

- **SABB named 'Best Bank for Sustainable Finance in the Kingdom'** for 2022 by Global Finance magazine.

Sept

- **SABB announced the Bank's ESG strategy,** emphasising the importance of sustainability, and highlighting the opportunity in supporting the transition journey of the Kingdom's businesses.
- **SABB joined the Arab Monetary Fund's "Buna" payment system,** operated by Arab Regional Payments Clearing and Settlement Organisation (ARPCSO).
- **SABB supported the NEOM LINE project,** providing SAR 3.8 bln in initial booking guarantees.
- **SABB launched digital accounting opening for MSME and corporate customers,** speeding up the process from approximately two weeks to around two days.

Oct

- **SABB launched Global View Global Transfer,** a tool for SABB's retail customers to link their SABB account to any HSBC accounts that they possess globally.
- **SABB and Morooj signed an agreement to plant one million trees,** in support of the Saudi Green Initiative.

Nov

- **SABB partnered with Saudi Payments and Visa to launch a new procurement card** for corporates and businesses to optimally manage payments in a smarter and safer way.
- **SABB participated in the Saudi Green Initiative Forum for the COP 27 Global Climate Summit,** where the Bank's CEO addressed delegates on the Kingdom's ESG drive and commitment.

Dec

- **SABB signed an agreement with the SME Bank to collaborate in the joint financing programme,** to encourage financing for the MSME sector in line with the Vision 2030 goal.
- **SABB signed a collaboration agreement with the Saudi Industrial Development Fund,** to implement their guarantees programme and provide financing solutions to the industrial sector.
- **SABB's mortgage portfolio reached SAR 22 bln,** gaining origination market share throughout the year following significant investment into the Bank's mortgage provision at the start of 2022.

SABB and Vision 2030

SABB's strategic positioning and competitive strengths ensure that it will both contribute to and benefit from the national economic growth agenda that is embodied in the Government's Vision 2030 programme. The Vision is built on three themes:

A VIBRANT Society

A vibrant society is vital to achieving the Vision and establishing a strong foundation for economic prosperity. The goal is to create a society in which every citizen enjoys a happy, fulfilling lifestyle complemented by a standard of living which provides a safe and secure environment for families, and access to world-class healthcare and education.

A THRIVING Economy

A thriving economy provides opportunities for all by building an education system aligned with market needs to equip youth with the skills for the jobs of the future, creating economic opportunities for the entrepreneur and the small enterprise, as well as for the large corporation.

An AMBITIOUS Nation

An ambitious nation applies efficiency and responsibility at all levels in order to deliver the Vision, including building an effective, transparent, accountable, enabling and high-performing government.

Key themes for SABB

- Support the development of new sectors (e.g., entertainment, tourism, technology) and the development of major government projects
- Support the privatisation programme to transfer a significant portion of government assets to the private sector, to improve economic efficiency
- Develop key industries by localising manufacturing, developing adjacent oil and gas sectors, expanding mining, using renewable energy, and improving logistics infrastructure
- Expanding contribution of SMEs to the economy, with the expectation of growth in bank lending to the sector
- Increasing inflows of foreign direct investment and improving the flow of capital by advancing capital markets
- Increasing the rate of savings and savings options for Saudi citizens
- Improve the financial literacy of the population
- Significant growth in home ownership and related financing
- Build a digital economy by moving to a cashless society, increasing fintech presence and alternative banking opportunities
- A clear focus on labour participation to improve employment opportunities for local citizens, women, those with disabilities, and improve the readiness of youth to enter the workplace

Investment case

Five Reasons to invest in SABB

1. Leading international bank in the Kingdom

Our institution has developed into the leading international bank in the Kingdom through a deep understanding of the needs of our customers and a bespoke product suite that delivers intrinsic value. Our unique partnership with HSBC Group enables us to bring international connectivity to our customer base and aligns our approach with global best practice. We are the ‘go-to’ Bank for inbound and outbound multinational corporates and institutions operating into or from Saudi Arabia, and the number one bank in the Kingdom for trade.

2. Increased scale to support Vision 2030 growth aspirations

The Kingdom is navigating its path through undoubtedly its biggest economic transformation programme, bringing a wealth of opportunity to every family and enterprise domestically, but also playing to international opportunities. Through our robust balance sheet and market-leading suite of products, we possess the scale and capability to support such an ambitious programme.

3. Financial strength

Historically, we have delivered top tier financial performance from a strong balance sheet, robust funding and liquidity dynamics, and a solid capital position. Following the merger with Alawwal Bank, we have taken the necessary steps to protect our balance sheet and conservatively manage the provisioning of our portfolio. We are still in a position of strength to meet the demands of our customers.

4. Positioned for growth

We have successfully completed the integration of our two banks, following the merger of SABB with Alawwal Bank, and we have moved swiftly into investment and growth mode. Our Strategy 2025 is growth focused and supported by a drive to digitise the banking platform and customer experience. Our growth agenda aims to build on our strengths in our corporate franchise and provide a more enhanced retail provision to support the growing needs of our retail customers. Our long-term strategy coupled with a core set of finance fundamentals and a robust economy positions us well for growth.

5. We are safe, sustainable and dependable

A robust approach to corporate governance is a key strength for any organisation and we ensure we adopt best practices in this field to create value for all of our Stakeholders. The Board sets the Bank's strategy and risk appetite with the aim of achieving sustainable value and promoting a culture of openness and debate. Our Board brings a successful balance of international banking best practices, together with local, commercial and institutional insight and experience.

We conduct our business using a responsible and sustainable approach in line with our values, and our business decisions are made in the interests of all concerned Stakeholders, including our customers, employees, Shareholders and our wider community.

Strategic report

02

Board Chair’s statement

Board Chair’s statement

It gives me great pleasure to introduce the 2022 Annual Report.

Globally, 2022 was an extraordinary year, which saw global economies cautiously emerging from the challenges of the COVID-19 pandemic, while facing the new challenges of growing economic pressures and increasing geopolitical tensions – supply chain issues, the war in Ukraine, and increasing tensions between China and the US. With these conditions creating many uncertainties and challenges, the Saudi economy thankfully weathered the storm well and emerged as one of the few countries in the world showing GDP growth and relatively lower inflation.

Notwithstanding the uncertainties and challenges, 2022 saw SABB accelerate our investment strategy, deliver results on the promise of the enhanced strength of the merged institution, and continue its support of the Vision 2030 transformation programme and related initiatives.

Accelerating our investments… Delivering on our promises…

2022 has been a year of tremendous progress for SABB.

Our Chief Executive Officer, Tony Cripps and the senior management team announced the Bank’s five-year strategy in May 2021.

As we undertook our historic merger, we committed to our customers and Shareholders that the merged institution would be greater than the sum of its parts. So it’s very pleasing to see the level of progress made during 2022 as we made further strategic investments into the business and our people, and already started to see both financial and non-financial metrics evidence the return on those investments.

Our investment in our people is evidenced by the fact that we possess one of the most diverse senior management teams, all of whom are homegrown Saudi talent, ensuring continuity for our customers and other key stakeholders. And I am especially pleased that over a third of our Executive Management are women, a level that I hope will set a benchmark in the Kingdom.

Our investments in the business have clearly started to bear fruit. Our investments have enabled us to make significant inroads in capturing mortgage market share while supporting the home ownership goals of Vision 2030 and to accelerate growth across the entire spectrum of our corporate business. These investments have also resulted in improving customer satisfaction, further digitisation, asset growth and ultimately, improved returns. Whilst we understand that there is significantly more to be done, we are very pleased with our progress.

So throughout 2023 we will strive to continue delivering on our promises and supporting our customers and clients, while facilitating progress towards the goals of Vision 2030.

Supportive operating environment

The Kingdom has witnessed a significant recovery from the effects of the COVID-19 pandemic, aided by a range of proactive policies introduced by the government to ensure medium and long-term fiscal sustainability. Over the course of 2022, these actions have resulted in a return to pre-pandemic levels of economic and social activity.

Oil prices increased during 2022 and global benchmark rates rose rapidly, with the Kingdom following the hikes implemented by the US Federal Reserve. Credit demand has not dampened and we have seen increased activity in all of the ‘giga’ projects. Driven by the construct of our balance sheet, with the majority of our loan portfolio being on a floating rate basis, revenues increased significantly during 2022 resulting in improved returns.

Looking ahead to 2023, the government budget for 2023 expects GDP growth of 3.1%, which despite being slower than 2022 still represents one of the faster-growing economies in 2023 globally. At a global level, many regions and countries are witnessing economic slowdown and recessionary fears, but the Kingdom

> We generated SAR 9.7 bln of total operating income during 2022 which represented 26% growth year-on-year and a 3.7ppt expansion in return on tangible equity to 11.5% for 2022.

remains well-equipped to manage these external challenges, while internal activities focused on the key transformational projects continue.

Performance against our strategic objectives and sustainable financial performance

We are in the second year since launching our revised Strategy 2025, and the end of 2022 is a good time to evaluate our performance. Our long-term strategic goals aim to reinforce SABB's position as a leading bank in the Kingdom, grow market share and deliver sustainable returns to our Shareholders. The Bank targeted a series of financial targets, including revenue and loan growth, improved cost and capital efficiency and, finally, improved return on tangible equity. Although these targets were set for 2025, it's been extremely pleasing to see progress made across all of these metrics during 2022.

We continue to play our rightful part in the key Vision 2030 projects, including participation in NEOM-related investments, Diriyah Gate and our ongoing support of the Red Sea tourism-related development. Our involvement doesn't stop at the project level, but continues down the value chain of all these projects. During the year, we commenced our investment journey in the MSME segment, which has already started to have a positive effect, in terms of acquiring new customers and increasing loan balances.

Within our retail business, we are increasingly seeing the benefits of our strategic investment in the mortgage area during 2021, which resulted in over 50% growth in mortgage originations during 2022. Through collaboration with HSBC, we launched Global View Global Transfer (GVGT), a digital tool that enables SABB customers to link their SABB accounts to their HSBC accounts globally, allowing for instant transfers.

These examples across the retail and corporate businesses showcase our universal banking offering, and show how our strategy is firmly linked to the Kingdom's Vision 2030.

While pursuing that strategy in 2022, the Bank delivered 9% loan growth with a closing loan portfolio of SAR 189.1 bln, 15% deposit growth with customer deposits closing at SAR 214.3 bln and 15% growth in total assets where we ended the year at SAR 314.5 bln. We generated SAR 9.7 bln of total operating income during 2022 which represented 26% growth year-on-year and a 3.7ppt expansion in return on tangible equity to 11.5% for 2022.

As a result SABB has proposed a final dividend of SAR 0.74 per share for the second half of the year, bringing the total dividend relating to 2022 to SAR 2.7 bln in total.

Importance of Environmental, Social and Governance ('ESG') factors for SABB

ESG is completely woven into our Strategy 2025, but we also appreciate that transitioning towards a Net-Zero future will take time and significant effort, and SABB is committed to supporting our clients and the Kingdom on this journey. Our strategy is aligned to Vision 2030's sustainability commitments, with the ambition to achieve Net-Zero carbon emissions by 2060. It offers huge potential for the entire banking sector to help customers transition to a more sustainable operating mechanism and environment.

Later in this report we provide a summary of our initial commitments on ESG. Our ESG strategy is organised around three pillars focusing on: (i) supporting our clients and their transition journeys, (ii) playing a leading role to shape a more inclusive and diverse society and, lastly, (iii) a commitment to a higher standard of governance, integrity and responsibility in all decision-making.

It has been especially satisfying to see real progress in implementing our ESG strategy during 2022, following an intense phase of planning, across a wide range of activities – from building up knowledge in the organisation to developing bespoke sustainability-linked products.

One of the most pleasing aspects has been the advocacy SABB has demonstrated in relation to ESG by supporting the Saudi Green Initiative Forum during the Global Climate Summit in Egypt in November. We were awarded the 'Best Bank for Sustainable Finance in Saudi Arabia' by Global Finance – further testament to the progress SABB has made in 2022, and we remain confident of achieving a sustainable future, having made such a strong and focused start.

SAR
9.7 bln
revenue

SAR
189.1 bln
gross customer loans

ESG is completely woven into our Strategy 2025, but we also appreciate that transitioning towards a Net-Zero future will take time and significant effort, and SABB is committed to supporting our clients and the Kingdom on this journey.

Governance review

During 2022 we undertook a complete top-down review, including the organisational design of the governance framework at the Board and management committee level, to the individual controls and frameworks in place to govern how teams and functions operate.

In the spirit of continual improvement, we will of course work through any suggested recommendations. Our focus on improving our corporate governance framework is continuous, as we strive to be consistent with and, whenever possible, even ahead of regional and international best practice.

Following the approval of the election of the Board at the ordinary general assembly held in late December of 2022, the Bank now has five independent Board members, which exceeds the regulatory requirement. The Board has also established a new Technology and Digital Committee to drive the Bank's digital transformation strategy, and appointed an independent female chair to lead this committee, adding further diversity to our ranks.

Looking ahead to 2023

We enter 2023 in a strong position, with sustained balance sheet growth, a continued focus on implementing our investment strategy, and an aim to further digitise both internal processes and customer experience. With higher policy rates our revenue base should build on the strong foundations laid in 2022.

So SABB is well positioned to pursue its strategy and further leverage the benefits of the merger and the additional investments we have made more recently.

With thanks

In closing, I would like to thank our customers and Shareholders for their confidence and trust in SABB, our management and staff for their loyalty, hard work and dedication, and my colleagues on the Board for their professionalism, diligence and leadership. We are equally grateful to the Saudi Central Bank, the Capital Markets Authority, the Ministry of Finance and all the other government agencies for their continued support and direction.

Finally, I extend a special note of thanks to HSBC, with whom SABB's longstanding relationship continues to go from strength to strength. SABB's linkage through its relationship with HSBC to a wider international banking network for our customers and clients is unparalleled. And both SABB and I personally are especially grateful for the commitment HSBC has shown to supporting Vision 2030 initiatives and the Kingdom as a whole. I look forward to even further collaboration between us in what promises to be a successful and fulfilling 2023.

Ms. Lubna S. Olayan
Board Chair

Our investments have enabled us to make significant inroads in capturing mortgage market share while supporting the home ownership goals of Vision 2030 and to accelerate growth across the entire spectrum of our corporate business. These investments have also resulted in improving customer satisfaction, further digitisation, asset growth and ultimately, improved returns.

Managing Director's message

2022 marks the first full year under my tenure and is a good point to reflect on our performance since we launched our strategy in 2021. My remit was straight forward: grow and enable the Bank to regain its positions of strength, while ensuring we remain relevant for our customers and clients far into the future. We set ourselves a range of targets for 2025 and it's really pleasing to see a range of solid achievements highlighting the progress we have made in the first 18 months since launching the strategy, ultimately leading to higher returns.

2022 has remained a challenging year globally, with growing economic and geo-political pressures. Despite this, the local economy has performed well, the price of oil strengthened during 2022 and benchmark policy rates increased, leading to an increase in SAIBOR, which benefitted SABB given our sensitivity to rates from our largely corporate-focused portfolio. The Kingdom's transformation continues at pace despite the global pressures and has emerged stronger from 2020 and 2021 which were unprecedented times due to the global COVID-19 pandemic.

Looking back, our theme of 'Accelerating our investments…delivering on our promises…' remains a fitting conclusion for 2022, but as always there is more to be done.

Investing strategically in our businesses

We announced a series of strategic targets for 2025: regain lost market share and a range of financial targets, and these together would be proof points of delivering value to our shareholders and other stakeholders. And in order to do this, we would be investing SAR 1.5 bln into digital transformation, enhancing our products in focused growth areas and developing our people.

One of the initial focus areas was to invest in our mortgage proposition and to develop a suite of products that would make us more relevant and competitive. We completed this phase at the start of 2022, and during the year we have grown our mortgage originations market share to three times what we had achieved in 2020. Digital investments were not limited to just the mortgage business, with digital transformation being a key theme across the retail business. Developing more digital journeys, services such as SABB360 and SABBbot and a leading mobile banking app, have enabled our digital penetration to increase to 85% and mobile active customers to increase to 91%.

Wealth has also been a strategic focus and towards the end of the year we launched Global View Global Transfer ('GVGT') which allows our customers who also have HSBC accounts globally, to connect these accounts seamlessly. This was a pleasing accomplishment, especially given the digital investment, but also the collaboration with HSBC, and provides us with a unique differentiation in the wealth-space that no other Saudi bank can replicate.

During the year we transferred the retail brokerage, asset management and margin lending businesses from our associate, HSBC Saudi Arabia (of which we own 49%), to our wholly owned subsidiary, Alawwal Invest, concluding the integration towards the end of 2022. Having full control of this business will allow us to develop a more holistic wealth service for our higher net worth customers, a customer segment which will be a key strategic focus for 2023.

In our corporate business, a tremendous focus was given to our MSME business given the sector's importance to Vision 2030. We developed a bespoke banking app called 'SABBcorp Mobile' which successfully launched in 2022 and has already attracted over 16k downloads in the first six months of

We would be investing SAR 1.5 bln into digital transformation, enhancing our products in focused growth areas and developing our people.

Managing Director’s message

(continued)

being live. The app will allow users to authorise and make a range of transactions using the Sarie 24-hour instant payment system including a wide range of payments, authorising salary payments, generating passwords, and viewing and accessing real time account statements. We also successfully integrated the Monsha’at platform with our own customer relationship management system, enabling easier access to funding and more efficient transacting for our MSME customers.

Our business-as-usual support of the large transformational projects, or giga-projects, continues with focus on key growth sectors including tourism, entertainment, hospitality, real estate, health and education. We are proud to be working on a number of NEOM-related projects.

We have also continued to invest in our Treasury business with the piloted launch of our Digital FX platform which enables our customers to gain access to improved foreign exchange rates with a speedier transacting process.

Delivering on the promises we made

The examples detailed above allow us to be more relevant and competitive, but we expect the real value of these investments to bear fruit in the medium-term. But it has been really pleasing to see success in a range of metrics during 2022.

If I go back to the statements I made earlier with respect to regaining market share and hitting the targets we set ourselves for 2025, we have delivered tangible progress, including two consecutive years of high single digit loan growth after a number of years of deleveraging. There is still more to be done, but having slowed the pace of market share losses and invested during 2022, we strongly believe that our market share is now at an inflexion point.

From a financial perspective during 2022, we have delivered 26% revenue growth, 6.9ppt decrease in cost income ratio, 3.7ppt expansion in return on tangible equity, whilst maintaining a strong capital position of 17.7% CET1. Given our portfolios’ sensitivity to movements in SAIBOR, and where we exited the year on net special commission income margin or ‘NIM’, we expect further expansion in returns into 2023, bolstered by the range of strategic investments mentioned above. So it’s very pleasing to reiterate that we’re delivering on the promises we made.

Leading on sustainability

In September, I had the pleasure of announcing our Environmental, Social and Governance strategy, which we have spent much of 2022 planning. Our strategy is detailed further in this report, but the transition opportunity that exists in the Kingdom is unparalleled, and the banking sector will play a pivotal role in the country in helping customers transition to more sustainable modes of operating.

I have previously served as the Chair for the Green Finance Working Group on behalf of the Monetary Authority of Singapore (MAS), and I hope to bring my experience in this field to the banking sector in KSA, where we truly believe that we can provide leadership on the topic. During 2022, we have set up the internal governance framework and have hired several full-time employees to drive forward the strategy at SABB. One of the first areas was internal education, so we developed a training programme built in conjunction with a leading international university that has been delivered to over 70% of the workforce. We have also started to build in more ESG-related factors into our lending decision-making, enabling us to capture more information that will in turn allow us to support our customers’ transition journeys. We have started to, and will continue to expand our product portfolio to include more sustainable finance products. Being awarded Global Finance’s ‘Best Bank for Sustainable Finance in Saudi Arabia’ is testament to the progress we have made in 2022.

Lastly we have also made a range of commitments in our strategy, which are summarised later in this report. These include achieving Net-Zero emissions in our operations by 2035, scaling up our sustainable financing products and investments to SAR 34 bln by 2025, and planting one million trees, as part of the Saudi Green Initiative. Declaring our commitments on ESG is incredibly important and allows for SABB to be held to account going forward.

Accelerating our investments… Delivering on our promises…

To conclude, 2022 has been a year where we have driven forward our medium-term growth agenda by investing strategically and with discipline. And despite being in a transformative stage in our current lifecycle, we have also delivered firm financial results, some of which are ahead of where we expected them to be at the start of this strategic plan. This has also translated into a more optimistic outlook from our investor community, with the Bank's market capitalisation ending 2022 at SAR 80 bln, an 18% increase in the year.

And we have delivered this in a challenging environment, where competition remains heightened locally, and uncertainty and volatility remain in global economies and financial markets.

This would not be possible without the extreme hard work and dedication of our employees, and my fellow senior management and Board members. My gratitude also extends to the Saudi Central Bank, the Capital Markets Authority and the various government agencies and ministries, who have shown robust support for the banking sector. Lastly, I would like to thank our customers and clients for the faith they hold in our great banking franchise.

Mr. Tony Cripps
Managing Director

From a financial perspective during 2022, we have delivered 26% revenue growth, 6.9ppt decrease in cost income ratio, 3.7ppt expansion in return on tangible equity, whilst maintaining a strong capital position of 17.7% CET1.

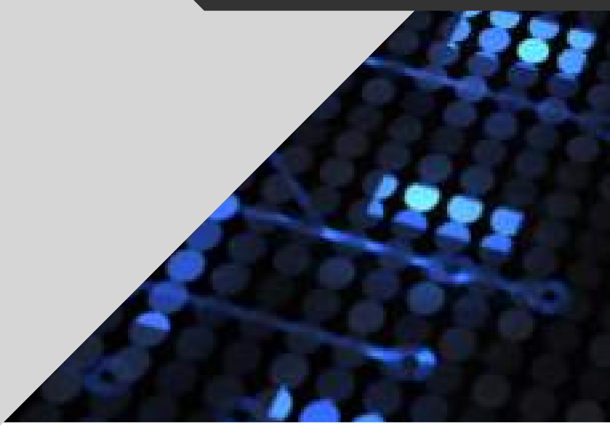
Business model

Our competitive edge

- **Rich history and legacy**
  We have a rich history, combining two of the most respected names in the Saudi banking sector, from Alawwal Bank – the very first Bank in the Kingdom with Saudi British Bank – the only Bank in the Kingdom with unrivalled international access
- **Strong balance sheet**
  We have a strong balance sheet, with robust capital and liquidity positions, capacity to help our customers from our retail customers through to our larger, multinational and institutional customers
- **Our people's expertise**
  A key differentiator for us is the expertise that our committed employee base provides our customers. Their knowledge, empathy and drive enables a relationship-focused approach to banking where the customer is truly at the heart of our decision-making
- **Regulators and Central Bank**
  We have a close working relationship with the Saudi Central Bank, the Capital Markets Authority, Ministry of Finance and all the other government ministries and agencies, with regular touch points, frank discussions, collaboration and strong two-way relationships
- **Tech and innovation**
  We pride ourselves on the level of innovation we bring to banking. Our digital office provides the leadership across the Bank, and brings together the ideas and solutions that allow our customer to benefit from a higher standard of products and options
- **Shareholders and investors**
  We regularly communicate with our Shareholders and the investor and analyst community through a variety of means, including quarterly results calls and attendance at a number of investor conferences locally, regionally and internationally
- **Procurement partners**
  We work closely with our supply chain and procurement partners through regular meetings and collaboration points
- **Access to an international network**
  We possess a partnership with HSBC, a universal global bank, that provides our customers with unrivalled international access, linking our corporate customers into HSBC's international network, allowing for inbound and outbound financing opportunities, and linking our retail customers into the broader HSBC retail network

How we add value

We support our customers with their everyday banking needs including payments, foreign exchange, cash management, long-term savings and investments



We support our customers with their lending needs, buying their first homes, remortgaging, developing businesses, helping with working capital, trade and guarantees

Value created for our Stakeholders

Support the various Vision 2030 programmes

Driving customer aspiration

ESG commitment

Developing our employees

Financial outputs: balance sheet growth and generating profits, paying a sustainable dividend

Generating Shareholder returns

Lead arranger for Red Sea Development Project Phase 1

SAR 14 bln **deal using a green format**

SAR 189 bln **of customer lending**

9,000 **hours of training delivered**

18% **increase in SABB share price during 2022**

Transition to

Net-Zero emissions **in our operations by 2035**

Strategy 2025

In May 2021, the Bank announced its longer-term strategy following the final stages of the Bank's integration with Alawwal Bank, which marked a new growth-orientated phase, which targets regaining some of the key business and financial positions that we enjoyed prior to the merger and integration.

The growth-orientated strategy looks to build further on our traditional focuses and areas of strength, but also looks to expand in those target areas which complement the Vision 2030 plan.

Vision

We bring a world of financial opportunities to an ambitious Kingdom

- Offer a leading online and mobile digital banking experience
- Best-in-class universal banking serving all customer groups in the Kingdom
- Be the leading international bank in the Kingdom, accessing an unrivalled global network through HSBC
- Embed ESG at the heart of the organisation, making SABB the most attractive organisation for all Stakeholders

The Steps We Will Take

Build on our core strengths

- Bank of choice for Large Corporates
- Reinforce leadership in Trade and Payments
- Maintain leadership in Wealth
- Reinforce our position in Cards

Maximise our participation in key growth areas

- Fastest growing Mid-Corporate business
- Digital SME focus
- Mortgage expansion through REDF
- Growth in sustainable finance and investment assets, deposits and revenue

Transform the organisation

- Lead in digital innovation and evolve the IT architecture
- Transforming HR and developing the right talent
- Revamp operating model through automation and digitisation
- Align the Bank with KSA's Green Initiative, supporting a sustainable future for the Kingdom

Returns

- Increase Return on Tangible Equity (RoTE) and Earnings per Share (EPS)
- Improve Cost to Income ratio (CER)
- Maintain strong Capital and Liquidity
- Maintain Dividend payout

Progress against our 2025 targets

37.8%
CER Ratio
6.9 ↓ YoY
ppt improvement

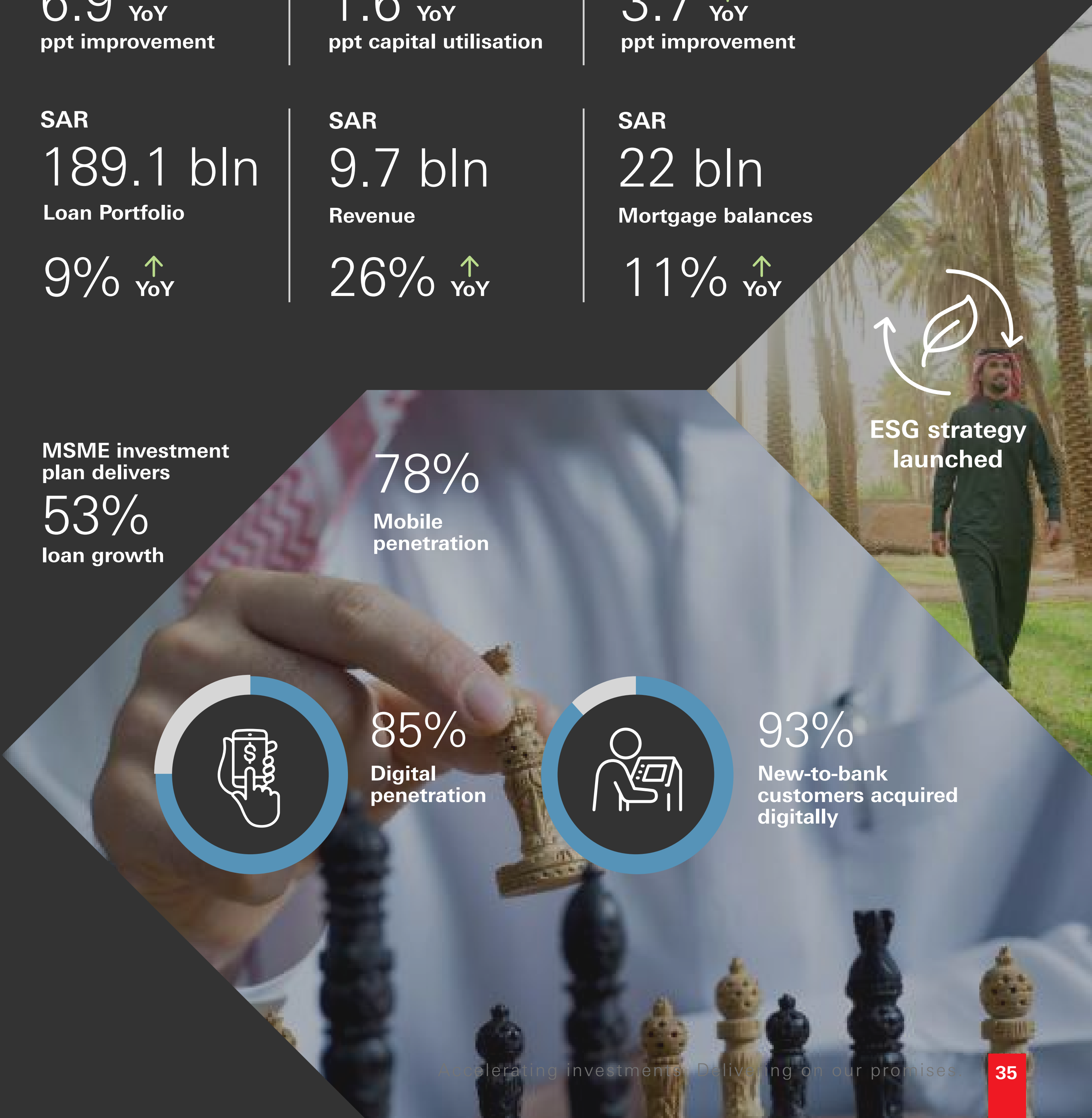
17.7%
CET1
1.6 ↓ YoY
ppt capital utilisation

11.5%
RoTE
3.7 ↑ YoY
ppt improvement

SAR
189.1 bln
Loan Portfolio
9% ↑ YoY

SAR
9.7 bln
Revenue
26% ↑ YoY

SAR
22 bln
Mortgage balances
11% ↑ YoY



ESG strategy launched

MSME investment plan delivers
53%
loan growth

78%
Mobile penetration

85%
Digital penetration

93%
New-to-bank customers acquired digitally

Strategy 2025 (continued)

2022 marks the first full year since the launch of the growth-orientated strategy. The Bank continues on its investment programme but has already started to deliver tangible progress across all parts of the business, and which in turn have resulted in increasing financial returns.

Two key factors have changed in our operating environment during 2022 with benchmark policy rates increasing at pace together with higher than expected demand for credit compared with the outlook during 2020 and 2021, which was marred by the effects of the COVID-19 pandemic. SABB's balance sheet naturally takes advantage of the shift in policy rates, and the Bank has delivered sustained credit growth during the year.

This all continues as we accelerate our investment programme, transforming the Bank digitally, developing our people, and embedding ESG into the core of our organisation.

Delivering on our promises

Our SABB Strategy 2025 targets focused on growing market share and achieving a set of financial targets to solidify our market position and create sustainable value for our shareholders and stakeholders.

In our Corporate business, we continued to deliver increasing value for our corporate and institutional clients, while supporting key Vision 2030 projects and accelerating overall digital transformation. Our loan book grew by SAR 8 bln or 6% year-on-year, and we maintained our number one position in Trade. We began to deploy our multi-year investment plan for our MSME business, which gathered momentum by achieving 53% loan growth for the year, supported integration with the Monsha'at platform and the launch of our bespoke 'SABBcorp Mobile' banking app.

In our Wealth and Personal Banking business, our focus remained on serving the diverse banking needs of our approximately 1.3 mln customers by providing outstanding products, exceptional service and seamless banking experiences across all channels. We achieved strong revenue growth of 12% overall, driven by the strong rebound in mortgage originations from 2021, enhancing our product suite and delivering 11% growth in the mortgage book. We maintained our position in Cards, enhanced our digital proposition with digital penetration reaching 85%, and launched our Global View Global Transfer tool to allow SABB customers to link their accounts with any HSBC global account – a first for the banking sector.

Our Treasury business performed well in an unprecedented rate environment, maximising returns and delivering one of the lowest cost-of-funds among local banks, together with a top three ranking in trading income. The business also launched a digital foreign exchange platform, that provides customers with competitive pricing through a choice of digital channels.

We reinforced our commitment to Environmental, Social and Governance (ESG) leadership this year, as we aim to support our customers and the Kingdom to achieve their sustainability ambitions. With the launch of our ESG strategy this year, we seek to allocate financing toward a just and sustainable economy; play a leading role in shaping an inclusive and diverse society, positively impacting our Stakeholders; and reinforce our commitment towards a high standard of governance, driving integrity and responsibility in all decision-making. By announcing our ambitious commitments to a range of ESG targets, we now have a clear roadmap towards a more sustainable future for our Bank.

2022 marks the first full year since the launch of the growth-orientated strategy. The Bank continues on its investment programme but has already started to deliver tangible progress across all parts of the business, and which in turn have resulted in increasing financial returns.

Digital Transformation

2021 2022 2023 2024 2025

1 Digitising the core

Digitise SABB's core businesses to grow our revenue digitally

Digital servicing
- WPB mobile banking
- SABBcorp development
- HSBCnet

Digitising distribution and engagement
- Developing competitive digital distribution journeys
- Enhancing digital engagement

2 Build for the future

Build the Bank's digital capabilities for 'beyond banking' era

Lifestyle-focused banking
- Marketplace-based advisory
- Integration with third-party ecosystem through APIs
- CLV and lifestyle-based products
- Community engagement for marketplace participants

Invisible banking
- Hyper-personalised offerings based on anticipated needs
- Customer sentiment driven smart servicing and engagement
- Offering SABB's capabilities as a service to third parties
- Tailored offerings serving the lifestyle needs of customers through AI/IoT

Strategy 2025 (continued)

2022 progress

We have continued to invest in our technology and services as part of our overall strategic shift to growth. We have SAR 1.5 bln committed to transforming our technology architecture, developing our servicing, distribution and engagement capability, but also to invest in the longer-term aspiration of providing a more personalised lifestyle-based banking proposition.

Having focused 2021 on building the foundations which centred on our digital servicing capabilities, during 2022 we developed and enhanced our distribution and engagement capability.

Retail digital developments

In our retail business, we launched new digital journeys for mortgages, personal finance and credit card applications, on both mobile and digital channels, and by implementing digital signatures we streamlined the process, enabling existing customers to apply for these products, without the need for a branch visit. For new-to-bank customers, we launched digital account opening which has proven very successful with approximately 93% of new customers coming through this channel during the year.

Other digital services included SABB360 which provides customers with a bespoke dashboard that provides expense reports, spending categorisation and comparisons, and budgeting tools. The continued focus has led to improving overall digital penetration to 85%, mobile app usage has increased to 78% and secured a rating on the Apple store of 4.7, making it one of the highest rated apps in the local market. In addition, the mobile app was overhauled with a new refreshed customer experience.

Towards the end of the year, we launched Global View Global Transfer (GVGT), a new tool aimed at our more internationally-minded retail customers, which allows them to link their SABB retail accounts with any HSBC global account. The functionality allows the customer to seamlessly transfer funds between accounts, making SABB the only bank in the Kingdom with this product.

Corporate digital developments

In our Corporate and Institutional Banking, we launched a digital account opening platform utilising digital signatures, and a wide cross section of digital journeys including KYC ('know-your-customer'), credit requests and ongoing customer servicing. Partnering with Saudi Payments and Visa, we developed a procurement card for our customers, to enable them to manage payments and monitor spending digitally. Throughout the year we have developed a range of tools with the customer at the heart of the solution.

A key area of investment for 2022 and which continues into 2023 is our MSME provision which is led through digital. We launched an app called 'SABBcorp Mobile' specifically for the MSME sector and integrated our customer relationship management software with Monsha'at, the General Authority for Small and Medium-sized Enterprises, which also covers the Kafalah programme.

Our trade business was the first in the Kingdom to launch a block-chain based letter of credit transaction using 'Contour', and we also launched a digital guarantees solution called 'bwatech' which completely digitises all the stages of issuing and fulfilling guarantees.

85%
digital penetration from 73% in 2021

1.8 mln
mobile app downloads from 1.2 mln in 2021

93%
of new-to-bank customers coming through Digital Account opening

4.7
appstore rating

Treasury digital developments

Within our Treasury business, we developed and launched a digital FX proposition that automates foreign exchange business flows and provides connectivity to a host of SABB digital channels. The solution provides customers with better price discovery, a competitive service and faster trade execution.

During the year, SABB also participated in the launch of 'BUNA', a centralised multi-currency platform that enables corporates to send and receive cross-border payments in MENA-based currencies.

Snapshot: Fintech

Open banking will be a catalyst for fintech led innovation and an unmissable opportunity to expand our services, grow revenue and improve customer experience. Work is underway to develop SABB's own open banking platform. This will allow us to partner and co-develop with fintechs, enabling us to play an active role in the Kingdom's ambitions to innovate financial services.

Innovation hub

A dedicated space will be created in our new headquarters, enabling fintechs and Bank Staff to work together and develop ideas into new solutions for our customers.

Digital venture fund

We plan to help incubate and develop fintech capability. This will involve acquiring solutions developed outside of the Bank and investing in a portfolio of fintech partners that meet strict criteria.

Customer experience

Customer experience

One of the key tenets of the Bank's strategy is to offer an unbeatable standard of customer experience through all our customer channels, and specifically providing a leading online and mobile digital banking experience remains at the heart of this. During 2021, we successfully navigated our way through the integration and post-integration phase, and in 2022 have built on these solid foundations by bringing in innovative solutions to help customers bank with ease and purpose.

Digital journeys

During 2022, we implemented a number of digital customer journeys that enabled customers to perform many of their banking needs remotely, removing the need to visit branches, using their mobile devices or other digital methods. Within our retail business for existing customers, we created journeys for mortgage, personal finance and credit card applications, and utilised digital signature technology. For new-to-bank customers, we launched Digital Account Opening, which allows our new customers to set up a new account without the need for a branch visit. This has proven extremely successful with over 93% of new customers coming through this channel. We have more to do, but as we increase digitisation, the more satisfied our customers will be.

Innovation

During the year, we launched SABB360, a tool that helps retail customers understand their spending patterns using their mobile app. It allows users to order, categorise and compare spending, which will ultimately allow them to make better decisions.

We are using robotics to develop our customer experience, having launched the technology to enable customer complaints that are logged on to 'SAMACares', a SAMA-based mobile application. These are then seamlessly transferred through to our own customer relationship management system. The CXI project is a retail index that gathers all recommendations through customer survey research focusing on overall experience and NPS for products and services.

Voice of customer ('VoC')

We continue to listen to the market through our VoC programme, which covers a broad range of customer surveys and opinions from specific transactions to specific complaints. Surveys are continually enhanced in order to gain a greater understanding of our customers' experiences and needs.

Learning and gaining feedback when things go wrong is equally important and allows us to understand the triggers for such issues and develop the right solutions to support our customers. We handle complaints with the speed and sensitivity required with 90% of complaints handled within five working days of the complaint being made. Our digital complaints journeys through SABBNet and SABBMobile are also continually developed for a vastly improved customer experience.

Treating customers fairly index

90

Retail customer recommendation index

90

SABB mobile app store rating

4.7

Average ATM availability among the highest in the market at

98%

Registered complaints lower than industry average at

5 per 1,000

Average branch waiting time down from 7:18 minutes in 2021 to

6:20

minutes in 2022

Branch tracker on overall experience improved and stood favourably with the market in 2022 at

88.7
for Mass

91.6
for Advance

93.2
for Premier

89.9
for Overall

Market overview

The Saudi Arabian economy

The Kingdom of Saudi Arabia has seen significant recovery from the effects of the COVID-19 pandemic. Policies introduced by the government to support the Kingdom and ensure medium and long-term fiscal sustainability, have protected the economy and supported a return to pre-pandemic levels of economic and social activity.

In 2022, Saudi Arabia's economic and financial performance remained strong due to the solid performance in both the oil and non-oil sectors. However, in the medium-term, the domestic economy may be impacted by rising prices in Europe and the US, especially for imported goods, due to higher commodity prices and rising inflation.

Following the oil price surge triggered by the energy supply shocks and continuous growth in non-oil sectors, the Kingdom became the world's fastest-growing major economy in 2022, with estimated GDP growth in 2022 of 8.7%[1] and government revenue totalling at SAR 1,234 billion[2].

While the Kingdom benefited from rising oil prices, it has still been impacted by increasing inflation rates. Nonetheless, the consumer price inflation of Saudi Arabia ended the year at 3.3%[3] in the month of December. In addition, the unemployment rate for Saudis decreased to 9.7%[2], the lowest in 20 years, with an increase in the participation of women in the labour force.

Although the economy is still heavily dependent on oil and oil-related products, efforts to diversify continued to take place in 2022. The Public Investment Fund (PIF), one of the largest sovereign wealth funds in the world and the engine of diversification of Saudi's economy, made a range of major investments and acquisitions throughout the year. Furthermore, the National Development Fund aims to raise the performance of other development funds and banks and achieve sustainability by contributing to the growth of the real GDP of the Kingdom, with aims to provide more than SAR 570 bln by 2030[2].

The World Bank and IMF believe there is a need to bolster fiscal sustainability to mitigate budget shocks in the event of a drop in oil prices. Nonetheless, Saudi Arabia's fiscal position remains robust, with a budget surplus for the first time since 2013, further boosting the pool of available funding for Saudi Vision 2030 economic diversification projects.

The Saudi banking sector

The combination of the recovery in oil prices and rising policy rates has been improving the profitability of banks throughout the Kingdom. The gradual increase in policy rates and ongoing credit expansion have contributed to the banks' margins. However, liquidity tightness has been a theme for 2022, and is likely to remain a factor.

Bank credit to the private and public sectors grew by 15.3%[4] year-on-year to reach SAR 306.4 bln by 3Q22, while deposits expanded at 9.0%[4] year-on-year to reach SAR 203.4 bln for the same period. Demand for the corporate loans was driven by large infrastructure projects under the Saudi Vision 2030 framework to diversify the economy, together with ongoing business-as-usual working capital requirements and capital expenditure. The government's ambition of achieving 70% home ownership by 2030 remains, and therefore a continuation in the demand for mortgages will continue but not at the pace seen in previous years. Investment in the Kingdom's giga-projects, including the Red Sea Project, Qiddiya and NEOM, are expected to drive future corporate credit.

Finally, profitability across the banks remained really strong during 2022, with profits up 29%[4] year-on-year.

The year ahead

The Kingdom's budget for 2023 reflects its commitment to implementing projects that support economic growth and diversification in line with Vision 2030. It is expected to experience another year of solid, albeit slower, economic growth in 2023. The pace of this growth is forecast to slow to a still robust 3.1%[2].

Source

[1]World Economic outlook update, Jan 2023
[2]Ministry of Finance
[3]General Authority for Statistics, Saudi Arabia
[4]Saudi Central Bank (SAMA)
[5]General Authority for Statistics (as on 2Q22)
[6]Centre for the Study of Education in an International Context (CEIC)

The slower growth expected in 2023 reflects in part an anticipation of a worldwide economic slowdown and recession in some of Saudi Arabia's major export markets. However, the Kingdom will continue to benefit from strong oil revenues as oil prices remain above its fiscal breakeven price in 2023.

Further, to reduce reliance on an oil-based economy and diversify its industry under Vision 2030, the Kingdom will focus on expediting its mega-projects. The NEOM project, the Line project and Red Sea are some major giga-projects that are expected to attract further foreign capital investments and boost the growth story of the Kingdom in the coming year.

The travel, tourism and hospitality sector is expected to see a return of international visitors to pre-pandemic levels, and could potentially fully recover by the end of 2023 or in 2024. Combined with oil revenues and accelerating diversification, Saudi Arabia will be well-equipped to manage external challenges and continue to grow moving forward.

Real GDP growth[1]:
8.7%

GDP per capita[5]:
SAR 29,820

Unemployment[2]:
9.7%

FX Reserves[6]:
USD 434.9 bln

Tadawul market cap:
USD 2.63 tln

Government debt to GDP ratio[2] of:
24.9%
(estimate)

World's
largest
oil exporter

Chief Financial Officer's review

Chief Financial Officer's review

2022 was a solid financial year for SABB, building on the initial progress made in 2021 following the launch of our Strategy 2025. Sustained loan growth, expanding net special commission income margins, improving cost efficiency and returns, and more than sufficient levels of funding, liquidity and capital, mean we enter 2023 in a stronger position, and we can look back on 2022 with pride that we delivered on our promises.

Promising headline financials

We reported net income before Zakat and income tax of SAR 5.8 bln, which was SAR 1.8 bln, 47% higher than in 2021. The significantly higher net income was due to substantial revenue growth in 2022, which grew to SAR 9.7 bln for the year. We incurred expenses of SAR 3.7 bln during the year, which were 7% higher, and we incurred expected credit losses of SAR 0.4 bln, which was a drop of 2% from the previous year. This strong performance resulted in improving return with headline return on tangible equity (RoTE) of 11.5%.

During 2022, we posted 9% loan growth to expand our total loan portfolio to SAR 189.1 bln while simultaneously growing our deposit base by 15% to SAR 214.3 bln, in line with our responsible approach to lending from continued deposit gathering. Customer loans have grown year-on-year since the start of 2020, demonstrating the success of our strategy to date. Funding and liquidity remain robust; we ended the year with 17.7% CET1 to place SABB among the top banks in the Kingdom.

Revenue and margin expansion, complemented by sustained performance in non-funds income

Revenue grew by SAR 2.0 bln, or 26%, for the full year to reach SAR 9.7 bln, including a SAR 0.2 bln gain following the transfer of the retail margin lending, brokerage and asset management businesses to Alawwal Invest from HSBC Saudi Arabia, with the gain arising from the initial fair value exercise following the transfer.

Net special commission income (NSCI) of SAR 7.4 bln represented 76% of total revenue in 2022, an increase of SAR 1.7 bln, or 30%, compared to the prior year, mainly reflecting the increase in SAIBOR, together with growth in the loan and investment portfolios. With our corporate-focused loan portfolio, which is largely on a floating rate, the Bank is very sensitive to movements in benchmark rates. As the three-month SAIBOR increased from 0.9% at the start of the year to 5.3% at the end, SABB was a significant beneficiary of the normalising rate environment.

NSCI margin improved from 2.0% in 2021 to reach 2.5% by year-end 2022, and we exited the year with a quarterly margin of 2.9%, which provides a strong foundation as we enter 2023.

Non-funds income of SAR 2.3 bln increased by SAR 0.3 bln and included the SAR 0.2 bln gain mentioned above, that resulted from the transfer of the retail margin lending, brokerage and asset management businesses. Exchange income increased SAR 0.2 bln, as customer flows improved following the lifting of travel restrictions during the year. Fee income fell SAR 0.1 bln, however this was driven by a posting of fee expenses relating to prior years in the fourth quarter, following a realignment of fee income and expenses. Adjusting for these transactions, which distort the comparison, normalised fee income remained stable year-on-year.

Operating expenses increase reflecting accelerating investment; operating Jaws remain positive

Expenses of SAR 3.7 bln increased by SAR 0.2 bln, or 7%, reflecting accelerating investment but also inflationary pressures facing the entire sector. We have committed to spend SAR 1.5 bln to digitally transform the Bank, enhance our products and develop our people, and approximately two-thirds of this has now been committed. We therefore expect a step-up in our

Revenue grew by SAR 2.0 bln, or 26%, for the full year to reach SAR 9.7 bln, including a SAR 0.2 bln gain following the transfer of the retail margin lending, brokerage and asset management businesses to Alawwal Invest from HSBC Saudi Arabia, with the gain arising from the initial fair value exercise following the transfer.

Chief Financial Officer's review (continued)

cost base over the short-term, as the pace of transformation increases, and we invest further.

Despite the increase in the cost base, we maintained positive operating leverage, or Jaws, resulting in a drop in cost efficiency ratio by 6.9ppt to 37.8%.

Cost-of-risk remains low and asset quality remains stable

Expected credit losses of SAR 0.4 bln were 2% lower than in 2021 and represent a cost-of-risk of 24bps. The 2022 net charge can be broken down into a charge of SAR 1.1 bln, partly offset by write offs net of recoveries of SAR 0.7 bln. We continued to see the benefits of the conservative approach introduced back in 2019 relating to the merger accounting, resulting in the lower-than-market cost-of-risk.

Sustained balance sheet growth

Our balance sheet continued to grow during the year, with total assets exceeding SAR 300 bln for the first time in our history. Customer lending balances increased 9% to SAR 189 bln, which marks a third consecutive year of growth since the merger. Corporate balances grew SAR 8 bln, or 6%, and retail balances grew SAR 6 bln, or 14%, together with SAR 1 bln of the balances from our Capital Markets business.

Improving financials leading to higher returns

As a result of this strong financial performance, we delivered an increased RoTE of 11.5% for the year, which is a 3.7ppt improvement compared to 2021. The quarterly trend on RoTE during the year was promising and, removing any one-off items that distort the quarterly figures, resulted in a fourth quarter RoTE of 13.0%.

Strong funding, liquidity and capital into 2023

Sector liquidity has been a key topic during 2022. It was therefore exceptionally pleasing to see SABB's leadership in this area, through conservative deposit gathering, whilst selectively lending in a responsible fashion, with all lending decisions passing our stringent internal thresholds. We closed the year with a regulatory loan-to-deposit ratio (LDR) of 73%, a liquidity coverage ratio of 172%, and a demand deposit ratio of 66%.

Capital also remains a key strength, as we closed the year with a 17.7% CET1 ratio and 19.9% total capital ratio. Our capital priorities are aligned to the Vision 2030 objectives, in supporting our customers and clients' aspirations, as they build out their businesses, investments and personal financial goals.

Delivering Shareholder returns

During the year, we paid dividends totalling SAR 2.7 bln, which equated to a payout ratio of 55%. This is in line with our expectations and pre-merger levels of dividend payouts. SABB's share price closed the year at SAR 38.95, which was an 18% increase during the year, compared with a 7% fall across the banking sector, following a re-rating towards the end of the year. I believe these results demonstrate the faith that our investor community has in our strategic plan and our ability to delivery going forward.

In summary

It was without doubt a strong financial year for SABB, but we have more to do to achieve our ambitions. We are well into our investment journey and expect further improvement in returns in 2023.

It is pleasing to see our financial performance ahead of where we expected it to be by 2022, and much of this has been shaped by a speedier return to normality post pandemic and faster than expected normalisation of benchmark rates. This places SABB in a strong position to continue to create value and deliver on our promises in the year ahead.

Ms. Lama Ghazzaoui
Chief Financial Officer

Revenue SAR
9.7 bln

Net income SAR
5.8 bln

Total assets SAR
314 bln

Return on tangible equity (RoTE)
11.5%

Our balance sheet continued to grow during the year, with total assets exceeding SAR 300 bln for the first time in our history. Customer lending balances increased 9% to SAR 189 bln, which marks a third consecutive year of growth since the merger. Corporate balances grew SAR 8 bln, or 6%, and retail balances grew SAR 6 bln, or 14%, together with SAR 1 bln of the balances from our Capital Markets business.

Operating
review

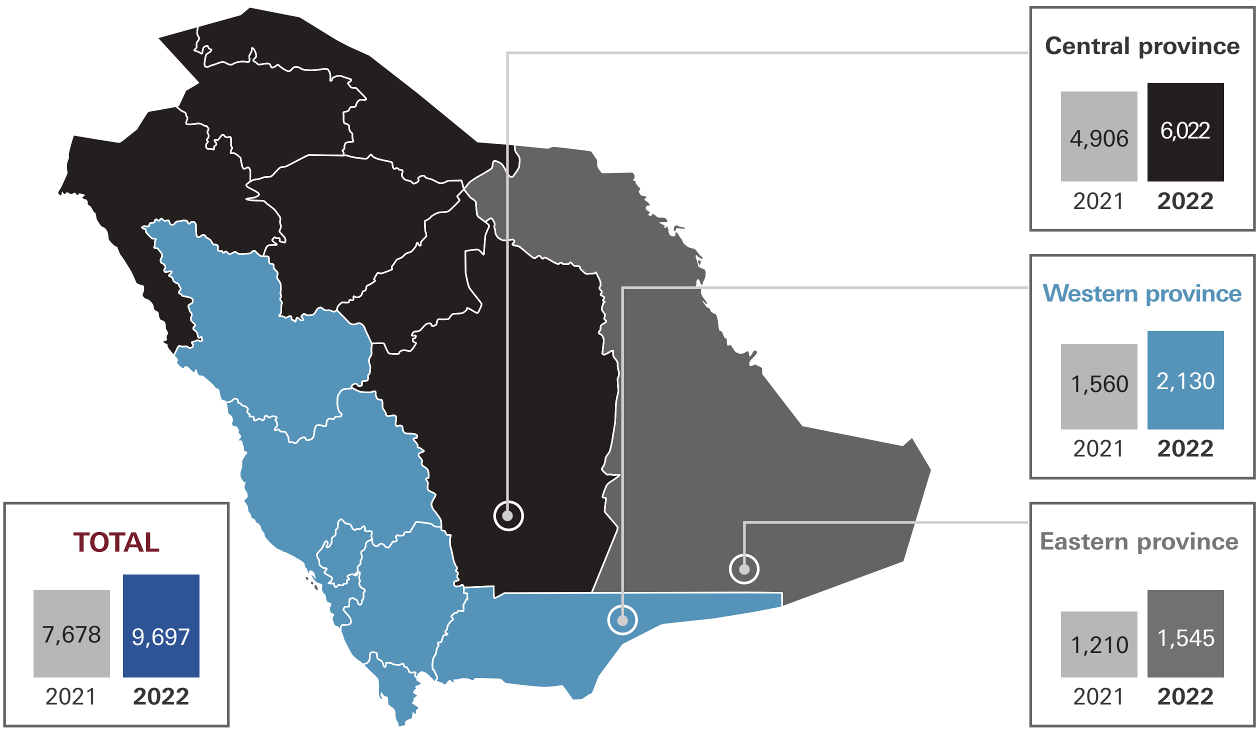
Reported historical financial results

(SAR mln)	2022	2021	2020	2019[1]	2018
Investments, net	86,363	64,904	60,831	60,484	34,570
Loans and advances, net	183,132	167,556	153,243	152,075	110,326
Customer deposits	214,279	186,761	189,110	192,167	130,507
Total assets	314,451	272,396	276,452	265,987	174,677
Total liabilities	259,768	219,368	225,690	209,903	142,101
Shareholders' equity	54,683	52,926	50,657	55,994	32,467
Net income before Zakat and income tax	5,762	3,927	(4,302)	3,195	4,929

1. On 16 June 2019, SABB merged with Alawwal Bank. Financial results reported before this date are based on the pre-merger SABB entity and as such are not directly comparable to the results reported after that date.

Total operating income ('revenue') by geography

The Bank generates its operating income from activities in the Kingdom of Saudi Arabia and has no branches, material subsidiaries or associates established or operating outside of the Kingdom. The following diagram shows the distribution of operating income in accordance with the geographical classification of the Kingdom's regions.



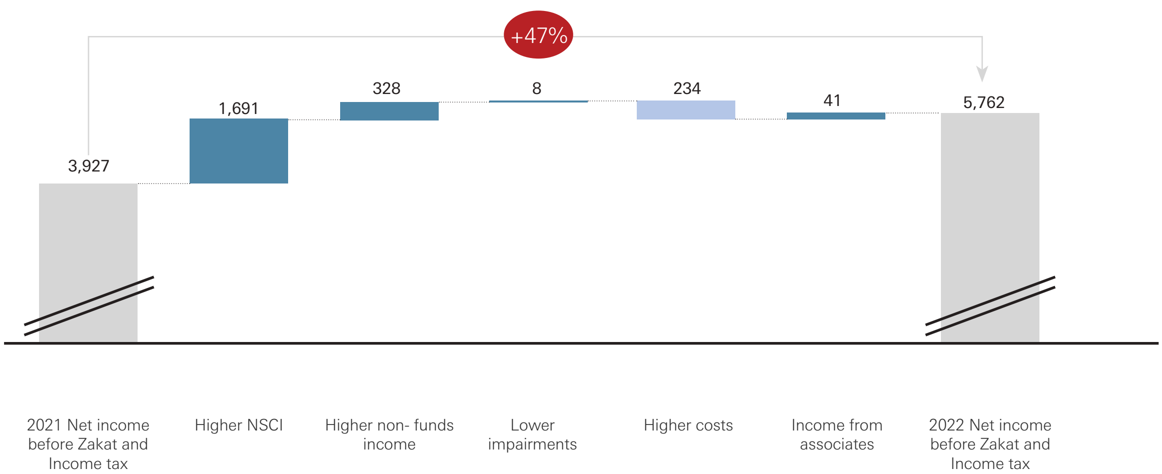
Reported performance

SABB reported net income before Zakat and income tax of SAR 5,762 mln which compared with SAR 3,927 mln in 2021, resulting in a SAR 1,834 mln increase or 47%. The increase in net income was mainly driven by higher total operating income (or revenue) partly offset by increased operating expenses, whilst expected credit losses fell 2%:

- Revenue of SAR 9,697 mln was SAR 2,019 mln or 26% higher than 2021 from higher net special commission income mainly from repricing as a result of the hikes in benchmark rates. Many global central banks have increased their policy rates in an attempt to control inflationary pressures. The Saudi Central Bank has largely followed the increases according to the US Federal Reserve rate, in line with monetary policy. Non-funds income increased by SAR 328 mln but this included a one-off 'bargain purchase' gain of SAR 155 mln following the acquisition of the retail margin lending, retail brokerage and asset management businesses from HSBC Saudi Arabia. Excluding this, non-funds income increased mainly from higher foreign exchange income, partially offset by a fall in fee income, although the latter was affected by fee expenses related to prior years. Normalising these entries, fee income remained broadly stable year-on-year
- Operating expenses of SAR 3,662 mln increased SAR 234 mln or 7% and reflects the start of the investment journey as the Bank navigates its transformation programme. Costs were also higher from inflationary pressures. Despite higher costs, the Bank maintained positive Jaws and cost efficiency ratio fell to 37.8% from 44.7%
- Expected credit losses of SAR 445 mln were SAR 8 mln lower than 2021 and represents a cost-of-risk of 24bps. We continue to see the benefits of the conservative approach taken in 2019 relating to the merger accounting, resulting in the lower-than-market cost-of-risk

Income statement highlights (SAR mln)	2022	2021
Total operating income ('revenue')	9,697	7,678
Provision or expected credit losses, net	(445)	(454)
Total operating expenses	(3,662)	(3,429)
Share in earnings of associates	172	131
Net income before Zakat and income tax	**5,762**	**3,927**

Net income before Zakat and income tax: 2022 vs. 2021



Operating review (continued)

Reported results by business segment

2022, SAR mln	WPB	CIB	Treasury	Capital Markets	Other	Total
Total operating income ('revenue')	2,826	4,859	1,828	258	(74)	9,697
Provision or expected credit losses, net	81	(530)	4	-	-	(445)
Total operating expenses	(1,765)	(1,433)	(362)	(147)	44	(3,662)
Share in earnings of associates	-	-	-	-	172	172
Net income before Zakat and income tax	1,142	2,896	1,471	111	142	5,762

2021, SAR mln	WPB	CIB	Treasury	Capital Markets	Other	Total
Total operating income ('revenue')	2,523	3,240	1,862	26	28	7,678
Provision or expected credit losses, net	498	(956)	5	-	-	(454)
Total operating expenses	(1,690)	(1,383)	(191)	(64)	(100)	(3,429)
Share in earnings of associates	-	-	-	-	131	131
Net income before Zakat and income tax	1,330	901	1,676	(39)	60	3,927

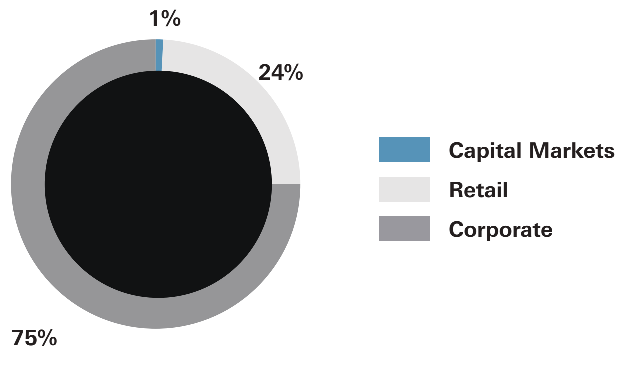
Balance Sheet

Total assets of SAR 314.5 bln increased SAR 42.1 bln or 15% during 2022 driven by increase in customer lending and in our investment portfolio. During the year, total assets exceeded SAR 300 bln for the first time in the Bank's history.

Balance sheet highlights (SAR bln)	2022	2021
Total assets	314.5	272.4
Gross customer advances	189.1	174.3
Customer deposits	214.3	186.8
Demand deposits	114.4	153.0
Average interest-earning assets	295.2	270.7

Customer lending

Gross customer advances increased 9% during 2022 to SAR 189.1 bln. This marks the third consecutive year of growth in customer lending since the merger. Our Corporate and Institutional Business contributes 75% of our loan book, our Wealth and Personal Banking business contribute 24%, with the remainder coming from our newly segmented Capital Markets business.



Growth in customer lending was broadly spread across segments and sectors. The Corporate and Institutional Business grew SAR 8 bln or 6% and this was mainly driven by short-term commercial lending to support our customers' ongoing working capital requirements. In addition, as activity related to some of the larger Vision 2030 giga-projects accelerated, customer lending also grew from project financing. The Wealth and Personal Banking business also grew SAR 6 bln or 14% during 2022 and this was driven by a concerted effort on our own investments into our mortgage provision coupled with continued personal finance lending and credit card lending.

Customer deposits

Customer deposits increased 15% during 2022 to SAR 214.3 bln driven mainly by an increase in deposits from our Corporate and Treasury businesses. Given the rising policy rates in the Kingdom, the proportion of non-interest-bearing deposits (demand deposits) fell to 66% (2021: 82%) although this remains well above the sector average of 58%. Overall funding and liquidity metrics remain robust.

Our SAR 1.5 bln investment journey

When we announced our strategy, we earmarked SAR 1.5 bln of funds that we would focus on digital transformation, enhancing our products in key growth areas and internally in developing our people.

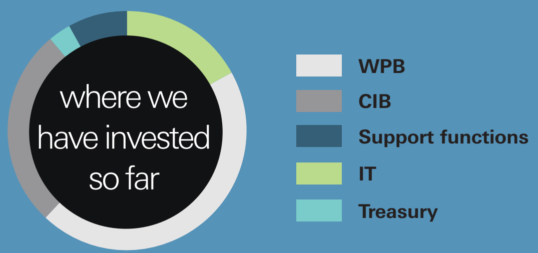
From a retail customer perspective, we initially focused our attentions on the mortgage market in early 2021, bringing in digital journeys and developing a suite of products that would allow the Bank to have a more competitive offering. We also developed digital journeys removing unnecessary branch touch points, improved customer experience by launching tools such as SABB360, allowing customers to gain a better understanding of their banking through bespoke dashboards and expense reports, and further improved our mobile banking app. The year culminated with the launch of Global View Global Transfer, linking our customers' SABB accounts with their HSBC accounts worldwide – a unique and differentiated offering.

Within our corporate business, we launched a digital account opening platform, utilising digital signatures, and developed corporate digital journeys including KYC, credit requests and ongoing customer servicing. During 2022, a key area of focus was the investment in our MSME business, where we launched a focused app called SABBcorp Mobile, which will allow users to authorise and make a range of transactions using the Sarie 24-hour instant payment system, authorising salary payments, generating passwords, and viewing and accessing real time account statements.

To date, we have committed approximately two thirds of the SAR 1.5 bln investment pot in a wide range of projects across the front and back-office:

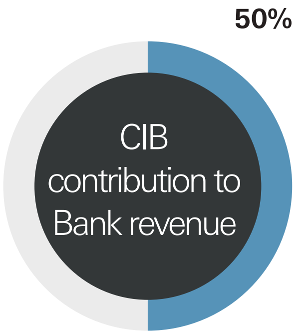
c. 2/3
of the SAR 1.5 bln is already committed in inflight projects

A further
c.25%
of the SAR 1.5 bln planned in 2023



Operating review (continued)

Corporate and Institutional Banking (CIB)



CIB performance highlights (SAR mln)	2022	2021
Total operating income ('revenue')	4,859	3,240
Provision or expected credit losses, net	(530)	(956)
Total operating expenses	(1,433)	(1,383)
Net income before Zakat and income tax	**2,896**	**901**
Gross loans	141,547	133,639
Customer deposits	129,751	105,401
Demand deposits	86,537	84,407

Operating highlights

The Corporate and Institutional business supports over 21,000 customers across a wide range of sectors, providing core corporate banking, liquidity management and trade-finance services. The Bank enjoys 13% market share with respect to corporate loans and is the leading international trade bank in the Kingdom, with c.20% of trade market share.

The businesses priorities during 2022 have been threefold:

- Continue to grow its loan portfolio supporting its customers including through project financing, capital expenditure and working capital support
- Accelerate its MSME investment and strategy
- Continue its overall digital transformation

The business grew its loan portfolio by SAR 8 bln or 6% reaching a closing portfolio of SAR 141.5 bln at the end of 2022, originating over SAR 74.8 bln during the same period. Due to the corporate businesses' skew towards large corporates and multinationals, ticket sizes are generally large and therefore quarterly fluctuations in net growth can materialise. However, it was pleasing to see an increase in the volume of originations, across a variety of sectors, demonstrating the ongoing progress being made by the business. Our support of some of the key Vision 2030 projects has strengthened through 2022, following our lead mandate on the Red Sea Development project from 2021, including NEOM and Dirriyah Gate.

The second key focus for 2022 was developing and kicking off the strategy for our MSME proposition especially given its importance to the long-term goals of Vision 2030. This is the start of a multi-year strategic plan looking at business transformation and ensuring we have the right people, systems and products. The business also continued to strengthen their relationships with key programmes and agencies including Kafalah, Tourism Development Fund and the SME Bank. This agile approach looks to deliver growth from the outset. Through developing key technologies such as a 'digital account opening' platform and a bespoke app called 'SABBcorp Mobile', the business has seen growth in core SME loans of 53% during 2022.

The third area of focus was continuing the digital transformation of the corporate business. This has had a number of notable successes, and in addition to the launch of the new MSME app and the new 'digital account opening' platform mentioned above, our trade business was the first in the Kingdom to launch a block-chain based letter of credit transaction, and we also launched a digital guarantees solution called 'bwatech' which completely digitises all the stages of issuing and fulfilling guarantees.

Financial performance
Net income before Zakat and income tax of SAR 2,896 mln was SAR 1,995 mln higher than 2021 mainly due to higher revenue and significantly lower impairments, partly offset by higher operating expenses.

Revenue of SAR 4,859 mln was SAR 1,619 mln or 50% higher than 2021. This was driven mainly from repricing following the hikes to benchmark rates during the year. three-month SAIBOR, which is the typical benchmark for a large proportion of our corporate lending contracts, increased from 0.9% at the start of the year to 5.3% at the end of the year. In addition, revenue also increased as a result of higher loan balances.

Gross lending of SAR 141.7 bln increased SAR 8.1 bln or 6%. Growth was mainly driven by our large corporate segment and our global institutional segment which make up over 80% of the corporate portfolio. Customer deposits increased SAR 24.4 bln or 23%, to SAR 129.8 bln and the level of demand deposits, or non-interest-bearing deposits remained stable.

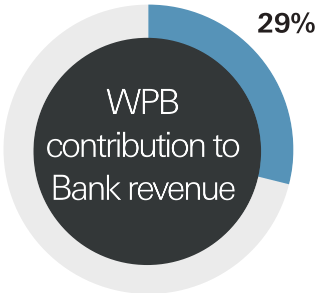
Our support of the key
Vision 2030 projects
strengthened through 2022...

Launched MSME mobile app
'SABBcorp Mobile'

53% growth
in MSME loans during 2022

Operating review (continued)

Wealth and Personal Banking (WPB)



WPB performance highlights (SAR mln)	2022	2021
Total operating income ('revenue')	2,826	2,523
Provision or expected credit losses, net	81	498
Total operating expenses	(1,765)	(1,690)
Net income before Zakat and income tax	**1,138**	**1,330**
Gross loans	46,406	40,539
Customer deposits	71,705	77,676
Demand deposits	54,891	68,559

Operating highlights

Wealth and Personal Banking serves over 1.4 million customers and generated in excess of SAR 1.1 bln of net income and over SAR 2.8 bln of revenue in 2022 and has a loan portfolio of SAR 46.4 bln and deposits of SAR 75.5 bln.

2022 was a transformative year for the business. Towards the end of the previous year and the start of 2022, much attention was given to the mortgage business in creating a fuller product suite, that was more aligned to the rest of the market. Having achieved this at the start of 2022, mortgage sales accelerated originating SAR 5.6 bln during 2022, which was three times the level we had achieved in 2020 and resulted in a closing mortgage portfolio of SAR 22.0 bln.

Digital transformation and investment continued by developing a range of digital journeys in the personal finance and credit cards segments, which enables existing customers to apply for these products without the need for a branch visit by using digital signatures, linkages to Saudi's personal credit rating system SIMAH, and pre-population of required information. For new customers, we launched digital account opening which has proven very successful with approximately 93% of new customers coming through this channel during the year.

Other digital services included SABB360 which provides customers with a bespoke dashboard that provides expense reports, spending categorisation and comparisons, and budgeting tools. The continued focus has led to improving overall digital penetration to 85%, mobile app usage has increased to 78% and secured a rating on the Apple store of 4.7, making it one of the highest rated apps in the local market. Our data and analytics capability expanded, and as a result we benefited from cross-sell and lead generation opportunities, that also contributed to driving revenue.

2022 mortgage originations were
three times
2020

85%
digital penetration

GVGT provides us with a unique and differentiated offering,
enabling customers to transfer seamlessly
between linked SABB and HSBC accounts

Continuing on the theme of accelerating investment, towards the end of the year, SABB launched Global View Global Transfer, a service which allows SABB customers to link their accounts with their HSBC accounts worldwide. The service enables customers to transfer between their linked accounts seamlessly and provides SABB with a unique and differentiated offering in the local market, that cannot be easily replicated, and positions us as the bank of choice for internationally-minded customers. Examples such as this will be the foundation for a strategic focus in 2023 on the high net-worth value proposition and redefining our private banking unit.

Investment in the Wealth and Personal Banking business has resulted in increasing loan balances, across mortgages, credit cards and personal finance, and increasing revenues which support the Bank's overall financial metrics.

Financial performance

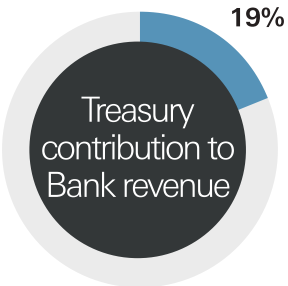
Revenue of SAR 2,826 mln was SAR 303 mln or 12% higher primarily driven by higher sales across our three key asset classes: mortgages, personal finance and credit cards. We generated increased net special commission income from the higher rate environment together with growth in foreign exchange income.

Net income before Zakat and income tax of SAR 1,138 mln was SAR 192 mln or 14% lower than 2021, mainly as the prior year benefitted from a significant net release of expected credit losses of SAR 498 mln, following an update to the modelling assumptions together with a small number of recoveries. Pre-provision profits were higher by 9% due to a 12% increase in revenue partly offset by a 4% increase in operating expenses.

Gross loans of SAR 46.4 bln increased SAR 5.8 bln or 14% with growth across our three key asset classes. Customer deposits of SAR 75.5 bln fell 3% during the year and we closed the year with retail non-interest-bearing deposits as a proportion of total retail deposits at 73%. The decrease in the proportion of non-interest-bearing deposits reflects the higher rate environment as customers transferred balances to interest-bearing time deposits and were also impacted by customer withdrawals as a result of the increased initial public offering (IPO) activity in the Kingdom.

Operating review (continued)

Treasury



Treasury performance highlights (SAR mln)	2022	2021
Total operating income ('revenue')	1,828	1,862
- of which external income	*2,035*	*1,428*
Provision or expected credit losses, net	4	5
Total operating expenses	**(362)**	**(191)**
Net income before Zakat and income tax	**1,471**	**1,676**
Investment portfolio	**86,363**	**64,904**

Operating highlights

The Treasury business provides corporate, institutional, retail and private banking customers with access to treasury and capital markets, foreign currency and rates management solutions. In addition, the business manages the liquidity and market risk of the Bank, including the deployment of the Bank's commercial surplus through its investment portfolio.

At the heart of Treasury's strategy is its support for SABB's role in the Financial Sector Development Programme, as per the Vision 2030 agenda. One such example is SABB's role as a Primary Dealer, and also supporting the growth of the local corporate bond market, together with our investment banking associate HSBC Saudi Arabia.

A key development for the Treasury function during 2022, and indeed the entire Bank and its customers, was the launch of our new digital FX platform which provides customers with better price discovery, a more competitive service and faster trade execution. It was launched as a pilot towards the end of the year, and is available across SABB's various customer platforms. In addition, the business also developed a series of commodity derivative products, to meet our customers' growing demand for hedging products. Investment was also not limited to new product capability alone, and during the year we increased our sales force to drive forward the Bank's revenue targets. During the year, the Bank increased its trading income by over 150% and foreign exchange income by 29%.

As we entered into the rate cycle this year, the business actively managed its investment portfolio by extending durations and increasing the volume of fixed rate investments, given the longer-term outlook on policy rates. These actions resulted in a significant increase in returns with the portfolio well positioned in the current rate environment.

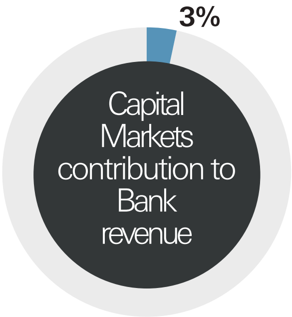
In summary, higher trading revenues and investment returns, combined with significantly increased customer flows, have all contributed to a record year for Treasury. This is reflected by the 43% increase in external revenues, before internal adjustments.

Financial performance

Net income before Zakat and income tax of SAR 1,471 mln was SAR 205 mln or 12% lower although this was driven by a charge in intersegment revenue during 2022 following internal adjustments. External customer-facing revenue was up 43% driven by the active management of the investment portfolio, together with higher trading and foreign exchange income. Operating expenses increased 90% due to the continued investment in the business.

Our investment portfolio grew SAR 21.5 bln or 33% to SAR 86.4 bln reflecting our continued role as a Primary Dealer, but also our active management of the portfolio in the current rate cycle.

Capital Markets



Capital Markets performance highlights (SAR mln)	2022	2021
Total operating income ('revenue')	258	26
- of which Gain relating to 'bargain purchase on acquisition of business'	*155*	-
Total Operating Income excl. above one-off gain	103	26
Provision or expected credit losses, net	(1)	(0)
Total operating expenses	(147)	(64)
Net income before Zakat and income tax	**111**	**(39)**
Assets-under-management	**15,750**	**1,840**

Operating highlights

Our Capital Markets segment is a new segmentation and brings together the margin lending, brokerage and assets-under-management business that were acquired from HSBC Saudi Arabia in September 2022 with our wholly owned subsidiary Alawwal Invest. Given the common objective of these businesses, in managing, arranging, advising and taking custody of securities, the acquisition brings together SABB's interests in these activities and allows the Bank to hone its strategy with greater purpose.

The acquisition was finalised in September and brought together a Capital Markets business with over 56,000 active customers and SAR 15.8 bln in assets-under-management. Leading up to and since the legal merger the business has focused on integrating the entities incurring one-off costs of SAR 54 mln including transaction costs. The acquisition paves the way for a more unified and competitive asset management service for our customers, and together with our Retail and Wealth Management business allows us to deliver a broader proposition to our Wealth and Private Banking customers. The asset management business offers customers a diverse range of conventional and Shariah compliant investment products across both equities and fixed income asset classes. The immediate focus for the business is the alignment of the strategy with the wider SABB goals, in order to build balances and revenue through enhanced product offerings leveraging the technology and distribution capabilities of the wider SABB banking franchise.

Financial performance

We generated net income before Zakat and income tax of SAR 111 mln compared with a loss of SAR 39 mln in 2021. 2022 included the one-off bargain purchase gain of SAR 155 mln mentioned earlier, in addition to higher asset management fees and income from margin lending activities.

The increase in operating expenses reflected the one-off transaction and integration costs in addition to increased employee costs as we invested in our people together with the incorporation of the entire cost base of the acquired businesses.

Capital overview

Capital management is critical for the longevity of the Bank. SABB ensures that it possesses an appropriate level of regulatory capital to meet minimum levels required by its regulator and to support business growth and dividend distribution, even under stressed scenarios. The Bank’s policy on capital management is underpinned by a capital management framework and our internal capital adequacy assessment process (‘ICAAP’). Capital adequacy and utilisation of regulatory capital are monitored regularly by the Bank’s Senior Management.

SABB’s assessment of capital adequacy is aligned to its assessment of risks, including credit, liquidity, Shariah and other operational risks as detailed on page 96 within the Risk overview.

Capital ratio

	31 Dec 2022 %	31 Dec 2021 %
Common equity tier 1 ratio	17.65	19.29
Tier 1 ratio	17.65	19.29
Total capital ratio	19.91	21.84

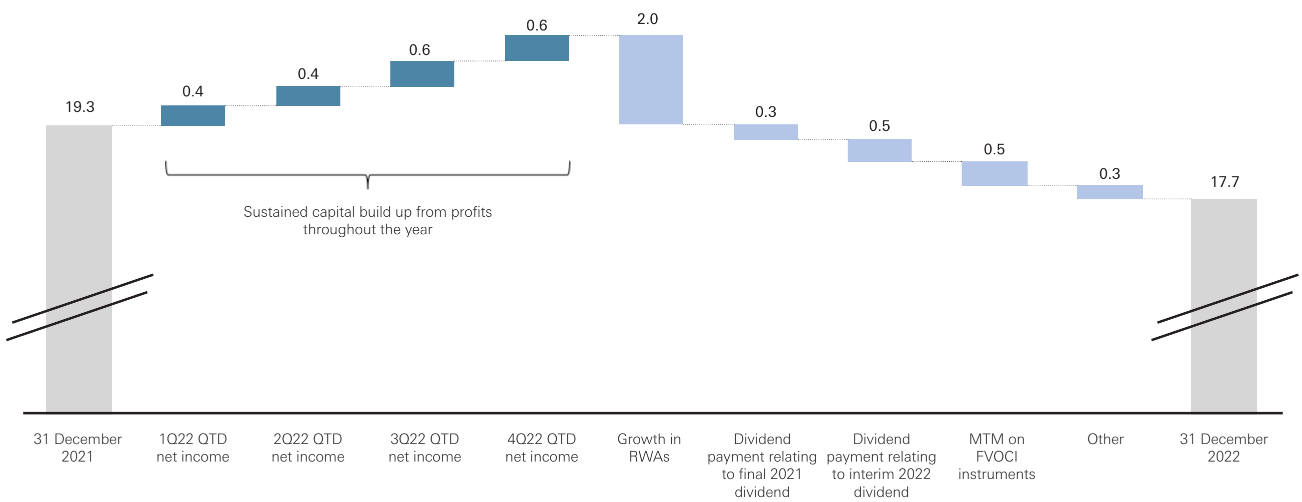
Capital

(SAR mln)	31 Dec 2022	31 Dec 2021
Common equity tier 1 capital	45,238	44,264
Tier 2 capital	5,795	5,851
Total regulatory capital	51,033	50,114

RWA

(SAR mln)	31 Dec 2022	31 Dec 2021
Credit risk	232,948	209,202
Operational risk	16,213	18,021
Market risk	7,091	2,193
Total RWAs	256,252	229,416

CET1 ratio movement 31 December 2022 vs 31 December 2021, %



Supporting Micro, Small and Medium-sized Enterprises

As a leading Bank in the Kingdom, SABB is committed to supporting Micro, Small and Medium-sized Enterprises (MSMEs).

MSME segment definitions

SABB defines its MSME segments as follows:

Corporate segments	Annual sales turnover
Micro	Below SAR 3 mln
Small	Between SAR 3 mln and SAR 40 mln
Medium	Between SAR 40 mln SAR 200 mln

SABB is proud to support our MSME customers, increasingly through our digital offerings but also through eight SME Centres, including Riyadh, Jeddah, Alkhobar, Dammam and Al Qassim. SABB offers a range of products and services to meet the needs of MSMEs including Shariah-compliant products. Customers receive a dedicated Relationship Manager (RM) to assess their banking needs and provide solutions to meet their requirements. In total SABB has over 70 FTE dedicated to supporting MSMEs to which over 1,800 hours of training were delivered.

Given the importance SABB places on the MSME sector in the KSA, the Bank has established a Transformation Programme to become a leading player in this sector. This has included establishing a MSME Steering Committee that convenes on a monthly basis that is Chaired by the Managing Director.

SABB's MSME segment across the Kingdom is managed by two teams:

- Small and Micro segment that support MSMEs with turnover of less than SAR 40 million
- Medium segment that serves customers with turnover between SAR 40 million and SAR 200 million

In 2022 as part of SABB's commitment to support Vision 2030 the Bank delivered its first in a series of free to join seminars for MSMEs to help educate them on the different facets of developing and growing a MSME in KSA.

Further it was actively engaged in a number of government initiatives.

Kafalah

SABB continues supporting the Kafalah Programme which facilitates lending to the smaller emerging companies in the Kingdom. Specific reports for the business teams are discussed on a weekly basis in order to monitor the progress made with the Kafalah cases Kingdom-wide and approve applications.

Monsha'at

Monsha'at, the General Authority for Small and Medium-sized Enterprises, works on supporting, developing and nurturing the MSME sector. SABB continues to collaborate with Monsha'at in support of a number of their initiatives including agreement to help develop the new financing gateway, that enables MSME customers to gain access to financing opportunities, and signed a Memorandum of Understanding to further improve our collaboration.

SME Bank

In December, SABB entered into an agreement with the SME Bank to deliver Co-Financing agreements to customers between SABB and the SME Bank.

In addition to Kafalah and Monsha'at, SABB also supports MSMEs through its participation with both the Real Estate Development Fund **(REDF)**, Tourism Development Fund **(TDF)** and the National Technology Development Programme **(NTDP).**

SAMA supporting programmes

SAMA continued the programme to support MSME customers potentially facing difficulties arising from the COVID-19 pandemic.

The Secured lending programme has been extended until the end of March 2023. Financing to be governed as per the existing policies of the financing entity.

MSME loans and off-balance sheet positions

December 2022	SAR '000s			
	Micro	Small	Medium	Total
Loans to MSMEs[1]	1,616,410	2,165,422	7,103,884	10,885,716
Off Balance Sheet positions to MSMEs	1,543,966	1,773,108	6,226,533	9,543,607
Loans to MSMEs as a percentage of Total SABB Loans	0.85%	1.14%	3.75%	5.75%
Off Balance Sheet positions to MSMEs as a percentage of total SABB off balance sheet positions	1.54%	1.77%	6.23%	9.55%
Number of credit facilities	1,157	2,139	4,757	8,053
Number of customers with credit facilities	369	506	444	1,319
Number of credit facilities guaranteed by Kafalah programme	280	631	1,187	2,098
Amount of credit facilities guaranteed by Kafalah programme	163,947	306,970	1,097,753	1,568,670

December 2021	SAR '000s			
	Micro	Small	Medium	Total
Loans to MSMEs[1]	1,119,037	1,788,848	4,204,429	7,112,314
Off Balance Sheet positions to MSMEs	832,115	1,038,129	4,536,208	6,406,452
Loans to MSMEs as a percentage of Total SABB Loans	0.64%	1.03%	2.41%	4.08%
Off Balance Sheet positions to MSMEs as a percentage of total SABB off balance sheet positions	0.87%	1.09%	4.75%	6.71%
Number of credit facilities	956	1,915	4,994	7,865
Number of customers with credit facilities	370	465	457	1,292
Number of credit facilities guaranteed by Kafalah programme	45	865	1,111	2,021
Amount of credit facilities guaranteed by Kafalah programme	39,994	249,916	1,081,104	1,371,014

[1]This excludes any purchase price allocation ('PPA') from the fair value exercise following the merger with Alawwal Bank. The PPA related to lending to MSME customers was SAR 0.9 bln in 2022 and SAR 1.1 bln in 2021

Environmental, Social and Governance in focus

03

Environmental, social and governance in focus

While the ESG story has been progressing at SABB for some time, 2022 has seen a significant step forward where the organisation's intention on ESG has formally come together in the form of an ESG strategy. The Bank is broadening the scope of its strategy from profitable growth to equitable growth, keeping environmental and social factors front and centre. SABB has always been known for good governance, transparency, and openness, and this year the Bank focused on engagement with existing relationships across SABB's stakeholder universe on social, environmental, and governance commitments that have been made. This is the first time SABB will be issuing a standalone ESG report complementing the annual report, and the next few pages will summarise the focus on ESG at SABB, as detailed within the ESG report (for more information please visit the ESG microsite at www.sabb.com). This section along with the ESG Report is intended to provide sufficient information for our readers to take into account the significant steps SABB is taking to incorporate ESG factors across the Bank's business and functions.

Our ESG strategy

Overview

This year, we have announced our new environmental, social, and governance (ESG) strategy. This followed much reflection and contemplation on how SABB could make an environmentally astute socio-economic impact to support the Kingdom's Vision 2030 and Net-Zero ambitions. ESG is now a central pillar at the core of our strategy and major steps are being taken to create awareness and embed ESG into the minds of our employees across all levels and throughout our banking operations and products. We recognise that to achieve these long-term national and international goals is a journey, and we are marking 2022 as the start of our journey. As we integrate ESG into the DNA of our business, it will continually shape our business priorities and Stakeholder relationships. Our eventual aim is to broaden all of our decision-making beyond economic factors and take people and planet into account for the longevity of our organisation.

The strategic alliance with HSBC uniquely positions SABB to drive the ESG initiatives for Saudi Arabia's financial sector. SABB can bring global expertise and experience in developing ESG solutions, taxonomies, disclosures, and best practices to the Kingdom. The depth of SABB's Board on the topic of ESG also plays to our strength in providing direction to our Bank and delivering a larger impact to the financial eco-system, applying the highest level of standards and adopting best practices.

SABB's ESG strategy elaborates the following focal elements:

Economic: SABB continues to recognise its economic responsibility to help develop a sustainable economy for the Kingdom. Hence, the Bank is incorporating ESG considerations into investments, products, and services.

Environment: Our banking business practices appreciate the impact of our clients' operations on the sustainability of the economy and the natural ecosystems. Hence, as a start, the Bank has played a direct role in national efforts to replenish natural ecosystems such as the Saudi Green Initiative espoused in the Kingdom's Vision 2030 plan.

Social: SABB's direct social impact and responsibilities are towards its people, the Saudi society, our clients and suppliers, and the impact within the value chain of our clients. As the success of the Bank is interdependent with the planet and the social eco-system that SABB operates within, we aim to enable the creation of an inclusive and diverse society that provides sustainable jobs, education, entrepreneurial opportunities, and social welfare across all levels, especially including underprivileged citizens.

Governance: Central to our governance approach is weaving ESG considerations into our business strategy while driving integrity and responsibility in all decision-making. We are redesigning governance and risk management frameworks that will enable the assessment of high-risk sectors that align to our sustainability focus.

Allocate financing toward a just and sustainable economy

- **Support the transition of our customers** to a more sustainable and diversified economy through our **products and services**
- Scale up **sustainable financing and investments to SAR 34 bln by 2025,** supporting the Kingdom's Vision 2030
- **Measure the carbon footprint** of our portfolio, and **pursue decarbonisation by 2060 or sooner,** with an active focus on a just transition
- Align our operations and supply chain to ambitious science-based targets and key milestones by 2030, to achieve Net-Zero in our operations by 2035
- Plant one million trees to offset 0.9 million tons of CO2

Play a leading role to shape an inclusive and diverse society, positively impacting our Stakeholders

- Further develop our digital capabilities to **build sustainable financial capability amongst our customers** and across the Kingdom
- Ambitiously pursue playing our part in **closing the regional savings gap**
- Continue to actively shape and advance the **development of ESG and the sustainable finance market across the Kingdom**
- **Remove barriers for women and para-abled** for engagement in financial services, including financing for female-led enterprises

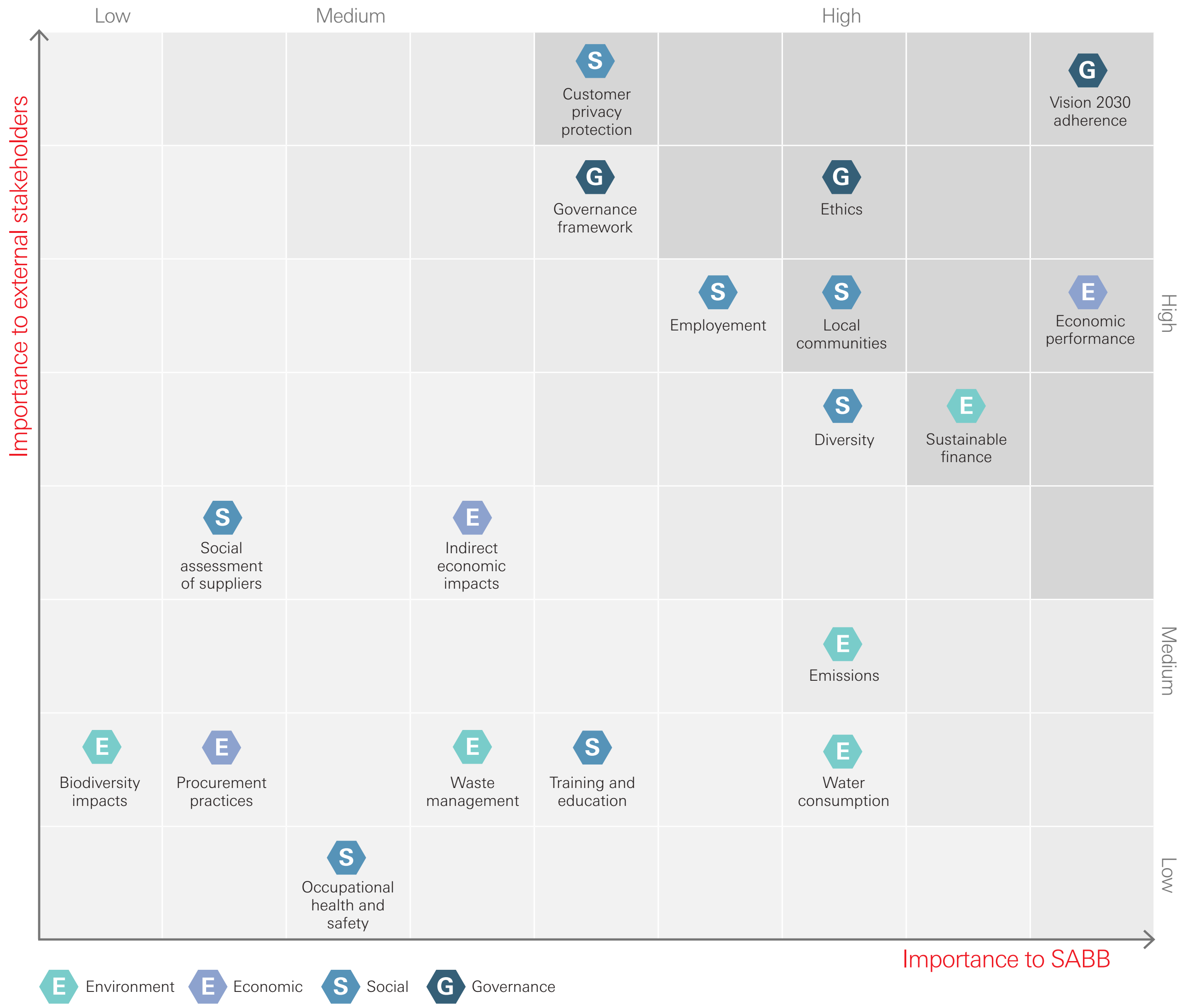
Commitment towards a high standard of governance, driving integrity and responsibility in all decision-making

- **Deploy** an ESG governance structure
- **Embed ESG into all departments, functions, and staff members,** for every financial decision to be reviewed through an ESG lens
- **Partner with an international body** to build reporting and disclosure frameworks for enhanced transparency
- **Roll out an updated corporate governance framework** in line with international best practices

Our material matters

SABB's Materiality Matrix maps and prioritises key areas of sustainability that influence the implementation of our ESG Strategy. This matrix considers economic, environmental, social and governance issues that have an impact on our ESG journey. These issues can be direct or indirect and have positive or negative impacts on SABB's efforts. Materiality assessment is key to identifying the sustainability issues that are most relevant to SABB and our material Stakeholders.

As outlined in the following Materiality Matrix grid, environmental materiality issues for SABB include sustainable finance, emissions, water, waste and biodiversity impacts. Material issues in the social dimension entail local communities, diversity, employment, customer privacy protection, social aspects of our suppliers, training and education, and occupational health and safety. Economic material issues cover economic performance, indirect economic impacts and procurement practices, while governance issues include vision 2030 adherence, ethics and governance frameworks.



Key ESG milestones

Environment

SABB's pioneering approach to Sustainable Finance has entailed structuring a range of financial products for innovative sustainability impacts, especially as existing clients and potential clients across the Kingdom clamour for green finance solutions. SABB is the first Saudi Arabian institution to develop a Green Deposit investment option and, in partnership with HSBC, we have made seeding deposits into major regional green initiatives.

SABB is also participating in major environmental sustainability initiatives that are in line with the Kingdom's Vision 2030. We are 're-greening' our natural environment through highly ambitious programmes such as the initiative to plant 1,000,000 trees in Saudi Arabia. The initial phase of planting the seedlings that will rejuvenate the Kingdom's greenery took place in the last quarter of 2022. As part of ongoing financial commitments, an amount of SAR 60 million has been allocated to fund subsequent phases of the programme that run up till 2027. The greening programme aims to increase the vegetation cover of the Kingdom. Combatting land degradation, desertification, preserving marine life, improving biodiversity, and reducing carbon emissions also fall within its remit.

Economic

Kingdom's first green deposit

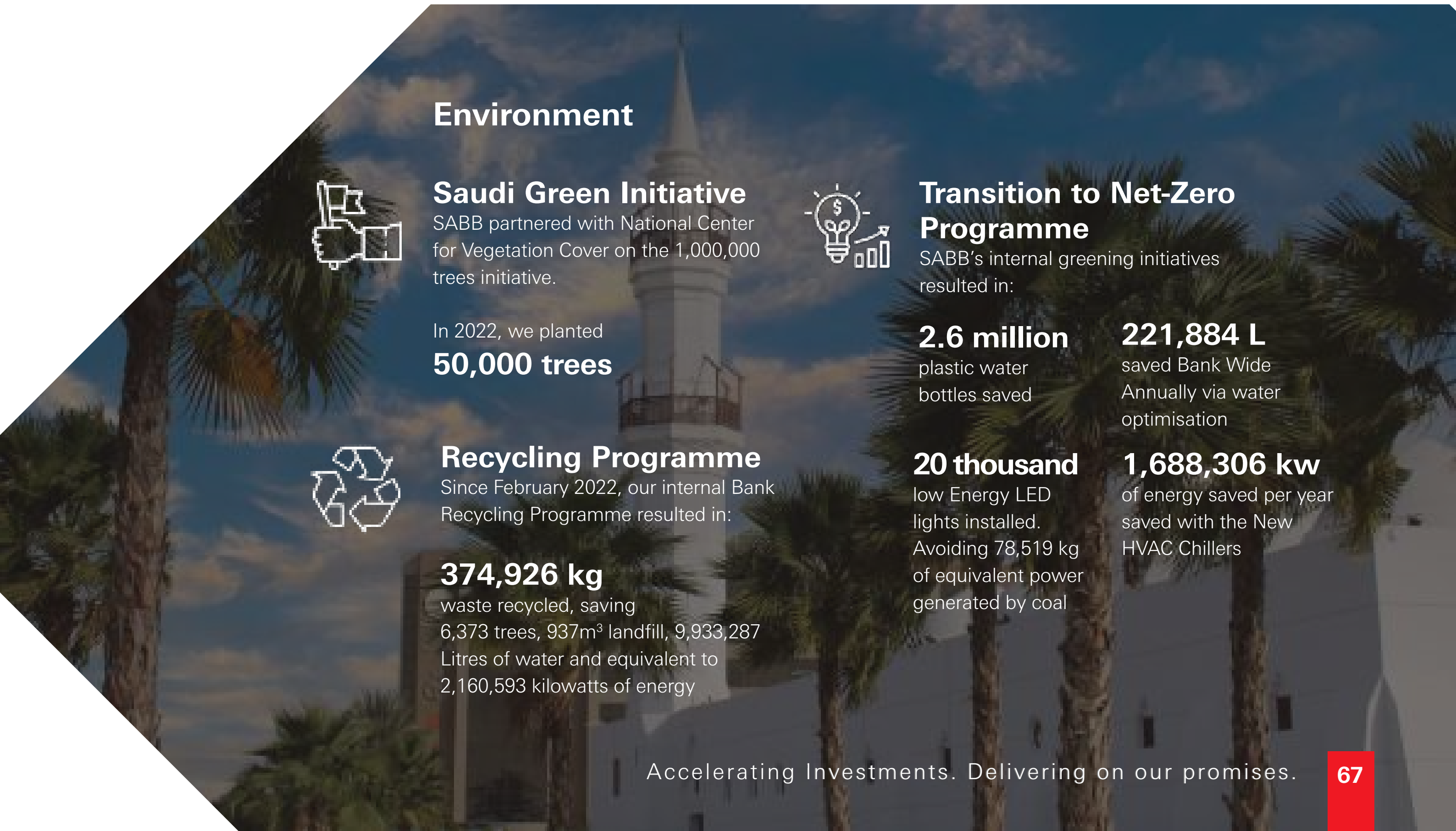
In 2022, SABB launched the Kingdom's first green deposit to allow retail and corporate clients to safely deposit their money toward green financing initiatives

Red Sea Development

In March 2021, SABB was mandated as a lead arranger for a landmark transaction for the Red Sea Development Company's first-ever SAR-denominated Green Finance facility totalling SAR 14 bln

Best Bank for Sustainable Finance in the Kingdom Award 2022

SABB was named the 2022 'Best Bank for Sustainable Finance in Saudi Arabia' by Global Finance magazine, as part of its annual Excellence Awards



Environment

Saudi Green Initiative

SABB partnered with National Center for Vegetation Cover on the 1,000,000 trees initiative.

In 2022, we planted

50,000 trees

Recycling Programme

Since February 2022, our internal Bank Recycling Programme resulted in:

374,926 kg

waste recycled, saving 6,373 trees, 937m^3 landfill, 9,933,287 Litres of water and equivalent to 2,160,593 kilowatts of energy

Transition to Net-Zero Programme

SABB's internal greening initiatives resulted in:

2.6 million

plastic water bottles saved

221,884 L

saved Bank Wide Annually via water optimisation

20 thousand

low Energy LED lights installed. Avoiding 78,519 kg of equivalent power generated by coal

1,688,306 kw

of energy saved per year saved with the New HVAC Chillers

Social

As espoused in the UN's Sustainable Development Goals, SABB believes that no one should be left behind in the transition to sustainability. We have extended our social programmes to include customers, employees, university students, career-seekers, the para-abled, and underprivileged citizens, among others. At SABB, every Saudi citizen deserves an equal chance of living better and reaching their financial goals, even if hindered by adverse circumstances.

For our customers, we cushioned them against the adverse impact of the COVID-19 pandemic when they lost their incomes. SABB's approach included waiving certain fees and supporting eligible customers with payment deferrals. For our communities, the Bank has participated in catalytic initiatives to stimulate job creation and entrepreneurial activity. Flagship social engagement programmes include Taqadam, the entrepreneurship accelerator initiative. Riyali, our financial literacy scheme, is an expression of SABB's quest to empower communities with financial acumen. This program offer includes a suite of courses that confer financial planning skills to recipients. Broadly in the education fraternity, SABB partners with various Saudi universities and institutes to run training programs for undergraduate students, while we also offer scholarships for postgraduate study abroad.

The SABB Digital Academy assists youth in attaining skills that will enhance their employment prospects in the financial sector. To help eliminate global poverty and hunger in line with the UN SDGs, SABB has helped create the first ever dry-food preserving food bank in the country, in partnership with Etaam, a leading NGO for preserving and redistributing food to needy families in the Kingdom. We also work with several NGOs to help advance an inclusive society through initiatives for the para-abled community.

Riyali

Launch of the financial literacy competition during the first quarter in cooperation with the Ministry of Education.

More than 370,000 students across the Kingdom participated

Taqadam

The fourth edition of the accelerator programme was concluded:

10 winners received SAR 375,000 each

57 teams (112 individuals) participated

SABB Digital Academy

SABB Digital Academy supports young people's entry into the labour market through training and financial skills development.

1,200 beneficiaries participated

Women's representation in the organisation

The Bank is making good strides in gender diversity with women representation standing at over 1/3 in the Executive Management team

Para-abled accelerator programme

with Monsha'at and the Ministry of Labour

Seven sessions held with 23,093 attendees in a hybrid environment

Launch of the Dry Food Preservation and Food Waste avoidance Projects

Provided 400,000 meals

preserved 500k tons of food

6,000 families supported for six months

Digital Governance

Given the importance of Digital and Cybersecurity for SABB, we added a new Board committee focusing on Technology and Digital. A female Chair has been appointed for this committee, to further broaden the gender diversity across the Bank's Board committees

Review of Governance

A detailed review of Corporate Governance Procedures was undertaken to align with regulations and with international best practice

A framework was devised for the Management Committees structure, followed by an assessment to enhance the Bank's governance structure, streamlining information flow into Board committees, and optimising the decision-making process

ESG Steering Committee

Given the focus of the Board, SABB has created its first ESG Steering Committee meeting chaired by the Managing Director, and executive management with relevant experience as members. The Committee is tasked with providing oversight on ESG strategic commitments and initiatives

Transition Engagement Questionnaire

SABB is in the process of introducing a Transition Engagement Questionnaire (TEQ) to support client engagement on ESG focused on Physical and Transition risk

New positions for ESG function

The Bank added several key positions across the organisation to enhance capacity, focus and ESG talent. These are senior roles across Corporate and Retail Bank, Operations, Risk, and Communications supported by a central ESG office

Climate Risk Management Framework

As part of integrating ESG into existing governance and risk management frameworks, the Bank's risk management framework is being amended to include the Climate and Transition Risk Management

Governance

SABB prides itself with market-leading governance practices, with ongoing efforts for continuous improvement and adoption of international best practice. SABB has a distinguished and diverse Board of Directors, where Board members hold deep experience on financial and nonfinancial sectors. In addition, SABB is the only Bank in Saudi Arabia with a female Board Chair, differentiating itself from historic norms. The Board has a keen focus on diversity, with firm intentions to appoint female members at Board, Board committee, SABB subsidiary, and management levels, to set the tone from the top.

ESG is another key focus of SABB's Board. SABB's corporate governance procedures are being revised to embed ESG decision-making and implementation across the business. The Bank's risk management structure will also integrate ESG into traditional risk focus areas such as financial, operational, or strategic risk. This requires an updated risk framework to identify, integrate, manage, and monitor ESG-related risks as part of SABB's new strategic direction.

All business units, functions, management structures, and staff are being upskilled through awareness programs to incorporate an ESG lens. SABB's Board members receive ESG-related training as part of their ongoing development. In addition, this year the Bank held a focused two days offsite for training and awareness on ESG for executive management. SABB is also building a fleet of ESG champions across the organisation through tailored training sessions and briefings.

Additional information

For additional information on SABB's environmental, social and governance strategy, and to access our ESG Report, please visit the ESG microsite at www.sabb.com

Governance

04

The Board of Directors ('the Board')

The Board sets the Bank's strategy and risk appetite with the aim of achieving sustainable value to Shareholders and promoting a culture of openness and debate. The Board also approves the capital and operating plans for achieving the strategic direction on the recommendation of the Executive Management ('MANCOM'). The Board of Directors consists of 11 members bringing a wealth of local and international experience across a spectrum of industries. Eight directors were elected by the Shareholders during the General Assembly, and three were appointed by HSBC Holding B.V, according to the Bank's bylaws.

Appointments to the Board are made on merit and according to regulatory requirements. A rigorous selection process is followed in order to appoint a Director. This process also ensures that SABB maintains diversity across its Board. Directors are appointed for an initial three year term and may be reappointed for new terms.

Board responsibilities

The Board reviews the performance of Management in meeting the Bank's strategic targets and monitors the Bank's risk appetite and profile. The roles of the Chair and the MGD are separate, with a clear division of responsibilities between the Chair managing the Board and developing the strategy, and the MGD responsible for running SABB. The Board is responsible for supervising the Executive Management.

The Board also reviews and approves strategy, annual operating plans, risk appetite and limits, performance targets, mergers and acquisition activity, significant capital expenditure, specified senior appointments and any substantial changes in asset and liability management.

Moreover, the Board enables Shareholders to exercise their rights to submit their comments and queries, which are discussed, answered and recorded in the minutes of the Annual General Assembly.

Composition of the Board of Directors and classification of its members

Ms. Lubna Suliman Olayan	Chair - Non-Executive
Mr. Saad Abdulmohsen Al-Fadly	Vice Chair - Non-Executive
Eng. Khalid Abdullah Al-Molhelm	Non-Executive
Eng. Mohammed Omran Al-Omran	Non-Executive
Mr. Samir Assaf	Non-Executive
Mr. Tony Cripps	Executive
Mr. Stephen Moss	Non-Executive
Mr. Ahmed Farid Al-Aulaqi	Independent
Mr. Sulaiman Al-Gwaiz	Independent
Mr. Martin Powell	Independent
Mr. Stuart Gulliver	Independent

Corporate governance principles

A robust approach to corporate governance is a key strength for any organisation. The Bank adopts international and local best practices in this field in order to create value for all its Stakeholders.

The Bank regularly conducts internal reviews to assess compliance with all regulatory requirements issued by the Capital Market Authority ('CMA') and the Saudi Central Bank ('SAMA'), as well as local and international best practice. SABB is committed to updating relevant documents, such as the bylaws of the Bank, the terms of reference of the Board and its Committees, Corporate Governance framework, and the Board's policies, in accordance with these regulations and best practices.

Diversity

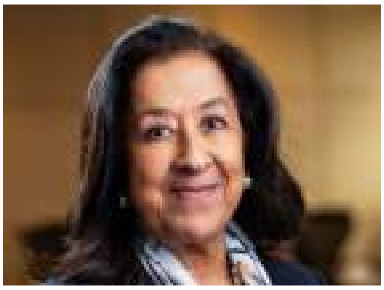
Diversity is another key aspect to both local and international governance best practice. SABB is particularly proud of the diversity within its Board and Executive Management. The Board includes a mixture of local and international expertise from a wide spectrum of industry experience, both within the financial services sector and broader non-financial services. In addition, the diversity in experience of the Board is further complemented by gender diversity including the first female Board Chair of a listed company in Saudi Arabia, as well as a number of the Bank's Executive Management, which is a reflection of the Bank's vision and commitment.

Training and development

Training and development are provided for each Board Director, with the support of the Company Secretary. All Directors further develop and refresh their skills through trainings. Moreover, in line with the SABB's corporate governance charter, the Board of Directors and the Committee members attend an induction programme with the Bank upon their appointment.

SABB maintains a bespoke training programme that covers all aspects of the banking industry. In addition, the Board also undertakes mandatory in-house and external training on a wide range of subjects, including cybersecurity awareness, regional and global macro-economic environment, key trends in the management of compliance and AML risks and Environmental, Social and Governance (ESG).

Biographies of Board Members as at 31 December 2022



Ms. Lubna Olayan
Board Chair - Non-Executive

Current positions
- Chair of the Executive Committee at Olayan Financing Company (Saudi Arabia)
- Board Chair and member of various committees at Olayan Holding Company (Saudi Arabia)
- Board Vice Chair of Health Water Bottling Company (Saudi Arabia)
- Board Chair of Coca-Cola Bottling Company (Saudi Arabia)
- Board Chair of Olayan Real Estate Company (Saudi Arabia)

Former positions
- Board Director of Schlumberger Company (Saudi Arabia)
- Board Director of King Abdullah University of Science and Technology (KAUST) (Saudi Arabia)
- Board Director of Ma'aden Company (Listed/Saudi Arabia)
- Board Director of Alawwal Bank (Saudi Arabia)

Qualifications
- Honorary PhD in Law from Trinity College, Dublin, Ireland
- Master of Business Administration (MBA) from Indiana University, USA
- Bachelor of Science from Cornell University, USA

Experience
- Over 37 years of experience in investment, banking, and business management

Mr. Saad Al-Fadly
Board Vice Chair - Non-Executive

Current positions
- Chief Executive Officer of Hassanah Investment Company (Saudi Arabia)
- Board Director of National Medical Care Company (Listed/Saudi Arabia)
- Board Director of GEMS Company (Saudi Arabia)
- Board Director of Ma'arif Education and Training Company (Saudi Arabia)

Former positions
- Board Director at Al Marai Company (Listed/Saudi Arabia)
- Chief of Staff and Senior Officer of Central and Eastern Regions at the SNB Capital Company (Saudi Arabia)
- Vice President of Morgan Stanley (Saudi Arabia)

Qualifications
- Bachelor of Science in Accounting from King Saud University, Saudi Arabia
- Master of Financial Economics from Boston University, USA

Experience
- More than 22 years of experience in investment management and banking services at a number of financial and regulatory institutions

Eng. Khalid Al-Molhem
Non-Executive Director

Current positions
- Board Vice Chair of Riyadh Cement (Listed/Saudi Arabia)
- Board Chair of Alawwal Invest (Saudi Arabia)

Former positions
- Board Director of Kidana and Chair of the Investment Committee and REMCO (Saudi Arabia)
- Chair of the Executive Committee at Ugair Development Company (Saudi Arabia)
- Board Vice Chair of Diplomatic Quarter Development Co. (Saudi Arabia)
- Member of the Investment Committee in Makkah Development Authorities (Saudi Arabia)
- Board Member of Ittefaq Steel Company (Saudi Arabia)
- General Director of Saudi Airlines (Saudi Arabia)
- Chief Executive Officer of the Saudi Telecom Company (STC) (Listed/Saudi Arabia)
- Chief Executive Officer of Almarai Company (Listed/Saudi Arabia)

Qualifications
- Bachelor of Science in Electrical Engineering from the University of Evansville, USA
- Bachelor of Engineering Management from the University of Evansville, USA

Experience
- Experience in business of banks and companies and has taken the lead in the privatisation of a number of major Saudi companies

Mr. Ahmed Al-Aulaqi
Independent Director

Current position
- Board Chair and President of Lakemore Partners

Former positions
- Board Director of Alawwal Bank (Saudi Arabia)
- Board Director of Safanad Investments Company (United Arab Emirates)
- Board Director of The Company for Cooperative Insurance (Tawuniya) (Listed/Saudi Arabia)
- Chair of Saudi Tunisian Bank (Tunisia)
- Treasurer of SNB Bank (Listed/Saudi Arabia)
- President of Safanad Investments Company (UAE)
- Held various positions at the National Commercial Bank in Saudi Arabia and in the United Kingdom, the latest of which was the Chief Executive Officer of SNB Capital Company (Saudi Arabia)

Qualifications
- Master of Business Administration (MBA) from the University of Stirling, UK
- Bachelor of Business Administration from King Abdulaziz University, Saudi Arabia

Experience
- Over 32 years of experience in business management, banking, treasury, capital markets, investment services, and brokerage

Mr. Sulaiman Al-Gwaiz
Independent Director

Current positions
- Board Director of Etihad Etisalat Co (Mobily) (Listed/Saudi Arabia)
- Board Director of Saudi Arabian Mining Co (Listed/Saudi Arabia)
- Board Director of Saudi Industrial Investments Co. (Listed/Saudi Arabia)
- Board Director of Munajem Foods Co. (Listed/Saudi Arabia)
- Chair of Blackrock (Saudi Arabia)

Former positions
- Board Director of National Company for Glass Industries (ZOUJAJ) (Listed/Saudi Arabia)
- Board Director of National Industries Company (NIC) (Listed/Saudi Arabia)
- Board Director of Banque Saudi Fransi (Listed/Saudi Arabia)
- Board Director of Ajil Financial Services (Saudi Arabia)
- Board Director of Hassanah Investment Co (Saudi Arabia)
- Governor of the General Social Insurance Corporation ('GOSI') (Government entity/Saudi Arabia)
- Deputy CEO of Riyadh Bank (Listed/Saudi Arabia)
- Trading Division Head for the Corporate Bank of Samba Financial Group (Saudi Arabia)

Qualifications
- Bachelor of Business Management from the University of Portland, USA

Experience
- Extensive experience in the areas of banking operations, finance, credit, and general business management

Mr. Martin Powell
Independent Director

Former positions
- Senior Executive roles at the Royal Bank of Scotland PLC (RBS) since 1973, the latest of which was the Chief Risk Officer Capital Resolution Group (Listed/United Kingdom)
- Board member of Alawwal Bank (Saudi Arabia)

Qualifications
- ACIB - Associate Chartered Institute of Bankers

Experience
- Over 42 years of senior management experience in banking, financial services, and risk management

Biographies of Board Members as at 31 December 2022 (continued)

Eng. Mohammed Al-Omran
Non-Executive Director

Current positions
- General Manager of Omran Mohammad Al-Omran and Partners Company (Saudi Arabia)
- Board Director of YANAL Finance Company (Saudi Arabia)
- Board Director of Tarabot Investment and Development Company (Saudi Arabia)
- Board Director of Tourism Development Fund (Saudi Arabia)

Former positions
- Board Director of Al-Rajhi Company for Cooperative Insurance (Alrajhi Takaful) (Listed/Saudi Arabia)
- Board Director of Saudi Arabia Credit Suisse (Saudi Arabia)
- Board Director of Saudi Telecom Company (STC) (Listed/Saudi Arabia)
- Board Director of Saudi Railways Organisation (Saudi Arabia)
- Board Director of Riyadh Chamber of Commerce (Saudi Arabia)
- Board Director of Civil Aviation Authority (Saudi Arabia)
- Board Director of The National Agricultural Development Co. (NADEC) (Listed/Saudi Arabia)

Qualifications
- Bachelor of Science in Civil Engineering from King Saud University, KSA
- Master of Construction Management from the University of South California, USA

Experience
- Experience in the business and investment sectors

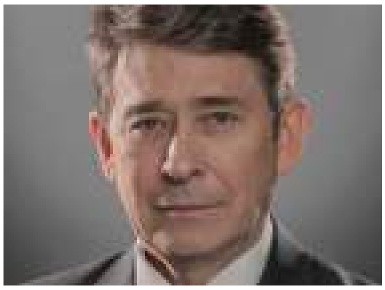
Mr. Stuart Gulliver
Independent Director

Current positions
- Board Director of Saudi Aramco (Listed/Saudi Arabia)
- Board Director of Hong Kong Airport Authority (Hong Kong)
- Board Director of Jardine Matheson Holdings Limited (Hong Kong)

Former positions
- Executive Director and Group Chief Executive of HSBC Holdings plc (Listed/United Kingdom)
- Chairman of The Hong Kong and Shanghai Banking Corporation Limited

Qualifications
- Master of Law from Oxford University, UK

Experience
- More than 39 years' experience in international banking and assumed many Executive roles at HSBC Group, the last being Group Chief Executive Officer of HSBC Holdings plc



Mr. Tony Cripps
Executive Director

Current positions
- CEO and Managing Director of the Saudi British Bank (SABB) (Listed/Saudi Arabia)
- Board Director of HSBC Saudi Arabia Limited (Saudi Arabia)
- Board Director of Alawwal Invest (Saudi Arabia)

Former positions
- Group General Manager and Chief Executive Officer of HSBC Singapore
- Chief Executive Officer of HSBC Australia

Qualifications
- AFMA Australia (Financial Markets)
- SFE Australia (Accreditation Future Traders License)

Experience
- More than 38 years' experience in international banking. Assumed many Executive roles at HSBC Group

Mr. Samir Assaf
Non-Executive Director

Current positions
- Senior Advisor at HSBC Group Plc (United Kingdom)
- Senior Advisor at General Atlantic (Global)
- Board Director of BeyondNetZero (a General Atlantic venture) (United States of America)
- Board Chair of HSBC Middle East Ltd and HSBC Middle East Holdings
- Board Director of Alfanar Charity Arm (United Kingdom)
- Non-Executive Board Director of Property Finder International Ltd (UAE)

Former positions
- Board Director of HSBC Group Plc (United Kingdom)
- Board Director of HSBC Continental Europe
- Board Director of HSBC Egypt (Egypt)
- Board Director of HSBC Asset Management Limited (United Kingdom)
- Board Director of Global Financial Markets Association (United States of America)
- Board Director of HSBC Trinkhaus & Burkhardt AG (Listed/Germany)

Qualifications
- Master of Economics from USJ, Lebanon
- Master of Economics and International Finance from La Sorbonne University, France
- Bachelor of Finance from L' Institut d'Etudes Politiques, France

Experience
- Experience in the banking and global financial markets field acquired from working at HSBC Group, where he held several leading roles

Mr. Stephen Moss
Non-Executive Director

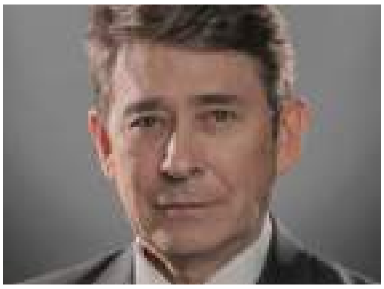
Current positions
- Group Managing Director and Regional Chief Executive Officer of MENAT at HSBC (Listed/United Arab Emirates)
- Board Director of HSBC Middle East Holdings B.V (Netherlands)
- Board Director of HSBC Bank Middle East Limited (Dubai International Financial Centre, UAE)
- Board Director of HSBC Saudi Arabia (Saudi Arabia)
- Board Director of HSBC Egypt (Egypt)
- Board Director of Dubai International Chamber (UAE)
- Advisory Board member of the Hong Kong Red Cross (Hong Kong) - Personal Capacity

Former positions
- Board Director of HSBC Latin America Holdings Limited (United Kingdom)
- Board Director of HSBC Bank Canada (Canada)
- Board Director of HSBC Bank plc (United Kingdom)
- Board Director of HSBC Asia Holdings B.V (United Kingdom)
- Board Director of Serai Limited (United Kingdom)
- Board Director of HSBC Asset Management Limited (United Kingdom)
- Group Managing Director and Regional Chief Executive of Europe, MENAT, and LATAM at HSBC (Listed/United Kingdom)
- Group Managing Director and Group Chief of Staff at HSBC (Listed/United Kingdom)

Qualifications
- Qualified chartered accountant and member of the Institute of Chartered Accountants in England and Wales

Experience
- More than 30 years' financial and managerial experience gained from various leadership roles at HSBC Group

Biographies of Executive Management as at 31 December 2022



Mr. Tony Cripps
Executive Director

Current positions
- CEO and Managing Director of The Saudi British Bank (SABB) (Listed/ Saudi Arabia)
- Board Director of HSBC Saudi Arabia Limited (Saudi Arabia)
- Board Director of Alawwal Invest (Saudi Arabia)

Former positions
- Group General Manager and Chief Executive Officer of HSBC Singapore
- Chief Executive Officer of HSBC Australia

Qualifications
- AFMA Australia (Financial Markets)
- SFE Australia (Accreditation Future Traders License)

Experience
- More than 38 years' experience in international banking. Assumed many Executive roles at HSBC Group

Mr. Yasser Al-Barrak

Current position
- Chief Corporate and Institutional Banking Officer, SABB

Former position
- General Manager of Global Corporate and Institutional Banking, SABB

Qualifications
- Bachelor of Information Systems from King Fahd University of Petroleum and Minerals

Experience
- More than 18 years of practical experience in the banking industry in the Kingdom

Mr. Bandar Al-Gheshayan

Current position
- Chief Wealth and Personal Banking Officer, SABB

Former position
- Chief Operating Officer of Wealth and Personal Management, SABB

Qualifications
- Master of International Management from the University of Liverpool

Experience
- Over 22 years of experience, 16 of which he spent in the Saudi banking sector

Mr. Mohammed Al-Shaikh

Current position
- Chief Treasury and Investment Officer, SABB

Former position
- General Manager of Treasury at Alawwal Bank

Qualifications
- Bachelor of Science in Finance

Experience
- Joined Alawwal in 2012 as a General Manager of Treasury. Prior to joining Alawwal, he held various treasury roles at Samba Financial Group, gaining extensive experience across various functions

Mr. Khalid Ismail

Current position
- Chief Risk Officer, SABB

Former position
- Chief Credit Officer, SABB

Qualifications
- Bachelor of Business Management and Accounting from Boston College, USA

Experience
- Over 15 years of experience in the banking sector and various financial institutions. He has vast knowledge and management experience in corporate banking relationship management, private asset management, business development and production

Ms. Rania Al-Sharyoufi

Current position
- Chief Human Resources Officer, SABB

Former position
- Deputy Chief Human Resources Officer, SABB

Qualifications
- Master of Human Resources Management

Experience
- Over 10 years of Human Resources experience from having had different roles in the field of HR including Head of HR at SABB Takaful

Biographies of Executive Management as at 31 December 2022 (continued)

Ms. Lama Ghazzaoui

Current position
- Chief Financial Officer, SABB

Former position
- Chief Financial Officer of NCB

Qualifications
- Certified Public Accountant (CPA) – State of Colorado, USA
- Bachelor of Science in Accounting from the Lebanese American University, Lebanon

Experience
- Over 22 years of experience in many banking, finance, and accounting related areas, as well as previous experience in external auditing. As part of her role as CFO, Ms. Ghazzaoui is the Chair of ALCO and a member of several management committees. She also sits on the boards and committees of several other entities

Ms. Ghada Al-Jarbou

Current position
- Chief Operating Officer, SABB

Former position
- General Manager of Global Liquidity and Cash Management, SABB

Qualifications
- Master of Business Administration from University of Bath, UK
- Bachelor of Computer Science from King Saud University, KSA

Experience
- Over 24 years of experience in banking. Joined SABB in 1998 and worked in different departments; IT, HR, Retail Banking, and Corporate Banking

Ms. Faten Abalkhail

Current position
- Company Secretary, SABB

Former position
- Integration Management Office / Head of Planning and Control, Strategy Department and Finance Department at Alawwal Bank

Qualifications
- Bachelor of Home Economics and Nutrition
- Diploma in Computer Sciences/ Programming and Information Systems

Experience
- Over 23 years of experience in financial services with an in-depth knowledge of planning, corporate governance, strategic initiatives execution and process. Held various posts in business, operations and control functions including Treasury, Retail, Strategy and Finance groups

Mr. Musaifer Al-Osaimi

Current position
- Chief Information Officer, SABB

Former position
- Head of Information Technology Development, SABB

Qualifications
- Diploma in Computer Engineering

Experience
- Over 28 years of experience in banking and technology. Started career with Saudi Arabian Monitoring Authority and worked for them for more than 10 years. Joined SABB in 2005 and progressed through different roles in the Information Technology department

Mr. Ali Al-Qahtani

Current position
- Chief Compliance Officer, SABB

Former position
- Deputy Chief Compliance Officer and Head of Financial Crime Compliance, SABB

Qualifications
- Bachelor of Law from Saudi Electronic University, Saudi Arabia
- Certified AML Specialist from Association of Certified Anti-Money Laundering Specialists, USA

Experience
- Over 21 years of experience in the Saudi banking system, covering the areas of Information Technology, Compliance, Financial Crime Compliance – anti-money laundering, Fraud, Sanctions, and Countering Terrorist Financing

Mr. Abdulhamid Al-Harbi

Current position
- Chief Internal Auditor, SABB

Former position
- Head of Special Assets for Special Asset Management, SABB

Qualifications
- Bachelor of Business Management, Heritage College, USA

Experience
- Over 30 years of experience in banking. Joined SABB in 1992 and worked in various departments including INA, Credit, Corporate and Commercial Banking, and Special Asset Management

Biographies of Executive Management as at 31 December 2022 (continued)

Ms. Mashael Al-Shebaiky

Current position
- Chief Legal Officer, SABB

Former position
- Senior Associate at Abuhimed AlSheikh and Alhagbani in cooperation with Clifford Chance LLP

Qualifications
- Master of Law (LLM) from Duke University, North Carolina, USA
- Bachelor of Arts in Law from Prince Sultan University, KSA
- New York State Bar qualification

Experience
- Experience in a wide range of corporate, commercial and capital market transactions, including private and public mergers and acquisition transactions, debt capital market transactions and general corporate, finance and advisory work. Ms. Al-Shebaiky has worked on transactions in various sectors, including the financial sector serving banks and investment banks, equally

Mr. Saeed Assiri

Current position
- Chief Digital Officer, SABB

Former positions
- Head of Digital Strategy and Innovation, SABB
- Head of Digital Transformation, SNB
- Head of Digital Banking, SAMBA
- Head of GLCM, Alawwal Bank

Qualifications
- Master of Engineering and Technology Management from Portland State University, USA.
- Attended INSEAD's Executive Leadership programme

Experience
- Over 15 years of experience in the banking sector

Mr. Faris Al-Shareef

Current position
- Chief Strategy Officer, SABB

Former position
- Deputy CFO, SABB

Qualifications
- Master of Business Administration from London Business School
- Bachelor of Accounting from King Fahad University of Petroleum and Minerals

Experience
- More than 15 years of experience in the fields of finance and management. Mr. Alshareef joined SABB in 2018 as a Head of Management Information, Planning and Analysis. He held various positions in Finance within SABB and was appointed as Deputy CFO before his most recent role as Chief Strategy Officer. He previously held several positions in reputable organisations such as Ernst and Young, General Electric and Bahri, covering areas of financial planning and analysis, audit, and commercial finance

Changes to the Board during 2022

Appointment, retirement and re-election of Directors

There are no changes to the Board of Directors during 2022.

Board meetings

During 2022, the Board held five meetings. The following table shows details of those meetings and their attendance.

	Meeting dates				
	30 March 2022	20 June 2022	25 July 2022	19 October 2022	8 December 2022
Ms. Lubna Olayan	✓	✓	✓	✓	✓
Mr. Saad Al-Fadly	✓	✓	-	-	✓
Eng. Mohammed Al-Omran	✓	✓	✓	✓	✓
Eng. Khalid Al-Molhem	✓	✓	✓	✓	✓
Mr. Stephen Moss	✓	✓	✓	✓	✓
Mr. Samir Assaf	✓	✓	✓	✓	✓
Mr. Martin Powell	✓	✓	✓	✓	✓
Mr. Stuart Gulliver	✓	✓	✓	✓	✓
Mr. Ahmed Al-Aulaqi	✓	✓	✓	✓	✓
Mr. Tony Cripps	✓	✓	✓	✓	✓
Mr. Sulaiman Al-Gwaiz	✓	✓	✓	✓	✓

Board Committees

The Board has established five Committees:

- Executive Committee (EXCOM)
- Audit Committee (AUCOM)
- Nomination and Remuneration Committee (NRC)
- Board Risk Committee (BRC)
- Shariah Committee (SC)

The Bank's approach with regards to establishing Board Committees is in line with all regulatory requirements issued by the various supervisory authorities, the Bank's bylaws and governance documents.

The Chair of each Board Committee will report matters of significance to the Board and minutes of all meetings are shared with all Board members.

Detailed roles and responsibilities for each committee are in place to ensure the proper functioning of the Board Committees.

Board and Board Committees Terms of Reference

During the past year, the Bank has updated the terms of reference of the Board and the Board Committees in line with the relevant regulations such as the Companies Law, SAMA's key principles of Corporate Governance, and CMA Corporate Governance Regulations. SABB's Board has endorsed the terms of reference of all Board Committees, while the meeting of the General Assembly has approved the terms of reference of the Audit Committee ('AUCOM') and the Nomination and Remuneration Committee ('NRC') as per regulatory directives.

As per their terms of reference, all the Board Committees must review their performance, status and terms of reference on an annual basis to ensure that the Committee is operating effectively including compliance with regulatory requirements, and to recommend any changes deemed appropriate for the Board's approval, and subsequently, the General Assembly Meeting's approval, where applicable.

Assessment of the effectiveness of the Board of Directors and Board Committees

In line with the regulatory requirements of the Governance Principles and Corporate Governance Rules and SABB's Corporate Governance Charter, the SABB Board of Directors annually conducts a self-assessment of its performance as well as of the performance of its members.

For this year, SABB engaged an independent external agency, to conduct a full assessment of the Board of Directors. The evaluation was in line with CMA and SAMA corporate governance standards, norms of corporate governance in the region and international best practices.

Board Committees (continued)

Board and Committee attendance during 2022

	Independent	Board	EXCOM	AUCOM	NRC	BRC	SC
Number of meetings held	-	5	7	5	5	4	8
Chair							
Ms. Lubna Olayan	-	5/5	6/7	-	-	-	-
Vice Chair							
Mr. Saad Al-Fadly	-	3/5	-	-	5/5	-	-
Executive Director							
Mr. Tony Cripps	-	5/5	7/7	-	-	-	-
Non-Executive Directors							
Eng. Khalid Al-Molhem	-	5/5	7/7	-	-	-	-
Mr. Ahmed Al-Aulaqi	✓	5/5	6/7	-	5/5	-	-
Mr. Sulaiman Al-Gwaiz*	✓	5/5	7/7	-	4/5	4/4	-
Mr. Martin Powell	✓	5/5	-	5/5	-	4/4	-
Mr. Mohammed Al-Omran	-	5/5	7/7	-	-	-	-
Mr. Stephen Moss	-	5/5	-	-	-	4/4	-
Mr. Samir Assaf	-	5/5	-	-	5/5	-	-
Mr. Stuart Gulliver	✓	5/5	-	5/5	-	4/4	-
Other Board Committee members							
Mr. Andrew Jackson	-	-	-	4/5	-	-	-
Mr. Khalid Al-Subayel	-	-	-	5/5	-	-	-
Mr. Saad Al-Sabti	-	-	-	4/5	-	-	-
Mr. Abdulhameed Almuhaidib	-	-	-	-	-	4/4	-
Sheikh Abdullah Al-Manea	-	-	-	-	-	-	8/8
Sheikh Dr. Abdullah Al-Mutlaq	-	-	-	-	-	-	8/8
Sheikh Dr. Mohammed El-Gari	-	-	-	-	-	-	8/8
Sheikh Dr. Abdullah Al-Shaker	-	-	-	-	-	-	6/8
Sheikh Dr. Esam Al-Enezi	-	-	-	-	-	-	6/8
Sheikh Dr. Abdullah Al-Aydhy	-	-	-	-	-	-	8/8

* Mr. Suliman Al-Gwaiz attends EXCOM meetings as an observer.

Description of the duties, composition and competencies of the Board Committees, and their meetings:

Mr. Khalid Al-Subayel
AUCOM Member

Current positions
- Audit and Risk Committee member for The National Centre for Performance Measurement (Saudi Arabia)
- Audit Committee member for NAS Holding (Saudi Arabia)
- Audit and Risk Committee member for National Housing Company (Saudi Arabia)

Former positions
- Audit/Compliance and Risk Committee member for Saudi EXIM Bank (Saudi Arabia)
- Director of the Banking Inspection Department for Saudi Central Bank (Saudi Arabia)
- Audit Committee member for the Mediterranean and Gulf Insurance and Reinsurance (Saudi Arabia)

Qualifications
- Bachelor of Literature from King Saud University, KSA
- Master of Accounting from University of Illinois, Chicago, US
- Banking Diploma from IPA, KSA
- Professional certificates including CPA

Experience
- 28 years of experience in various leadership positions in the Saudi Central Bank (SAMA)

Mr. Saad Al-Sabti
AUCOM Member

Current positions
- Audit Committee member for Misk Charity Foundation (Saudi Arabia)
- Audit Committee member for Crown Prince Private Affairs (Saudi Arabia)
- Member of Shura Council (Saudi Arabia)
- Partner in Alsabti Ecovis Company for Auditing and Consulting (Saudi Arabia)

Former positions
- Executive MP - Protiviti
- Board and Audit Committee member for Riyadh Chamber of Commerce (Saudi Arabia)
- RSM Managing Partner for AL Sabti and Bannaga (Saudi Arabia)
- Chief Internal Auditor for Alfaisaliah Group (Saudi Arabia)
- Audit Committee member for Saudi Venture Capital (Saudi Arabia)

Qualifications
- Bachelor of Accounting from King Saud University, KSA
- Master of Accounting from Walsh College, USA
- Professional certificates including CPA

Experience
- Experience in the financial and accounting sector, especially in external and internal audit

Mr. Andrew Jackson
AUCOM Member

Current positions
- Chairman of Rift Valley Roses Ltd
- Board Member and Chair of the Audit Committee for Hemingway's Hospitality Ltd
- Director of Lima Labs Ltd
- Chief Executive Officer of Jackson Consultants Ltd

Former positions
- CEO for KPMG Gulf Holding (Saudi Arabia, Kuwait, Jordan)
- Member of the Executive Committee and Remuneration Committee for KPMG ELLP (Europe)
- Member of the Executive Committee and Chairman of the Governance Committee for KPMG East Africa

Qualifications
- Bachelor of Computer Science and Accountancy from Manchester University, UK

Experience
- Specialised in the financial sector and has worked in over 41 different countries

Board Committees (continued)

Mr. Abdulhameed Al-Muhaidib
BRC Member

Current positions
- Group CFO of ACWA Power (Saudi Arabia)
- Board member and BRC member for HSBC Saudi Arabia (Saudi Arabia)
- Board member of Shuaa Energy 1 PSC, Dubai (UAE)
- Board member of Shuaa Energy 3 PSC, Dubai (UAE)

Former positions
- Board member of First National Operation and Maintenance Co. (NOMAC) (Saudi Arabia)
- Board member and Internal Audit Committee Chairman for Shuqaiq Arabian Water and Electricity Company (Saudi Arabia)
- Board member of International Bowarege Co. for Water Desalination Ltd (Saudi Arabia)
- Executive Managing Director of Noor Energy (UAE) (Saudi Arabia)

Qualifications
- Bachelor of Business Administration with major in Finance from the University of Miami, USA
- Master of Business Administration from the Pepperdine University Graziadio School of Business and Management, Malibu, California, USA

Experience
- Business leader with over a decade of progressive experience in projects and corporate management across different business sectors

Mr. Abdullah Al-Manea
SC Chair

Current positions:
- Consultant of the Royal Court
- Member of the Supreme Judicial Council of the Kingdom
- Member of the Islamic Fiqh Academy
- Member of AAOIFI Shariah Board

Former position:
- Judge and President of Makkah Court of Appeal

Qualification:
- Master's Degree in Fiqh from Higher Institute of Judiciary, Imam Mohammed bin Saud University

Years of experience:
- More than 30 years of extensive experience in field of Islamic banking including being member of Shariah Committees at a number of financial institutions

Dr. Mohammed El-Gari
SC Member

Current position:
- Member of several Shariah Committees of Islamic financial institutions in Saudi Arabia and internationally

Former positions:
- Professor of Islamic Economics at King Abdul-Aziz University
- The Director of the Centre for Research in Islamic Economics at King Abdulaziz University in Saudi Arabia

Qualification:
- PhD in Economics from the University of Berkeley, California, USA

Years of experience:
- More than 25 years of extensive experience in field of Islamic banking including being member of Shariah Committees at a number of financial institutions

Dr. Abdullah Al-Mutlaq
SC Member

Current positions:
- Consultant of the Royal Court
- Member of the Council of Senior Scholars
- Member of the Permanent Committee for Scholarly Research and Ifta

Former position:
- Chairman of the Comparative Fiqh Department at the Imam Mohammed bin Saud University

Qualification:
- PhD in Comparative Jurisprudence from Imam Muhammad bin Saud University, Saudi Arabia

Years of experience:
- More than 25 years of extensive experience in field of Islamic banking including being member of Shariah Committees at a number of financial institutions

Dr. Abdullah Al-Shaker
SC Member

Current positions:
- Owner and Director of Dr. Abdullah Al Musleh Law Firm for Shariah and Legal Consultations
- Member of several Shariah Committees of Islamic financial institutions

Former positions:
- Rector of Al-Imam Muhammad bin Saud Islamic University in Abha
- Dean of the Faculty of Shariah and Principles of Religion at the Imam Muhammad bin Saud Islamic University
- Director General of Commission on Scientific Signs in the Quran and Sunnah

Qualification:
- PhD in Shariah from Al-Imam Muhammad bin Saud Islamic University

Years of experience:
- More than 25 years of extensive experience in field of Islamic banking including being member of Shariah Committees at a number of financial institutions

Dr. Esam Al-Enezi*
SC Member

Current positions:
- Professor at the Department of Comparative Fiqh and Policies, College of Shariah and Islamic Studies - Kuwait University
- Member of several prominent Shariah Boards, including the AAOIFI Shariah Board

Qualification:
- PhD in Islamic Jurisprudence from the University of Jordan

Years of experience:
- More than 18 years of extensive experience in field of Islamic banking including being member of Shariah Committees at a number of financial institutions

*Dr. Esam Al-Enazi was appointed on 1 April 2022.

Board Committees (continued)

Dr. Abdullah Al-Aydhy
SC Member

Current positions:
- Associate Professor in Shariah department at Jazan University
- Member of Saudi Law of Civil Procedures Team
- Member of several Shariah Committees of Islamic financial institutions

Former position:
- Vice Rector College of Education for Quality and Development at Almajama University

Qualification:
- PhD in Comparative Jurisprudence (Fiqh) from Al-Imam Muhammad bin Saud Islamic University

Years of experience:
- More than 14 years of extensive experience in field of Islamic banking including being member of Shariah Committees at a number of financial institutions

Executive Committee (EXCOM)

Members

- Ms. Lubna Olayan (Chair – Non-Executive)
- Mr. Tony Cripps (Executive Director)
- Eng. Khalid Al-Molhelm (Non-Executive Director)
- Eng. Mohammed Al-Omran (Non-Executive Director)
- Mr. Ahmed Al-Aulaqi (Independent Director)

Roles and responsibilities

The EXCOM meets at least six times per year. The principal objective of the Committee is to support the Board of Directors in the discharge of its responsibilities and the oversight of the Bank's day-to-day operations and activities. In addition, EXCOM reviews and considers all monthly reports submitted by different functional heads and business segments of the Bank.

In line with the corporate governance requirements and best practice, the terms of reference of the Committee were revised and approved by the Board on 8 December 2022.

In 2022, the Committee held seven meetings. The table below shows details of those meetings and the record of attendance of members during the year.

EXCOM meetings during 2022

	Ms. Lubna Olayan	Eng. Mohammed Al-Omran	Eng. Khalid Al-Molhem	Mr. Ahmed Al-Aulaqi	Mr. Tony Cripps	Mr. Sulaiman Al-Gwaiz*
26 January	✓	✓	✓	✓	✓	✓
21 February	✓	✓	✓	✓	✓	✓
19 May	-	✓	✓	✓	✓	✓
30 August	✓	✓	✓	✓	✓	✓
18 October	✓	✓	✓	-	✓	✓
21 November	✓	✓	✓	✓	✓	✓
29 November	✓	✓	✓	✓	✓	✓

* Mr. Sulaiman Al-Gwaiz attends EXCOM meetings as an observer.

Audit Committee (AUCOM)

Members

- Mr. Martin Powell (Chair – Independent Director)
- Mr. Stuart Gulliver (Independent Director)
- Mr. Andrew Jackson (Non-Board member)
- Mr. Saad Al-Sabti (Non-Board member)
- Mr. Khalid Al-Sebayel (Non-Board member)

Board Committees (continued)

Roles and responsibilities

The AUCOM monitors the Bank's internal audit function, supervises external auditors, reviews control weaknesses and system deficiencies. It is also responsible for the review of interim and annual financial statements including compliance with accounting policies and provides the Board with its comments and feedback.

The Committee reviews the audit reports and provides its recommendations. AUCOM also makes recommendations to the Board on the appointment of the Bank's auditors and their respective fees, the review of the audit plan, follow-up on the Auditors' work and the review of the Auditors' comments.

The terms of reference of the Committee were revised and approved by the Ordinary General Assembly on 21 December 2022.

AUCOM meets at least four times per year and in 2022, the Committee held five meetings. The following table shows details of those meetings and the record of attendance of members during the year.

AUCOM meetings during 2022

	Mr. Martin Powell	Mr. Stuart Gulliver	Mr. Andrew Jackson	Mr. Saad Al-Sabti	Mr. Khalid Al-Sebayel
14 February	✓	✓	✓	✓	✓
20 April	✓	✓	✓	✓	✓
02 August	✓	✓	✓	✓	✓
18 October	✓	✓	✓	-	✓
07 December	✓	✓	-	✓	✓

Nomination and Remuneration Committee (NRC)

Members

- Mr. Ahmed Al-Aulaqi (Chair – Independent Director)
- Mr. Saad Al-Fadly (Non-Executive Vice Chair)
- Mr. Samir Assaf (Non-Executive Director)
- Mr. Sulaiman Al-Gwaiz (Independent Director)

Roles and responsibilities

The NRC recommends the nominations for Board membership in line with SABB Board membership policies and criteria and, annually reviews the skills and capabilities required by the Board and the Executive Management team to ensure the effective discharge of their respective responsibilities, including the amount of time members of the Board shall allocate to the activities of the Board and its Committees. The Committee also reviews the structure of the Board and provides recommendations regarding changes that may be made to such structure. It also ensures the independence of Independent Directors and the absence of any conflicts of interest. Finally, it reviews the scope and limits of SABB's governance in addition to drawing up and approving the compensation and remuneration policies and schemes and oversees the proper implementation of them.

The Board appointed Mr. Suliman Al-Gwaiz to fill the vacant position on the Committee on 2 March 2022.

In line with the corporate governance requirements and best practice, the terms of reference of the Committee were revised and approved at the Ordinary General Assembly on 21 December 2022.

NRC meets at least twice a year and in 2022, the Committee held five meetings. The following table shows details of those meetings and the record of attendance of members during the year.

NRC meetings during 2022

	Mr. Ahmed Al-Aulaqi	Mr. Samir Assaf	Mr. Saad Al-Fadly	Mr. Sulaiman Al-Gwaiz*
18 January	✓	✓	✓	-
16 March	✓	✓	✓	✓
30 March	✓	✓	✓	✓
19 October	✓	✓	✓	✓
08 December	✓	✓	✓	✓

* Mr. Sulaiman Al-Gwaiz was appointed as a member of NRC effective on 2 March 2022.

Board Risk Committee (BRC)

Members

- Mr. Stuart Gulliver (Chair - Independent Director)
- Mr. Martin Powell (Independent Director)
- Mr. Stephen Moss (Non-Executive Director)
- Mr. Sulaiman Al-Gwaiz (Independent Director)
- Mr. Abdulhameed Al-Muhaidib (Non-Board member)

Roles and responsibilities

The BRC is responsible for supporting the Board in the discharge of its risk oversight responsibilities including annual review and approval of the Bank's Risk Appetite Framework and overseeing its effectiveness. The Committee is also responsible for developing the Bank's risk management strategy and all related policies and ensuring their proper implementation.

The Board appointed Mr. Sulaiman Al-Gwaiz to fill the vacant position on the Committee on 2 March 2022.

In line with the corporate governance requirements and best practice, the terms of reference of the Committee were revised and approved by the Board on 8 December 2022.

The Committee consists of five members and reports directly to the Board. It meets at least four times a year.

In 2022, the Committee held four meetings. The following table shows details of those meetings and the record of attendance of members during the year.

BRC meetings during 2022

	Mr. Stuart Gulliver	Mr. Martin Powell	Mr. Stephen Moss	Mr. Abdulhameed Al-Muhaidib	Mr. Sulaiman Al-Gwaiz
29 March	✓	✓	✓	✓	✓
21 June	✓	✓	✓	✓	✓
02 August	✓	✓	✓	✓	✓
07 December	✓	✓	✓	✓	✓

* Mr. Sulaiman Al-Gwaiz was appointed as a member of BRC effective on 2 March 2022.

Board Committees (continued)

Shariah Committee

The SABB Shariah Committee (SC) consists of eminent and respected Shariah scholars and reports directly to the Board.

Members:

- Sheikh Abdullah Al-Manea (Chair)
- Sheikh Dr. Abdullah Al-Mutlaq (Member)
- Sheikh Dr. Mohammed El-Gari (Member)
- Sheikh Dr. Abdullah Al-Shaker (Member)
- Sheikh Dr. Esam Al-Enezi (Member)
- Sheikh Dr. Abdullah Al-Aydhy (Member)

Roles and responsibilities:

The Shariah Committee supervises the compliance of the Bank's Islamic banking activities with Shariah principles and issues decisions on matters to enable the Bank to comply with Shariah rules. SC approves documents, forms, contracts, agreements, polices, procedures etc. used in Shariah-compliant products besides reviewing and approving Shariah Audit reports.

The terms of reference of the SC were revised and approved by the Board on 19 October 2022 to bring them in line with SAMA's Shariah governance requirements and market best practices.

SC meets at least four times a year. In 2022, the Committee held eight meetings. The following table shows the record of attendance of members during the year.

SC meetings during 2022

	Mr. Abdullah Al-Manea	Dr. Abdullah Al-Mutlaq	Dr. Mohammed El-Gari	Dr. Abdullah Al-Shaker	Dr. Abdullah Al-Aydhy	Dr. Essam Al-Enezi[1]
16 January	✓	✓	✓	✓	✓	-
27 February	✓	✓	✓	✓	✓	-
19 May	✓	✓	✓	✓	✓	✓
21 June	✓	✓	✓	-	✓	✓
23 August	✓	✓	✓	✓	✓	✓
27 September	✓	✓	✓	✓	✓	✓
20 November	✓	✓	✓	✓	✓	✓
08 December	✓	✓	✓	-	✓	✓

1. Dr. Essam Al-Enazi was appointed on 1 April 2022.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Risk governance

SABB has a consistently strong risk culture across the organisation, which is embedded throughout business units, enablement and control functions. Ultimate accountability resides with the Board which exercises active governance through its Board sub-committees. Clear communication, guidance and online risk training is provided to all employees. The Bank operates on the principle that all Staff are responsible for identifying and managing risk within the scope of their role, whilst providing effective oversight through an operational and resilience risk function, other Risk Stewards and Internal Audit, as defined by the 3 lines of defence model. Adherence to risk management is a key performance indicator applied in the performance management of all Executive Management and Staff across the organisation. A policy of consequence management is applied where failures occur.

A well-established risk governance and ownership structure ensures oversight of, and accountability for, the effective management of risk. The Board approves the Bank's risk management framework, plans and performance targets, which include the establishment of management level risk governance committees, bank-wide and business risk appetite statements, the delegation of authorities for acceptance of credit and other risks and the establishment of effective control procedures.

Three lines of defence

First line of defence	The first line consists of risk and control owners. Risk owners are responsible for the end-to-end management of risks that they own. They are supported by control owners who are responsible for carrying out control activities with the object of ensuring risks are managed within policy and appetite. Typically, this applies to all units of the Bank with the exception of Internal Audit.
Second line of defence	The second line of defence is comprised of the Bank's operational risk management function and Risk Stewards within the Bank's Risk Management, Finance, Compliance, Legal and other functions that own a policy and provide guidance and oversight to ensure proper management of the risks that they steward.
Third line of defence	The third line of defence consists of an independent internal audit function which provides assurance with regard to the design and implementation of the Bank's controls and risk management practices. The Internal Audit's function reports directly to the Board's Audit Committee.

The Risk Management Committee ('RMC') and the Asset and Liability Committee ('ALCO') are the key management level risk governance committees that support the BRC in setting the Bank's overall risk appetite and managing the Bank's activities within it. The RMC reviews risk appetite, emerging risks and risk policy and is chaired by the Chief Risk Officer. ALCO reviews the risks associated with the Bank's balance sheet including asset and liability management, capital, liquidity and funding. Both RMC and ALCO meet at least 10 times a year and the Board sub-committees provide oversight of these committees, reviewing key performance metrics against risk appetite statements, discussing emerging risk matters, and incorporating learnings from international best practice.

Risk management tools

Risk appetite

SABB's risk appetite is documented and defines our desired risk profile and tolerances within which risk should be managed. The risk appetite covers both risks which we actively accept and engage in as well as risks that are an inevitable function of doing business. Risks covered include credit, market, interest rate, liquidity and funding, operational and resilience risk.

Risk appetite statements ('RAS') are deployed at the Bank level for all key risk categories and at the business level to document the appropriate risk appetite and limits for major lines of business.

SABB's risk appetite is reviewed and approved by the Board at least annually. The risk appetite is central to an integrated approach to risk, capital and business management and supports the Bank in achieving its strategy, as well as being a key element in meeting the Bank's obligations under Pillar 2 of the Basel Accord.

Risk map

SABB maintains a risk map, covering an assessment of current and anticipated levels of risk across all major financial and non-financial risk types. The risk map is reviewed by the Bank's Risk Management Committee and any risk identified as being at an "amber" or "red" level is investigated further and actions to mitigate the elevated level of risk are determined.

Stress testing

SABB's stress testing programme is performed at an enterprise-wide level and focuses on the key risk types to which the Bank is exposed. Stress testing refers to various quantitative and qualitative techniques used to gauge the Bank's vulnerability to exceptional but plausible events.

The Bank's stress testing programme incorporates the guidelines set out by SAMA, the principles set out by the Basel Committee and is a key component of the Bank's risk management approach.

A major objective of stress testing is to provide assurance that the Bank is adequately capitalised and sufficiently liquid to withstand a stress event and, in particular, would be able to restore its financial standing and operations to normal levels without undue reliance on external parties. Sensitivities that are identified during the stress testing process are followed up with Management's actions with the intention of mitigating their potential impact in the event of an actual stress event.

During the year the Bank has conducted multiple regulatory and internally initiated stress tests to evaluate potential outcomes and other risk factors on key economic indicators and consequently to the Bank's risk profile. The Bank's stress testing shows the Bank is adequately capitalised and sufficiently liquid to weather severe but plausible stress events.

Risk governance (continued)

Principal risk types

Risk type	Definition and management
Credit risk	Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Bank. Credit risk arises from the Bank's direct lending operations, its issuance of guarantees, bonds and like instruments, trade finance activities and its investment and trading activities. The granting of credit to customers is a core business of the Bank and accounts for a major portion of the Bank's balance sheet and profitability. The quality of the credit portfolio has a direct and important impact on the Bank's performance and strength. The Bank maintains credit policies, manuals, and procedures to manage credit risk across the Bank's portfolios, within approved risk appetite. The Bank operates an independent credit risk function which provides high level oversight and management of credit risk for SABB, aligned with SAMA Rules on Credit Risk Management in Banks. Its primary responsibilities include independent risk assessment to ensure applications conform with SABB's credit policy and local applicable regulations, guiding business segments on the Bank's appetite for credit exposure to specified industry sectors, activities and banking products, and controlling exposures to sovereign entities, banks and other financial institutions. Credit risk is monitored using a variety of credit risk management techniques such as assigning credit ratings, setting limits, monitoring credit exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties and through the appropriate structuring of transactions. The Bank manages credit exposure relating to its treasury trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. The Bank's credit risk exposure through derivatives represents the potential cost of replacing the derivative contracts if counterparties fail to fulfil their obligations. To control the level of credit risk taken, Management assesses counterparties using the same techniques as for lending activities. Concentrations of credit risk arise when a number of obligors are engaged in similar business activities or have similar attributes that would cause their ability to meet contractual obligations to be similarly affected by a particular change in economic, political or other conditions. Concentration risk can also arise from large exposures to a single borrower or group of related borrowers. Management seeks to manage concentration of credit risk through the diversification of lending activities and through the use of internal and regulatory limits.
Regulatory Compliance and Financial Crimes Compliance ('FCC') risk	Compliance risk is the risk leading to statutory, legal sanctions, material financial loss, or damage to the reputation of SABB that may be suffered as a result of failure to comply with all applicable laws, rules and regulations. A fully resourced and independent compliance function has been established for compliance risk management. The aim of compliance function is to protect the interest of Shareholders and depositors and safeguard the institution against regulatory consequences. Compliance risk management is a specialised activity with a high degree of complexity managing the risks of financial crime and regulatory compliance capturing sanctions, money laundering, terrorist financing, fraud, and anti-bribery and corruption. SABB has continued to make significant investments in people and compliance infrastructure including monitoring systems, internal reporting tools and training in order to better manage the compliance risks across the organisation. All identified risks and breaches to local regulations are reported to the Management and Board Committees along with corrective actions and monitored for adequate closure.

Market risk	Market risk is the risk that movements in market factors, including foreign exchange rates, special commission rates, credit spreads commodity and equity prices, will reduce our income or the value of our portfolios. Exposure to market risk is separated into two portfolios: • Trading portfolios - comprise positions arising from market making and warehousing of customer derived positions • Non-trading portfolios - comprise positions that primarily arise from the special commission rate management of our retail and commercial banking assets and liabilities and financial investments designated as 'Held to collect and sell' and 'Held to collect' Market risk is monitored and measured using limits and metrics approved by the BRC. The exposure and limits are monitored by an independent risk function. SABB uses a range of control measures to manage market risk ranging from specific stop loss control limits, sensitivity analysis, stress testing and Value at Risk ('VaR').
Liquidity risk	Liquidity risk is the risk that SABB does not have sufficient financial resources to meet its obligations as they fall due or that it can only do so at an excessive cost. Liquidity risk arises from mismatches in the timing of cash flows. Funding risk is the risk that funding is considered to be sustainable, and therefore used to fund assets, but it is not sustainable over time. Funding risk arises when illiquid asset positions cannot be funded at the expected terms and when required. To control and manage this risk, the Board of Directors have approved a range of risk appetite and tolerance limits, including but not limited to the Liquidity Coverage Ratio, the Net Stable Funds Ratio, Loan to Deposit Ratio, SAMA Liquidity Ratio as well as a series of concentration limits on the source of funding and its maturity profile. All metrics are closely monitored by the first line of defence risk owners, namely Treasury and the Asset Liability and Capital Management (ALCM) team, together with regular oversight and monitoring by Senior Management via Assets and Liabilities Committee (ALCO), Executive Committee (EXCOM) and the Board Risk Committee (BRC). The Bank conducts regular stress testing under a range of severe but plausible scenarios under the framework of its Internal Liquidity Adequacy Assessment Process (ILAAP), providing the Bank with insight into its ability to continue to operate effectively in support of its customers throughout the stress period and beyond. The Bank has established a mechanism for charging the cost of liquidity within the organisation to support the management of the balance sheet structure for liquidity and funding risk purposes. A Contingency Funding Plan ('CFP') has also been developed to provide a framework and guidance for both the risk owners and Executive Management in the event of an emerging or actual liquidity crisis. The CFP establishes early warning indicators (EWIs), whose ongoing monitoring forewarns Management of an impending stress, sets out responsibilities, and provides a series of potential mitigating actions that Management may select depending on the nature and severity of the situation. The CFP is reviewed and updated on at least an annual basis and is also subject to ongoing testing to ensure the operational effectiveness of the Bank's mitigating actions.
Shariah risk	Shariah risk is the risk of financial loss, regulatory sanction and/or reputational damage to SABB as a result of either a failure to comply with the pronouncements, guidelines and resolutions issued by SABB's Shariah Committee in respect of the development, execution, delivery and marketing of Islamic products, or of an opinion of the Shariah Committee being disputed by another body. Shariah rules are open to different interpretations hence, there are potential risks that a SABB product can be interpreted as non-compliant by another Shariah body. To mitigate this, SABB has ensured that its Shariah Committee members are of high standing. Further, SABB has a dedicated Shariah Affairs team specialising in advisory, risk management, and review training and awareness seminars are undertaken on Islamic banking principles, product and specific processing requirements. Finally, SABB has a technology platform that facilitates compliance with Shariah requirements to further reduce the risk of operational error or oversight. Shariah risk is identified as a distinct risk in the Bank's risk heat map, both at business and the dedicated Islamic financial level. Status is monitored through the appropriate governance committees. The Head of Islamic Financial Services reports directly to the Chief Risk Officer to oversee the development and independent control of Shariah products and services. IFS maintains a strong interaction with the Shariah Committee with respect to all Shariah related affairs which impact business and risk management. The Shariah Committee reports directly to the Bank's Board.

Risk governance (continued)

Principal risk types (continued)

Operational and Resilience risk	Operational risk is the non-financial risk which is taken to achieve the Bank's strategy or objectives due to inadequate or failed internal processes, people and systems, or from external events. It includes legal, regulatory and financial crime compliance, people, model, Shariah and resilience risks. The Risk Appetite for operational risk is established annually and approved by the Board. This is reviewed by the Operational and Resilience Risk Committee and the RMC with quarterly updates to the BRC. To ensure continuous assessment of adequacy of control over operational risks, risk and control assessments are made and the controls identified are tested periodically by Control Owners and Business Risk Control Managers. Issues identified are recorded in the Operational Risk Repository System and the resolution of issues are monitored and followed up by risk and control owners and the status communicated to and monitored at the related Risk Governance Committees, while exceptions and escalations are reported upward through related Governance Committees. In addition, issues identified in other reviews including those conducted by assurance functions, Internal Audit, external audit and regulatory authorities are also recorded in the system and monitored and followed up upon by the related Governance Committees. Amongst a number of types of operational risk, the protection of the Bank's technology infrastructure and our customers' data is a key focus as more and more banking is digitalised. As part of its core business processes, SABB handles various types of customer information and data relating to its customers. Handling of information and data includes its storage, processing, and transmission. The Bank has established an Information Security Risk unit reporting to the Chief Risk Officer. This unit provides assurance that the Bank's network is secure and is compliant with Information Security Policies by undertaking monitoring of information flows, data risk management and access management over SABB's core systems. Cybersecurity risk is the probability of exposure or loss resulting from a cyber-attack or data breach on SABB. We continue to strengthen our cyber-control framework and improve our resilience and cybersecurity capabilities, including threat detection and analysis, access control, payment systems controls, data protection, network controls and back-up and recovery. Cyber risk is a priority area for the Bank and is routinely reported at both the RMC and BRC to ensure appropriate visibility, governance, and executive support for our ongoing cybersecurity programme. From a cybersecurity regulatory point of view, SABB is focused on maintaining compliance with frameworks and initiatives introduced by the Saudi Central Bank (SAMA) and National Cybersecurity Authority (NCA) which helps further improve SABB's overall cybersecurity posture. This year, SABB achieved Payment Card Industry Data Security Standard (PCI DSS) certification. Furthermore, a cybersecurity awareness programme was put in place with an engaging security awareness campaign to further enhance employee and customer experiences and provide protection against potential cyber risks. Data Loss Prevention (DLP) policies have improved to monitor and control the movement of SABB information and deploy preventative controls to mitigate any data security breach. Access Management Control continues to ensure protection of information assets from unauthorised users, including access control review (access recertification) to bank systems and users. The Bank took measures to mitigate the inevitable operational risks arising from this change in working practices, and operational risks have been managed at an acceptable level during the year.

Reputational risk	Reputational risk relates to Stakeholders' perceptions, whether based on fact or otherwise. As Stakeholders' expectations are constantly changing, reputational risk is critical. Therefore, SABB's approach to reputational risk management must be upheld at all times and across all businesses and functions. SABB has built a strong image and reputation within the Saudi market, and maintains an unwavering commitment to operate, and be seen to be operating, to the highest standards set for itself. The reputation of SABB is vital to its success. Any financial services organisation stands or falls by its reputation and the customers' confidence in it, and the reputation can be severely damaged by non-compliance with relevant regulations or by inappropriate actions or comments to the media or in the public domain. The maintenance of customer confidence is a prime objective of Management and can be achieved through a strong and healthy financial position and by exhibiting successful risk management. SABB has zero tolerance for knowingly engaging in any business or activity where foreseeable reputational risk and/or damage has not been considered and/or mitigated. SABB tolerates a limited degree of reputational risk arising from activities where the risk has been carefully considered and/or mitigated and determined to fall below the risk threshold.

Internal controls

The ultimate responsibility for the system of internal controls resides with the Board. SABB's Internal Control System is designed to manage the risk of failure to achieve the Bank's strategic objectives. SABB's Management has established and maintains an adequate and effective framework of internal control in support of the policies approved by the Board. The Internal Control System ensures quality of external and internal reporting, maintenance of proper records, design and operational effectiveness of processes, compliance with applicable laws and regulations, and internal policies with respect to the conduct of business.

Regulatory compliance

The Internal Control System is compliant with the Guidelines on Internal Controls issued by SAMA. This includes ensuring that there is an ongoing process for the identification, evaluation and management of significant risks faced by the Bank. Observations made by external and internal auditors, and SAMA's inspection team are promptly reviewed and addressed by Management and are subject to oversight by the Board and its Audit Committee. SABB's assessment is that the Internal Control System in place provides reasonable assurance as to the integrity and reliability of the controls established and the management of information produced.

AUCOM assessment of the adequacy of the Bank's internal control system

During 2022, AUCOM reviewed various reports on the adequacy of internal controls and systems including the financial statements and risk reports. The AUCOM's discussions and decisions are documented in the meetings' minutes and matters requiring attention are escalated to the Board.

During this year, the AUCOM members met with the Chief Internal Auditor, Chief Operations Officer, Chief Risk Officer, Chief Compliance Officer, Chief Finance Officer, and external auditors; and have obtained updates on matters that require AUCOM's attention. AUCOM also received internal audit reports, regulatory reports and external auditors' management letters during the year and reviewed the Management's action plans for the issues raised.

AUCOM also reviewed the effectiveness of the system of internal control and procedures for compliance with SABB's internal policies, relevant regulatory and legal requirements in the Kingdom of Saudi Arabia and whether Management has fulfilled its duty in having an effective internal control system, seeking independent assurance from Internal Audit to assess the adequacy and effectiveness of such internal controls.

AUCOM assures the Board and Shareholders that in all material aspects, SABB's internal control system is adequately designed and operating effectively to the best of our knowledge and taking into account that any internal control system, regardless of its effective and sound design, cannot give absolute confirmations. AUCOM's recommendation pertaining to the appointment, dismissal, assessment or determining the remuneration of the external auditors or appointing a Chief Internal Auditor were adopted by the Board.

Annual review of the effectiveness of internal control procedures

The Board is responsible for maintaining and reviewing the effectiveness of risk management. The framework of standards, policies and key procedures that the Directors have established is designed to provide effective internal control within SABB for managing risks within the accepted risk appetite of the Bank; for safeguarding assets against unauthorised use or disposal; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage and mitigate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement, errors, losses or fraud. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by SABB have been in place throughout the year.

SABB's Management is responsible for implementing and reviewing the effectiveness of the Bank's internal control framework as approved by the Board. All employees are responsible for identifying and managing risk within the scope of their role as part of the 3 Lines of Defence model, which is an activity-based model to delineate Management's accountabilities and responsibilities for risk management and the control environment. The second line of defence establishes the policy and guidelines for managing specific risk areas, provides advice and guidance in relation to the risk, and challenges the first line of defence (the risk owners) on effective risk management.

The Risk function, under the Chief Risk Officer, is responsible for maintaining oversight of the management of various risks across the Bank. The Compliance function maintains oversight of business operations and management action to ensure conformity with regulatory requirements. The risk management process is fully integrated with strategic planning, the annual operating plan and the capital planning cycle. Results are communicated for the information of the Directors by means of periodic reports provided to the AUCOM and BRC members.

Summary of key internal controls

Control	Description
SABB Principles	SABB Principles overlay all policies and procedures, informing and connecting our purpose, values, strategy and risk management. In other words, why we exist, who we are, what we do and how we deliver.
Policies and procedure framework	SABB has a strong policies and procedures framework governed by the "Procedures of SABB Manuals". Functional Instructions Manuals (FIMs) articulate the key policies related to all major activities of the Bank besides standalone policies on the key regulations. All policies are approved by the Board and are subject to periodic review to ensure they adequately cover the Bank and its operating environment including alignment with regulation and international best practices.
Delegation of authority within limits set by the Board	Authority to carry out various activities and responsibilities for financial performance against plans are delegated to SABB Management within limits set by the Board. Delegation of authority from the Board to individuals requires those individuals to maintain a clear and appropriate apportionment of significant responsibilities and to oversee the establishment and maintenance of a system of controls appropriate to the business. Authorities to enter into credit and market risk exposures are delegated with limits to line management. Outside of these limits, including for credit proposals with specified higher risk characteristics, the concurrence of the Executive Committee is required. Credit and market risks are measured and aggregated for review and management of risk concentrations. The appointment of Executives to the most senior positions within SABB requires the approval of the Board and concurrence from SAMA.
Risk identification and monitoring	Systems and procedures are in place in SABB to identify, monitor, control and report on the major financial and non-financial risks which includes credit, market, liquidity, capital, financial management, model, reputational, strategic, sustainability, financial crime and regulatory compliance, people, Shariah, legal and resilience risks in addition to any emerging risks. Exposure to these risks is monitored by various Management Governance Committees. These include: the Asset and Liability Committee, the Risk Management Committee, the Compliance Committee, the Fraud High Committee, the IT Steering Committee, the Customer Experience Steering Committee, the Information Security Risk Committee and the Operational and Resilience Risk Committee and their various sub-committees.

Internal controls (continued)

Summary of key internal controls

Governance committees	The effectiveness, membership and terms of reference are reviewed annually, and minutes of meetings are submitted to the Board sub-committees, and through these sub-committees to the Board.
Risk and Control Assessment ('RCA')	All significant operational risks, together with the associated controls are identified through an RCA process conducted by risk owners with input from Risk Stewards (subject matter experts in the second line of defence). The design and operating effectiveness of controls is tested at several levels including by dedicated Business Risk and Control Managers (within the first line of defence) and the relevant Risk Stewards (second line of defence) to provide reasonable assurance to the Management about the adequacy of the controls.
Financial reporting	SABB's financial reporting process for preparing the Annual Financial Statements for the year ended 31 December 2022 is controlled using documented accounting policies and reporting formats. The submission of financial information is subject to certification by the Chief Financial Officer.
Changes in operations, market conditions and practices	Processes are in place to identify new risks arising from changes in market conditions and practices and customer behaviour.
Annual operating plans	Annual operating plans, informed by detailed analysis of risk appetite describing the types and quantum of risk that SABB is prepared to take in executing its strategy, are prepared at business and functional levels, and set out the key business initiatives and the likely financial effects of those initiatives.
Governance arrangements	Governance arrangements are in place to provide oversight of, and advice to the Board on, material risk related matters. These are affected through the Board sub-committees as well as Management sub-committees which oversee the effectiveness of risk management and report to the Board sub-committees.
Internal Audit	Internal Audit (INA) represents the Third Line of Defence and monitors the effectiveness of the internal control framework across the whole of SABB focusing on the areas of greatest risk to the Bank as determined by a risk-based audit approach. INA accomplishes this by independently reviewing the design and operating effectiveness of internal control systems and policies established by first and second line functions to ensure that the Bank is operating within its stated risk appetite and in compliance with the regulatory framework. The Chief Internal Auditor (CIA) reports to AUCOM on all audit related matters. The SABB Internal Audit Activity Charter sets out the accountability, independence, responsibility, and authority of the INA function, while the SABB Audit Instruction Manual (AIM) prescribes the standards and procedures adhered to by the INA function. Both documents are reviewed and approved by AUCOM, acting on behalf of the Board on an annual basis. Executive Management is responsible for ensuring that Management Action Plans agreed by the INA function are implemented within an appropriate and agreed timetable. Confirmation to this effect must be provided to INA. During 2022, INA reviewed a number of activities and processes of SABB following a risk-based approach. Reports of these audits have been submitted to the AUCOM highlighting areas where the effectiveness of controls or Management's effectiveness in addressing control deficiencies was found to be less than satisfactory. On an overall basis, audits of the effectiveness of the internal control environment conducted during 2022 confirmed that systems and procedures for the ongoing identification, evaluation and management of significant risks faced by SABB were in place throughout the year and no significant issues have been identified. These procedures enabled SABB to discharge its obligations under the rules and regulations issued by SAMA and the standards established by the Board.

Board assurance

The Board assures Shareholders and other interested parties that to the best of its knowledge and in all material aspects:

- Proper books of account have been maintained
- The system of internal controls is sound in design and has been effectively implemented
- It has no evidence that suggests the Bank's inability to continue as a going concern

The Board has reached this view and is able to make this assurance based on its ongoing oversight of and involvement in the Bank's control framework directly and through its sub-committees. The Board further mandates Management to conduct an annual review of effectiveness of internal control procedures.

Related parties

Related party transactions

Managerial and specialised expertise is provided under a technical services agreement with HSBC Holdings plc, the parent company of HSBC Holdings BV. This agreement was amended on 3 October 2018 and renewed for a period of 10 years, commencing on 30 September 2017.

In the ordinary course of its activities, the Group transacts business with related parties. In the opinion of the Management and the Board, the related party transactions are performed in normal course of business. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA.

The financial information below have been prepared according on the regulatory requirements specified by the Central Bank of Saudi Arabia and the Capital Market Authority.

The year end balances included in the consolidated financial statements resulting from such transactions are as follows:

	2022	2021
The HSBC Group:		
Due from banks and other financial institutions	4,397,919	1,135,263
Investments	10,263	10,779
Fair value derivatives, net	24,517	3,421
Due to banks and other financial institutions	4,152,262	575,837
Commitments and contingencies	3,977,543	4,061,265

	2022	2021
Associates:		
Investments	599,290	583,359
Loans and advances	72,370	275,000
Other assets	16,554	47,726
Customer deposits	1,083,661	461,085
Other liabilities	8,379	-
Commitments and contingencies	3,169	1,303,655

	2022	2021
Directors, board committees, other major Shareholders, key management personnel and their affiliates:		
Investments	3,335,028	3,769,568
Loans and advances	17,979,384	15,101,994
Customers' deposits	24,883,930	11,480,071
Positive fair value derivatives, net	190,148	72,626
Debt securities issued	-	500,000
Other liabilities	19,335	18,148
Commitments and contingencies	939,590	4,756,529

Other major Shareholders represent Shareholders (excluding the non-Saudi shareholder) of more than 5% of the Group's issued share capital.

	2022	2021
Related mutual funds:		
Investments	370,264	363,510
Customers' deposits	1,875	17,440
Debt securities issued	212,000	212,000

	2022	2021
Subsidiaries:		
Other assets	-	34,000
Related mutual funds:		
Investments	38,361	578,649

Below represents transactions with related parties other than those disclosed elsewhere in these consolidated financial statements.

	2022	2021
Special commission income	651,129	254,118
Special commission expense	222,524	59,951
Fees and commission income	161,968	127,408
General and administrative expenses	181,301	73,615
Service charges paid to HSBC group	16,571	16,799
Service charges recovered from associate	28,776	24,320
Proceeds from sale of non-current assets held for sale	68,803	28,084
Profit share paid to associate relating to investment banking activities	-	79,895
Directors' and board committees' remuneration	6,957	5,610

The total amount of compensation paid to key management personnel during the year is as follows:

	2022	2021
Short-term employee benefits*	34,616	35,062
Termination benefits	70	746
Other long-term benefits	12,077	37,800
Share-based payments	8,282	12,944

*Short-Term Employee benefits includes: Salaries, Allowances, Benefits, Cash bonus paid during the year.

Key Management personnel are those persons, including an executive director, having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly.

Related parties (continued)

No	Related party	Relation to related party	Name of the party with direct or indirect Interest, major shareholding or external Auditor	Value	Nature of business	Agreement
1	Saudi Xerox Co	Board member / Shareholder	Ms. Lubna Olayan	SAR 1,754,003.27	Statement print	Annually
2	Schindler Olayan Elevators	Board member	Ms. Lubna Olayan	SAR 36,319.05	Elevator maintenance	Annually
3	SIMAH	21.87% owned by SABB	Mr. Bandar G. Ghashyan Ali Abdulaziz Al Sabhan	SAR 16,783,091.70	SIMAH Membership agreement	Annually
4	HSBC Bank Middle East Limited (HBME)	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	SAR 6,930,860.00	(Software)	Annually
5	HSBC Holdings	Board member / major Shareholder	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	-	Intra Group service agreement for HGHQ	Annually
6	SABB Takaful*	65% owned by SABB	Mr. Faris F. Al-Shareef Mr. Yasir Al-Barrak	SAR 104,412,606.41	Public liability	Annually
7	HSBC Bank plc	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	SAR 5,379,158.00	Intra Group service agreement for HSBC UK	Annually
8	HSBC Bank Canada	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	-	Intra Group service agreement for HSBC Canada	Annually
9	HSBC Saudi Arabia	49% owned by SABB	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps Mr. Ali Al Sabhan Mr. Mohammed Al Shaikh Mr. Abdulhamid Al Harbi	SAR 4,052,797.49	Services agreement	Annually
10	HSBC Saudi Arabia	49% owned by SABB	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps Mr. Ali Al Sabhan Mr. Mohammed Al Shaikh Mr. Abdulhamid Al Harbi	SAR 208,426.00	Intra Group Service Agreement	Annually
11	*Noon	Senior Exec Family Member	Mr. Khalid Ismail	SAR 2,108,787.94	PSP for Payment Gateway Services	Annually
12	*ELM	Senior Executive	Mr. Khalid Ismail	SAR 13,137,899.88	Yakeen & Natheer online services	Annually
13	SANID	20% owned by SABB	Ms. Jehan Tash-kandi	SAR 32,330,362.02	ATM replenishment / Cash Sorting / CIT Services	Annually
14	Al Bustan Company	Board member	Ms. Lubna Olayan	SAR 1,878,594.09	One ATM and four staff housing rentals	Annually
15	Olayan Real Estate Co.	Board member	Ms. Lubna Olayan	SAR 1,251,348.34	Branch site rentals	Annually
16	Arabian Business Machines Co.	Board member / Shareholder	Ms. Lubna Olayan	SAR 61,452.50	Cash Vault & Safe Deposit Services	One time
17	*PRICEWATERHOUSECOOPERS	External Auditors	PWC	SAR 4,724,499.00	Auditing the consolidated financial statements of SABB	Annually
18	HSBC Bank plc	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	SAR 290,000,000.00	Dispose of Loans & Advances	One time

** These entities are no longer related parties as of 31-Dec-2022, however, these are included as the submission reflects YTD RP.*

Information relating to competing business with the Bank or any of its activities that any member of the Board is engaging in or was engaged in

The Bank confirms that there was no engagement from the members of the Board of Directors in any activity competing with the Bank.

Arrangements for Shareholders' waiver of rights to dividends

The Bank is not aware of any information on any arrangements or agreements for the waiver of their rights to dividends by any Shareholder of the Bank.

Notification relating to substantial shareholdings

During the year, the Bank did not receive any notification from Shareholders or relevant persons regarding the change in their ownership of the Bank's shares in accordance with the disclosure requirements of the Listing Rules issued by the Capital Market Authority. Below are schedules of share ownership of major Shareholders, Directors of the Board and Senior Executives or their spouses and minor children in shares or equity.

Description of any interest, option rights and subscription rights of major Shareholders

Name of Stakeholder	No. of shares		Change		
	1 January 2022	31 December 2022	Shares	%	Ownership %
HSBC Holdings B.V	636,986,300	636,986,300	-	-	31.0%
Olayan Saudi Investment Company Ltd.	416,365,671	416,365,671	-	-	20.3%

Rights of the Shareholders

In line with the relevant regulations, and as a general rule, the Bank ensures that the Shareholders have the ability to exercise their rights completely, including their right to give feedback about the Bank and its performance through General Meetings and the Share Registry unit.

Related parties (continued)

Bank requests for Shareholders' register

The Bank regularly requests information on the constituents of the Shareholder base from the Tadawul Stock Exchange. The request log is detailed below:

	Date	Reason
1	31 January 2022	Update of Shareholder records
2	28 February 2022	Update of Shareholder records
3	17 March 2022	Update of Shareholder records
4	21 March 2022	Update of Shareholder records
5	31 March 2022	Update of Shareholder records
6	19 April 2022	Dividend entitlement
7	28 April 2022	Update of Shareholder records
8	31 May 2022	Update of Shareholder records
9	30 June 2022	Update of Shareholder records
10	17 July 2022	Dividend entitlement
11	18 July 2022	Dividend entitlement
12	18 July 2022	Update of Shareholder records
13	31 July 2022	Update of Shareholder records
14	31 August 2022	Update of Shareholder records
15	07 September 2022	Update of Shareholder records
16	27 September 2022	Update of Shareholder records
17	29 December 2022	Update of Shareholder records

SABB complies in form and content with all corporate governance guidelines included in the Corporate Governance Regulations issued by the CMA with the exception of Article 95 (more details can be found below). This commitment has resulted in the inclusion of the compulsory requirements in the Bank's bylaws and internal policies and guidelines. These include establishment of the rights of Shareholders to purchase and own shares and to participate in General Assembly Meetings; the provision of all information that ensures Shareholders can exercise their rights; the disclosure of financial and non-financial information and the complete observance of transparency requirements in line with the regulatory requirements; and the definition of the liabilities of the Board of Directors and formation of its various committees under Terms of Reference that are in line with the regulatory guidelines.

Article	Requirement	Reason for non-compliance by the Bank
95	Formation of a Corporate Governance Committee (Guiding Article)	The Nomination and Remuneration Committee, in line with its terms of reference, is entrusted with the periodical revisions to ensure consistency of the applications and structures of governance adopted by the Bank and to present their recommendations to the Board on such matters.

SABB
General meetings

During 2022, SABB held an Ordinary General Meeting on 17 April 2022 (Annual General Meeting) via online platform with the required quorum and attendance of 77.16% of Shareholders. The second Ordinary General Meeting was held on 21 December 2022 via online platform with the required quorum and attendance of 76.92% of Shareholders. The results of the meetings are publicly available on the Saudi Stock Exchange website (https://www.saudiexchange.sa/).

General Assembly Meetings - Board of Directors attendance

The following table shows the details of meetings and the attendance of Directors during the year:

Board Director Name	17 April 2022	21 December 2022
Ms. Lubna Olayan	✓	✓
Mr. Saad Al-Fadly	✓	✓
Eng. Khalid Al-Molhem	✓	✓
Eng. Mohammed Al-Omran	✓	✓
Mr. Ahmed Al-Aulaqi	✓	✓
Mr. Martin Powell	✓	✓
Mr. Stuart Gulliver	✓	-
Mr. Sulaiman Al-Gwaiz	✓	✓
Mr. Tony Cripps (Appointed Director)	✓	✓
Mr. Stephen Moss	-	✓
Mr. Samir Assaf	-	-

Directors' and Senior Executives' interests

Directors' interests (including relatives)

The Bank regularly requests information on the constituents of the Shareholder base from the Tadawul Stock Exchange. The request log is detailed below:

Name of Stakeholder	No. of shares		Change	
	1 Jan 2022	31 Dec 2022	Shares	%
Ms. Lubna Olayan	129,515	150,000	20,485	15.82%
Eng. Khaled Al-Molhem	57,414	79,514	22,100	38.49%
Eng. Mohammed Al-Omran	52,183,643	52,196,643	13,000	0.02%
Mr. Saad Al-Fadly	-	-	-	-
Mr. Samir Assaf	-	-	-	-
Mr. Ahmed Al-Aulaqi	1,677	1,677	-	0%
Mr. Martin Powell	-	-	-	-
Mr. Stephen Moss	-	-	-	-
Mr. Stuart Gulliver	-	-	-	-
Mr. Sulaiman Al-Gwaiz	-	-	-	-
Mr. Tony Cripps	-	-	-	-

Senior Executives' interests (including relatives)

Name of Senior Executives	No. of shares		Change	
	1 Jan 2022	31 Dec 2022	Shares	%
Ms. Faten Abalkhail	-	-	-	-
Mr. Majed Najm[1]	147,084	-	(147,084)	(100.00%)
Mr. Mohammed Al-Shaikh	253,937	-	(253,937)	(100.00%)
Mr. Bashaar Al-Qunaibet[2]	60,502	-	(60,502)	(100.00%)
Mr. Tony Cripps	-	-	-	-
Ms. Lama Ghazzaoui	-	-	-	-
Ms. Maha Al-Sudairi[3]	-	-	-	-
Mr. Faris Al-Shareef	1,306	3,680	2,374	181.78%
Mr. Yasser Albarak[4]	-	59,826	59,826	100.00%
Mr. Khalid Ismail[5]	-	10,564	10,564	100.00%

1. Mr. Majed Najm appointed as Non-Executive Senior Adviser on 1 July 2022.
2. Mr. Bashaar Al-Qunaibet resigned on 8 May 2022.
3. Ms. Maha Al-Sudairi resigned on 14 June 2022.
4. Mr. Yasser Albarak appointed as Chief Corporate and Institutional Banking Officer effective 1 July 2022.
5. Mr. Khalid Ismail appointed as Chief Risk Officer effective 27 October 2022.

Remuneration

SABB's Remuneration and Compensation Policy for Board Directors, Committee Members and Executive Management is set in accordance with regulatory provisions issued by the supervisory authorities. The policy sets out clear standards regarding the remuneration of members of the Board of Directors, its Committees, and the Executive Management.

The remuneration of the members of the Board of Directors is determined based on SABB's Remuneration and Compensation Policy and the recommendation of the Nomination and Remuneration Committee.

There is no material deviation between the remunerations paid to the Directors and SABB's Remuneration and Compensation Policy.

There are no arrangements or agreements under which any member of the Board of Directors nor any of the members of the Committees and Senior Executives have waived any remuneration, except for amounts that exceeded the regulatory cap.

The remuneration of independent Board members is not linked to the Bank's profits, in accordance with the guidance of the Capital Market Authority.

The compensation is paid towards the end of the year. During 2022, none of the Board or sub-committee members have assumed any work in a technical or advisory role, and therefore they did not obtain any consideration or special benefits in this respect.

The following tables show details of remuneration paid to Board and sub-committee members and Senior Executives of the Bank during the year.

Remuneration

(continued)

Board remuneration

	Fixed remunerations SAR'000s							Variable remunerations SAR'000s								
Name	Specific amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chair, Managing Director or Secretary if a	Total (SAR'000s)	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total	End-of-service award	Aggregate amount	Expenses allowance
First: Independent Directors																
Mr. Ahmed Al-Aulaqi	450	25	55				530**									
Mr. Sulaiman Al-Gwaiz	450	25	105				580**									
Mr. Martin Powell	450	25	45				520*									
Mr. Stuart Gulliver	450	25	50				525*									
Total	**1,800**	**100**	**255**				**2,155**									
Second: Non-Executive Directors																
Ms. Lubna Olayan	400	25	50				475									
Mr. Saad Al-Fadly	400	15	25				440									
Eng. Mohammed Al-Omran	400	25	35				460									
Eng. Khalid Al-Molhelm	400	25	35				460									
Mr. Stephen Moss	400	25	20				445									
Mr. Samir Assaf	400	25	45				470									
Total	**2,400**	**140**	**210**				**2,750**									
Third: Executive Directors																
Mr. Tony Cripps	-	-	-				-									

*Pursuant to the Companies Law, CMA, and SAMA Corporate Governance regulations, which states that the remuneration cap per Director is SAR 500,000 with exceptions mentioned in The Companies Law, Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies and SAMA circulars.
**Remuneration and compensations paid to Directors did not exceed SAR 500,000 annually, any additional due amounts will not be paid.

Committee remuneration

The following amounts are received by all Board Committee members:

	Fixed remuneration (except for the allowance for attending meetings)	Allowance for attending meetings	Total SAR'000s
Audit Committee members			
Mr. Martin Powell	50	25	75
Mr. Stuart Gulliver	50	25	75
Mr. Saad Al-Sabti	150	20	170
Mr. Khaled Al-Sebayel	150	25	175
Mr. Andrew Jackson	150	20	170
Nomination and Remuneration Committee members			
Mr. Ahmed Al-Aulaqi	50	25	75
Mr. Samir Assaf	50	25	75
Mr. Sulaiman Al-Gwaiz	50	20	70
Mr. Saad Al-Fadly	50	25	75
Board Risk Committee members			
Mr. Stuart Gulliver	50	20	70
Mr. Stephen Moss	50	20	70
Mr. Martin Powell	50	20	70
Mr Abdulhameed Al-Muhaidib	150	20	170
Mr. Sulaiman Al-Gwaiz	50	20	70
Executive Committee members			
Ms. Lubna Olayan	50	30	80
Eng. Khaled Al-Molhem	50	35	85
Eng. Mohammad Al-Omran	50	35	85
Mr. Tony Cripps	0	0	0
Mr. Ahmed Al-Aulaqi	50	30	80
Shariah Committee members			
Mr. Abdullah Al-Manea	206	40	246
Dr. Abdullah Al-Mutlaq	206	40	246
Dr. Abdullah Al-Shaker	206	30	236
Dr. Mohammed El-Gari	256	40	296
Dr. Esam Al-Enezi	200	30	230
Dr. Abdullah Al-Aydhy	160	40	200

Remuneration

(continued)

Top five Senior Executives[5] (Including CEO[4] and CFO)

Fixed Remunerations				Variable remunerations		
Salaries	Allowances	In-kind benefits[2]	Total	Periodic Remunerations[1]	Profits	Short-term incentive plans
10,066	2,062	1,948	14,076	16,095	-	-

1. Includes both cash and deferred bonus.
2. Includes end of service benefit for resigned Senior Executives, education benefit and accommodation rent.
3. Long Term Incentive Plans include the Talent Retention Schemes.
4. The CEO is also an Executive Director.

Special meetings remuneration

The following amounts are received by four Board Committee members:

SAR'000s	Number of meetings	Allowance for attending Board meetings	Total
Special meetings for Branding	6	5	75

Long-term incentive plans[3]	**Granted shares (insert the value)**	**Total**	**End-of-service award**	**Total Remunerations for Board executives, if any[4]**	**Aggregate Amount**
-	-	16,095	-	9,463	30,171

Remuneration

(continued)

Arrangements for Directors' or Senior Executives' waiver of salaries or remuneration

The Bank is not aware of information on any arrangements or agreements for the waiver by any Director of the Board or any Senior Executive of any salaries, awards or remuneration.

Staff benefits and schemes

An annual independent review of SABB's compensation structure is conducted by an external consultant and submitted to the Nomination and Remuneration Committee and to SAMA along with Management reports. This is in line with the guidance issued by SAMA and the Financial Stability Board.

According to the Labour Law of the Kingdom of Saudi Arabia and SABB's internal policies, employee end-of-service benefits become due for payment at the end of an employee's period of service. The end-of-service benefits outstanding at the end of 2022 amount to SAR 695 million.

The Bank has Share Based Equity settled Bonus payment plans outstanding at the end of the year. Under the terms of these plans, SABB's eligible employees are offered shares at a predetermined price. At the vesting dates determined under the terms of the plan, SABB delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions.

The cost of the plans is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date'). The cumulative expense recognised for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest.

The Bank currently has 2 Share Based Equity Plans, under which the grant for the Bonus Deferral Programme was made at various dates during 2020, 2021 and 2022 with a maturity period of 3 years from the respective grant dates and shares vesting is 33%, 33% and 34% for the first, second and third year respectively. As for the LTIP with a maturity of 4 years of the respective grant date and shares vesting is 30%, 20% and 40%, with remaining as cash rewards. As per the settlement method, the ownership of these shares will pass to the employees at the respective vesting dates, subject to satisfactory completion of the vesting conditions. The movement in the number of shares under Share Based Equity settled Bonus Payment Plan is as follows:

Movement in the number of shares under the Share Based Equity settled Bonus payment plans

	2022	2021
1 January	4,591,311	1,085,913
Forfeited	(411,584)	(109,698)
Exercised or expired	(634,519)	(485,447)
Granted during the year	687,126	4,100,543
31 December	**4,232,334**	**4,591,311**

The weighted average price of shares granted during the year was SAR 38.2 (2021: SAR 27.8).

Disclosure of details of the treasury stocks held by the Bank and details of uses of these stocks

No. of treasury stocks	Market value (SAR)	Date of holding	Detail of uses
4,181,503	162,869,542	31 Dec 2022	The Bank acquires its own shares in connection with the actual grant of shares to key Management for the future. Until such time as the beneficial ownership of such shares in the Bank passes to the employees, the unallocated/non-vested shares are treated as treasury shares to be used to fund future employee long-term incentive plans.

Legal entity structure

Company name	Relationship	Ownership interest	Business activity	Share capital	Country of incorporation
SABB Insurance Agency Limited[1]	Subsidiary	100%	Insurance agency for SABB Takaful	SAR 500,000	Saudi Arabia
Arabian Real Estate Company Limited	Subsidiary	100%	Engaged in the purchase, sale and lease of land and real estate for investment purposes	SAR 1,000,000	Saudi Arabia
SABB Markets Limited	Subsidiary	100%	Engaged in derivatives trading and repo activities	USD 50,000	Cayman Islands
Alawwal Invest	Subsidiary	100%	Engaged in investment services and asset management	SAR 840,000,000	Saudi Arabia
Alawwal Real Estate Company	Subsidiary	100%	Registration of real estate assets under its name on behalf of SABB	SAR 500,000	Saudi Arabia
Alawwal Insurance Agency Company[1]	Subsidiary	100%	Insurance agency	SAR 500,000	Saudi Arabia
Walaa Cooperative Insurance Company[2]	Associate	15.60%	Engaged in insurance and reinsurance business (general, medical, motor and protection and savings insurance)	SAR 850,583,250	Saudi Arabia
HSBC Saudi Arabia	Associate	49%	Engaged in investment banking services including, advisory services brokerage, debt and project finance activities	SAR 500,000,000	Saudi Arabia
Saudi Kayan Assets Leasing Company	Special purpose vehicle	50%	SABB has participated in the 3 structured entities for the purpose of affecting syndicated loan transactions in the Kingdom of Saudi Arabia and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structures	SAR 500,000	Saudi Arabia
Rabigh Asset Leasing Company[3]	Special purpose vehicle	50%		SAR 500,000	Saudi Arabia
Yanbu Asset Leasing Company[3]	Special purpose vehicle	100%		SAR 500,000	Saudi Arabia

Note: The Bank assures there is no debt securities in issue for any of these subsidiaries.
1. Company was closed in 2022.
2. As a result of SABB Takaful merger into Walaa Cooperative Insurance Company ("Walaa"), SABB shareholding in Walaa is 15.60% as of October 2022.
3. The Company is under process for closure.

Appointment of external auditors

The Ordinary General Meeting of the Bank held on 17 April 2022, endorsed the selection of both Price Waterhouse Cooper PWC and KPMG Professional Services as external auditors to audit the Bank's Consolidated Financial Statements and review Quarterly Interim Condensed Financial Statements as of the year ended 31 December 2022, in line with recommendations of AUCOM.

Accounting standards

The Consolidated Financial Statements as of and for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the KSA and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ('SOCPA'); and are in compliance with the provisions of the Banking Control Law, the Regulations for Companies in the KSA, and the Bank's bylaws.

Debt securities in issue and other borrowings

In line with the Bank's continued efforts to enhance its capital adequacy position, diversification of sources of funds and reducing its asset-liability maturity mismatch, the Bank has issued the following debt securities:

SAR'000s	31 December 2022	31 December 2021	Change
5,000 million 10-year subordinated Sukuk due July 2030	5,000,000	5,000,000	-

The Sukuk was issued by SABB on 2 July 2020 and matures in July 2030. This is a Basel III compliant issuance, whereby the Bank has an option to repay the Sukuk after 5 years, subject to prior approval of the Saudi Central Bank and the terms and conditions of the agreement.

The Sukuk carries an effective special commission income rate at 6 months SAIBOR plus 195 bps payable semi-annually. The Sukuk is unsecured and is registered on Tadawul.

Syndicated borrowing

There are currently no outstanding syndicated loans.

Statutory payments

Statutory payments payable by the Bank during 2022 consist of Zakat payable by Saudi Shareholders, tax payable by foreign partners, and the amounts payable to the General Organisation for Social Insurance (GOSI).

	SAR'000s
Zakat settlement paid to ZATCA pertaining to previous fiscal years up to 2022	(329,022)
Advance tax paid to ZATCA pertaining to the year 2022	(111,256)
Corporate income tax paid to ZATCA pertaining to the year 2022	(62,464)
Zakat paid to ZATCA pertaining to the year 2021	(375,008)
GOSI payments	(148,536)
Withholding tax	(77,308)
Value Added Tax	(276,180)
Other payments	(20,575)

Penalties

The table below includes penalties imposed by SAMA on SABB during 2022 and 2021:

	2022		2021	
Subject of violation	**Number of penalties**	**Fine (SAR)**	**Number of penalties**	**Fine (SAR)**
Violation of the SAMA's supervisory instructions	24	10,044,935	13	1,256,500
Violation of the SAMA's instructions for customer protection	1	5,950	2	3,168,800
Violation of the SAMA's instructions regarding the level of performance of ATMs and POS	1	15,000	-	-
Total	**26**	**10,065,885**	**15**	**4,425,300**

Various corrective and preventative measures have been taken with respect to changes in processes, policies and procedures to avoid such violations and ensure compliance with the SAMA regulations.

Penalties imposed by other regulatory authorities

Reason for penalty	Authority	Amount (SAR)	Measures undertaken to remedy and avoid the violations where penalties were imposed
Non-payment of VAT to ZATCA	ZATCA	19,600	After the launch of the e-invoicing from December 2021 all manual invoices will be generated through the system, which is run and controlled by the Tax team.
SADAD Service Level Agreement Performance	SADAD	63,065	Actions were taken as below: • Reconfigure the SADAD IP addresses on the disaster recovery (DR) firewall to ensure connectivity is maintained • Firewall team to ensure full health checks are carried out for SADAD connectivity post DR activity to ensure such issues are not encountered going forward • Ensure all IT including SADAD and Ebtikar vendors are engaged immediately to avoid any delays in resolving such issues going forward
Referring to the SADAD EBPP (Electronic Bill Payment and Pre-sentiment) SLA Payment between SABB and Saudi Payment	SADAD	1,720	Health checks are carried out for SADAD connectivity post DR activity to ensure such issues are not encountered going forward.
Non-conformity with municipality requirements	Municipalities	447,300	Implementation of Ministry of Municipal and Rural Affairs (MOMRA) requirements to obtain the required license.
Non-conformity with civil defence requirements	Civil Defence	18,000	Implementation of civil defence requirements to obtain the required license.
Total		**549,685**	

Financial statements

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KPMG

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Independent Auditors' Report

To the Shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Saudi British 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, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 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 Organisation for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with 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 for 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.

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Independent Auditors' Report (continued)

To the Shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill	
As at 31 December 2022, the Group has goodwill with a carrying value of SAR 8.78 billion. Management has conducted a goodwill impairment test as at 31 December 2022. We considered the impairment assessment of goodwill as a key audit matter because it involves determination of value in use ("VIU"). The VIU calculations are based on future forecasts, which are inherently uncertain, require significant judgment and are subject to the risk of management bias. Aside from profit forecasts, other significant judgments included in the VIU are discount rates and macroeconomic assumptions such as long-term growth rates. Consequently, there is a risk that if the judgments and assumptions underpinning the impairment assessments are inappropriate, then the goodwill balance may be misstated. *Refer to the summary of significant accounting policies note 2K(i) for impairment policy for goodwill; and note 9 which contains the disclosure and the impairment testing of goodwill.*	• We obtained an understanding of management's processes for impairment assessment and evaluated the design and implementation of controls. • We assessed whether the segmentation of the cash generating units ("CGUs") reflects our understanding of the business and how it operates. • We reviewed the strategic/operating plan as approved by the Board of Directors, and ensured that forecast information used in the goodwill impairment assessment conducted by management was consistent with this plan. • We involved our specialists and assessed 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. • We performed cross-checks against other relevant market information. • We assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report (continued)

To the Shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Expected credit loss allowance against loans and advances</td></tr>
<tr><td>
As at 31 December 2022, the gross loans and advances of the Group were SAR 189.14 billion against which an expected credit loss ("ECL") allowance of SAR 6.01 billion was maintained.
We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include:

Categorisation of loans 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.

The Group has applied additional judgments to identify and estimate the likelihood of borrowers that may have experienced SICR due to the current economic outlook.
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 the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.

</td><td>

We obtained and updated our understanding of management's assessment of the ECL allowance against loans and advances, including the Group's internal rating model, accounting policy and model methodology, considering any key changes made during the year.
We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9.
We assessed the design and implementation, and tested the operating effectiveness, of the key controls (including relevant IT general and application controls) over:

the ECL model, including governance over the model and any model updates performed during the year, including approval by the IFRS 9 Committee of the key inputs, assumptions and post model overlays;
the classification of loans and advances into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures;
the IT systems and applications supporting 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. We also confirmed that these were consistent with the ratings used as inputs in the ECL model; and
management's computations of ECL.

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Independent Auditors' Report (continued)

To the Shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Expected credit loss allowance against loans and advances (continued)	
3. The need to apply post model overlays using expert credit judgment to reflect all relevant risk factors that might not have been captured by the ECL model. The application of these judgments and estimates results in greater estimation uncertainty, and the associated audit risk regarding the ECL calculation as at 31 December 2022. *Refer to the significant accounting policy note 2B(v) for the impairment of financial assets; note 1.1f(i) 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 which contains the disclosure of impairment against loans and advances and note 29(ii) for details of credit quality analysis and key assumptions and factors considered in the determination of ECL.*	• For selected loans, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. • 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 loan portfolio. • We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustments 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 supporting the ECL calculations as at 31 December 2022. • Where required, we involved our experts to assist us in reviewing model calculations, evaluating interrelated inputs (including EADs, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights; and of assumptions used in the post model overlays. • We assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors' Report (continued)

To the Shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of derivative financial instruments</td></tr>
<tr><td>
The Group has entered into various derivative transactions, including special commission rate and currency swaps ("swaps"); forward foreign exchange contracts ("forwards"); special commission rate and currency options ("options"); and other derivative contracts. Swaps, forwards, options and other derivative contracts include over-the-counter ("OTC") derivatives, and the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations.
The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flows or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in case of hedge ineffectiveness, impact the hedge accounting as well.
We considered this as a key audit matter, as there is complexity and subjectivity involved in determining the valuation in general and, in certain cases, due to the use of complex modeling techniques and valuation inputs that are not market observable.
As at 31 December 2022, the positive and negative fair values of derivatives held by the Group amounted to SAR 2.54 billion and SAR 1.91 billion respectively.
Refer to the basis of preparation note 1.1f(ii) to the consolidated financial statements which sets out the critical accounting judgements, estimates and assumptions regarding fair value measurement; the significant accounting policies note 2.D for the accounting policy relating to derivative financial instruments and hedge accounting; and note 11 which discloses the derivative positions as at the reporting date.
</td><td>

We assessed the design and implementation, and tested the operating effectiveness, of the key controls over management's process for valuation of derivatives and hedge accounting, including the testing of relevant automated and manual controls covering the fair valuation process for derivatives.
We selected a sample of derivatives and:

tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations;
assessed the appropriateness of the key inputs to the derivative valuation models;
involved our experts to assist us to perform independent valuations of the derivatives and compared the result with management's valuation; and
assessed the hedge effectiveness performed by the Group and corroborated the related hedge accounting.

We assessed the adequacy of disclosures around the valuation basis and inputs used in the fair value measurement as detailed in the consolidated financial statements.

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Independent Auditors' Report (continued)

To the Shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Other information included in the Group's 2022 annual report

The Board of Directors of the Bank ("the Directors") is responsible for the other information in the Group's annual report. Other information consists of the information included in the Group's 2022 annual report (the "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 control 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 the Directors either intend to liquidate the Group or to cease operations, or have 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditors' Report (continued)

To the Shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to 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.

Independent Auditors' Report (continued)

To the Shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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 for 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 was not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

PricewaterhouseCoopers

Bader I. Benmohareb
Certified Public Accountant
License Number 471

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
License Number 348

(22 Rajab 1444)
(13 February 2023)

The Saudi British Bank

Consolidated statement of financial position

As on 31 December

	Notes	2022 SAR' 000	2021 SAR' 000
ASSETS			
Cash and balances with Saudi Central Bank ("SAMA")	3	19,258,717	14,909,404
Due from banks and other financial institutions, net	4	5,871,533	5,993,175
Positive fair value of derivatives, net	11	2,538,074	1,109,845
Investments, net	5	86,363,159	64,903,698
Loans and advances, net	6	183,132,249	167,556,478
Investment in an associate	7	599,289	583,359
Other assets	10	2,228,977	3,353,086
Property, equipment and right of use assets, net	8	3,621,644	3,246,167
Goodwill and other intangibles, net	9	10,837,035	10,740,811
Total assets		**314,450,677**	**272,396,023**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	12	25,517,303	14,663,666
Customers' deposits	13	214,278,851	186,760,612
Negative fair value of derivatives, net	11	1,907,436	1,514,592
Debt securities in issue	14	5,114,836	5,061,533
Other liabilities	15	12,949,047	11,367,103
Total liabilities		**259,767,473**	**219,367,506**
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	16	20,547,945	20,547,945
Share premium		8,524,882	8,524,882
Statutory reserve	17	20,547,945	20,547,945
Other reserves	18	(1,182,348)	(29,939)
Retained earnings		6,244,780	3,335,498
Total equity attributable to equity holders of the Bank		**54,683,204**	**52,926,331**
Total equity attributable to non-controlling interest	39	-	102,186
Total equity		**54,683,204**	**53,028,517**
Total liabilities and equity		**314,450,677**	**272,396,023**

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Lama Ghazzaoui	Tony Cripps	Lubna S. Olayan
Chief Financial Officer	Managing Director	Board Chair

The Saudi British Bank

Consolidated statement of income

For the year ended 31 December

	Notes	2022 SAR'000	2021 SAR'000
Continuing Operations			
Special commission income	20	9,321,874	6,378,670
Special commission expense	20	(1,913,587)	(661,450)
Net special commission income		**7,408,287**	**5,717,220**
Fee and commission income	21	2,770,173	2,448,995
Fee and commission expense	21,40	(1,884,517)	(1,477,112)
Net fee and commission income		**885,656**	**971,883**
Exchange income, net		777,313	602,516
Income from FVSI financial instruments	22	430,861	163,177
Dividend income		-	14,828
(Losses) / gains on FVOCI debt instruments, net	18	(11,654)	62,815
Gains on non-FVSI financial instruments		30,505	81,132
Other operating income, net	40	176,060	64,787
Total operating income		**9,697,028**	**7,678,358**
Provision for expected credit losses, net	29(a)	(445,261)	(453,743)
Operating expenses			
Salaries and employee related expenses	23	(1,809,465)	(1,734,773)
Rent and premises related expenses		(49,957)	(61,486)
Depreciation and amortization	8,9	(464,729)	(621,610)
General and administrative expenses	21,40	(1,337,942)	(1,010,688)
Total operating expenses		**(3,662,093)**	**(3,428,557)**
Income from operating activities		**5,589,674**	**3,796,058**
Share in earnings of associates	7	172,144	131,429
Net income for the year before Zakat and income tax		**5,761,818**	**3,927,487**
Provision for Zakat and income tax	25	(835,810)	(695,675)
Net income for the year after Zakat and income tax from continuing operations		**4,926,008**	**3,231,812**
Net loss from discontinued operations	39	(53,860)	(30,167)
Net income for the year after Zakat and income tax		**4,872,148**	**3,201,645**
Attributable to:			
Equity holders of the Bank		4,874,158	3,204,427
Non-controlling interest		(2,010)	(2,782)
Net income for the year after Zakat and income tax		**4,872,148**	**3,201,645**
Basic and diluted earnings per share (in SAR) from continuing operations attributable to equity holders of the Bank	**24**	**2.40**	**1.57**
Basic and diluted losses per share (in SAR) from discontinued operations attributable to equity holders of the Bank	**24**	**(0.03)**	**(0.01)**
Basic and diluted earnings per share (in SAR)	**24**	**2.37**	**1.56**

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Lama Ghazzaoui	Tony Cripps	Lubna S. Olayan
Chief Financial Officer	Managing Director	Board Chair

The Saudi British Bank

Consolidated statement of comprehensive income

For the year ended 31 December

	Notes	2022 SAR' 000	2021 SAR' 000
Net income for the year after Zakat and income tax		**4,872,148**	**3,201,645**
Other comprehensive income for the year			
Items that will not be reclassified to consolidated statement of income in subsequent years			
Net changes in fair value (FVOCI equity instruments)	18	4,778	368,819
Re-measurement of defined benefit liability	18,27	3,088	5,525
Items that will be reclassified to consolidated statement of income in subsequent years			
Debt instrument at FVOCI:			
Net changes in fair value	18	(1,436,597)	(39,050)
Transfer to consolidated statement of income, net	18	11,654	(62,815)
Cash flow hedges:			
Net changes in fair value	18	228,784	7,940
Transfer to consolidated statement of income, net	18	(25,617)	(18,793)
Total other comprehensive (loss) / income for the year		(1,213,910)	261,626
Total comprehensive income for the year		**3,658,238**	**3,463,271**
Attributable to:			
Equity holders of the Bank:			
Continuing operations		3,714,108	3,496,220
Discontinuing operations		(53,860)	(30,167)
Non-controlling interest		(2,010)	(2,782)
Total		**3,658,238**	**3,463,271**

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Lama Ghazzaoui	Tony Cripps	Lubna S. Olayan
Chief Financial Officer	Managing Director	Board Chair

The Saudi British Bank

Consolidated statement of changes in equity

For the year ended 31 December

2022	Notes	Attributable to equity holders of the Bank: Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Total SAR'000	Non-controlling interest SAR'000	Total Equity SAR'000
Balance at the beginning of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(29,939)**	**3,335,498**	**52,926,331**	**102,186**	**53,028,517**
Total comprehensive income / (loss) for the year									
Net income / (loss) for the year after Zakat and income tax		-	-	-	-	4,874,158	4,874,158	(2,010)	4,872,148
Net changes in fair value of cash flow hedges	18	-	-	-	228,784	-	228,784	-	228,784
Re-measurement of defined benefit liability	18,27	-	-	-	3,088	-	3,088	-	3,088
Net changes in fair value of FVOCI equity instruments	18	-	-	-	4,778	-	4,778	-	4,778
Net changes in fair value of FVOCI debt instruments	18	-	-	-	(1,436,597)	-	(1,436,597)	-	(1,436,597)
Transfer to consolidated statement of income, net	18	-	-	-	(13,963)	-	(13,963)	-	(13,963)
		-	-	-	(1,213,910)	4,874,158	3,660,248	(2,010)	3,658,238
Derecognition of a subsidiary upon loss of control		-	-	-	-	-	-	(100,176)	(100,176)
Employee share plan reserve net charge and shares vested		-	-	-	61,501	-	61,501	-	61,501
2022 interim dividend, net of Zakat and income tax	16	-	-	-	-	(1,262,501)	(1,262,501)	-	(1,262,501)
2021 final dividend, net of Zakat and income tax	16	-	-	-	-	(702,375)	(702,375)	-	(702,375)
Balance at the end of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(1,182,348)**	**6,244,780**	**54,683,204**	**-**	**54,683,204**
2021									
Balance at the beginning of the year as reported		**20,547,945**	**17,586,986**	**11,485,841**	**324,937**	**760,954**	**50,706,663**	**55,077**	**50,761,740**
Effect of restatements		-	-	-	-	(49,891)	(49,891)	49,891	-
Restated balance as at 1 January 2021		**20,547,945**	**17,586,986**	**11,485,841**	**324,937**	**711,063**	**50,656,772**	**104,968**	**50,761,740**
Total comprehensive income / (loss) for the year									
Net income / (loss) for the year after Zakat and income tax		-	-	-	-	3,204,427	3,204,427	(2,782)	3,201,645
Net changes in fair value of cash flow hedges	18	-	-	-	7,940	-	7,940	-	7,940
Re-measurement of defined benefit liability	18,27	-	-	-	5,525	-	5,525	-	5,525
Net changes in fair value of FVOCI equity instruments	18	-	-	-	368,819	-	368,819	-	368,819
Net changes in fair value of FVOCI debt instruments	18	-	-	-	(39,050)	-	(39,050)	-	(39,050)
Transfer to consolidated statement of income, net	18	-	-	-	(81,608)	-	(81,608)	-	(81,608)
		-	-	-	261,626	3,204,427	3,466,053	(2,782)	3,463,271
Purchase of treasury shares		-	-	-	(115,000)	-	(115,000)	-	(115,000)
Employee share plan reserve		-	-	-	(6,007)	-	(6,007)	-	(6,007)
Transfer of gain on disposal of equity instruments at FVOCI to retained earnings	18	-	-	-	(495,495)	495,495	-	-	-
Transfer to statutory reserve	17	-	(9,062,104)	9,062,104	-	-	-	-	-
2021 interim dividend, net of Zakat and income tax	16	-	-	-	-	(1,075,487)	(1,075,487)	-	(1,075,487)
Balance at the end of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(29,939)**	**3,335,498**	**52,926,331**	**102,186**	**53,028,517**

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
Managing Director

Lubna S Olayan
Board Chair

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

The Saudi British Bank

Consolidated statement of cash flows

For the year ended 31 December

	Notes	2022 SAR'000	2021 SAR'000
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		**5,707,958**	**3,897,320**
Adjustments to reconcile net income before Zakat and income tax to net cash generated from / (used in) operating activities:			
Amortisation of premium on investments not held as FVSI investments, net		(28,092)	49,297
Depreciation and amortization	8,9	464,729	622,404
Special commission expense on debt securities in issue		203,039	142,352
Special commission expense on lease liabilities		19,439	24,776
Gains on non-FVSI financial instruments		(30,505)	(81,132)
Gain on disposal of non-current assets held for sale		-	(11,760)
Bargain purchase on acquisition of business		(155,400)	-
Income transferred to consolidated statement of income	18	(13,963)	(81,608)
Share in earnings of associates	7	(172,144)	(131,429)
Provision for expected credit losses, net	29 (a)	445,261	453,743
Employee share plan reserve		61,501	(6,007)
		6,501,823	**4,877,956**
Change in operating assets:			
Statutory deposit with SAMA		(1,260,487)	(379,873)
Due from banks and other financial institutions		297,660	(133,179)
Investments held as FVSI		420,094	(145,608)
Loans and advances		(14,675,827)	(14,684,575)
Positive fair value derivatives, net		(1,199,445)	859,401
Other assets		1,131,920	673,064
Change in operating liabilities:			
Due to banks and other financial institutions		10,853,637	(2,957,290)
Customers' deposits		27,518,239	(2,349,528)
Negative fair value derivatives, net		392,844	(1,304,494)
Other liabilities		1,431,021	331,965
		31,411,479	**(15,212,161)**
Zakat and income tax paid	25	(877,776)	(513,343)
Net cash generated from / (used in) operating activities		**30,533,703**	**(15,725,504)**
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVSI		4,766,592	9,859,005
Purchase of investments not held as FVSI		(28,115,568)	(13,419,575)
Proceeds from sale of non-current assets held for sale		-	79,894
Dividend received from investment in an associate	7	156,214	99,168
Purchase of property, equipment and intangibles, net		(661,030)	(457,419)
Payment for acquisition of business	38	(1,203,209)	-
Net cash used in investing activities		**(25,057,001)**	**(3,838,927)**
FINANCING ACTIVITIES			
Special commission paid on debt securities in issue		(149,736)	(147,429)
Payment of lease liabilities		(99,854)	(137,362)
Purchase of treasury shares		-	(115,000)
Dividends paid		(1,962,582)	(1,200,924)
Net cash used in financing activities		**(2,212,172)**	**(1,600,715)**
Net change in cash and cash equivalents		**3,264,530**	**(21,165,146)**
Cash and cash equivalents at beginning of the year	26	**8,543,548**	**29,708,694**
Cash and cash equivalents at end of the year	26	**11,808,078**	**8,543,548**
Supplemental non cash information			
Right of use assets	8	499,431	607,260
Lease liabilities	15	577,398	647,888
Net changes in fair value and transfers to consolidated statement of income		(1,213,910)	261,626

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Lama Ghazzaoui	Tony Cripps	Lubna S. Olayan
Chief Financial Officer	Managing Director	Board Chair

The Saudi British Bank

Notes to the consolidated financial statements

For the year ended 31 December

1. General

The Saudi British Bank ('SABB') is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia and was established by a Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SABB formally commenced business on 26 Rajab 1398H (1 July 1978) by taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. SABB operates under Commercial Registration No. 1010025779 dated 22 Thul Qadah 1399H (13 October 1979) as a commercial bank through a network of 109 branches (31 December 2021: 108 branches) in the Kingdom of Saudi Arabia. The address of SABB's head office is as follows:

The Saudi British Bank
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia

The objectives of SABB are to provide a range of banking services. SABB also provides Shariah-compliant products, which are approved and supervised by an independent Shari'ah Committee established by SABB.

SABB had 100% (31 December 2021: 100%) ownership interest in a subsidiary, SABB Insurance Agency Limited ("SIAL"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010235187 dated 18 Jumada II 1428H (3 July 2007). The company was liquidated during the year.

SABB has 100% (31 December 2021: 100%) ownership interest in a subsidiary, Arabian Real Estate Company Limited ("ARECO"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). ARECO is engaged in the Real estate activities with own and leased property.

SABB has 100% (31 December 2021: 100%) directly held ownership interest in a subsidiary, SABB Markets Limited ("SABB Markets"), a limited liability company incorporated in the Cayman Islands under commercial registration No 323083 dated 21 Shaban 1438H (17 May 2017). SABB Markets is engaged in derivatives trading and repo activities.

SABB has 100% (31 December 2021: 100%) directly held ownership interest in a subsidiary, Alawwal Invest ("AI"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No.1010242378 dated 30 Thul-Hijjah 1428H (9 January 2008). Alawwal Invest was formed and licensed as a capital market institution in accordance with the CMA's Resolution No. 1 39 2007. Alawwal Invest's principal activity is to engage in security activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities. During the year, AI completed the transfer of HSBC Saudi Arabia's Asset Management, Retail Brokerage and Retail Margin Lending businesses. Please refer note 38 to these consolidated financial statements for further details.

SABB has 100% (31 December 2021: 100%) directly held ownership interest in a subsidiary, Alawwal Real Estate Company ("AREC"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC is engaged in the Real estate activities with own and leased property.

SABB has 49% (31 December 2021: 49%) directly held ownership interest in HSBC Saudi Arabia an associate, a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada II 1427H (23 July 2006). HSBC Saudi Arabia was formed and licensed as a capital market institution in accordance with the Resolution No. 37-05008 of the CMA dated 05 Thul-Hijjah 1426H corresponding to 05 January 2006. HSBC Saudi Arabia's principal activity is to engage in the full range of securities activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities. HSBC Saudi Arabia is an associate of SABB with HSBC Asia Holdings B.V. a related party and shareholder in SABB. The main activities of HSBC Saudi Arabia are to provide a full range of investment banking services including investment banking advisory, brokerage, debt, and project finance. It also manages mutual funds and discretionary portfolios. During the year, HSBC Saudi Arabia completed the transfer of its Asset Management, Retail Brokerage and Retail Margin Lending businesses to AI. Please refer note 38 to these consolidated financial statements for further details.

SABB has participated in the following three structured entities for the purpose of effecting syndicated loan transactions in the Kingdom of Saudi Arabia and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structures. These entities have no other business operations.

1. Saudi Kayan Assets Leasing Company.
2. Rabigh Asset Leasing Company.
3. Yanbu Asset Leasing Company.

SABB directly owns a 50% (31 December 2021: 50%) share in Saudi Kayan Assets Leasing Company and Rabigh Asset Leasing Company (the Company is currently under liquidation) and directly owns a 100% (31 December 2021: 100%) share in Yanbu Asset Leasing Company (the company is currently under liquidation) as a result of SABB's merger with Alawwal Bank (AAB) in June 2019. SABB does not consolidate these entities as it does not have the right to variable returns from its involvement with the entities or ability to affect those returns through its power over the entities excluding Yanbu Asset Leasing Company. The related underlying funding to the relevant borrowers is recorded on SABB's consolidated statement of financial position.

The Saudi British Bank

Notes to the consolidated financial statements (continued)

For the year ended 31 December

1.1. Basis of preparation

a) 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 Organisation for Chartered and Professional Accountants ('SOCPA'); and
- 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.

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of derivatives, financial instruments held at fair value through statement of income (FVSI) and FVOCI and employee benefits which are stated at present value of their obligation. In addition, assets and liabilities that are hedged in a fair value hedging relationship are carried at fair value to the extent of the risks that are being hedged.

c) Functional and presentation currency

These consolidated financial statements are expressed in Saudi Arabian Riyals (SAR), which is the functional currency of SABB, and are rounded off to the nearest thousands, except where otherwise indicated.

d) Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 31(b).

e) Basis of consolidation

These consolidated financial statements comprise the financial statements of SABB and its subsidiaries (as mentioned in note 1 collectively referred to as 'the Group'). The financial statements of the subsidiaries are prepared for the same reporting year as that of SABB, using consistent accounting policies, except for certain immaterial subsidiaries where the latest interim reviewed financial statements or latest annual audited financial statements, respectively have been used for consolidation purpose to meet the Group reporting timetable.

Subsidiaries are entities which are directly or indirectly controlled by SABB. SABB controls an entity (the 'investee') over which it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to SABB and cease to be consolidated from the date on which the control is transferred from SABB. Intra-group transactions and balances have been eliminated upon consolidation.

f) Critical accounting judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia 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 and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such estimates, assumptions and judgements 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.

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

i. Expected credit losses ("ECL") on financial assets and loan commitments and financial guarantee contracts

ECL methodology

The measurement of impairment losses under IFRS 9 on the applicable categories of financial assets and loan commitments and financial guarantee contracts requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- the Group's internal credit grading model, which assigns Probability of Default (PDs) to the individual grades;
- the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment;
- the segmentation of financial assets when their ECL is assessed on a collective basis;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default (EADs) and Loss Given Default (LGDs); and
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group applies a low credit risk expedient on its margin financing portfolio as they are over collateralized by shares and cash.

Collateral and other credit enhancements held

The Group's practice is to lend on the basis of customers' ability to meet their obligations out of cash flow resources rather than rely on the value of security offered. Depending on a customer's standing and the type of product, facilities may be provided without security. For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the Group may utilise the collateral as a source of repayment. Depending on its form, collateral can have a significant financial effect in mitigating our exposure to credit risk.

Additionally, risk may be managed by employing other types of collateral and credit risk enhancements such as second charges, other liens, and unsupported guarantees, but the valuation of such mitigants is less certain and their financial effect has not been quantified.

ii. Fair value measurement

The Group measures financial instruments, such as investments and derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 33 to these consolidated financial statements. 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.

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For the year ended 31 December

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best 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.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 — Inputs that are unobservable. This category include all instruments for which the valuation technique include inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For assets and liabilities that are recognised in these consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

iii. Impairment of goodwill

For impairment testing, goodwill acquired through business combination is allocated to the cash generating units (CGUs) – Wealth & Personal Banking (WPB), Corporate & Institutional Banking (CIB), Capital Markets and Treasury, which are also operating and reportable segments.

The impairment test is performed by comparing the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU. Refer to note 9 for key assumption used for VIU calculation.

iv. Impairment of debt investments (refer to note 2B (v))

v. Classification of investments at amortised cost (refer to note 2B (i))

vi. Determination of significant influence over investees

The Group exercises judgements in assessing the significant influence over investees. The significant influence determination requires ongoing evaluation of the related facts and circumstances for each investment including governance arrangements, voting rights, underlying terms and conditions and material transactions with the investee.

vii. Determination of control over investees

The control indicators set out in note 1.1 (e) are subject to management's judgements.

viii. Depreciation and amortisation (refer to note 2J and 2K)

ix. Defined benefit plan (refer to note 2P)

x. Provisions for liabilities and charges (refer to note 2L)

xi. Change in estimates

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

During the year, the estimated total useful lives of certain property, equipment and intangible assets were revised as follows:

For the year ended 31 December,	Estimated Useful life before change	Estimated useful life after change
Buildings	33 years	40 years
Equipment, furniture, and vehicles*	3 to 10 years	3 to 10 years
*Useful lives of equipment and furniture were revised within the overall depreciation rates range.		

The estimated net effect of the changes during the year was a decrease in depreciation / amortisation expense of SAR 91 million. Assuming the assets are held until the end of their estimated useful lives, depreciation / amortisation in 2023 in relation to these assets is estimated to decrease by SAR 40 million.

g) 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.

2. Significant accounting policies

A. Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements, except for those disclosed in 1 (f) above, are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021. Based on the adoption of new standards and in consideration of the current economic environment, the following accounting policies are applicable effective 1 January 2022 replacing, amending, or adding to the corresponding accounting policies set out in 2021 annual consolidated financial statements.

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New standards, interpretations and amendments adopted by the Group

The following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these do not have any impact on the consolidated financial statements of the year.

Accounting Standards, interpretations, amendments	Description	Effective date
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.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods beginning on or after 1 January 2022. The Group did not opt for early adoption of these pronouncements and does not expect to have a significant impact on the consolidated financial statements of the Group.

Accounting Standards, interpretations, amendments	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
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.

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

B. Financial assets and financial liabilities

i) Initial recognition, measurement and classification of financial assets

The Group on initial recognition classifies all of its financial assets based on the business model. Following are the three classifications:

Amortised Cost (AC):

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised.

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For the year ended 31 December

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 FVSI:

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

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

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

Fair value through statement of income (FVSI):
Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through statement of income. A gain or loss on a debt investment that is subsequently measured at fair value through statement of income and is not part of a hedging relationship is recognised in the consolidated statement of income in the year in which it arises.

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- 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 realised.

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

Assessments whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending 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.

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.

ii) Initial recognition, measurement and classification of financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. The Group recognise its financial liabilities at fair value. Subsequent to initial recognition, financial liabilities as measured at amortised cost using the Effective Interest Rate (EIR) except for financial liabilities at fair value through statement of income. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

iii) Derecognition

a. Financial assets

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised, when the contractual rights to the cash flows from the financial asset expires.

In instances where the Group is assessed to have transferred a financial asset, the asset is derecognised if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Group has not retained control of the financial asset. The Group recognises separately as assets or liabilities any rights and obligations created or retained in the process.

On derecognition, any cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is included in the consolidated statement of income for the year. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities.

b. Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

iv) 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 de-recognised with the difference recognised as a de-recognition gain or loss and a new financial asset is recognised at fair value.

In case the modification of asset does not result in de-recognition, the Group will recalculate the gross carrying amount of the asset by discounting the modified contractual cash-flows using EIR prior to the modification. Any difference between the recalculated amount and the existing gross carrying amount is recognised in the consolidated statement of income for asset modification.

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b. Financial liabilities

The Group derecognises 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.

v) Impairment

The Group recognises provision for ECL on the following financial instruments that are not measured at FVSI:

- financial assets that are measured at amortised cost;
- debt instruments measured at FVOCI;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures provisions for ECL at an amount equal to lifetime ECL, except for the following, for which they are measured at 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.

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

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

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (e.g. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate, three years for credit cards and seven years for retail products. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

When discounting future cash flows, the following discount rates are used:

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

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

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or a financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired. In 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 bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance; and
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

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.

Presentation of provision for ECL in the consolidated statement of financial position
Provision 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;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve. Impairment losses are recognised in consolidated statement of income.

Write-off
Loans 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. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit / guarantees, real estate, receivables, inventories, other non-financial assets, and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECL. 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 a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

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 fair 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.

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

vi) Financial guarantees and loan commitments
Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received.

Subsequent to the initial recognition, the Group's liability under each guarantee is measured at higher of the unamortised amount and the provision for ECL.

The premium received is recognised in the consolidated statement of income in 'Fees and commission income' on a straight-line basis over the life of the guarantee.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Group has issued no loan commitments that are measured at FVSI. For loan commitments, the Group recognises provision for ECL.

C. Trade date accounting
All regular way purchases and sales of financial assets are recognised and derecognised on the trade date e.g. the date on which the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

D. 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, currency, and special commission rate options (both written and purchased), are measured at fair value (premium received for written options). All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models or pricing models, as appropriate.

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

i) Derivatives held for trading
Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income for the year. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting.

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ii) Embedded derivatives

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through statement of income. The embedded derivatives separated from the host are carried at fair value in the trading derivatives portfolio with changes in fair value recognised in the consolidated statement of income.

iii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. 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, 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 a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective e.g., 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 the inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the effectiveness of the hedge is assessed on an ongoing basis.

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. The related portion of the hedged item is recognised in the consolidated statement of income. 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. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

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 in the consolidated statement of comprehensive income. 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.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. On discontinuation of hedge accounting on cash flow hedges any cumulative gain or loss that was recognised in other reserves, is retained in Shareholders' equity until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in other reserves is transferred to the consolidated statement of income for the year.

E. Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. All differences arising on non-trading activities are transferred to exchange income in the consolidated statement of income, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in foreign entity. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income, except for differences arising on the retranslation of FVOCI equity instruments or when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges to the extent hedges are effective.

Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in equity depending on the underlying financial asset.

F. Offsetting

Financial assets and financial liabilities are offset and are reported net in the consolidated statement of financial position when there is a currently 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.

G. Revenue/expenses recognition

i. Special commission income and expense

Special commission income and expense for all commission-bearing financial instruments is recognised in the consolidated statement of income on an effective yield basis.

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

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as special commission income or expense. If the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, special commission income continues to be recognised using the original effective commission rate applied to the new carrying amount.

The calculation of the effective yield takes into account all contractual terms of the financial instruments (prepayment, options etc.) and includes all fees paid or received related transaction costs, and discounts or premiums that are an integral part of the effective commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

When the Group enters into special commission rate swap to change special commission from fixed to floating (or vice versa) the amount of special commission income or expense is adjusted by the net special commission on the swap.

Special commission income on Shariah approved products received but not earned is netted off against the related assets.

The Saudi British Bank

Notes to the consolidated financial statements (continued)

For the year ended 31 December

ii. Exchange income/ loss

Exchange income/loss is recognised when earned/incurred.

iii. Dividend income

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

iv. Fees and commission income and expenses

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. Loan commitment fees for loans that are likely to be drawn down are deferred and, together with the related direct cost are recognised as an adjustment to the effective yield on the loan.

When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Asset management fee is recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the year, because the fee relates specifically to the Group's efforts to transfer the services for that period. The asset management fee is not subject to any claw backs.

Advisory and investment banking services revenue is recognised based on services rendered under the applicable service contracts.

Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Group is satisfied when the Group carries out the transaction on behalf of the customers, which triggers immediate recognition of the revenue, as the Group will have no further commitments.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the service is received. Any fee income received but not earned is classified under other liabilities.

v. Day one profit

Where the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from active markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated statement of income in 'Gain/(loss) on FVSI financial instruments'. In cases where use is made of data which is not observable, the amount deferred should be recognized when there is a change in factors that market participants would take into account when pricing the asset or liability.

In some cases, the Group does not recognize a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input), nor based on a valuation technique that uses only data from observable markets.

vi. Customer Loyalty Program

The Group offers customer loyalty program (reward points / air miles herein referred to as 'reward points'), which allows card members to earn points that can be redeemed for certain Partner outlets. The Group allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand-alone selling price. The amount of revenue allocated to reward points is deferred and released to the consolidated statement of income when reward points are redeemed under fee commission income. The related expenses for the customers' loyalty program are recognized under fee commission expense. The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

H. Sale and reputrchase agreements

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 reward of ownership and continued to be measured in accordance with related accounting policies for the underlying financial assets held as 'FVSI', 'FVOCI' and amortised cost. The counterparty liability for amounts received under these agreements is included in 'due to banks and other financial institutions' or 'customers' deposits', as appropriate. The difference between sale and repurchase price is treated as special commission expense and amortised over the term of the repo agreement, using the effective yield method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in 'Cash and balances with SAMA', 'Due from banks and other financial institutions or 'Loans and advances', as appropriate. The difference between purchase and resale price is treated as special commission income and amortised over the term of the reverse repo agreement, using the effective yield method.

Assets pledged under these transactions may be re-pledged / sold by the counter-parties to whom they have been transferred. These transactions are conducted under the terms that are usual and customary to standard securities borrowing and lending activities as well as requirements determined by exchanges in which the Group acts as a participant.

I. Investment in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

Interests in an associate is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ('OCI') of equity-accounted investees, until the date on which significant influence ceases.

The consolidated statement of income reflects the Group's share of earnings of the associate.

The reporting dates of the associates is identical to the Group and their accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate.

The Saudi British Bank

Notes to the consolidated financial statements (continued)

For the year ended 31 December

J. Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and impairment loss, if any. Freehold land is not depreciated.

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

Buildings	40 years
Leasehold improvements	over period of the lease contract
Furniture, equipment, and vehicles	3 to 10 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

The assets' residual values and useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

K. Intangible assets

i. Goodwill

Goodwill acquired in a business combination represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, including intangibles, liabilities, and contingent liabilities of the acquiree. When the excess is negative (bargain purchase), it is recognised immediately in the Group's consolidated statement of income.

Measurement

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment, they are written down if required.

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 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.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated statement of income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

ii. Capitalised software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the Group's consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

iii. Other intangibles

Acquired other intangibles are recognised at their 'fair value' upon initial recognition. The specific criteria which need to be satisfied for an intangible asset to be recognised separately from goodwill in an acquisition is that the intangible asset must be clearly identifiable, in that it either;

- be separable, that is, be capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset, or liability; or
- arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Other intangibles are amortised using the straight-line method over the useful life of the asset, which is estimated to be 10 years for Purchased Credit Cards Relationships ("PCCR"), 14 years for Core Deposit Intangible ("CDI"), 5 years for brand and 11-12 years for Capital Markets ("CM"), Customer Relationships. If an indication of impairment arises, the recoverable amount is estimated, and an impairment loss is recognised if the recoverable amount is lower than the carrying amount.

The banking license has an indefinite life and is tested for impairment annually. For impairment testing purposes, the banking license is allocated to the relevant cash generating unit.

L. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement, if any. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

M. Leases

Right of use asset (RoU) / Lease liabilities

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets. The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Saudi British Bank

Notes to the consolidated financial statements (continued)

For the year ended 31 December

Right of use assets

The Group applies cost model, and measure right of use asset at cost;

- less any accumulated depreciation and any accumulated impairment losses, if any; and
- adjusted for any re-measurement of the lease liability for lease modifications.

Lease Liability

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

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

N. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash, balances with SAMA and placements with SAMA excluding the statutory deposit, and due from banks and other financial institutions with an original maturity of 3 months or less from date of acquisition.

O. Assets held in trust or in fiduciary capacity

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.

P. End of service benefits

The provision for end of service benefits is made based on actuarial valuation in accordance with Saudi Arabian Labour Laws. Net obligation, with respect to end of service benefits, to the Group is reviewed by using a projected unit credit method. Actuarial gains and losses (Re-measurements) are recognized in full in the period in which they occur in other comprehensive income. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation under 'salaries and employee related expenses' in the consolidated statement of income.

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

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

Q. Share based payments

Under the terms of the Equity Based Long Term Bonus Plan, eligible employees of the Group are offered shares at a predetermined price for a fixed period of time. At the vesting dates determined under the terms of the plan, the Group delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions. The cost of the plans is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date').

The cumulative expense recognised for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

R. Government grant

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

The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit 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. The government grant is recognised in the consolidated statement of income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

S. Zakat and Income tax

Zakat

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

Income tax

The income tax expense for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate in Saudi Arabia, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the bank and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, and the credits can be utilized.

The Saudi British Bank

Notes to the consolidated financial statements (continued)

For the year ended 31 December

Value Added tax ("VAT")

The Group collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

T. Non-current assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the assets to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the assets is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

U. Islamic banking products

In addition to conventional banking, the Group also provides Shari'ah-compliant products, which are approved and supervised by an independent Shari'ah Committee established by SABB. All Shari'ah approved banking products are accounted for using IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

Major non-special commission based Islamic products are as follow:

i. **Murabaha:** is a financing agreement whereby the Group sells to a customer an asset or a commodity, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin and is paid as agreed.
ii. **Istisna'a:** is a contract to manufacture goods, assemble or process them, or to build a house or other structure according to exact specifications and a fixed timeline
iii. **Ijarah:** is an agreement whereby the Group, acting as a lessor, purchases an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.
iv. **Musharaka:** is an agreement between the Group and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.
v. **Tawarruq:** is a form of Murabaha transaction where the Group purchases a commodity and sells it to the customer at agreed-upon deferred installment terms. The customer sells the underlying commodity at spot to a third party and uses the proceeds for his financing requirements.
vi. **Mudaraba:** is a form of participation in profit where the client provides the capital to the Group 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 "Midharib" loses his efforts.

vii. Promise: is a mandatory commitment by the Group to its client or vice versa to enter into a sale or purchase transaction for the purpose of hedge against fluctuations in rates, index prices, and currency prices.

viii. Murabaha: deposit is 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. Since the Group purchases commodities from its customers, it is liable to them for the capital they invested plus a profit.

ix. Shariah compliant foreign exchange 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.

x. Shariah compliant rates 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 (binding promise) 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. Cash and balances with SAMA

	2022	2021
Cash in hand	1,779,646	1,766,585
Statutory deposit	13,324,060	12,063,573
Placements with SAMA	4,039,485	927,961
Other balances	115,526	151,285
Total	**19,258,717**	**14,909,404**

In accordance with the Banking Control Law and regulations issued by SAMA, SABB is required to maintain a statutory deposit with SAMA at stipulated percentages of its deposit liabilities calculated on monthly average balances at the end of reporting period. The statutory deposit with SAMA is not available to finance SABB's day-to-day operations and therefore is not part of cash and cash equivalents (note 26). Placements with SAMA represents securities purchased under an agreement to re-sell (reverse repo) with SAMA. Balances with SAMA are investment grade as defined in note 5 (g).

4. Due from banks and other financial institutions, net

a) Due from banks and other financial institutions are classified as follows:

	2022	2021
Current accounts	5,282,629	4,961,054
Money market placements	-	1,034,323
Reverse repos	590,792	-
Provision for expected credit losses	(1,888)	(2,202)
Total	**5,871,533**	**5,993,175**

The Saudi British Bank

Notes to the consolidated financial statements (continued)

For the year ended 31 December

b) Movement in gross carrying amount

The following table further explains changes in gross carrying amount of the due from banks and other financial institutions to help explain their significance to the changes in the provision for ECL of the same portfolio:

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	5,995,377	-	-	-	5,995,377
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(121,956)	-	-	-	(121,956)
Balance as at 31 December 2022	**5,873,421**	**-**	**-**	**-**	**5,873,421**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	5,106,639	821	-	-	5,107,460
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	888,738	(821)	-	-	887,917
Balance as at 31 December 2021	**5,995,377**	**-**	**-**	**-**	**5,995,377**

c) Credit quality analysis

The following table sets out information about the credit quality of due from banks and other financial institutions, net:

	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Purchased credit Impaired**	**Total**
31 December 2022	5,871,533	-	-	-	**5,871,533**
31 December 2021	5,993,175	-	-	-	**5,993,175**

Balances under due from banks and other financial institutions are investment grade as defined in note 5 (g).

d) Movement in provision for expected credit losses

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against due from banks and other financial institutions:

31 December 2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	2,202	-	-	2,202
Net reversal for the year	(314)	-	-	(314)
Balance as at 31 December 2022	**1,888**	**-**	**-**	**1,888**

31 December 2021	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2021	1,629	333	-	1,962
Net charge for the year	573	(333)	-	240
Balance as at 31 December 2021	**2,202**	**-**	**-**	**2,202**

5. Investments, net

a) Investment, net securities are classified as follows:

	2022	2021
FVOCI – Debt	30,938,120	18,665,583
FVOCI – Equity (note 39)	218,332	24,382
FVSI	963,274	1,383,368
Held at amortised cost	54,252,894	44,843,454
Provision for expected credit losses for amortised cost	(9,461)	(13,089)
Total	**86,363,159**	**64,903,698**

b) Movement in gross carrying amount

The following table further explains changes in gross carrying amount of the investments to help explain their significance to the changes in the provision for ECL of the same portfolio.

- FVOCI - Debt

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	18,665,583	-	-	-	18,665,583
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	12,272,537	-	-	-	12,272,537
Balance as at 31 December 2022	**30,938,120**	**-**	**-**	**-**	**30,938,120**

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Notes to the consolidated financial statements (continued)

For the year ended 31 December

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	12,574,317	-	-	-	12,574,317
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	6,091,266	-	-	-	6,091,266
Balance as at 31 December 2021	**18,665,583**	**-**	**-**	**-**	**18,665,583**

- Held at amortized cost

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	44,843,454	-	-	-	44,843,454
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	9,409,440	-	-	-	9,409,440
Balance as at 31 December 2022	**54,252,894**	**-**	**-**	**-**	**54,252,894**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	45,908,019	-	-	-	45,908,019
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(1,064,565)	-	-	-	(1,064,565)
Balance as at 31 December 2021	**44,843,454**	**-**	**-**	**-**	**44,843,454**

c) Investments, net by type of securities

	Domestic		International		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Fixed rate securities	68,146,227	49,146,303	5,010,685	1,454,970	73,156,912	50,601,273
Floating rate securities	12,403,594	13,147,024	172,494	181,673	12,576,088	13,328,697
Equities and others	618,233	961,182	11,926	12,546	630,159	973,728
Total	**81,168,054**	**63,254,509**	**5,195,105**	**1,649,189**	**86,363,159**	**64,903,698**

d) Movement in provision for expected credit losses

An analysis of changes in provision for ECL of debt instruments measured at amortized cost, is as follows:

2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2022	**13,089**	**-**	**-**	**13,089**
Net reversal for the year	(3,628)	-	-	(3,628)
Balance as at 31 December 2022	**9,461**	**-**	**-**	**9,461**

2021	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2021	**18,005**	**-**	**-**	**18,005**
Net reversal for the year	(4,916)	-	-	(4,916)
Balance as at 31 December 2021	**13,089**	**-**	**-**	**13,089**

An analysis of changes in provision for ECL of debt instruments measured at FVOCI, is as follows:

2022	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2022	**7,702**	**-**	**-**	**7,702**
Net reversal for the year	(349)	-	-	(349)
Balance as at 31 December 2022	**7,353**	**-**	**-**	**7,353**

2021	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2021	**7,695**	**-**	**-**	**7,695**
Net charge for the year	7	-	-	7
Balance as at 31 December 2021	**7,702**	**-**	**-**	**7,702**

e) The analysis of the composition of investments, net is as follows:

	2022			2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate securities	71,357,561	1,799,351	73,156,912	48,109,839	2,491,434	50,601,273
Floating rate securities	8,262,779	4,313,309	12,576,088	8,240,435	5,088,262	13,328,697
Equities and others	606,396	23,763	630,159	949,346	24,382	973,728
Total	**80,226,736**	**6,136,423**	**86,363,159**	**57,299,620**	**7,604,078**	**64,903,698**

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f) The Investments, net includes Shariah based investments as below:

	2022	2021
Debt instruments:		
Sukuks	63,707,577	51,010,277
Provision for expected credit losses	(7,255)	(10,729)
	63,700,322	**50,999,548**
Equities and mutual funds	604,895	919,337
Total	**64,305,217**	**51,918,885**

g) The analysis of investments, net by external ratings grade

The following table sets out information about the credit quality of investment which are defined as below:

- Investment Grade is composed of Strong Credit Quality (AAA to BBB-) or equivalent.
- Non-Investment Grade is composed of: Good, Satisfactory and Special Mention Credit Quality (BB+ to C) or equivalent.
- Unrated include securities which do not have a current or valid rating by a credit rating agency.

31 December 2022	Held at Amortised Cost	FVOCI	FVSI	Total
Investment grade	53,383,592	29,844,725	551,444	83,779,761
Non-investment grade	-	958,583	-	958,583
Unrated	859,841	353,144	411,830	1,624,815
Total	**54,243,433**	**31,156,452**	**963,274**	**86,363,159**

31 December 2021	Held at Amortised Cost	FVOCI	FVSI	Total
Investment grade	44,195,274	17,111,627	434,022	61,740,923
Non-investment grade	635,091	1,553,956	-	2,189,047
Unrated	-	24,382	949,346	973,728
Total	**44,830,365**	**18,689,965**	**1,383,368**	**64,903,698**

h) The analysis of investments by counterparty is as follows:

	2022	2021
Government and quasi government	81,860,582	61,043,089
Corporate	1,516,016	1,927,850
Banks and other financial institutions	2,973,059	1,919,154
Others	13,502	13,605
Total	**86,363,159**	**64,903,698**

i) Assets pledged

Assets pledged as collateral with other financial institutions for security are as follows:

	2022		2021	
	Assets	Related liabilities	Assets	Related liabilities
Debt securities	2,796,634	2,777,696	562,608	567,906

6. Loans and advances, net

a) Loans and advances are comprised of the following:

2022	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,406,246	41,648,747	113,788,692	157,843,685
Lifetime ECL not credit impaired	112,842	2,401,715	20,048,085	22,562,642
Lifetime ECL credit impaired	52,208	826,047	4,016,719	4,894,974
Purchased or originated credit impaired	85	147,568	3,693,775	3,841,428
Total loans and advances, gross	**2,571,381**	**45,024,077**	**141,547,271**	**189,142,729**
Provision for expected credit losses	(186,499)	(706,885)	(5,117,096)	(6,010,480)
Loans and advances, net	**2,384,882**	**44,317,192**	**136,430,175**	**183,132,249**

2021	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,012,847	35,308,631	101,401,370	138,722,848
Lifetime ECL not credit impaired	123,496	1,939,590	24,786,523	26,849,609
Lifetime ECL credit impaired	43,805	1,023,411	3,846,283	4,913,499
Purchased or originated credit impaired	90	167,734	3,604,937	3,772,761
Total loans and advances, gross	**2,180,238**	**38,439,366**	**133,639,113**	**174,258,717**
Provision for expected credit losses	(163,819)	(745,117)	(5,793,303)	(6,702,239)
Loans and advances, net	**2,016,419**	**37,694,249**	**127,845,810**	**167,556,478**

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Lifetime ECL credit impaired includes non-performing loans and advances of SAR 4,292 million (31 December 2021: SAR 4,210 million). It also includes exposures that are now performing but have yet to complete a period of 12 months of performance ('the curing period') to be eligible to be upgraded to a not-impaired category. The financial assets recorded in each stage have the following characteristics:

- 12 month ECL not credit impaired (stage 1): without significant increase in credit risk on which a 12 month allowance for ECL is recognised;
- Lifetime ECL not credit impaired (stage 2): a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised;
- Lifetime ECL credit impaired (stage 3): objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised; and
- Purchased or originated credit impaired ('POCI'): purchased or originated at a deep discount that reflects the expected lifetime credit losses at time of purchase or origination. A lifetime ECL is recognised if further credit losses are expected. POCI includes non-performing loans and advances acquired through the merger with AAB that were recorded at fair value as of acquisition date.

b) Movement in gross carrying amount

The following table further explains changes in gross carrying amount of the loans and advances to help explain their significance to the changes in the provision for ECL of the same portfolio:

- Credit cards

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	2,012,847	123,496	43,805	90	2,180,238
Transfer to Stage 1	38,040	(32,708)	(5,332)	-	-
Transfer to Stage 2	(68,526)	71,034	(2,508)	-	-
Transfer to Stage 3	(30,011)	(13,047)	43,058	-	-
Net change for the year	453,896	(35,933)	43,504	(5)	461,462
Write-offs	-	-	(70,319)	-	(70,319)
Balance as at 31 December 2022	**2,406,246**	**112,842**	**52,208**	**85**	**2,571,381**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	1,941,419	63,171	66,244	135	2,070,969
Transfer to Stage 1	10,101	(4,962)	(5,139)	-	-
Transfer to Stage 2	(91,881)	96,566	(4,685)	-	-
Transfer to Stage 3	(22,111)	(3,965)	26,076	-	-
Net change for the year	175,319	(27,314)	57,156	(45)	205,116
Write-offs	-	-	(95,847)	-	(95,847)
Balance as at 31 December 2021	**2,012,847**	**123,496**	**43,805**	**90**	**2,180,238**

- Other retail lending

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**35,308,631**	**1,939,590**	**1,023,411**	**167,734**	**38,439,366**
Transfer to Stage 1	563,848	(543,961)	(19,887)	-	-
Transfer to Stage 2	(1,053,496)	1,417,249	(363,753)	-	-
Transfer to Stage 3	(125,760)	(178,346)	304,106	-	-
Net change for the year	6,955,524	(232,817)	56,507	(20,166)	6,759,048
Write-offs	-	-	(174,337)	-	(174,337)
Balance as at 31 December 2022	**41,648,747**	**2,401,715**	**826,047**	**147,568**	**45,024,077**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**33,209,970**	**882,803**	**1,464,922**	**172,724**	**35,730,419**
Transfer to Stage 1	204,919	(202,037)	(2,882)	-	-
Transfer to Stage 2	(583,717)	631,526	(47,809)	-	-
Transfer to Stage 3	(74,566)	(45,895)	120,461	-	-
Net change for the year	2,552,025	673,193	(130,504)	(4,990)	3,089,724
Write-offs	-	-	(380,777)	-	(380,777)
Balance as at 31 December 2021	**35,308,631**	**1,939,590**	**1,023,411**	**167,734**	**38,439,366**

- Corporate and institutional lending

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**101,401,370**	**24,786,523**	**3,846,283**	**3,604,937**	**133,639,113**
Transfer to Stage 1	32,139	(32,139)	-	-	-
Transfer to Stage 2	(831,309)	833,985	(2,676)	-	-
Transfer to Stage 3	(103)	(843,140)	843,243	-	-
Net change for the year	13,186,595	(4,697,144)	(72,262)	88,838	8,506,027
Write-offs	-	-	(597,869)	-	(597,869)
Balance as at 31 December 2022	**113,788,692**	**20,048,085**	**4,016,719**	**3,693,775**	**141,547,271**

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	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**89,805,599**	**24,634,505**	**4,472,301**	**3,704,746**	**122,617,151**
Transfer to Stage 1	570,467	(570,467)	-	-	-
Transfer to Stage 2	(561,386)	587,366	(25,980)	-	-
Transfer to Stage 3	(57)	(10,598)	10,655	-	-
Net change for the year	11,586,747	145,717	328,291	(99,809)	11,960,946
Write-offs	-	-	(938,984)	-	(938,984)
Balance as at 31 December 2021	**101,401,370**	**24,786,523**	**3,846,283**	**3,604,937**	**133,639,113**

c) Movement in provision for expected credit losses

The following table shows reconciliations from the opening to the closing balance of the provision for credit losses against loans and advances.

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**511,022**	**3,482,551**	**2,600,654**	**108,012**	**6,702,239**
Transfer to Stage 1	46,183	(37,154)	(9,029)	-	-
Transfer to Stage 2	(15,229)	134,791	(119,562)	-	-
Transfer to Stage 3	(3,302)	(282,551)	285,853	-	-
Net re-measurement of loss allowance	35,298	(120,565)	646,007	345,370	906,110
Write-offs	-	-	(597,869)	-	(597,869)
Financial assets disposed	-	(1,000,000)	-	-	(1,000,000)
Balance as at 31 December 2022	**573,972**	**2,177,072**	**2,806,054**	**453,382**	**6,010,480**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**843,299**	**2,450,978**	**3,828,366**	**52,818**	**7,175,461**
Transfer to Stage 1	31,154	(26,012)	(5,142)	-	-
Transfer to Stage 2	(15,813)	57,350	(41,537)	-	-
Transfer to Stage 3	(2,284)	(19,026)	21,310	-	-
Net re-measurement of loss allowance	(345,334)	1,019,261	(124,861)	55,194	604,260
Write-offs	-	-	(1,077,482)	-	(1,077,482)
Balance as at 31 December 2021	**511,022**	**3,482,551**	**2,600,654**	**108,012**	**6,702,239**

- Credit cards

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**87,555**	**42,185**	**34,079**	**-**	**163,819**
Transfer to Stage 1	10,496	(6,549)	(3,947)	-	-
Transfer to Stage 2	(3,253)	5,153	(1,900)	-	-
Transfer to Stage 3	(1,853)	(4,431)	6,284	-	-
Net re-measurement of loss allowance	14,704	3,274	4,702	-	22,680
Balance as at 31 December 2022	**107,649**	**39,632**	**39,218**	**-**	**186,499**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**150,840**	**39,065**	**44,799**	**-**	**234,704**
Transfer to Stage 1	5,467	(2,026)	(3,441)	-	-
Transfer to Stage 2	(6,723)	9,817	(3,094)	-	-
Transfer to Stage 3	(1,402)	(1,530)	2,932	-	-
Net re-measurement of loss allowance	(60,627)	(3,141)	(7,117)	-	(70,885)
Balance as at 31 December 2021	**87,555**	**42,185**	**34,079**	**-**	**163,819**

- Other retail lending

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	**207,680**	**181,363**	**286,026**	**70,048**	**745,117**
Transfer to Stage 1	35,000	(29,919)	(5,081)	-	-
Transfer to Stage 2	(10,508)	126,829	(116,321)	-	-
Transfer to Stage 3	(1,448)	(30,071)	31,519	-	-
Net re-measurement of loss allowance	(24,987)	(106,878)	92,651	982	(38,232)
Balance as at 31 December 2022	**205,737**	**141,324**	**288,794**	**71,030**	**706,885**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**369,082**	**164,100**	**772,765**	**52,818**	**1,358,765**
Transfer to Stage 1	23,324	(21,623)	(1,701)	-	-
Transfer to Stage 2	(5,373)	30,805	(25,432)	-	-
Transfer to Stage 3	(882)	(17,001)	17,883	-	-
Net re-measurement of loss allowance	(178,471)	25,082	(338,991)	17,230	(475,150)
Write-offs	-	-	(138,498)	-	(138,498)
Balance as at 31 December 2021	**207,680**	**181,363**	**286,026**	**70,048**	**745,117**

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- Corporate and institutional lending

2022	Non-credit impaired Stage 1	Stage 2	Credit impaired Stage 3	POCI	Total
Balance at 1 January 2022	**215,787**	**3,259,003**	**2,280,549**	**37,964**	**5,793,303**
Transfer to Stage 1	687	(687)	-	-	-
Transfer to Stage 2	(1,468)	2,808	(1,340)	-	-
Transfer to Stage 3	(1)	(248,048)	248,049	-	-
Net re-measurement of loss allowance	45,581	(16,960)	548,653	344,388	921,662
Write-offs	-	-	(597,869)	-	(597,869)
Financial assets disposed	-	(1,000,000)	-	-	(1,000,000)
Balance as at 31 December 2022	**260,586**	**1,996,116**	**2,478,042**	**382,352**	**5,117,096**

2021	Non-credit impaired Stage 1	Stage 2	Credit impaired Stage 3	POCI	Total
Balance at 1 January 2021	**323,377**	**2,247,813**	**3,010,802**	**-**	**5,581,992**
Transfer to Stage 1	2,363	(2,363)	-	-	-
Transfer to Stage 2	(3,717)	16,728	(13,011)	-	-
Transfer to Stage 3	-	(495)	495	-	-
Net re-measurement of loss allowance	(106,236)	997,320	221,247	37,964	1,150,295
Write-offs	-	-	(938,984)	-	(938,984)
Balance as at 31 December 2021	**215,787**	**3,259,003**	**2,280,549**	**37,964**	**5,793,303**

d) Economic sector risk concentrations for the loans and advances are as follows:

2022	Performing	Non-performing	POCI	Provision for expected credit losses	Loans and advances,net
Government and quasi government	143,368	-	-	(272)	143,096
Finance	11,981,265	32,035	-	(38,707)	11,974,593
Agriculture and fishing	444,928	-	241	(12,016)	433,153
Manufacturing	23,039,899	505,542	678,828	(565,536)	23,658,733
Mining and quarrying	5,140,420	-	1,574	(7,399)	5,134,595
Electricity, water, gas, and health services	16,129,354	-	391,743	(102,519)	16,418,578
Building and construction	11,718,731	975,039	1,010,165	(1,596,619)	12,107,316
Commerce	42,043,055	2,102,332	1,360,326	(2,440,787)	43,064,926
Transportation and communication	11,074,559	4,317	1,877	(23,938)	11,056,815
Services	9,279,334	262,665	120,168	(298,174)	9,363,993
Credit cards and other retail lending	47,060,666	387,139	147,653	(893,384)	46,702,074
Others	2,953,339	23,314	128,853	(31,129)	3,074,377
Total	**181,008,918**	**4,292,383**	**3,841,428**	**(6,010,480)**	**183,132,249**

2021	Performing	Non-performing	POCI	Provision for expected credit losses	Loans and advances,net
Government and quasi government	806,152	-	-	(121)	806,031
Finance	9,666,903	-	-	(27,088)	9,639,815
Agriculture and fishing	642,292	-	241	(6,166)	636,367
Manufacturing	24,081,921	558,920	616,579	(1,610,878)	23,646,542
Mining and quarrying	3,690,721	-	3,445	(6,900)	3,687,266
Electricity, water, gas, and health services	12,741,942	-	390,663	(86,126)	13,046,479
Building and construction	9,565,209	1,197,507	954,590	(1,492,872)	10,224,434
Commerce	37,958,959	1,595,261	1,346,666	(2,091,186)	38,809,700
Transportation and communication	14,015,286	5,970	4,388	(35,671)	13,989,973
Services	9,629,580	230,523	119,675	(404,910)	9,574,868
Credit cards and other retail lending	39,865,654	586,126	167,824	(908,936)	39,710,668
Others	3,610,955	36,075	168,690	(31,385)	3,784,335
Total	**166,275,574**	**4,210,382**	**3,772,761**	**(6,702,239)**	**167,556,478**

e) The following table sets out information about the credit quality of loans and advances. The amounts in the table represent gross carrying amounts.

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	**27,482,673**	**-**	**-**	**-**	**27,482,673**
Good	64,773,640	2,667,625	73	-	67,441,338
Satisfactory	21,532,378	9,983,007	61,001	-	31,576,386
Special mention	-	7,397,454	50,401	-	7,447,855
Unrated	44,054,994	2,514,556	491,116	-	47,060,666
Non-performing	-	-	4,292,383	3,841,428	8,133,811
Total	**157,843,685**	**22,562,642**	**4,894,974**	**3,841,428**	**189,142,729**

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	**25,076,909**	**-**	**-**	**-**	**25,076,909**
Good	60,438,677	2,711,022	22	-	63,149,721
Satisfactory	15,885,784	13,287,106	28,035	-	29,200,925
Special mention	-	8,788,395	193,970	-	8,982,365
Unrated	37,321,478	2,063,086	481,090	-	39,865,654
Non-performing	-	-	4,210,382	3,772,761	7,983,143
Total	**138,722,848**	**26,849,609**	**4,913,499**	**3,772,761**	**174,258,717**

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Strong: Financial status, capitalisation, earnings, liquidity, cash generation and management will all be of highest quality. A strong capacity to meet longer-term and short-term financial commitments.

Good: Financial condition exhibits no major adverse trends prevalent. Capacity to meet medium and short-term financial commitments is considered fair, but more sensitive to external changes or market conditions.

Satisfactory: A counterparty whose financial position is average but not strong. The overall position will not be causing any immediate concern, but more regular monitoring will be necessary as a result of susceptibilities to external changes or market conditions.

Unrated: Represents performing retail loans and advances that are not rated.

Special mention: Financial condition weak and capacity, or inclination, to repay, is in doubt. The financial status of the borrower requires close monitoring and ongoing assessment.

Non-performing: A counterparty who is classified as in default or as POCI

f) Shariah-compliant loans

Included in loans and advances, net are the following Shariah-compliant products:

	2022	2021
Tawaruq	116,265,499	113,013,915
Murabaha	10,434,932	7,684,645
Ijara / others	15,970,902	11,412,338
Total	**142,671,333**	**132,110,898**

g) Collateral

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. This collateral mostly includes time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other fixed assets. The collateral is held against commercial and consumer loans and are managed against relevant exposures at their net realisable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk. As of 31 December 2022, the fair value of collateral held against those loans and advances amount to SAR 929 million (2021: SAR 1,258 million).

7. Investment in an associate

	2022	2021
HSBC Saudi Arabia		
Balance at beginning of the year	**583,359**	**542,955**
Share in earnings	172,144	139,572
Dividend received	(156,214)	(99,168)
Balance at end of the year	**599,289**	**583,359**
Wataniya		
Balance at beginning of the year	**-**	**76,277**
Share in losses	-	(8,143)
Reclassified to non-current assets held for sale and disposed off	-	(68,134)
Balance at end of the year	**-**	**-**
Total	**599,289**	**583,359**

8. Property, equipment and right of use assets, net

2022	Land and buildings	Leasehold improvements / ROU	Equipment, furniture, and vehicles	Total
Cost:				
As at 1 January	**1,671,893**	**1,619,485**	**816,841**	**4,108,219**
Additions / re-measurement	7,201	17,987	22,615	47,803
Acquired through business combination	-	-	635	635
Disposals	(94,063)	(25,101)	(3,212)	(122,376)
As at 31 December	**1,585,031**	**1,612,371**	**836,879**	**4,034,281**
Accumulated depreciation:				
As at 1 January	**440,773**	**933,883**	**711,156**	**2,085,812**
Charge for the year	15,432	149,636	37,548	202,616
Disposals	(50,747)	(25,101)	(487)	(76,335)
As at 31 December	**405,458**	**1,058,418**	**748,217**	**2,212,093**
Net book value:				
As at 31 December	**1,179,573**	**553,953**	**88,662**	**1,822,188**
Capital work in progress				**1,799,456**
Total				**3,621,644**

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2021	Land and buildings	Leasehold improvements / ROU	Equipment, furniture, and vehicles	Total
Cost:				
As at 1 January	**1,664,315**	**1,842,240**	**856,280**	**4,362,835**
Additions / re-measurement	9,202	(143,881)	48,509	(86,170)
Disposals	(1,624)	(78,874)	(87,948)	(168,446)
As at 31 December	1,671,893	1,619,485	816,841	4,108,219
Accumulated depreciation:				
As at 1 January	**422,560**	**829,267**	**689,823**	**1,941,650**
Charge for the year	**18,532**	**180,630**	**81,473**	**280,635**
Disposals	(319)	(76,014)	(60,140)	(136,473)
As at 31 December	440,773	933,883	711,156	2,085,812
Net book value:				
As at 31 December	**1,231,120**	**685,602**	**105,685**	**2,022,407**
Capital work in progress				**1,223,760**
Total				**3,246,167**

The movement of ROU is as below:

	2022	2021
Cost:		
As at 1 January	**922,092**	**1,155,102**
Additions / (re-measurement)	10,756	(155,164)
Terminations	(25,101)	(77,846)
As at 31 December	**907,747**	**922,092**
Accumulated depreciation:		
As at 1 January	**314,832**	**257,469**
Charge for the year	118,585	133,010
Terminations	(25,101)	(75,647)
As at 31 December	**408,316**	**314,832**
Net book value	**499,431**	**607,260**

9. Goodwill and other intangibles

Intangibles are comprised of the following:

	2022	2021
Amounts arising from acquisitions:		
Goodwill	8,778,091	8,778,091
Other intangibles	1,744,769	1,631,407
Goodwill arising from acquisition of SABB Takaful (note 39)	-	13,806
Software	314,175	317,507
Total	**10,837,035**	**10,740,811**

2022	Goodwill	Software	Customer relationship - PCCR	Core deposit intangible	Brand	Customer relationship - CM	Total
Cost:							
As at 1 January	**16,209,673**	**778,340**	**71,200**	**1,875,400**	**75,000**	**-**	**19,009,613**
Additions	-	130,070	-	-	-	-	130,070
Acquired through business combination	-	-	-	-	-	275,401	275,401
Disposals / written off	(13,806)	(46,071)	-	-	-	-	(59,877)
As at 31 December	**16,195,867**	**862,339**	**71,200**	**1,875,400**	**75,000**	**275,401**	**19,355,207**
Accumulated impairment / amortization:							
As at 1 January	**7,417,776**	**460,833**	**17,800**	**334,893**	**37,500**	**-**	**8,268,802**
Charge for the year	-	100,074	7,120	133,957	15,000	5,962	262,113
Disposals / written off	-	(12,743)	-	-	-	-	(12,743)
As at 31 December	**7,417,776**	**548,164**	**24,920**	**468,850**	**52,500**	**5,962**	**8,518,172**
Net book value							
As at 31 December	**8,778,091**	**314,175**	**46,280**	**1,406,550**	**22,500**	**269,439**	**10,837,035**

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2021	Goodwill	Software	Customer relationship - PCCR	Core deposit intangible	Brand	Customer relationship - CM	Total
Cost:							
As at 1 January	**16,209,673**	**791,123**	**71,200**	**1,875,400**	**75,000**	**-**	**19,009,613**
Additions	-	174,261	-	-	-	-	174,261
Disposals / written off	-	(187,044)	-	-	-	-	(187,044)
As at 31 December	16,209,673	778,340	71,200	1,875,400	75,000	-	19,009,613
Accumulated impairment / amortization:							
As at 1 January	**7,417,776**	**387,968**	**10,680**	**200,936**	**22,500**	**-**	**8,039,860**
Charge for the year	**-**	**184,898**	**7,120**	**133,957**	**15,000**	**-**	**340,975**
Discontinued operations	-	794	-	-	-	-	794
Disposals / written off	-	(112,827)	-	-	-	-	(112,827)
As at 31 December	**7,417,776**	**460,833**	**17,800**	**334,893**	**37,500**	**-**	**8,268,802**
Net book value							
As at 31 December	**8,791,897**	**317,507**	**53,400**	**1,540,507**	**37,500**	**-**	**10,740,811**

Impairment testing of goodwill

The goodwill acquired through business combination is reviewed annually for impairment. At each reporting period, an assessment is made for indicators of impairment. If indicators exist, an impairment test is required. The impairment test compares the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU. The goodwill has been allocated to the following cash-generating units:

- Wealth & personal banking
- Corporate and institutional banking
- Treasury

Key assumptions used to value-in-use calculation

The recoverable amount of the cash-generating units has been determined based on a value in use calculation. The VIU model used projected cash flows in perpetuity through a five-year forward period of projections, and thereafter applying a (long-term) terminal growth rate.

The calculation of VIU in the CGUs is mainly driven by the following assumptions:

- Economic outlook, notably the projected nominal Gross Domestic Product ("GDP");
- Discount rates;
- Long term growth rates;
- Benchmark interest rates and net special commission income margins;
- Future cost of risk from expected credit losses
- Local inflation rates; and
- Target Capital ratio and profit retention

The following key assumptions were used in the calculation of the VIU:

- Discount rate of 10.15%, which is derived using a capital asset pricing model and comparing it with cost of capital rates produced by external sources.
- Long term asset growth rate of 4.0%, derived from economists' forecasts of nominal GDP for KSA, applied to projected periods beyond 2027.
- Long-term profit growth rate of 4.6%, derived from economists' forecasts of nominal GDP for KSA adjusted for expected changes in benchmark interest rates and sector growth rates over time, applied to projected periods beyond 2027.

Key assumptions used in impairment testing for goodwill

The calculation of value in use in the cash-generating units is most sensitive to the following assumptions:

- interest margins;
- discount rates;
- projected growth rates used to extrapolate cash flows beyond the projection period; and
- current local GDP.

Interest margins

Interest margins are based on prevailing market rates at the start of the budget period. These are changed over the budget period for anticipated market conditions.

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 a capital asset pricing model.

Projected growth rate, GDP, and local inflation rates

At 31 December 2022, the Goodwill impairment test determined there was no impairment required to any of the CGUs and goodwill is allocated to the following CGUs:

Cash generating units	Goodwill allocated 2022
Wealth & personal banking	4,649,572
Corporate and institutional banking	771,772
Treasury	3,356,747

The forecast cash flows have been discounted using the discount rate mentioned above. A 1% increase in the discount rate or decrease in the terminal growth rate keeping other factors constant would reduce the recoverable amount of the CGUs as mentioned in the table below:

	31 December 2022 Impact on the recoverable amount of CGUs	
Cash generating units	1% increase in discount rate (SAR million)	1% decrease in terminal growth rate (SAR million)
Wealth & personal banking	(4,096)	(3,452)
Corporate and institutional banking	(6,826)	(5,741)
Treasury	(2,165)	(1,826)

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Cash generating units	31 December 2021 Impact on the recoverable amount of CGUs 1% increase in discount rate (SAR million)	1% decrease in terminal growth rate (SAR million)
Wealth & personal banking	(6,685)	(5,936)
Corporate and institutional banking	(9,944)	(8,796)
Treasury	(4,638)	(4,082)

10. Other assets

	Note	2022	2021
Accounts receivable		1,806,556	1,570,233
Collateral margin		-	1,022,851
Deferred tax	25	294,564	392,290
Others		127,857	367,712
Total		2,228,977	3,353,086

11. Derivatives

In the ordinary course of business, the Group uses the following derivative financial instruments for both trading and hedging purposes:

a) 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 customised contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardised amounts on regulated exchanges, and changes in futures contract values are settled daily.

b) 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 predetermined price.

c) 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, fixed and floating special commission payments are exchanged in different currencies.

d) Forward rate agreements

Forward rate agreements are over-the-counter negotiated special commission rate contracts that call for a cash settlement for the difference between a contracted special commission rate and the market rate on a specified future date, based on a notional principal for an agreed period of time.

Risk-related adjustments

Bid-offer:
IFRS 13 requires use of the price within the bid-offer spread that is most representative of fair value. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the extent to which bid-offer cost would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position.

Credit valuation adjustment ('CVA'):
The credit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that SABB may not receive the full market value of the transactions.

Debit valuation adjustment ('DVA'):
The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that SABB may default, and that SABB may not pay the full market value of the transactions.

Credit valuation adjustment/debit valuation adjustment methodology:
SABB calculates a separate CVA and DVA for each counterparty to which the entity has exposure. SABB calculates the CVA by applying the probability of default ('PD') of the counterparty conditional on the non-default of SABB to the expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default.

Conversely, SABB calculates the DVA by applying the PD of SABB, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to SABB and multiplying by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

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 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 favourable movements in prices, rates, or indices. Arbitrage involves identifying, with the expectation of profiting from price differentials between markets or products.

Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk (see note 29 – financial risk management, note 30 - market risk and note 31 - 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 the levels of currency risk by setting limits on 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. The Board of Directors has also established the levels of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are used to maintain special commission rate gaps within the established limits.

As part of its asset and liability management process, the Group uses derivatives for hedging purposes in order to adjust its exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against overall statement of financial position exposures. Strategic hedging other than portfolio hedging does not qualify for hedge accounting and the related derivatives are accounted for as held for trading. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, 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

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relationship and objective, including the details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Hedge effectiveness testing

To qualify for hedge accounting, SABB requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective both prospectively and retrospectively, on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed, and the method adopted by an entity to assess hedge effectiveness will depend on its risk management strategy. For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated, with the effectiveness range being defined as 80% to 125%. Hedge ineffectiveness is recognised in the consolidated statement of income 'Income from FVSI financial instruments'.

Sources of ineffectiveness:

Possible sources of ineffectiveness are as follows:

- difference between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in the discounting between the hedge item and hedge instrument, as cash collateralized interest rate swaps are discounted using Overnight Indexed Swaps discount curves, which are not applied to the fixed rate mortgages;
- hedging derivative with a non-zero fair value at the date of initial designation as a hedging instrument;
- counter party credit risk which impacts the fair value of uncollateralized interest rate swaps but not the hedge items; and;

Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets which bear special commission income at a variable rate. The Group uses commission rate swaps as cash flow hedges to hedge these special commission rate risks.

Below is the schedule indicating as at 31 December, the periods when the hedged cash flows are expected to occur and when they are expected to affect statement of income:

2022	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	80,761	549,052	151,993	47,034
Net cash inflow	**80,761**	**549,052**	**151,993**	**47,034**
2021				
Cash inflows (assets)	45,317	80,022	-	-
Net cash inflow	**45,317**	**80,022**	**-**	**-**

The schedule reflects special commission income cash flows expected to arise on the hedged items in cash flow hedges based on the repricing profile of the hedged assets and liabilities. The tables below show the positive and negative fair values of derivative financial instruments held, together with their notional amounts as at 31 December, analysed by the term to maturity.

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 market risk nor credit risk, which is generally limited to the positive/negative fair value of the derivatives.

				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**
Derivatives held for trading:							
Special commission rate swaps	1,764,483	(1,626,432)	59,706,917	2,962,216	3,225,424	23,429,234	30,090,043
Special commission rate options	186,836	(180,346)	8,689,426	211,275	1,215,338	5,791,607	1,471,206
Forward foreign exchange contracts	45,447	(37,369)	13,704,323	7,812,121	5,140,082	752,120	-
Currency options	9,108	(9,134)	1,350,151	243,218	714,150	392,783	-
Currency swaps	1,493	(128)	2,212,500	-	375,000	1,837,500	-
Derivatives held as fair value hedges:							
Special commission rate swaps	496,966	(28,079)	8,634,625	996,875	1,898,750	2,835,250	2,903,750
Derivatives held as cash flow hedges:							
Special commission rate swaps	30,691	(24,915)	3,526,000	-	-	2,841,000	685,000
Currency swaps	3,050	(1,033)	75,000	-	-	75,000	-
Total	**2,538,074**	**(1,907,436)**	**97,898,942**	**12,225,705**	**12,568,744**	**37,954,494**	**35,149,999**
Fair values of netting arrangements	**1,072,683**	**(216)**					
Cash collateral, net	**(724,600)**	**69,323**					
Fair values after netting	**348,083**	**69,107**					

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2021	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	569,913	(547,847)	39,331,182	1,861,895	7,776,179	15,119,118	14,573,990
Special commission rate options	424,607	(446,546)	13,311,790	1,495,549	5,738,468	1,577,773	4,500,000
Forward foreign exchange contracts	40,296	(34,585)	3,534,619	1,652,726	1,880,998	895	-
Currency options	14,900	(14,922)	1,059,600	263,779	734,793	61,028	-
Currency swaps	6,456	(2,958)	4,650,000	1,500,000	562,500	2,587,500	-
Derivatives held as fair value hedges:							
Special commission rate swaps	34,794	(457,949)	12,238,311	45,000	93,750	6,165,875	5,933,686
Derivatives held as cash flow hedges:							
Special commission rate swaps	2,871	-	90,000	-	-	90,000	-
Currency swaps	16,008	(9,785)	1,068,750	-	843,750	225,000	-
Total	**1,109,845**	**(1,514,592)**	**75,284,252**	**6,818,949**	**17,630,438**	**25,827,189**	**25,007,676**
Fair values of netting arrangements	**16,298**	**(768,729)**					
Cash collateral, net	**(39,525)**	**1,190,713**					
Fair values after netting	**(23,227)**	**421,984**					

The Group enters into structured currency option products with clients which involve one or more derivatives included in the structure. In such instances, the fair value of the individual structured product represents a net valuation of the underlying derivatives. The sum of all option notional amounts included in each structure, as of the reporting date, is disclosed in the table above. Shariah approved derivative products as below.

2022	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	20,791	(116,855)	3,260,196	10,076	422,647	2,240,121	587,352
Special commission rate options	931	(11,814)	616,386	-	174,540	141,846	300,000
Derivatives held as cash flow hedges:							
Currency swaps	236	-	187,500	-	187,500	-	-
Total	**21,958**	**(128,669)**	**4,064,082**	**10,076**	**784,687**	**2,381,967**	**887,352**

2021	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:							
Special commission rate swaps	36,280	(11,517)	2,643,052	906	1,354,906	1,099,888	187,352
Special commission rate options	11,337	(71)	1,595,455	-	700,000	895,455	-
Derivatives held as cash flow hedges:							
Currency swaps	-	(288)	187,500	-	-	187,500	-
Total	**47,617**	**(11,876)**	**4,426,007**	**906**	**2,054,906**	**2,182,843**	**187,352**

The tables below show a summary of the hedged items, the nature of the risk being hedged, the hedging instruments and their fair values.

2022	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of the hedged items:						
Fixed commission rate investments	8,455,213	8,635,625	Fair value	Special commission rate swap	496,966	(28,079)
Floating commission rate investments	285,048	285,000	Cash flow	Special commission rate swap	30,691	(24,915)
Fixed commission rate investments	3,316,232	3,316,000	Cash flow	Currency swap	3,050	(1,033)

2021	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of the hedged items:						
Fixed commission rate investments	13,004,457	12,238,311	Fair value	Special commission rate swap	34,794	(457,949)
Floating commission rate investments	90,009	90,000	Cash flow	Special commission rate swap	2,871	-
Fixed commission rate investments	1,079,518	1,068,750	Cash flow	Currency swap	16,008	(9,785)

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Approximately 94.8% (2021: 49.8%) of the positive fair value of the Bank's derivatives are entered into with financial institutions and out of which 68.1% (2021: 64.4%) of the positive fair value contracts are with a single counterparty at the year end.

The Group, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the SABB Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Group or the counter party.

For commission rate swaps entered into with European counterparties, the SABB Group and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC derivatives contracts are traded on exchanges and cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

The positive and negative fair values of derivatives including CSA and EMIR cash margins have been netted/offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the assets and settle the liability simultaneously.

12. Due to banks and other financial institutions

	2022	2021
Current accounts	3,735,075	2,207,878
Money market deposits	12,804,597	3,320,892
Repo with banks	2,777,696	567,906
Others	6,199,935	8,566,990
Total	**25,517,303**	**14,663,666**

Others include deposits from SAMA.

13. Customers' deposits

	2022	2021
Demand	141,427,465	152,966,149
Time	69,651,646	30,443,041
Savings	1,981,334	2,051,920
Margin and others	1,218,406	1,299,502
Total	**214,278,851**	**186,760,612**

The above deposits include the following deposits in foreign currency:

	2022	2021
Demand	16,515,036	16,354,307
Time	14,969,131	4,967,825
Savings	15,604	30,614
Margin and others	176,943	234,808
Total	**31,676,714**	**21,587,554**

Customers' deposits include the following deposits under Shariah approved product contracts:

	2022	2021
Demand	91,148,380	101,766,192
Time	43,808,403	18,478,213
Savings	1,915,405	1,911,289
Margin and others	223,500	373,053
Total	**137,095,688**	**122,528,747**

14. Debt securities in issue

SAR 5 Billion 10 year Sukuk – 2020

SABB issued SAR 5 billion Tier II Sukuk on 22 July 2020 under the Group's local Sukuk Programme (the "Local Programme"). The Sukuk are unsecured and due in 2030, with SABB having an option to repay the Sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the Local Programme. The Sukuk carry effective special commission income at six months' SAIBOR plus margin of 195 bps payable semi-annually.

15. Other liabilities

	2022	2021
Accounts payable	6,893,995	5,720,329
Provision against loan commitments and financial guarantee contracts (note 19)	953,737	734,347
End of service benefits (note 27)	748,494	711,414
Collateral margin	676,158	-
Lease liabilities	577,398	647,888
Others	3,099,265	3,553,125
Total	**12,949,047**	**11,367,103**

16. Share capital

The authorised, issued and fully paid share capital of SABB consists of 2,054,794,522 shares of SAR 10 each (2021: 2,054,794,522 shares of SAR 10 each). The ownership of the SABB's share capital is as follows:

	2022	2021
HSBC Holdings B.V	31%	31%
Other shareholders*	69%	69%

*Other shareholders include both Saudi and non-strategic foreign shareholders.

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During the year, SABB paid the final dividend of SAR 702 million as approved by the Board of Directors, to the shareholders of the Group for the year 2021. This resulted in SAR 0.36 per share for Saudi shareholders, net of Zakat. The income tax of the foreign shareholders was deducted from their share of the dividends.

SABB also paid an interim dividend of SAR 1,263 million (2021: SAR 1,075 million) approved by the Board of Directors for distribution to the shareholders of the Group for the year 2022. This resulted in SAR 0.55 per share for Saudi shareholders' net of Zakat (2021: SAR 0.50). The income tax of the foreign shareholders was deducted from their share of the dividend.

17. Statutory reserve

In accordance with the Banking Control Law of the Kingdom of Saudi Arabia, no further transfer of annual net income is required to Statutory reserve as its balance equals the paid up Share capital of the Group. The statutory reserve is not currently available for distribution.

18. Other reserves

2022	Cash flow hedges	FVOCI	Treasury Shares	Employee share plan reserve	Re-measurement of defined benefit liability	Total
Balance at beginning of the year	**9,663**	**83,507**	**(211,293)**	**82,548**	**5,636**	**(29,939)**
Net change in fair value	228,784	(1,431,819)	-	-	-	(1,203,035)
Transfer to consolidated statement of income	(25,617)	11,654	-	-	-	(13,963)
Net movement defined benefit liability	-	-	-	-	3,088	3,088
Net Charge and shares vested	-	-	32,293	29,208	-	61,501
Balance at end of the year	**212,830**	**(1,336,658)**	**(179,000)**	**111,756**	**8,724**	**(1,182,348)**

2021	Cash flow hedges	FVOCI	Treasury Shares	Employee share plan reserve	Re-measurement of defined benefit liability	Total
Balance at beginning of the year	**20,516**	**312,048**	**(96,293)**	**88,555**	**111**	**324,937**
Net change in fair value	7,940	329,769	-	-	-	337,709
Transfer to consolidated statement of income	(18,793)	(62,815)	-	-	-	(81,608)
Transfer to retained earnings	-	(495,495)	-	-	-	(495,495)
Net movement defined benefit liability	-	-	-	-	5,525	5,525
Net Charge, vested and shares purchased	-	-	(115,000)	(6,007)	-	(121,007)
Balance at end of the year	**9,663**	**83,507**	**(211,293)**	**82,548**	**5,636**	**(29,939)**

The discontinuation of hedge accounting during the year resulted in reclassification of the associated cumulative gains of SAR 25.6 million (2021: SAR 18.8 million) from consolidated statement of changes in equity to the consolidated statement of income included in the above numbers under cash flow hedges.

19. Commitments and contingencies

a) Legal proceedings

There are no material outstanding legal matters against the Group.

b) Capital commitments

As at 31 December 2022, the Group has capital commitments of SAR 1,436 million (2021: SAR 994.5 million) in respect of land, buildings and equipment purchases.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise guarantees letters of credit acceptances and commitments to extend credit. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. 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 collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The cash requirement under these instruments is considerably less than the amount of the related commitment because the Group generally expects the customers to fulfil their primary obligation.

Commitments to extend credit represent the unutilised portion of authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unutilised commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unutilised commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of the commitments could expire or be terminated without being funded. Credit related commitments and contingencies are as follows:

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	15,267,551	801,470	7,469	38,502	16,114,992
Letters of guarantee	64,348,335	8,231,151	1,308,921	1,665,909	75,554,316
Acceptances	2,844,988	304,046	-	24,572	3,173,606
Irrevocable commitments to extend credit	4,953,207	147,960	-	-	5,101,167
Total	**87,414,081**	**9,484,627**	**1,316,390**	**1,728,983**	**99,944,081**

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2021	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	16,198,187	1,071,383	27,597	50,560	17,347,727
Letters of guarantee	60,479,102	8,190,612	1,440,987	1,883,095	71,993,796
Acceptances	1,448,655	338,972	96	-	1,787,723
Irrevocable commitments to extend credit	4,044,096	240,577	-	-	4,284,673
Total	**82,170,040**	**9,841,544**	**1,468,680**	**1,933,655**	**95,413,919**

The un-utilized portion of non-firm commitments, which can be revoked unilaterally at any time by the Group, is SAR 128,942 million (2021: SAR 96,572 million).

The following table further explains changes in gross carrying amount of the credit related commitments and contingencies to help explain their significance to the changes in the loss allowance for the same portfolio.

Letters of credit

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2022	**16,198,187**	**1,071,383**	**27,597**	**50,560**	**17,347,727**
Transfer to Stage 1	48,518	(48,518)	-	-	-
Transfer to Stage 2	(34,204)	34,204	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(944,950)	(255,599)	(20,128)	(12,058)	(1,232,735)
Balance as at 31 December 2022	**15,267,551**	**801,470**	**7,469**	**38,502**	**16,114,992**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2021	**13,908,396**	**1,247,896**	**-**	**92,043**	**15,248,335**
Transfer to Stage 1	63,015	(63,015)	-	-	-
Transfer to Stage 2	(196,718)	196,718	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	2,423,494	(310,216)	27,597	(41,483)	2,099,392
Balance as at 31 December 2021	**16,198,187**	**1,071,383**	**27,597**	**50,560**	**17,347,727**

Letters of guarantees

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2022	**60,479,102**	**8,190,612**	**1,440,987**	**1,883,095**	**71,993,796**
Transfer to Stage 1	1,455,340	(1,451,526)	(3,814)	-	-
Transfer to Stage 2	(3,413,982)	3,414,882	(900)	-	-
Transfer to Stage 3	(491)	(55,223)	55,714	-	-
Net change for the year	5,828,366	(1,867,594)	(183,066)	(217,186)	3,560,520
Balance as at 31 December 2022	**64,348,335**	**8,231,151**	**1,308,921**	**1,665,909**	**75,554,316**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2021	**55,770,431**	**8,546,379**	**1,219,019**	**2,176,805**	**67,712,634**
Transfer to Stage 1	2,141,552	(2,141,452)	(100)	-	-
Transfer to Stage 2	(1,386,434)	1,387,034	(600)	-	-
Transfer to Stage 3	(9,488)	(104,546)	114,034	-	-
Net change for the year	3,963,041	503,197	124,089	(293,710)	4,296,617
Write-offs	-	-	(15,455)	-	(15,455)
Balance as at 31 December 2021	**60,479,102**	**8,190,612**	**1,440,987**	**1,883,095**	**71,993,796**

Acceptances

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2022	**1,448,655**	**338,972**	**96**	**-**	**1,787,723**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	1,396,333	(34,926)	(96)	24,572	1,385,883
Balance as at 31 December 2022	**2,844,988**	**304,046**	**-**	**24,572**	**3,173,606**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2021	**2,316,644**	**744,637**	**-**	**51,765**	**3,113,046**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(867,989)	(405,665)	96	(51,765)	(1,325,323)
Balance as at 31 December 2021	**1,448,655**	**338,972**	**96**	**-**	**1,787,723**

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Irrevocable commitments to extend credit

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2022	**4,044,096**	**240,577**	**-**	**-**	**4,284,673**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	909,111	(92,617)	-	-	816,494
Balance as at 31 December 2022	**4,953,207**	**147,960**	**-**	**-**	**5,101,167**

	Non-credit impaired		Credit impaired		
2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2021	**3,969,165**	**219,348**	**-**	**-**	**4,188,513**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	74,931	21,229	-	-	96,160
Balance as at 31 December 2021	**4,044,096**	**240,577**	**-**	**-**	**4,284,673**

The following table shows reconciliations of the provision for expected credit losses against loan commitments and financial guarantee contracts:

2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2022	**62,055**	**271,134**	**399,589**	**1,569**	**734,347**
Transfer to Stage 1	15,614	(14,659)	(955)	-	-
Transfer to Stage 2	(6,748)	7,199	(451)	-	-
Transfer to Stage 3	-	(1,000)	1,000	-	-
Net charge for the year	(18,706)	25,343	207,067	5,686	219,390
Balance as at 31 December 2022	**52,215**	**288,017**	**606,250**	**7,255**	**953,737**

2021	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2021	**38,855**	**136,654**	**487,056**	**-**	**662,565**
Transfer to Stage 1	1,747	(1,747)	-	-	-
Transfer to Stage 2	(605)	905	(300)	-	-
Transfer to Stage 3	(3)	(1,996)	1,999	-	-
Net charge for the year	22,061	137,318	(73,711)	1,569	87,237
Write-offs	-	-	(15,455)	-	(15,455)
Balance as at 31 December 2021	**62,055**	**271,134**	**399,589**	**1,569**	**734,347**

d) The analysis of credit related commitments and contingencies by counterparty is as follows:

	2022	2021
Government and quasi government	5,961,803	5,903,981
Corporate	77,320,034	73,221,605
Banks and other financial institutions	16,646,677	16,269,972
Others	15,567	18,361
Total	**99,944,081**	**95,413,919**

The following table sets out information about the credit quality of commitments and contingencies. The amounts in the table represent gross carrying amounts.

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	33,209,809	-	-	-	33,209,809
Good	44,824,763	1,163,466	-	-	45,988,229
Satisfactory	9,379,509	5,748,232	28,084	-	15,155,825
Special mention	-	2,572,929	-	-	2,572,929
Non-performing	-	-	1,288,306	1,728,983	3,017,289
Total	**87,414,081**	**9,484,627**	**1,316,390**	**1,728,983**	**99,944,081**

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	33,302,309	-	-	-	33,302,309
Good	41,615,682	694,142	15,455	-	42,325,279
Satisfactory	7,252,049	6,345,984	22,687	-	13,620,720
Special mention	-	2,801,418	37,508	-	2,838,926
Non-performing	-	-	1,393,030	1,933,655	3,326,685
Total	**82,170,040**	**9,841,544**	**1,468,680**	**1,933,655**	**95,413,919**

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20. Net special commission income and expense

	2022	2021
Special commission income		
Investments:		
Held at amortised cost	1,343,838	1,101,626
FVOCI	705,641	205,825
	2,049,479	**1,307,451**
Loans and advances	7,083,479	4,993,012
Due from banks and other financial institutions	188,916	78,207
Total	**9,321,874**	**6,378,670**
Special commission expense		
Customers' deposits	(1,312,950)	(275,176)
Due to banks and other financial institutions	(378,159)	(219,146)
Debt securities in issue	(203,039)	(142,352)
Others	(19,439)	(24,776)
Total	**(1,913,587)**	**(661,450)**
Net special commission income	**7,408,287**	**5,717,220**

Special commission income includes income from Shariah-compliant investments and loans and advances contracts and special commission expense includes expense from Shariah-compliant customer deposits as follows:

	2022	2021
Special commission income		
Investments:		
Held at amortised cost / Sukuk	1,059,274	899,789
FVOCI / Sukuk	494,321	141,131
Total	**1,553,595**	**1,040,920**
Loans and advances		
Tawaruq	4,174,972	2,796,305
Murabaha	370,135	285,449
Others	708,432	501,018
Total	**5,253,539**	**3,582,772**
Special commission expense		
Customers' deposits		
Murabaha	(670,287)	(123,314)
Others	(73,875)	(18,546)
Total	**(744,162)**	**(141,860)**

21. Net fees and commission income

	2022	2021
Fee and commission income:		
Card products	1,313,611	1,209,323
Trade finance	700,305	656,743
Corporate finance and advisory	186,872	96,903
Fund management fees	71,772	36,222
Other banking services	497,613	449,804
Total fee and commission income	**2,770,173**	**2,448,995**
Fee and commission expense:		
Card products	(1,658,024)	(1,288,961)
Custodial services	(3,959)	(1,438)
Other banking services	(222,534)	(186,713)
Total fee and commission expense	**(1,884,517)**	**(1,477,112)**
Net fees and commission income	**885,656**	**971,883**

The comparatives for fee and commission expense include an amount of SAR 217.8 million which was previously classified under general and administrative expenses and reclassified to fee and commission expense, refer to note 40.

22. Income from FVSI financial instruments, net

	2022	2021
Foreign exchange income, net	238,031	79,733
Derivatives	141,041	76,216
Debt securities	(23,531)	6,011
Others	75,320	1,217
Total	**430,861**	**163,177**

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23. Salaries and employee related expenses

The following table summarises 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 31 December 2021, and the forms of such payments.

2022	**Number of employees***	**Fixed compensation**	**Variable compensation paid**		
Category			**Cash**	**Shares**	**Total**
Senior executives requiring SAMA no objection	26	(40,657)	(16,486)	(16,918)	(33,404)
Employees engaged in risk taking activities	905	(429,843)	(99,729)	(14,504)	(114,233)
Employees engaged in control functions	686	(167,374)	(29,151)	(30,022)	(59,173)
Other employees	2,652	(551,475)	(70,951)	-	(70,951)
Outsourced employees	558	(59,969)	(22,945)	-	(22,945)
Total	**4,827**	**(1,249,318)**	**(239,262)**	**(61,444)**	**(300,706)**
Variable compensation accrued in 2022		(338,947)			
Other employee related benefits **		(221,200)			
Total salaries and employee related expenses		**(1,809,465)**			

2021	**Number of employees***	**Fixed compensation**	**Variable compensation paid**		
Category			**Cash**	**Shares**	**Total**
Senior executives requiring SAMA no objection	27	(45,796)	(21,358)	(4,114)	(25,472)
Employees engaged in risk taking activities	737	(470,613)	(94,783)	(13,184)	(107,967)
Employees engaged in control functions	374	(115,401)	(21,077)	(148)	(21,225)
Other employees	3308	(708,777)	(69,505)	(390)	(69,895)
Outsourced employees	584	(75,081)	(17,177)	-	(17,177)
Total	**5030**	**(1,415,668)**	**(223,900)**	**(17,836)**	**(241,736)**
Variable compensation accrued in 2021		(249,221)			
Other employee related benefits **		(69,884)			
Total salaries and employee related expenses		(1,734,773)			

* Represents all employees who worked for the Group and were compensated during the year 2022 or 2021, whether they are still active or no longer employed by the Group.

** Other employee related benefits include insurance premium paid, GOSI contribution, recruitment expenses and certain other non-recurring employee related costs.

Senior executives (requiring SAMA no objection):
This comprises senior management having responsibility and authority for formulating strategies, directing and controlling the activities of the Group whose appointment requires no objection from SAMA. This covers the Managing Director and other executives directly reporting to him.

Employees engaged in risk taking activities:
This comprises of management staff within the business lines (Corporate, Trade Services, Private Banking and Treasury employees), who are responsible for executing and implementing the business strategy on behalf of the Group. This also includes those involved in recommending and evaluating credit limits and credit worthiness, pricing of loans, undertaking and executing business proposals and treasury dealing activities.

Employees engaged in control functions:
This refers to employees working in divisions that are not involved in risk taking activities but engaged in review functions (Risk Management, Compliance, Internal Audit, Finance and Accounting). These functions are fully independent from risk taking units.

Other employees:
This includes all other employees of the Group, excluding those already reported under categories mentioned above.

Outsourced employees:
This includes staff employed by various agencies who supply services to the Group on a full-time basis in non-critical roles. None of these roles require risk undertaking or control.

Compensation disclosure for the annual consolidated financial statements:
SAMA being the Banking industry regulator for the Kingdom of Saudi Arabia has issued its Rules on compensation practices. In compliance with the SAMA rules on compensation practices, a compensation policy endorsed by Nomination and Remuneration Committee and approved by the Board of Directors has been formulated and implemented.

SABB compensation policy

i. Policy objectives
The policy sets the guidelines as to how both fixed and variable pay will be managed at SABB. The scope of policy covers the following: all categories of employees; its subsidiaries; all compensation elements; key determinants of compensation; approval process; reporting processes; bonus deferral process; share retention and relevant stakeholder's roles and responsibilities. The objectives of the policy are to: align the reward practices with the Group's strategy and values so as to support the successful execution of the strategy in a risk compliant manner; offer an attractive employee value proposition to attract; retain and motivate competent and committed people; and ensure the financial sustainability of SABB.

ii. Compensation structure
SABB's compensation operates on a Total Package basis that is benchmarked to market data from peers in the appropriate industry. Total Package comprises of the following blend of fixed and variable compensation elements: salaries, allowances; benefits; annual bonuses; short-term incentives; and long-term incentives.

iii. Performance management system
The performance of all employees is evaluated against agreed targets using a Performance Scorecard methodology, financial, customer, process, and people. A calibration process is applied to ensure fair and equitable performance evaluation. The performance management methodology at SABB focuses on the differentiation of individual performance and drives the variable reward strategy which encourages high performance within a risk compliant manner.

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iv. Risk-adjustment for variable pay schemes

The Group has reviewed all its variable pay schemes, with the assistance of external remuneration consultants, to ensure that any bonus pay pools have taken into account all relevant risks. The determination of bonus pools is based on appropriate performance factors adjusted for risk. The bonus pool for the Control functions have been ring fenced from short-term profits in alignment with SAMA regulations.

v. Bonus deferral

Bonus deferral in the form of equity applies to all employees who are either subject to SAMA 'No Objection' and /or undertake or control significant risk undertaking by the Group. Bonuses of all these employees will be subject to deferral over a 3 year vesting period. The vesting will be subject to malus conditions.

vi. Nomination and Remuneration Committee

The Nomination and Remuneration Committee has oversight of the remuneration structures and policies for all employees to ensure that: all performance based bonuses are adjusted for risk, compensation structures are regulatory compliant, and effective in achieving its stated objectives.

a) Share based bonus payments

The Group has Share Based Equity settled Bonus payment plans outstanding at the end of the year. Under the terms of these plans, SABB's eligible employees are offered shares at a predetermined price. At the vesting dates determined under the terms of the plan, SABB delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions.

The cost of the plans is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date'). The cumulative expense recognised for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The Group has currently two Share Based Equity Plan, under which the grant for the Bonus Deferral Program was made at various dates during 2020, 2021 and 2022 with a maturity period of three years from the respective grant dates and shares vesting is 33%, 33% and 34% for the first, second and third year, respectively. As for the Long Term Plan with a maturity of four years of the respective grant date and shares vesting is 30%, 20% and 40%, with remaining as cash rewards. As per the settlement method, the ownership of these shares will pass to the employees at the respective vesting dates, subject to satisfactory completion of the vesting conditions.

The movement in the number of shares under Share Based Equity settled Bonus payment plans is as follows:

	Number of shares	
	2022	**2021**
Beginning of the year	**4,591,311**	**1,085,913**
Forfeited	(411,584)	(109,698)
Exercised / Expired	(634,519)	(485,447)
Granted during the year	687,126	4,100,543
End of the year	**4,232,334**	**4,591,311**

The weighted average price of shares granted during the year was SAR 38.2 (2021: SAR 27.8). Total treasury shares held by the Group as at 31 December 2022 were 4,181,503 shares (2021: 4,815,072 shares).

24. Basic and diluted earnings / (losses) per share

Basic and diluted earnings / (losses) per share from continuing and discontinued operations for the years ended 31 December 2022 and 31 December 2021 are calculated by dividing the net income / (loss) after Zakat and income tax from continuing and discontinued operations for the periods by the weighted average number of shares 2,054,794,522 (December 2021: 2,054,794,522) outstanding during the years.

25. Zakat and income tax

The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability. In addition, SABB is subject to pay corporate income tax to reflect the portion of the shareholder base that is non-Saudi. Corporate income tax is calculated at a rate of 20%, applied to the share of taxable income of the non-Saudi shareholders.

SABB has filed Zakat and Tax return for the year 2021. Zakat and tax assessments for 2019 and 2020 are still under ZATCA review. SABB tax assessments for the years from 2005 to 2018 have been finalized. AAB tax assessments for the years from 2007 to 2018 have been finalized. SABB has filed an appeal on the AAB tax assessments for the years from 2005 to 2006 which is currently pending with Tax Violation and Disputes Appellate Committee".

The below table represents the movements in the current Zakat and income tax liability:

	2022	2021
Opening Zakat and income tax liability	**1,174,320**	**1,081,340**
Charge for the year:		
Provision for Zakat	517,377	419,804
Provision for income tax	220,707	181,113
Payment of Zakat and income tax liability	**(877,776)**	**(513,343)**
Disposal of subsidiary	**(5,992)**	**5,406**
Closing Zakat and income tax liability	**1,028,636**	**1,174,320**

Deferred tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The following table shows the movement in deferred tax:

	2022	2021
Opening deferred tax asset	**392,290**	**487,048**
Provision for deferred tax	(97,726)	(94,758)
Closing deferred tax asset	**294,564**	**392,290**

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The deferred tax included in these financial statements comprise of the following:

	2022	2021
Property, equipment, ROU, goodwill and other intangibles	213,837	297,098
Provision for expected credit losses	1,614	1,427
Other liabilities	79,113	93,765
Total	**294,564**	**392,290**

26. Cash and cash equivalents

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

	2022	2021
Cash and balances with SAMA excluding the statutory deposit (note 3)	5,934,657	2,845,831
Due from banks and other financial institutions with an original maturity of three months or less from date of the acquisition	5,873,421	5,697,717
Total	**11,808,078**	**8,543,548**

27. Employee benefit obligation

a) General description

The Group operates an end of service benefit plan for its employees based on the prevailing Saudi Labour Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

b) Reconciliation of defined benefit obligation as 31 December.

	2022	2021
Defined benefit obligation at the beginning of the year	**711,414**	**803,426**
Charge for the year:		
Current service cost	68,225	73,285
Interest cost	18,160	14,469
Benefits paid	(72,772)	(174,241)
Liability acquired on acquisition of business / disposal of subsidiary	26,555	-
Re-measurement of defined benefit liability:		
Financial Assumptions	(37,108)	(10,546)
Demographic adjustments	(3,991)	-
Experience Adjustments	38,011	5,021
Defined benefit obligation at the end of the year	**748,494**	**711,414**

c) Principal actuarial assumptions (in respect of the employee benefit scheme)

	2022	2021
Discount rate	4.20%	2.70%
Expected rate of salary increase	4.20%	2.70%
Normal retirement age	60 Years	60 years

d) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December 2022 to the discount rate and salary increase rate.

	Impact on defined benefit obligation – increase / (decrease)		
Base Scenario 2022	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	(50,412)	57,310
Expected rate of salary increase	1%	58,875	(52,741)

	Impact on defined benefit obligation – increase/(decrease)		
Base Scenario 2021	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	(42,229)	71,493
Expected rate of salary increase	1%	72,464	(44,088)

The above sensitivity analyses are based on a change in an assumption holding all other assumptions constant.

e) Expected maturity

Expected maturity analysis of undiscounted defined benefit obligation for the end of service plan is as follows:

2022	Less than a year	1-2 years	2-5 years	Over 5 years	Total
	89,328	70,870	194,204	697,625	1,052,027

2021	Less than a year	1-2 years	2-5 years	Over 5 years	Total
	75,478	52,727	156,274	611,428	895,907

The weighted average duration of the defined benefit obligation is 7 years (2021: 8 years).

f) Defined Contribution Plan

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its staff. The total amount expensed during the year in respect of this plan was SAR 77 million (2021: SAR 84 million).

28. Operating segments

The Group's primary business is conducted in Saudi Arabia.

Transactions between the operating segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance. The Group's reportable segments are as follows:

Wealth & Personal Banking – caters mainly to the banking requirements of personal and private banking customers.

Corporate and Institutional Banking – caters mainly to the banking requirements of corporate and institutional banking customers.

Treasury – manages the Group's liquidity, currency, and special commission rate risks. It is also responsible for funding the Group's operations and managing the Group's investment portfolio and liquidity position.

Capital Markets – Includes activities of the Group's investment in its subsidiary for investment banking and brokerage, Alawwal Invest.

Others – Includes activities of the Group's investment in its associate, HSBC Saudi Arabia and equity investments. It also includes elimination of inter-group income and expense items.

Transactions between the operating segments are reported as recorded by the Group's transfer pricing system. The Group's total assets and liabilities as at 31 December 2022 and 2021, its total operating income and expenses, and the results for the years then ended, by operating segment, are as follows:

31 December 2022	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	**54,775,263**	**139,458,637**	**115,987,828**	**1,751,875**	**2,477,074**	**314,450,677**
Loans and advances, net	45,512,240	136,430,175	-	1,189,834	-	183,132,249
Investments, net	-	-	85,951,195	193,632	218,332	86,363,159
Investment in an associate	-	-	-	-	599,289	599,289
Total liabilities	**75,467,137**	**136,274,783**	**47,838,236**	**180,785**	**6,532**	**259,767,473**
Operating income / (loss) from external customers	2,230,391	5,250,681	2,035,209	257,890	(77,143)	9,697,028
Inter-segment operating income / (expense)	595,586	(392,031)	(206,981)	-	3,426	-
Total operating income / (loss), of which:	**2,825,977**	**4,858,650**	**1,828,228**	**257,890**	**(73,717)**	**9,697,028**
Net special commission income	2,403,159	3,932,477	1,035,780	36,871	-	7,408,287
Net fees and commission income / (expenses)	184,137	684,994	(4,707)	66,502	(45,270)	885,656
Reversal of / (provision for) expected credit losses, net	**80,910**	**(530,085)**	**4,291**	**(377)**	**-**	**(445,261)**
Total operating (expenses) / income	**(1,764,547)**	**(1,432,880)**	**(361,738)**	**(146,694)**	**43,766**	**(3,662,093)**
Share in earnings of an associate	-	-	-	-	172,144	172,144
Net income for the year before Zakat and income tax from continuing operations	**1,142,340**	**2,895,685**	**1,470,781**	**110,819**	**142,193**	**5,761,818**
Net loss from discontinued operations	**-**	**-**	**-**	**-**	**(53,860)**	**(53,860)**

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31 December 2021	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	**49,389,856**	**131,346,804**	**89,265,403**	**409,397**	**1,984,563**	**272,396,023**
Loans and advances, net	39,629,657	127,845,810	-	81,011	-	167,556,478
Investments, net	-	-	64,147,268	124,259	632,171	64,903,698
Investment in an associate	-	-	-	-	583,359	583,359
Total liabilities	**81,840,357**	**110,847,436**	**25,942,313**	**60,154**	**677,246**	**219,367,506**
Operating income from external customers	2,329,323	3,864,264	1,427,500	25,771	31,500	7,678,358
Inter-segment operating income / (expense)	193,196	(624,373)	434,934	-	(3,757)	-
Total operating income , of which:	**2,522,519**	**3,239,891**	**1,862,434**	**25,771**	**27,743**	**7,678,358**
Net special commission income / (expense)	2,161,283	2,260,842	1,299,892	3,088	(7,885)	5,717,220
Net fees and commission income	178,369	757,838	8,200	22,683	4,793	971,883
Reversal of / (provision for) expected credit losses, net	**497,580**	**(955,933)**	**4,669**	**(59)**	**-**	**(453,743)**
Total operating expenses	**(1,690,447)**	**(1,382,983)**	**(191,140)**	**(64,367)**	**(99,620)**	**(3,428,557)**
Share in earnings of an associate	-	-	-	-	131,429	131,429
Net income / (loss) for the year before Zakat and income tax from continuing operations	**1,329,652**	**900,975**	**1,675,963**	**(38,655)**	**59,552**	**3,927,487**
Net loss from discontinued operations	**-**	**-**	**-**	**-**	**(30,167)**	**(30,167)**

a) The Group's credit exposure by operating segment is as follows:

2022	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Assets	45,512,240	136,430,175	108,882,834	1,390,604	-	292,215,853
Commitments and contingencies	8,764	55,241,990	-	-	-	55,250,754
Derivatives	-	-	60,207,444	-	-	60,207,444
Total	**45,521,004**	**191,672,165**	**169,090,278**	**1,390,604**	**-**	**407,674,051**

2021 (restated)	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Assets	39,629,657	127,845,810	82,578,838	405,270	294,313	250,753,888
Commitments and contingencies	9,103	46,596,053	-	-	-	46,605,156
Derivatives	-	-	1,747,834	-	-	1,747,834
Total	**39,638,760**	**174,441,863**	**84,326,672**	**405,270**	**294,313**	**299,106,878**

Credit exposure comprises the carrying value of assets excluding cash, property and equipment, other assets, investment in associates and equity investments, and the credit equivalent value for commitments, contingencies and derivatives based on the credit conversion factor as prescribed by the SAMA.

29. Financial risk management

i) Credit risk

The Board of Directors is responsible for the overall Risk Management approach including oversight of Credit Risk within Group and for reviewing its effectiveness. The Group follows SAMA Rules on Credit Risk Management whereby the Board has constituted a Board Risk Committee (BRC) to assist the Board in overseeing the credit risk management process and to discharge other related responsibilities.

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk on credit related commitments and contingencies and derivatives. The Group assesses the probability of default of counterparties using internal rating tools. Also, the Group uses external ratings, of major rating agencies, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions to mitigate credit risk.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or market sector. 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 individual loans and advances.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements. It also monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses. The Group regularly reviews its risk management policies and systems to reflect changes in market's products and emerging best practice.

a) Provision for expected credit losses, net

The following table shows the provision for expected credit losses for due from banks and other financial institutions, investments, loans and advances and off balance sheet exposures:

	Notes	2022	2021
Net provision for expected credit losses:			
Due from banks and other financial institutions	4	314	(240)
Investments	5	3,977	4,909
Loans and advances	6	(906,110)	(604,260)
Loan commitments and financial guarantee contracts	19	(219,390)	(87,237)
Write-offs net of recoveries of debts previously written-off*		675,948	233,085
Net charge for the year		(445,261)	(453,743)

* Write-offs net of recoveries of debts previously written-off include purchase price allocation release from POCI accounts of SAR 616 million (2021: SAR 273 million).

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b) Geographical concentration of financial assets, liabilities, commitments and contingencies, and their maximum exposure to credit risk.

2022	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other Countries	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	1,779,646	-	-	-	-	1,779,646
Balances with SAMA	17,363,545	-	-	-	-	17,363,545
Other balances	115,526	-	-	-	-	115,526
Due from banks and other financial institutions, net:						
Current accounts	155,194	60,055	2,626,179	2,137,725	301,588	5,280,741
Reverse repos	590,792	-	-	-	-	590,792
Positive fair value derivatives, net:						
Held for trading	142,841	16,090	1,848,375	61	-	2,007,367
Held as fair value hedges	-	306	496,627	33	-	496,966
Held as cash flow hedges	-	-	33,723	18	-	33,741
Investments, net:						
FVOCI	25,927,436	1,607,693	-	3,402,991	-	30,938,120
FVSI	378,953	-	172,494	-	-	551,447
Amortised cost	54,243,433	-	-	-	-	54,243,433
Loans and advances, net:						
Credit cards	2,384,882	-	-	-	-	2,384,882
Other retail lending	44,317,192	-	-	-	-	44,317,192
Corporate and institutional lending	131,595,057	3,401,591	-	-	1,433,527	136,430,175
Other assets	2,228,977	-	-	-	-	2,228,977
Total	**281,223,474**	**5,085,735**	**5,177,398**	**5,540,828**	**1,735,115**	**298,762,550**
Liabilities						
Due to banks and other financial institutions						
Current accounts	873,100	672,583	451,026	506,096	1,232,270	3,735,075
Money market deposits	12,179,427	625,170	-	-	-	12,804,597
Repo with banks	2,207,911	-	569,785	-	-	2,777,696
Others	6,199,935	-	-	-	-	6,199,935
Customer deposits:						
Demand	140,922,966	33,811	318,870	35,020	116,798	141,427,465
Time	69,177,627	101,250	-	347,742	25,027	69,651,646
Saving	1,969,620	-	10,587	-	1,127	1,981,334
Margin and other deposits	1,208,406	-	-	-	10,000	1,218,406
Debt securities in issue	5,114,836	-	-	-	-	5,114,836
Negative fair value derivatives, net:						
Held for trading	568,738	5,198	1,279,473	-	-	1,853,409
Held as fair value hedges	-	497	27,582	-	-	28,079
Held as cash flow hedges	-	-	25,948	-	-	25,948
Other liabilities	12,949,047	-	-	-	-	12,949,047
Total	**253,371,613**	**1,438,509**	**2,683,271**	**888,858**	**1,385,222**	**259,767,473**
Commitments and contingencies	**84,804,132**	**2,016,088**	**5,920,840**	**1,025,453**	**6,177,568**	**99,944,081**
Credit exposure (stated at credit equivalent amounts)						
Assets	277,072,010	5,069,339	2,798,673	5,540,716	1,735,115	292,215,853
Commitments and contingencies	46,849,137	1,140,687	3,340,340	578,642	3,341,948	55,250,754
Derivatives	59,420,914	56,859	704,229	25,442	-	60,207,444
Total credit exposure	**383,342,061**	**6,266,885**	**6,843,242**	**6,144,800**	**5,077,063**	**407,674,051**

2021	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other Countries	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,766,585	-	-	-	-	1,766,585
Balances with SAMA	12,991,534	-	-	-	-	12,991,534
Other balances	151,285	-	-	-	-	151,285
Due from banks and other financial institutions, net						
Current accounts	-	161,673	418,507	4,163,378	215,341	4,958,899
Money market placements	1,034,276	-	-	-	-	1,034,276
Positive fair value derivatives, net						
Held for trading	564,163	9,339	482,654	-	16	1,056,172
Held as fair value hedges	-	-	34,791	-	3	34,794
Held as cash flow hedges	-	4,436	14,443	-	-	18,879
Investments, net						
FVOCI	17,198,066	1,465,750	1,767	-	-	18,665,583
FVSI	252,351	-	181,673	-	-	434,024
Amortised cost	44,830,365	-	-	-	-	44,830,365
Loans and advances, net						
Credit cards	2,016,419	-	-	-	-	2,016,419
Other retail lending	37,694,249	-	-	-	-	37,694,249
Corporate and institutional lending	125,962,235	1,883,575	-	-	-	127,845,810
Other assets	3,353,086	-	-	-	-	3,353,086
Total	**247,814,614**	**3,524,773**	**1,133,835**	**4,163,378**	**215,360**	**256,851,960**
Liabilities						
Due to banks and other financial institutions						
Current accounts	576,836	387,885	489,256	310,496	443,405	2,207,878
Money market deposits	2,200,000	1,120,892	-	-	-	3,320,892
Repo with banks	-	-	567,906	-	-	567,906
Others	8,566,990	-	-	-	-	8,566,990
Customer deposits						
Demand	152,506,132	1,061	408,974	49,982	-	152,966,149
Time	30,443,041	-	-	-	-	30,443,041
Saving	2,035,730	-	6,188	-	10,002	2,051,920
Margin and other deposits	1,291,497	-	-	-	8,005	1,299,502
Debt securities in issue	5,061,533	-	-	-	-	5,061,533
Negative fair value derivatives, net						
Held for trading	118,093	1,042	927,719	4	-	1,046,858
Held as fair value hedges	-	3,587	454,343	19	-	457,949
Held as cash flow hedges	-	-	9,777	8	-	9,785
Other liabilities	11,367,103	-	-	-	-	11,367,103
Total	**214,166,955**	**1,514,467**	**2,864,163**	**360,509**	**461,412**	**219,367,506**
Commitments and contingencies	**79,964,388**	**1,472,805**	**5,691,140**	**1,035,769**	**7,249,817**	**95,413,919**
Credit exposure (stated at credit equivalent amounts)						
Assets	242,274,770	3,500,219	600,180	4,163,378	215,341	250,753,888
Commitments and contingencies	39,064,835	731,289	2,803,987	509,956	3,495,089	46,605,156
Derivatives	1,059,924	48,112	639,798	-	-	1,747,834
Total credit exposure	**282,399,529**	**4,279,620**	**4,043,965**	**4,673,334**	**3,710,430**	**299,106,878**

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c) The distributions by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

2022	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other Countries	Total
Non-performing loans and advances	4,140,524	151,859	-	-	-	4,292,383
Provision for expected credit losses	6,007,709	2,337	-	-	434	6,010,480

2021	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other Countries	Total
Non-performing loans and advances	4,020,812	189,570	-	-	-	4,210,382
Provision for expected credit losses	6,698,260	3,979	-	-	-	6,702,239

ii) Credit quality analysis

Amounts arising from ECL – Significant increase in credit risk

When determining whether the probability 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 by comparing:

- the probability of default at the reporting date; with
- the probability of default estimated at the time of initial recognition of the exposure.

In addition to the above, other major quantitative considerations include days past due and rating of customer.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the probability of default and applying experienced credit judgement. 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 probability of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in probability 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 behaviour – e.g. utilisation of credit card facilities.	Payment record – this includes overdue status as well as a range of variables about payment ratios.
Data from credit reference agencies, press articles, changes in external credit ratings	Affordability metrics.	Utilisation of the granted limit.
Quoted bond and credit default swap (CDS) prices for the borrower where available	External data from credit reference agencies including industry-standard credit scores.	Requests for and granting of forbearance.
Actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities		Existing and forecast changes in business, financial and economic conditions.

a) Generating the term structure of Probability of Default (PD)
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. Generating the PD term structure per rating grade consists of:

- computation of long term average (Through the Cycle – TTC) rating grade PDs, encompassing at least 1 full economic cycle; and
- applying an adjustment factor on the TTC PDs over a given horizon from the point of calculation.

The link between the PIT PDs and the macroeconomic factors is derived at a portfolio level using statistical regression tools.

b) Determining whether credit risk has increased significantly
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The assessment of significant increase in credit risk, is assessed taking on account of:

- days past due;
- change in probability of default occurring since initial recognition;
- expected life of the financial instrument; and
- reasonable and supportable information, that is available without undue cost or effort that may affect credit risk.

Lifetime expected credit losses are recognised against any material facility which has experienced significant increase in credit risk since initial recognition. Recognition of lifetime expected credit losses will be made if any facility is past due for 30 days or more. The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

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- 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).

c) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy. When the terms of the financial assets are modified that does not result in de-recognition, the Group will recalculate the gross carrying amount of the asset by discounting the modified contractual cash flows using EIR prior to the modification.

Any difference between the recalculated amount and the existing gross carrying amount will be recognised in statement of income for Asset Modification. To measure the significant increase in credit risk (for financial assets not de-recognised during the course of modification), the Group will compare the probability of default occurring at the reporting date based on modified contract terms and the default risk occurring at initial recognition based on original and unmodified contract terms. Appropriate ECL will be recorded according to the identified staging after Asset Modification e.g. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Board Risk Committee regularly reviews reports on forbearance activities.

The asset will be provided appropriate treatment according to the identified staging after Asset Modification e.g. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3. No asset modification to be considered if the same were not driven by credit distress situation of obligor.

d) Definition of 'default'

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

- A quantitative objective based indicator where the obligor's contractual repayments are past due in excess-over-limits or has overdrawn advised agreed limits for more than 90 days on any material credit obligation to the Group.
- A qualitative criterion by which the Group considers that the obligor is "unlikely-to-pay" its obligations to the Group in full without recourse by the Group to action such as realizing securities (if any) i.e. "Unlikeliness-to-Pay" events causing significant increase in credit risk ("SICR").

Some of the primary indicators for qualitative criteria to objectively define "Unlikeliness to Pay" (UTP) events and "SICR" could be the following:

- Distressed debt restructuring resulting in diminished financial obligation
- Significant and/or persistent deteriorations in financial performance, financial ratios, covenants waivers/easing, cash flow and liquidity concerns and future outlook of the obligor
- Imminent probability of facility foreclosure and/or repossession of collaterals / securities due to insolvency or other financial difficulties indicating Bank's inability to recover the exposure.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

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 economic experts discussed at the relevant governance forum, the Group agrees on a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves agreeing on two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses for exposures of given tenor and rating. The economic scenarios used as at 31 December included the following ranges of key indicators.

Economic Indicators	2022	2021
Government revenue, oil (SAR in Millions)	Upside: 1,081,736 Base: 1,037,847 Downside: 982,515	Upside: 615,946 Base: 552,663 Downside: 495,954
Oil Price – Arabian Light (US$ per barrel)	Upside: 108.2 Base: 103.8 Downside: 98.4	Upside: 73.9 Base: 66.4 Downside: 59.7
GDP, non-oil, nominal, LCU (SAR in Millions)	Upside: 2,249,037 Base: 2,224,958 Downside: 2,186,582	Upside: 2,175,704 Base: 2,146,582 Downside: 2,113,156
Unemployment Rate (%)	Upside: 5.76 Base: 5.77 Downside: 5.78	Upside: 5.93 Base: 5.95 Downside: 6.0

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For the year ended 31 December

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. The Group has used the below base case forecast in its ECL model, which is based on updated information available as at the reporting date:

	Forecast calendar years used in 2022 ECL model			Forecast calendar years used in 2021 ECL model		
Economic Indicators	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**
Government revenue, oil (SAR in millions)	1,009,645	892,881	817,871	986,775	991,792	1,027,088
Oil Price – Arabian Light (US$ per barrel)	97.6	88.4	81.1	62.8	59.2	59.5
GDP, non-oil, nominal, LCU (SAR in millions)	2,376,348	2,486,526	2,590,852	2,231,694	2,338,415	2,483,838
Unemployment Rate (%)	5.6	5.6	5.6	5.8	5.6	5.6

e) Measurement of ECL

The following risk parameters have been used by the Group to measure the ECL:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data.

PD is the predicted probability that a pool of obligors will default over the predefined future time horizon. For each portfolio of financial instruments, PDs have been estimated at a certain date using robust statistical models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Default rates provided by authorised external rating agencies have been used to derive the PD for the portfolios where internal defaults are not available. Macroeconomic adjustment of the PD has been carried out as described above to reflect forward-looking information. Also, the Group has adjusted the PDs to incorporate the effect of downgrades and upgrades of borrowers over time.

LGD is the amount of the credit that is lost when a borrower defaults. For each portfolio, the Group estimates the LGD parameters using the workout approach 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 mortgage loans secured by retail property, Loan to Value (LTV) ratios and current value of the property are key parameters in determining LGD. LGD are calculated on a discounted cash flow basis using the contractual interest rate as the discounting factor.

EAD is an estimate of the Group's exposure to its counterparty at the time of default. For defaulted accounts, EAD is simply the amount outstanding at the point of default. However, for performing accounts, the following elements are considered for computation of EAD at the instrument/facility level:

- time horizon over which EAD needs to be estimated;
- projected cash flows until the estimated default point; and
- residual maturity.

EAD for the amortised loans considers contractual pay down; impact of missed payments and subsequent interest accrual between reporting date and default occurrence; Expected drawdown amount on the unutilised balance. 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. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are Treasury Investments, Group and Non-Banking Financial institutions and money market placements.

Sensitivity of ECL allowance:

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the year end, noting that the macroeconomic factors present dynamic relationships between them.

Assumptions sensitized	PL Impact 2022 SAR'000
Macro-economic factors(Base scenario 2023):	
Government revenue, oil (SAR in millions) reduction by 7.1%	
Oil Price – Arabian Light (US$ per barrel) reduction by 4.4%	29,925
GDP, non-oil, nominal, LCU (SAR in millions) increase by 0.9%	
Scenario weightages:	
Base scenario sensitized by +/- 5% with corresponding change in downside	5,881
Base scenario sensitized by +/- 5% with corresponding change in upside	4,008

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The grouping is subject to regular review to ensure that exposures within a particular grouping remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

30. Market risk

Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into either trading and non-trading or banking-book. Market Risk exposures in the trading book result from instruments classified as held for trading as disclosed in these consolidated financial statements. Market Risk exposures in the non-trading or banking-book arise on special commission rate risk and equity price risk as disclosed in part b) of this disclosure.

The market risk for both the trading book and the non-trading book is managed and monitored using a combination of VAR, stress testing and sensitivity analysis.

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a) Market risk-trading book

The Board has set limits for the acceptable level of risks in managing the trading book. The Group applies a VAR methodology to assess the market risk positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for change in market conditions.

A VAR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses simulation models to assess the possible changes in the market value of the trading book based on historical data.

VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VAR that the Group measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for 1 day. The use of 99% confidence level depicts that within a one day horizon, losses exceeding VAR figure should occur, on average, not more than once every hundred days. The VAR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results, however, may differ from the VAR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

In addition to VAR, the Group also carries out stress testing of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Group's Risk Management Committee (RMC) for their review.

The Group's VAR related information is as follows:

2022	Foreign exchange	Special commission rate	Overall risk
VAR as at 31 December 2022	3,781	13,379	13,528
Average VAR for 2022	787	7,542	7,677
Minimum VAR for 2022	31	1,984	2,230
Maximum VAR for 2022	3,781	23,685	23,756

2021	Foreign exchange	Special commission rate	Overall risk
VAR as at 31 December 2021	567	2,304	2,689
Average VAR for 2021	442	3,038	3,278
Minimum VAR for 2021	17	1,018	1,144
Maximum VAR for 2021	1,477	8,638	8,660

b) Market risk – non-trading or banking-book

Market risk on non-trading or banking positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of the financial instruments. The Board has established commission rate gap limits for stipulated periods. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonably possible change in 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 commission rates on the net special commission income for one year, based on the floating rate non - trading financial assets and financial liabilities repricing as at 31 December 2022 including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate FVOCI assets including the effect of any associated hedges as at 31 December 2022 for the effect of assumed changes in commission rates.

The sensitivity of equity is analysed by maturity period of the asset or swap and represents only those exposures that directly impact OCI of the Group.

	2022						
			Sensitivity of Equity				
Currency	Increase in basis points	Sensitivity of special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	+100	618,400	(33,313)	(93,860)	(866,488)	(1,839,195)	(2,832,856)
USD	+100	88,795	(2,352)	(12,184)	(83,677)	(29,199)	(127,412)
EUR	+100	(1,571)	-	-	-	-	-
Others	+100	(1,624)	-	-	-	-	-

	2022						
			Sensitivity of Equity				
Currency	Decrease in basis points	Sensitivity of special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	- 100	(618,400)	33,313	93,860	866,488	1,839,195	2,832,856
USD	- 100	(88,795)	2,352	12,184	83,677	29,199	127,412
EUR	- 100	1,571	-	-	-	-	-
Others	- 100	1,624	-	-	-	-	-

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	2021						
			Sensitivity of Equity				
Currency	**Increase in basis points**	**Sensitivity of special commission income**	**6 months or less**	**1 year or less**	**1-5 years**	**Over 5 years**	**Total**
SAR	+100	1,130,252	(24,945)	(60,188)	(705,825)	(1,216,122)	(2,007,080)
USD	+100	89,635	(1,470)	(15,964)	(100,073)	(126,790)	(244,297)
EUR	+100	(6,834)	-	-	-	-	-
Others	+100	(5,938)	-	-	-	-	-

	2021						
			Sensitivity of Equity				
Currency	**Decrease in basis points**	**Sensitivity of special commission income**	**6 months or less**	**1 year or less**	**1-5 years**	**Over 5 years**	**Total**
SAR	- 100	(1,130,252)	24,945	60,188	705,825	1,216,122	2,007,080
USD	- 100	(89,635)	1,470	15,964	100,073	126,790	244,297
EUR	- 100	6,834	-	-	-	-	-
Others	- 100	5,938	-	-	-	-	-

The Group is exposed to risks associated with fluctuations in the levels of market special commission rates. The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of the contractual repricing or the maturity dates. The Group is exposed to special commission rate risks as a result of mismatches or gaps in the amounts of assets and liabilities and derivative financial instruments that reprice or mature in a given period.

The Group manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	-	-	-	-	1,779,646	1,779,646
Balances with SAMA	4,039,485	-	-	-	13,324,060	17,363,545
Other balances	-	-	-	-	115,526	115,526
Due from banks and other financial institutions, net:						
Current accounts	5,280,741	-	-	-	-	5,280,741
Reverse repos	590,792	-	-	-	-	590,792
Positive fair value derivatives, net:						
Held for trading	-	-	-	-	2,007,367	2,007,367
Held as fair value hedges	-	-	-	-	496,966	496,966
Held as cash flow hedges	-	-	-	-	33,741	33,741
Investments, net:						
FVOCI	198,932	515,670	3,239,439	26,984,079	-	30,938,120
FVSI	-	10,107	218,267	323,073	-	551,447
Amortised cost	2,848,941	8,139,223	21,111,155	22,144,114	-	54,243,433
Loans and advances, net:						
Credit cards	2,384,882	-	-	-	-	2,384,882
Other retail lending	1,878,307	1,835,809	18,780,022	21,823,054	-	44,317,192
Corporate and institutional lending	103,385,652	31,088,703	1,804,933	150,887	-	136,430,175
Other assets	-	-	-	-	2,228,977	2,228,977
Total assets	**120,607,732**	**41,589,512**	**45,153,816**	**71,425,207**	**19,986,283**	**298,762,550**
Liabilities and equity						
Due to banks and other financial institutions:						
Current accounts	-	-	-	-	3,735,075	3,735,075
Money market deposits	4,485,201	8,319,396	-	-	-	12,804,597
Repo with banks	1,994,910	213,000	569,786	-	-	2,777,696
Others	1,669,595	1,793,596	2,736,744	-	-	6,199,935
Customer deposits:						
Demand	-	-	-	-	141,427,465	141,427,465
Time	60,654,812	8,692,288	304,546	-	-	69,651,646
Saving	1,981,334	-	-	-	-	1,981,334
Margin and other deposits	-	-	-	-	1,218,406	1,218,406
Debt securities in issue	5,114,836	-	-	-	-	5,114,836
Negative fair value derivatives, net:						
Held for trading	-	-	-	-	1,853,409	1,853,409
Held as fair value hedges	-	-	-	-	28,079	28,079
Held as cash flow hedges	-	-	-	-	25,948	25,948
Other liabilities	101,033	50,548	288,690	163,803	12,344,973	12,949,047
Equity	-	-	-	-	54,683,204	54,683,204
Total liabilities and equity	**76,001,721**	**19,068,828**	**3,899,766**	**163,803**	**215,316,559**	**314,450,677**
Commission rate sensitivity on assets and liabilities	**44,606,011**	**22,520,684**	**41,254,050**	**71,261,404**	**(195,330,276)**	**(15,688,127)**
Commission rate sensitivity on derivative financial instruments	**4,853,102**	**(4,117,411)**	**2,380,018**	**(3,115,709)**	**-**	
Total special commission rate sensitivity gap	**49,459,113**	**18,403,273**	**43,634,068**	**68,145,695**	**(195,330,276)**	
Cumulative special commission rate sensitivity gap	**49,459,113**	**67,862,386**	**111,496,454**	**179,642,149**	**(15,688,127)**	

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2021	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	-	-	-	-	1,766,585	1,766,585
Balances with SAMA	927,961	-	-	-	12,063,573	12,991,534
Other balances	-	-	-	-	151,285	151,285
Due from banks and other financial institutions, net:						
Current accounts	4,958,899	-	-	-	-	4,958,899
Money market placements	938,818	95,458	-	-	-	1,034,276
Positive fair value derivatives, net:						
Held for trading	-	-	-	-	1,056,172	1,056,172
Held as fair value hedges	-	-	-	-	34,794	34,794
Held as cash flow hedges	-	-	-	-	18,879	18,879
Investments, net:						
FVOCI	2,731,422	1,271,043	3,596,744	11,066,374	-	18,665,583
FVSI	-	-	35,933	216,418	181,673	434,024
Amortised cost	8,923,051	2,282,622	15,903,478	17,721,214	-	44,830,365
Loans and advances, net:						
Credit cards	2,016,419	-	-	-	-	2,016,419
Other retail lending	18,749,883	2,013,529	12,338,654	4,592,183	-	37,694,249
Corporate and institutional lending	114,968,524	10,345,220	2,031,638	500,428	-	127,845,810
Other assets	-	-	-	-	3,353,086	3,353,086
Total assets	**154,214,977**	**16,007,872**	**33,906,447**	**34,096,617**	**18,626,047**	**256,851,960**
Liabilities and equity						
Due to banks and other financial institutions:						
Current accounts	-	-	-	-	2,207,878	2,207,878
Money market deposits	3,320,892	-	-	-	-	3,320,892
Repo with banks	-	-	567,906	-	-	567,906
Others	-	2,235,294	6,331,696	-	-	8,566,990
Customer deposits:						
Demand	-	-	-	-	152,966,149	152,966,149
Time	27,220,151	2,985,744	237,146	-	-	30,443,041
Saving	2,051,920	-	-	-	-	2,051,920
Margin and other deposits	-	-	-	-	1,299,502	1,299,502
Debt securities in issue	5,061,533	-	-	-	-	5,061,533
Negative fair value derivatives, net:	-					
Held for trading	-	-	-	-	1,046,858	1,046,858
Held as fair value hedges	-	-	-	-	457,949	457,949
Held as cash flow hedges	-	-	-	-	9,785	9,785
Other liabilities	77,720	45,461	391,481	168,680	10,683,761	11,367,103
Equity	-	-	-	-	53,028,517	53,028,517
Total liabilities and equity	**37,732,216**	**5,266,499**	**7,528,229**	**168,680**	**221,700,399**	**272,396,023**
Commission rate sensitivity on assets and liabilities	**116,482,761**	**10,741,373**	**26,378,218**	**33,927,937**	**(203,074,352)**	**(15,544,063)**
Commission rate sensitivity on derivative financial instruments	**12,089,945**	**305,755**	**(6,025,370)**	**(6,370,330)**		**-**
Total special commission rate sensitivity gap	**128,572,706**	**11,047,128**	**20,352,848**	**27,557,607**	**(203,074,352)**	
Cumulative special commission rate sensitivity gap	**128,572,706**	**139,619,834**	**159,972,682**	**187,530,289**	**(15,544,063)**	

The net gap between derivative financial instruments represents the net notional amounts of derivative financial instruments, which are used to manage the special commission rate risk.

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group does not maintain material non-trading open currency positions. Foreign currency exposures that arise in the non-trading book are transferred to the trading book and are managed as part of the trading portfolio. The foreign exchange risk VAR disclosed in note 30 (a) reflects the Group's total exposure to currency risk.

The Group is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intraday positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2022 **Long / (short)**	**2021** **Long / (short)**
US Dollar	(4,462,175)	(677,828)
Euro	(10,791)	(7,388)
Sterling Pounds	(2,747)	2,235
Other	(19,425)	(10,845)

31. 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 also has committed lines of credit that it can access to meet liquidity needs.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Group maintains a statutory deposit with SAMA of 7% of monthly average demand deposits and 4% of monthly average of savings and time deposits. In addition to the statutory deposit, the Group also maintains liquid reserves of not less than 20% of the deposit liabilities, in the form of cash, Saudi Government Development Bonds or assets, which can be converted into cash within a period not exceeding 30 days. The Group has the ability to raise additional funds through repo facilities available with SAMA against Saudi Government Development securities.

The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and does not take account of effective maturities as indicated by the Group's deposit retention history. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows. All derivatives used for hedging purposes are shown by maturity based on their contractual, undiscounted repayment obligations. As the major portion of the derivatives trading book comprises of back to back transactions and consequently the open derivatives trading exposures are small, the management believes that the inclusion of trading derivatives in the contractual maturity table is not relevant for an understanding of the timing of cash flows and hence these have been excluded.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The weekly liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liability Committee ("ALCO").

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A summary report, covering the Group and operating subsidiaries, including any exceptions and remedial action taken, is submitted monthly to ALCO.

a) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below sets out the Group's undiscounted financial liabilities by remaining contractual maturities.

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks and other financial institutions						
Current accounts	3,735,075	-	-	-	-	3,735,075
Money market deposits	4,491,390	8,359,810	-	-	-	12,851,200
Repo with banks	1,999,717	213,000	569,786	-	-	2,782,503
Others	1,700,000	1,832,603	2,799,093	-	-	6,331,696
Customer deposits						
Demand	-	-	-	-	141,427,465	141,427,465
Time	62,577,385	8,869,952	316,041	-	-	71,763,378
Saving	1,981,334	-	-	-	-	1,981,334
Margin and other deposits	74,259	162,689	698,431	283,027	-	1,218,406
Debt securities in issue	126,653	186,655	1,216,205	5,974,495	-	7,504,008
Lease liability	101,033	50,548	288,690	163,803	-	604,074
Total undiscounted financial liabilities	**76,786,846**	**19,675,257**	**5,888,246**	**6,421,325**	**141,427,465**	**250,199,139**

2021	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks and other financial institutions						
Current accounts	2,207,878	-	-	-	-	2,207,878
Money market deposits	3,324,381	-	-	-	-	3,324,381
Repo with banks	-	-	567,906	-	-	567,906
Others	-	2,500,000	6,331,696	-	-	8,831,696
Customer deposits	-					
Demand	-	-	-	-	152,966,149	152,966,149
Time	27,614,723	2,984,547	238,866	-	-	30,838,136
Saving	2,051,920	-	-	-	-	2,051,920
Margin and other deposits	119,771	238,712	703,667	237,352	-	1,299,502
Debt securities in issue	36,660	109,982	733,215	5,439,929	-	6,319,786
Lease liability	77,720	45,461	391,481	168,680	-	683,342
Total undiscounted financial liabilities	**35,433,053**	**5,878,702**	**8,966,831**	**5,845,961**	**152,966,149**	**209,090,696**

b) Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities analysed according to when they are expected to be recovered or settled.

2022	Within 3 months	3-12 months	1-5 Years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,779,646	-	-	-	-	1,779,646
Balances with SAMA	4,039,485	-	-	-	13,324,060	17,363,545
Other balances	115,526	-	-	-	-	115,526
Due from banks and other financial institutions, net						
Current accounts	5,280,741	-	-	-	-	5,280,741
Reverse repos	590,792	-	-	-	-	590,792
Positive fair value derivatives, net						
Held for trading	37,750	42,294	571,639	1,355,684	-	2,007,367
Held as fair value hedges	1,935	24,420	139,725	330,886	-	496,966
Held as cash flow hedges	-	-	28,850	4,891	-	33,741
Investments, net						
FVOCI	198,932	515,670	3,239,439	26,984,079	-	30,938,120
FVSI	-	10,107	218,267	323,073	-	551,447
Amortised cost	2,848,941	8,139,223	21,111,155	22,144,114	-	54,243,433
Loans and advances, net						
Credit cards	2,376,229	-	8,653	-	-	2,384,882
Other retail lending	2,976,276	1,781,599	19,763,382	19,795,935	-	44,317,192
Corporate and institutional lending	44,716,095	31,027,438	35,003,131	25,683,511	-	136,430,175
Other assets	-	-	-	-	2,228,977	2,228,977
Total assets	**64,962,348**	**41,540,751**	**80,084,241**	**96,622,173**	**15,553,037**	**298,762,550**
Liabilities and equity						
Due to banks and other financial institutions						
Current accounts	3,735,075	-	-	-	-	3,735,075
Money market deposits	4,485,201	8,319,396	-	-	-	12,804,597
Repo with banks	1,994,910	213,000	569,786	-	-	2,777,696
Others	1,669,595	1,793,596	2,736,744	-	-	6,199,935
Customer deposits						
Demand	-	-	-	-	141,427,465	141,427,465
Time	60,654,812	8,692,288	304,546	-	-	69,651,646
Saving	1,981,334	-	-	-	-	1,981,334
Margin and other deposits	74,259	162,689	698,431	283,027	-	1,218,406
Debt securities in issue	114,836	-	5,000,000	-	-	5,114,836
Negative fair value derivatives, net						
Held for trading	34,131	35,322	524,001	1,259,955	-	1,853,409
Held as fair value hedges	-	28,079	-	-	-	28,079
Held as cash flow hedges	-	-	12,568	13,380	-	25,948
Other liabilities	1,608,638	559,482	373,712	384,472	10,022,743	12,949,047
Equity	-	-	-	-	54,683,204	54,683,204
Total liabilities and equity	**76,352,791**	**19,803,852**	**10,219,788**	**1,940,834**	**206,133,412**	**314,450,677**
Commitments and contingencies						
Letters of credit	7,715,812	4,379,527	429,214	1,883,509	1,706,930	16,114,992
Letters of guarantee	9,033,253	17,805,000	17,795,022	26,450,669	4,470,372	75,554,316
Acceptances	2,097,027	1,041,903	6,841	-	27,835	3,173,606
Irrevocable commitments to extend credit	71,000	895,808	2,207,607	1,187,292	739,460	5,101,167
Total Commitments and contingencies	**18,917,092**	**24,122,238**	**20,438,684**	**29,521,470**	**6,944,597**	**99,944,081**

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For the year ended 31 December

2021	Within 3 months	3-12 months	1-5 Years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA						
Cash in hand	1,766,585	-	-	-	-	1,766,585
Balances with SAMA	927,961	-	-	-	12,063,573	12,991,534
Other balances	151,285	-	-	-	-	151,285
Due from banks and other financial institutions, net						
Current accounts	4,958,899	-	-	-	-	4,958,899
Money market placements	938,818	95,458	-	-	-	1,034,276
Positive fair value derivatives, net						
Held for trading	25,417	129,623	354,406	546,726	-	1,056,172
Held as fair value hedges	-	-	4	34,790	-	34,794
Held as cash flow hedges	-	97	18,782	-	-	18,879
Investments, net						
FVOCI	1,710,339	783,419	4,805,268	11,366,557	-	18,665,583
FVSI	-	-	217,606	216,418	-	434,024
Amortised cost	50,455	1,094,075	25,536,587	18,149,248	-	44,830,365
Loans and advances, net						
Credit cards	2,011,117	-	5,302	-	-	2,016,419
Other retail lending	1,379,285	1,523,200	15,962,512	18,829,252	-	37,694,249
Corporate and institutional lending	37,525,043	27,471,932	35,129,099	27,719,736	-	127,845,810
Other assets	691,523	1,206,689	392,290	-	1,062,584	3,353,086
Total assets	**52,136,727**	**32,304,493**	**82,421,856**	**76,862,727**	**13,126,157**	**256,851,960**
Liabilities and equity						
Due to banks and other financial institutions						
Current accounts	2,207,878	-	-	-	-	2,207,878
Money market deposits	3,320,892	-	-	-	-	3,320,892
Repo with banks	-	-	567,906	-	-	567,906
Others	-	2,235,294	6,331,696	-	-	8,566,990
Customer deposits						
Demand	-	-	-	-	152,966,149	152,966,149
Time	27,220,151	2,985,744	237,146	-		30,443,041
Saving	2,051,920	-	-	-	-	2,051,920
Margin and other deposits	119,771	238,712	703,667	237,352	-	1,299,502
Debt securities in issue	61,533	-	5,000,000	-	-	5,061,533
Negative fair value derivatives, net						
Held for trading	25,182	127,030	372,058	522,588	-	1,046,858
Held as fair value hedges	48	717	154,554	302,630	-	457,949
Held as cash flow hedges	-	9,785	-	-	-	9,785
Other liabilities	1,775,248	513,496	982,307	392,569	7,703,483	11,367,103
Equity	-	-	-	-	53,028,517	53,028,517
Total liabilities and equity	**36,782,623**	**6,110,778**	**14,349,334**	**1,455,139**	**213,698,149**	**272,396,023**
Commitments and contingencies						
Letters of credit	7,694,936	7,051,818	451,024	2,093,692	56,257	17,347,727
Letters of guarantee	7,098,469	20,967,317	13,605,108	27,016,350	3,306,552	71,993,796
Acceptances	1,262,509	520,740	1,254	-	3,220	1,787,723
Irrevocable commitments to extend credit	-	2,029,763	375,462	991,398	888,050	4,284,673
Total Commitments and contingencies	**16,055,914**	**30,569,638**	**14,432,848**	**30,101,440**	**4,254,079**	**95,413,919**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection, loans and advances to banks and loans and advances to customers. Letters of guarantee are as per contractual terms and in the event of default may be payable on demand and therefore are current in nature.

32. Offsetting of financial liabilities

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

				Amount not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities	Gross amounts offset in the consolidated statement of financial position	Amounts presented in the consolidated statement of financial position	Amounts subject to enforceable master netting arrangement	Cash collateral pledged	Net amount
2022: Derivatives	1,907,436	-	1,907,436	-	655,277	2,562,713
2021: Derivatives	1,514,592	-	1,514,592	-	(1,151,188)	363,404

33. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates.

		Fair value			
31 December 2022	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	2,538,074	-	2,538,074	-	2,538,074
Investments held as FVSI	963,274	411,827	551,447	-	963,274
Investments held as FVOCI – Debt	30,938,120	-	30,938,120	-	30,938,120
Investments held as FVOCI – Equity	218,332	194,569	-	23,763	218,332
Financial assets not measured at fair value					
Due from banks and other financial institutions	5,871,533	-	5,871,533	-	5,871,533
Investments held at amortised cost	54,243,433	-	51,735,790	-	51,735,790
Loans and advances	183,132,249	-	-	183,097,308	183,097,308
Financial liabilities measured at fair value					
Derivative financial instruments	1,907,436	-	1,907,436	-	1,907,436
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	25,517,303	-	25,517,303	-	25,517,303
Customers deposits	214,278,851	-	214,273,048	-	214,273,048
Debt securities in issue	5,114,836	-	5,114,836	-	5,114,836

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31 December 2021	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	1,109,845	-	1,109,845	-	1,109,845
Investments held as FVSI	1,383,368	949,344	434,024	-	1,383,368
Investments held as FVOCI – Debt	18,665,583	-	18,665,583	-	18,665,583
Investments held as FVOCI – Equity	24,382	-	-	24,382	24,382
Financial assets not measured at fair value					
Due from banks and other financial institutions	5,993,175	-	5,993,175	-	5,993,175
Investments held at amortised cost	44,830,365	-	44,821,665	-	44,821,665
Loans and advances	167,556,478	-	-	164,862,626	164,862,626
Financial liabilities measured at fair value					
Derivative financial instruments	1,514,592	-	1,514,592	-	1,514,592
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	14,663,666	-	14,663,666	-	14,663,666
Customers deposits	186,760,612	-	186,754,288	-	186,754,288
Debt securities in issue	5,061,533	-	5,061,533	-	5,061,533

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the Group's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

FVOCI equity investments include investments in local listed shares carried at market price listed on local stock exchange.

FVOCI investments classified as Level 2 include bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.

FVOCI investments classified as Level 3 include a Private Equity Fund, the fair value of which is determined based on the fund's latest reported net assets value as at the reporting date. The movement in Level 3 financial instruments during the period relates to fair value and capital repayment movements only.

Fair values of listed investments are determined using bid marked prices. Fair values of unlisted investments are determined using valuation techniques that incorporate the prices and future earning streams of equivalent quoted securities.

Loans and advances are classified as Level 3, the fair value of which is determined by discounting future cash flows using risk adjusted expected SAIBOR rates.

The fair values of due from and due to banks and other financial institutions which are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements, since these are short dated and the current market special commission rates for similar financial instruments are not significantly different from the contracted rates.

The fair values of demand deposits are approximated by their carrying value. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue are floating rate instruments that re-price within a year and accordingly, the fair value of this portfolio approximates the carrying value. The fair value of the remaining portfolio is not significantly different from its carrying value.

There were no transfers between the levels of fair value hierarchies during the period. The values obtained from valuation models may be different from the transaction price of financial instruments on transaction date.

The difference between the transaction price and the model value is commonly referred to as 'day one profit or loss'. It is either amortised over the life of the transaction or deferred until the instrument's fair value can be determined using market observable data or realized through disposal. Subsequent changes in fair value are recognized immediately in the consolidated statement of income without reversal of deferred day one profits and losses. Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

34. Related party transactions

Managerial and specialised expertise is provided under a technical services agreement with HSBC Holdings plc, the parent company of HSBC Holdings BV. This agreement was amended on 3 October 2018 and renewed for a period of 10 years, commencing on 30 September 2017.

In the ordinary course of its activities, the Group transacts business with related parties. In the opinion of the Management and the Board, the related party transactions are performed in normal course of business. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA.

At the end of the year, the Group reassessed the definition of related parties per IAS 24 Related Party Disclosures and noted that certain relationships with entities with common directorships or common key management were not related parties per IAS 24. As a result, certain balances and transactions related to 2021 have been restated to remove these balances and transactions. The change resulted in a reduction in the 2021 comparative balances with related parties mainly for investments by SAR 3.8 billion, loans and advances by SAR 12.8 billion, customer deposits by SAR 6.5 billion and commitments and contingencies by SAR 3.4 billion. Furthermore, transactions during 2021 with these parties aggregated to SAR 0.3 billion, of which SAR 0.2 billion related to special commission income and the remainder of SAR 0.1 billion related to special commission expense, fee and commission income and general and administrative expenses, which have also been restated accordingly.

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The year end balances included in the consolidated financial statements resulting from related party transactions are as follows:

	2022	2021
The HSBC Group:		
Due from banks and other financial institutions	4,397,919	1,135,263
Investments	10,263	10,779
Fair value derivatives, net	24,517	3,421
Due to banks and other financial institutions	4,152,262	575,837
Commitments and contingencies	3,977,543	4,061,265

	2022	2021
Associates:		
Investments	599,290	583,359
Loans and advances	72,370	275,000
Other assets	16,554	47,726
Customer deposits	1,083,661	461,085
Other liabilities	8,379	-
Commitments and contingencies	3,169	1,303,655

	2022	2021 (restated)
Directors, board committees, other major Shareholders, key management personnel and their affiliates:		
Investments	-	-
Loans and advances	2,623,881	2,350,313
Customers' deposits	4,936,339	4,983,184
Positive fair value derivatives, net	-	1,893
Negative fair value derivatives, net	18,364	-
Debt securities issued	-	500,000
Other liabilities	19,335	18,148
Commitments and contingencies	132,056	1,339,402

Other major Shareholders represent shareholdings (excluding the non-Saudi shareholder) of more than 5% of the Group's issued share capital.

	2022	2021
Related mutual funds:		
Investments	370,264	363,510
Customers' deposits	1,875	17,440
Debt securities issued	212,000	212,000

	2022	2021
Subsidiaries:		
Other assets	-	34,000
Related mutual funds:		
Investments	38,361	578,649

Below represents transactions with related parties other than those disclosed elsewhere in these consolidated financial statements.

	2022	2021 (restated)
Special commission income	88,478	51,724
Special commission expense	96,688	51,239
Fees and commission income	95,017	96,509
General and administrative expenses	37,312	28,887
Service charges paid to HSBC group	16,571	16,799
Service charges recovered from associate	28,776	24,320
Proceeds from sale of non-current assets held for sale	-	79,895
Profit share paid to associate relating to investment banking activities	68,803	28,084
Directors' and board committees' remuneration	6,957	6,662

The total amount of compensation paid to key management personnel during the year is as follows:

	2022	2021
Short-term employee benefits *	34,616	35,062
Termination benefits	70	746
Other long-term benefits	12,077	37,800
Share-based payments	8,282	12,944

* Short-Term Employee benefits includes: Salaries, Allowances, Benefits, Cash bonus paid during the year

Key management personnel are those persons, including an executive director, having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly.

35. Capital Risk Management

The Group monitors the adequacy of its capital using the methodology and ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its assets, commitments and contingencies, and notional amounts of derivatives at a weighted amount to reflect their relative risk.

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

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As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two-year period comprising 2020 and 2021 effective from 31 March 2021 financial statement reporting. Starting from 2022, the add-back amount will be then phased-out on a straight-line basis over the 3 years. The impact of these revised transitional arrangements to the Group's Tier 1 ratio have been an improvement of 29bps for the year ended 31 December 2022.

	2022	2021
Risk Weighted Assets (RWA)		
Credit Risk RWA	232,948,313	209,202,075
Operational Risk RWA	16,212,894	18,021,472
Market Risk RWA	7,091,185	2,192,526
Total RWA	**256,252,392**	**229,416,073**
Tier I Capital	**45,236,925**	**44,263,704**
Tier II Capital	**5,795,143**	**5,850,780**
Total I and II Capital	**51,032,068**	**50,114,484**
Capital Adequacy Ratio %		
Tier I ratio	17.65%	19.29%
Tier I + Tier II ratio	19.91%	21.84%

36. IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("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").

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and impacts the products, internal systems and processes. The Group has complied with the regulatory deadline of 31 December 2021 for the LIBOR transition and is now offering products based on overnight SOFR, Term SOFR and Islamic SOFR.

The Group is also exposed to the effects of USD LIBOR reform on its financial assets and liabilities, as set out within the table below. The Group has no exposure to any other LIBOR rates.

	Carrying Value/Nominal Amount at 31 December 2022		Have yet to transition to an alternative benchmark interest rate as at 31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Non derivative assets and liabilities exposed to USD LIBOR				
Investments held as FVSI – Debt	172,494	-	172,494	-
Loans and advances	2,851,899	-	2,851,899	-

The following table contains details of only the hedging instruments used in the Group's hedging strategies which reference USD LIBOR and have not yet transitioned to SOFR or an alternative interest rate benchmark, such that phase 1 relief(s) have been applied to the hedging relationship:

	Carrying amount			Notional amount directly impacted by IBOR reform
	Notional	**Assets**	**Liabilities**	
Fair value hedges				
Commission rate swaps	3,095,625	152,922	-	2,898,750

Of the SAR 3.1 billion notional amount of hedges above, SAR 196.8 million will mature before the anticipated USD LIBOR replacement on 30 June 2023. Whilst the LIBOR Steering Committee is overseeing a detailed transition plan to address all potential risks, the Group's overall exposure to the demise of USD LIBOR is not considered to be material.

37. Investment management and brokerage services

The Group offers investment management services to its customers that include the management of investment funds and discretionary portfolios with total assets of SAR 15.75 billion (2021:SAR 1.84 billion), in consultation with professional investment advisors. The financial statements of these funds are not consolidated with the consolidated financial statements of the Group. The Group's investment in these funds is included in investments held as FVSI. Fees earned from management services are recorded within fee and commission income and are disclosed under "related party transactions". Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, therefore, are not included in these consolidated financial statements.

38. Business Combination

During the year ended 31 December 2022, sale and transfer of the asset management, margin lending and brokerage business lines from HSBC Saudi Arabia (as Seller) to Alawwal Invest (AI) (as Buyer) was completed. SABB made an announcement earlier on the Saudi Exchange (Tadawul) dated 6/10/1442H (corresponding to 18 May 2021) in relation to this. The business acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with AI being the acquirer of the lines of business from HSBC Saudi Arabia.

As required by the Standard, AI is currently in the process of allocating the purchase consideration to the identifiable tangible and intangible assets and liabilities acquired. Therefore, the acquisition accounting of the business is based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by the Standard. In line with IAS 28 "Investments in Associates and Joint Ventures", the gain recognized by HSBC Saudi Arabia on sale and transfer of business lines has been eliminated in these consolidated financial statements to the extent of ownership of SABB in HSBC Saudi Arabia amounting to SAR 58.8 million.

The transaction enables SABB to strategically widen the service offering to a large base of clients across the Kingdom taking one step closer to the fulfillment of SABB's commitment towards helping its customers achieve long-term value creation by giving them access to one of Saudi Arabia's leading wealth and asset management platforms. The transaction will allow AI to acquire scale and significantly enhance its position in the asset management and retail brokerage businesses in the Kingdom.

a) Purchase consideration

The purchase consideration for sale and transfer of the business lines amounted to SAR 1,216.8 million. The sale and transfer comprises assets amounting to SAR 1,177.5 million with total liabilities assumed amounting to SAR 80.7 million, resulting in provisional bargain purchase of SAR 155.4 million. This has been reflected in the consolidated financial position of the Group for the year ended 31 December 2022 and is subject to adjustment within the period prescribed by IFRS 3.

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b) Business acquisition related costs

During the year ended 31 December 2022, AI incurred business acquisition related integration and transaction costs on account of fees paid to third parties for legal, valuation and transaction services as well as costs of in-house staff and third party consultants working on the business transfer amounting to SAR 54 million (2021: SAR 37 million). These costs have been included in 'Salaries and employee related expenses' and 'General and administrative expenses' in the consolidated statement of income amounting to SAR 7 million (2021: SAR 4 million) and SAR 47 million (2021: SAR 33 million), respectively.

c) Identifiable assets acquired and liabilities assumed

The following table summarises the assets acquired, liabilities assumed, purchase consideration and resultant bargain purchase amount at the date of acquisition.

	15 September 2022
Margin Lending	1,169,100
Other assets	8,400
Total Assets	**1,177,500**
Liabilities	(80,701)
Net identifiable assets	**1,096,799**
Customer relationship	275,401
Bargain purchase (included in other operating income in the consolidated statement of income)	(155,400)
Total price consideration	**1,216,800**

The financial information provided above is neither audited nor reviewed.

d) Valuation approach and methodologies – Customer relationship:

AI has estimated the value of customer relationship with respect to asset management services and retail brokerage services using the Multi-period Excess Earnings Method ("MEEM"), which is a commonly accepted method for valuing customer relationships. A 10% increase or decrease in the attrition rate would equate to approximately SAR 8 million increase or decrease in the valuation.

e) Acquired receivables

For each class of acquired receivables, the fair value, gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected are as follows:

	Fair value of the acquired receivables	**Gross contractual amount receivable**	**The contracted cash flows not expected to be collected**
Margin financing	1,169,100	1,169,100	-
Other financial assets	8,400	8,400	-
Total	**1,177,500**	**1,177,500**	**-**

f) Impact on Group's results

If the acquisition had occurred on 1 January 2022, management estimates that combined operating income for the year would be SAR 233 million. In determining these amounts, the Group has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

39. Discontinued operations

During the year, SABB Takaful entered into a binding merger agreement with Walaa on 24 February 2022. After completion of the Merger Transaction on 19 October 2022, Walaa became, by operation of law, the legal successor of the assets, liabilities, rights and obligations of SABB Takaful and SABB Takaful ceased to exist. Walaa increased its share capital by issuing 20,418,619 shares of SAR 10 per share to SABB Takaful's eligible shareholders based on the exchange ratio. The value of Walaa's share capital accordingly became SAR 850,583,250 divided into 85,058,325 shares, out of which 20,418,619 shares, 24.01% are held by the SABB Takaful shareholders.

The investment in Walaa has been classified as FVOCI from the effective date of the merger. Summarised statement of income of SABB Takaful included in SABB's consolidated statement of income under discontinued operations is as below:

	For the period ended	
	19 October 2022	**31 December 2021**
Net operating income	17,403	14,522
Total operating expenses	(58,668)	(39,283)
Zakat and income tax	(6,032)	(5,406)
Net loss for the year	**(47,297)**	**(30,167)**
Loss on disposal	(6,563)	-
Net loss from discontinued operations for the year	**(53,860)**	**(30,167)**

40. Comparative figures

Certain expenses which had previously been included in general and administrative expenses, are now included in fee and commission expense and other operating income, net. The primary change relating to fee and commission expenses is disclosed in note 21 and the remaining reclassification relates to other operating income. This change was made to reflect better presentation which was established as a result of management's review of its expenses allocation mechanism. Accordingly, the previously reported amounts in the consolidated financial statements for the year ended 31 December 2021 have been reclassified to conform to the current year presentation.

Furthermore, the related party note was amended, refer to note 34 for the restatement in related party transactions.

41. Board of Directors' approval

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 Rajab 1444AH (Corresponding 7 February 2023).

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