We are 1st
We are Saudi Awwal Bank

Annual Report 2023

الأول
SAB

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 SAB

> To bring a world of financial opportunities to an ambitious Kingdom

22k
Corporate and institutional customers

1.5 mln
Retail customers

SAR
12.7 bln
Revenue

SAR
356.6 bln
Total assets

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 SAB 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 Awwal Bank (SAB) 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. SAB provides a comprehensive range of banking services to retail, corporate, and institutional customers throughout the Kingdom.

Since its foundation, SAB 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 SAB 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 SAB.

The merger between SABB and Alawwal Bank

The merger between Saudi British Bank (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 2023 amounting to SAR 12.7 bln, more than 1.5 million retail customers, and over 22k 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. SAB 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

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

2003
Issues first smart credit card in the Kingdom

2004
Issues first subordinated bond in the Kingdom

البنك الأول
Alawwal bank

SABB ساب

SABB's origins begin at a branch of BBME in Alkhobar
1950

Royal decree establishing SABB
1978

SABB's first ATM launched
1990

Issuance of SABB's first credit card
1991

First Saudi bank to launch a home finance programme
2002

2016

Rebrands to Alawwal Bank – Bank of the Year in KSA (The Banker)

2017

> Launches first digital branch
> IBDA Best Digital Bank in Saudi Arabia (Banker Middle East)

2018

Most Innovative Bank in KSA (Banker Middle East)

2019

الأول
SAB

Merger

First Saudi bank to issue international bonds

2005

Best Bank in Saudi Arabia (Asiamoney)

2016

> Best Trade Finance Provider (Euromoney)
> Best Treasury and Cash Management Provider (Global Finance) SABB

2018

At a Glance

Total assets (SAR mln)

'19	265,987
'20	276,452
'21	272,396
'22	314,404
'23	356,642

Net income after Zakat and income tax (SAR mln)

'19	2,736 (Alawwal Bank: 420)
'20	2,790
'21	3,202
'22	4,826
'23	7,002

SAB Alawwal Bank

Loans and advances, net (SAR mln)

'19	152,075
'20	153,243
'21	167,556
'22	183,132
'23	215,936

Customer deposits (SAR mln)

'19	192,167
'20	189,110
'21	186,761
'22	214,279
'23	240,940

Shareholders' equity (SAR mln)

'19	55,994
'20	50,657
'21	52,926
'22	54,637
'23	57,915

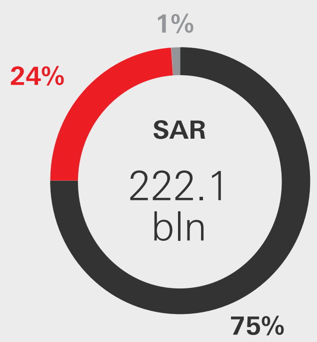
Dividend per share (SAR)

'19	1.18
'20	-
'21	0.86
'22	0.91
'23	1.62

Customer lending by business

Gross loans
CIB vs. WPB vs. Capital Markets

- CIB
- WPB
- Capital Markets



SAR **3.41**
EPS

SAR **12.7 bln**
2023 Revenue

15.3%
Return on tangible equity

SAR **166.9 bln**
Corporate and Institutional loan portfolio

SAR **54.0 bln**
Retail loan portfolio

SAR **28 bln**
Mortgage portfolio

16.3%
CET 1 ratio

12.5%
Corporate lending market share

SAR
222.1 bln
Gross customer loans

24%
Trade market share

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

SAR
12.6 bln
of sustainable finance and investments by the end of 2023

60,000
trees planted as part of our commitment to the Saudi Green Initiative

2035
Operational net zero target

Table of

Contents

2023 Awards

Global Finance
Best Private Bank in KSA
Best Trade Finance Provider in KSA
Best Treasury and Cash Management Provider in KSA
Best Bank in KSA
Best Consumer Digital Bank in KSA

The Digital Banker
Outstanding SME Account Opening and Onboarding Initiative
Best Credit Card in KSA – SAB Cashback Credit Card

Euromoney Trade Finance Survey
Market Leader and Best Service in KSA

Chartered Institute of Procurement and Supply
Purchase Excellence Award

Euromoney Private Banking Awards
Best Domestic Private Bank and Best for ESG Investing

Product of the Year (PoY) MENA
PoY – SAB WEE MasterCard

World Economic Magazine
Best Co-Branded Credit Card in KSA

Global Brands Magazine
Best Banking Brand in KSA

Euromoney
Best Bank in KSA
Best Bank for Digital Solutions in KSA
Best Bank for SMEs in KSA
Best Bank for ESG in KSA

KSA Future Bank Awards
Best Banking Customer Experience of KSA

Euromoney Cash Management Survey
Market Leader and Best Service in KSA

The Banker
Best Bank in KSA

MasterCard
Market Leader in Digitising Payments for Enterprise Merchants

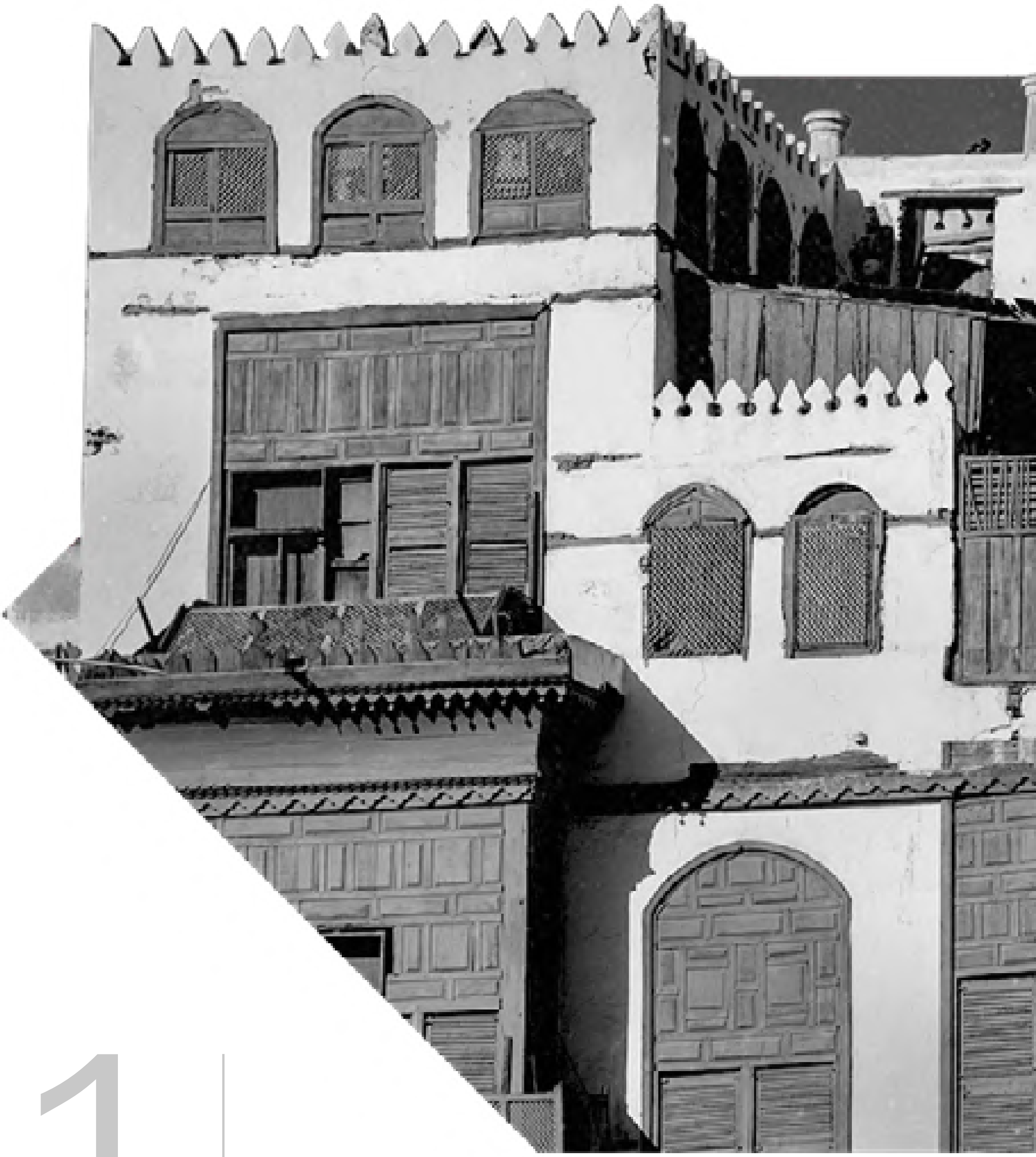
Qorus Reinvention Awards
Winner of Corporate Innovation

VISA
Launching Visa Account Management, Cashback Card and cards made from recycled plastic

Saudi Trade Finance
Best Trade Finance, Best Receivable Finance and Most Sustainable Trade Finance Bank in KSA

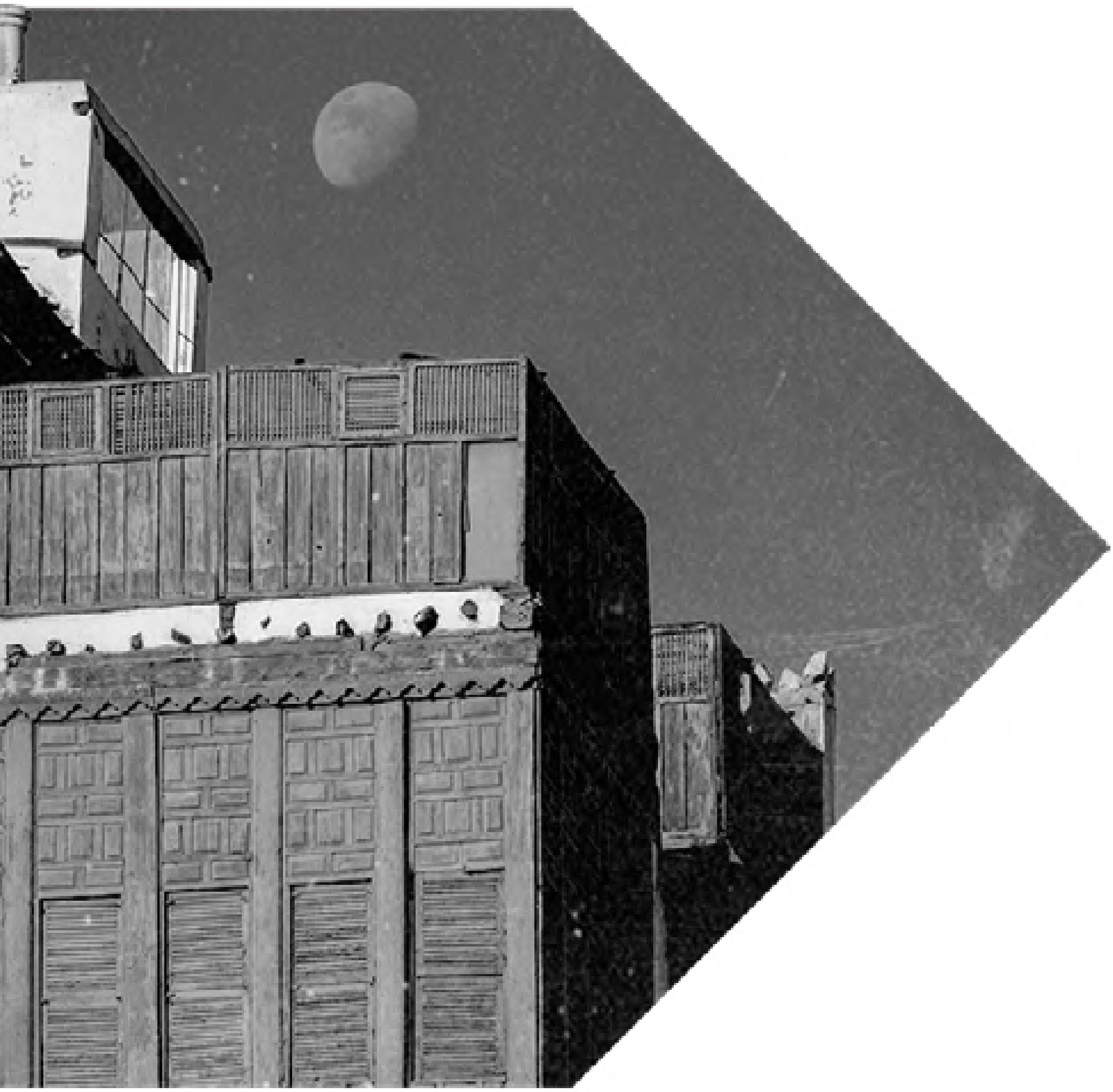
Kotler
Best Media and Visual Communication Campaign - SAB Re-branding Campaign


SAB



01

Bank Profile



Established as
the first bank in
the Kingdom

Theme of the Year

We are 1st
We are Saudi Awwal Bank

During an unforgettable year of leadership and firsts, we transformed promises into performance to achieve momentous milestones and distinguish SAB as a frontrunner in the Kingdom's banking sector.

By adeptly executing our strategy, we delivered phenomenal growth and outstanding results, while our commitment to innovation and excellence has solidified our role in steering the banking sector towards a more sustainable and prosperous future. We have also positioned the Bank for the next part of the economic cycle.

We celebrated significant achievements throughout the year, including the inauguration of our new state-of-the-art headquarters in Riyadh, which received prestigious green certifications that mirror our commitment to sustainable impact in the heart of the Saudi capital. This milestone was complemented by the launch of updated medium-term strategic targets, designed to maintain our momentum and drive continued investment across our focus areas.

SAB is now recognised as a key financial partner of the government, supporting the Kingdom's Vision 2030 ambitions and sustainability initiatives. Our stewardship of key government mandates and the success of our strategic initiatives is reflected in our above-market growth in mortgages, our above-market growth in corporate lending – much of which is aligned to the Kingdom's transformation programme – as well as our investment in digital capabilities and in our outstanding and diverse workforce, with a deep commitment to Saudisation and fostering a diverse and inclusive work environment.

As we look back on a year of transformation and delivery, SAB stands proudly as Saudi Arabia's leading international bank, bolstered by our differentiated proposition, ever-expanding global reach, and position as the bank of choice for flows of capital and insight into and from the Kingdom. As we move forward, we are revitalised and energised with a clear mandate and strategic focus to lead the way towards a brighter future for the Bank and the Kingdom.

SAB is now recognised as a key financial partner of the government, supporting the Kingdom's Vision 2030 ambitions and sustainability initiatives.


الأول
SAB

Year in Review

During an exceptional year of memorable firsts and landmark achievements, SAB made progress towards its strategic objectives, delivered on its promises, reinforced its market leadership with a resounding financial performance, and created sustainable value for its diverse stakeholders.

January

> CIB launches digital signatures through collaboration and integration with Nafath, allowing customers to sign an account opening application digitally, without having to attend a branch, verified with Nafath digitally

> SABB launches Global View and Global Transfer (GVGT), a unique retail banking proposition allowing SABB customers, who also hold HSBC accounts, to link their accounts and make seamless transfers between accounts

> SABB signs project-financing agreement to finance NEOM villages

Feburary

> SABB enters into an agreement with the Ministry of Industry and Mineral Resources to automate bank guarantees

> SABB wins Best General Clearing Member Award for the Year 2022 during the Saudi Capital Market Forum

March

> SABB was recognised by Euromoney as the Best Trade Finance Service Provider and Market Leader in Saudi Arabia for 2023. It is the 7th successive year SABB has been named the market leader, widely recognising it as the preeminent trade finance bank in the Kingdom

> SABB delivers strong Q1 results of SAR 3.2 bln revenue, 4% loan growth in the quarter and SAR 1.8 bln of net income

April

> SABB rebrands to SAB: As a result of the successful merger between SABB and Alawwal Bank, the Bank is renamed SAB – الأول, and will now operate as Saudi Awwal Bank

> SAB and SMC signed an agreement for the naming rights of King Saud University's sports stadium: Alawwal Park

May

> NEOM Green Hydrogen achieves financial close for USD 6.1 bln with SAB acting as coordinator, book-runner, and mandated lead arranger

June

> SAB announced it joined the United Nations Global Compact (UNGC) initiative, a voluntary leadership platform for the development, implementation, and disclosure of responsible business practices

> SAB delivers strong Q2 results of SAR 3.1 bln revenue, 4% loan growth in the quarter and SAR 1.6 bln of net income; SAB's loan portfolio exceeds SAR 200 bln for the first time ever

July

> SAB became an official signatory of the UN Principles for Responsible Banking. It is the first bank in Saudi Arabia to join global leaders in the commitment to sustainable finance

August

> SAB attends the financial closure ceremony on NEOM residential communities project

September

> SAB delivers strong Q3 results of SAR 3.2 bln revenue, 6% loan growth in the quarter and SAR 1.8 bln of net income

October

> SAB contributes to enhancing financial literacy through its sponsorship of the Savings Hackathon

November

> SAB inaugurated its new headquarters, which was awarded the SmartScore Platinum and LEED Gold certifications. The event, themed 'Evolving Firsts: An Evening of Transformation', focused on SAB's rich heritage, remarkable growth, and reimagined identity

December

> SAB's mortgage portfolio grows 27% over the year to SAR 28 bln

> SAB received significantly improved ESG ratings from three leading sustainability rating providers, complementing the Bank's ESG strategy and supporting its ambition to be a leader in responsible banking within the Kingdom; MSCI ESG awarded SAB a BBB rating, reflecting the Bank's effective integration of ESG factors in its business strategy

> SAB delivers stellar Q4 results of SAR 3.2 bln revenue, 2% loan growth in the quarter and SAR 1.9 bln of net income

> SAB delivers over SAR 7 bln of net income during 2023

SAB and Vision 2030

SAB's strategic positioning and competitive strengths ensure it will both contribute to and benefit from the national economic growth agenda, which 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 that 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 to deliver the Vision, including building an effective, transparent, accountable, enabling and high-performing government.

Key themes for SAB

- 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 SAB

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 creation of SAB from the merger of SABB with Alawwal Bank, and we have moved swiftly into investment and growth mode. Our Strategy 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.

Shareholders' Information

Shareholders, investors, sellside, buyside and credit analysts remain incredibly important stakeholders for the Bank. Since 2019, the Bank has forged a leading Investor Relations ('IR') capability that is well respected within the local and international market. The IR team is incredibly supportive of the drive by the Tadawul Exchange to promote the overall Kingdom's investment case and have attended all Saudi-focused or Tadawul-sponsored investor conferences globally during 2023.

Share Information

Exchange:
Tadawul

Symbol:
1060

ISIN:
SA0007879089

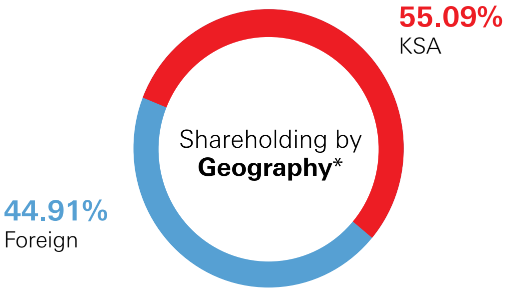
Number of shares issued:
2,054,794,522

Closing price as of 29 February 2024:
SAR 41.25

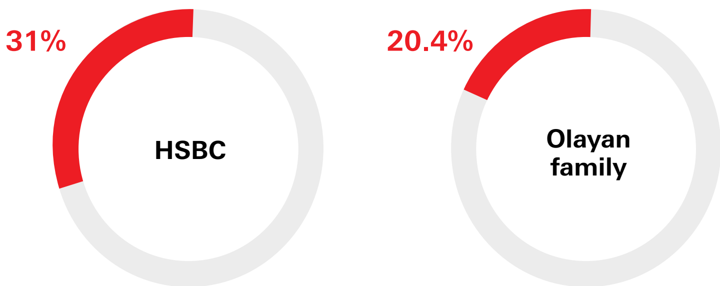
Market cap as of 29 February 2024::
SAR 84.8 bln

Foreign ownership limit:
49.0%

Free float:
48.6%

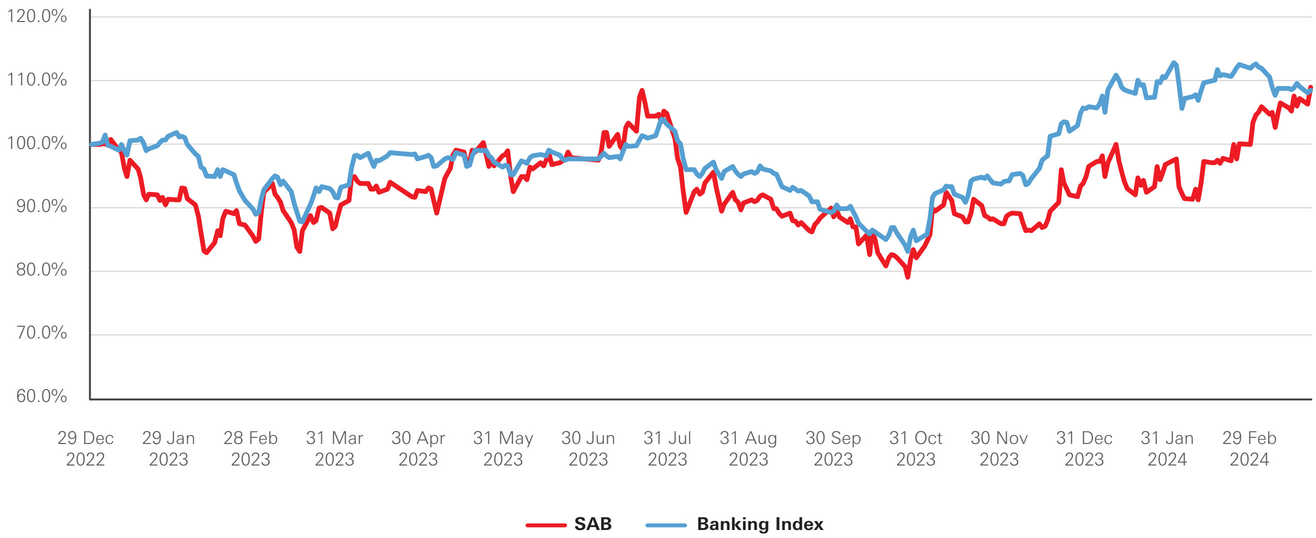


Major Shareholders*



* As at 18 March 2024

Share Price Performance vs. Benchmark Equity Indices



Credit ratings

Moody's

A2/P-1/Positive

Fitch Ratings

A-/F2/Stable

Stakeholder Engagement

Engaging with stakeholders – how we listen

SAB values the perspectives of its stakeholders and actively engages with them to gain insight and foster mutually beneficial relationships. This section outlines our ongoing efforts to connect with stakeholders and highlights key engagements from various groups in 2023.

Regulators

Saudi Arabian laws and governing authorities oversee SAB. These include the Ministry of Commerce, the Saudi Central Bank, the Capital Market Authority, and the Zakat Tax and Customs Authority. As we implement Vision 2030, regulators are among our most valuable partners in bringing the ambitions of the Vision to fruition.

In 2023, our most important engagement channels and highlights were:

- The ESG Bank Advisory Committee (EBAC) was established by SAMA to integrate ESG principles into financial sector frameworks, with SAB's Managing Director and CEO chairing this committee.
- SAB was appointed as one of the voting members representing the banking sector in the National Corporate Sustainability Policy Development led by the Ministry of Economy and Planning.

Shareholders and investors

Shareholders play a pivotal role in providing us with essential capital, networks, and expertise, empowering us to generate value for the market. As significant stakeholders, they hold us accountable and offer invaluable market insight and feedback to SAB. We reciprocate by creating value for them. The exceptional performance witnessed in 2023 underscores our ability to enhance shareholder value, and we are pleased to continue this trend by further elevating our performance.

In 2023, our most important engagement channels and highlights were:

- Annual General Meeting.
- Quarterly earnings calls.
- Local, regional, and international investor conferences.
- Regular meetings with the analyst community.
- Regular meetings with investors locally at our offices, and also virtual meetings.
- Documented updates, including regular presentations, earning releases, and transcripts that can be accessed from our website.

Business partners

Our business partners enable us to execute on our mandate. Notably, they support our alignment with Vision 2030, enhance our reputation in the marketplace, and contribute to our financial performance and brand health.

In 2023, our most important engagement channels and highlights were:

- One-on-one meetings and engagements.
- Conferences.
- Contracts.

Suppliers and service providers

Via our partnerships with reliable and competent suppliers, we maintain consistency in service and product quality, reliability, and innovation. They allow us to maintain competitiveness and enhance our operational efficiency.

In 2023, our most important engagement channels and highlights were:

- Vendor assessments.
- Personal meetings and engagements.

Employees

Our employees are the foundation of our success. We continuously invest in our employees' skills and development, so they can foster their talent. Our graduate programme provides professional avenues for young Saudi talent and makes sure we develop our youth. We have numerous initiatives, processes, and policies that make sure SAB can provide a nurturing, diverse, innovative, and positive environment for all employees.

In 2023, our most important engagement channels and highlights were:

- Our Pulse Check Survey in which we improved the NPS from 11 in 2022 to 19 in 2023.
- Town hall discussions on specific topics, such as the move to our new and more sustainable LEED-certified headquarters.
- Volunteering activities such as packaging food for the Et'aam food bank during Ramadan.
- Our graduate programme, through which we recruited 20 graduates in 2023.

Society and communities

SAB exists within a broader community, which is particularly important to us. As a significant bank within Saudi Arabia, we contribute to the wellbeing of the communities we serve and enhance their prosperity.

In 2023, our most important engagement channels and highlights were:

- The Riyali Foundation programme provided financial literacy education to over 730,000 students between 2022 and 2023.
- Our partnership with Goumbook aimed to promote regenerative agriculture practices in the region.
- Our long-standing collaboration with the KAUST startup accelerator Taqadam.

Customers

Customers lie at the heart of our business model, driving revenue, shaping our reputation, and offering invaluable feedback that propels our growth.

In 2023, our most important engagement channels and highlights were:

- Robust client interactions conducted in our branches or through online and mobile banking platforms resulting in an impressive customer recommendation index of 96.4 for WPB and 93.4 for CIB, compared to 95 for WPB and 91 for CIB the previous year.
- Our "Voice of the Customer" initiative involves sending surveys to our customers to gather feedback and address any complaints. We utilise this feedback to continuously enhance our services and improve the overall customer experience.

Risk Overview

Risk management

SAB has a consistently strong risk culture across the organisation, which is embedded throughout business units 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 the principle that all staff are responsible for identifying and managing risk within the scope of their role, while providing effective oversight through an operational and resilience risk function, other risk stewards, and internal audit as defined by the three 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 organisations. 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.

The Risk Management Committee (RMC) is the key management level risk governance committee that supports the Board Risk Committee (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. The Asset and Liability Committee (ALCO) reviews the risks associated with the Bank's balance sheet including asset and liability management, capital, liquidity, and funding.

3 lines of defence model

1st line of defence

Ultimately responsible for managing the impact conduct outcomes have on our customers and the financial markets in which we operate through the procedures, processes, controls, and technologies they manage. This includes the ability to measure the impact they have and to drive continuous learnings from root cause analysis.

2nd line of defence

Responsible for ensuring conduct outcomes are adequately considered in the oversight and management of all financial and non-financial risks, operational processes, and technologies, including within the risks they articulate and the control libraries they own.

3rd line of defence

The Internal Audit department helps the Board and Executive Management to protect the assets, reputation, and sustainability of SAB. INA provides independent and objective assurance to Management and the Audit Committee as to whether our risk management, governance, and internal processes are designed and operating effectively.

Risk appetite

Risk appetite is the articulation of the level and type of risks we are willing to accept to achieve our strategic objectives. The risk appetite provides a link between the businesses, risk, and finance. It enables Senior Management to make informed decisions on how to optimally allocate capital for strategic growth within acceptable risk levels, and supports our monitoring of risk exposure.

The risk appetite statement (RAS) is deployed at the Bank level for all key risk categories and at the business level to document appropriate risk appetite and limits for major lines of business.

SAB'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

SAB 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 further investigated and actions to mitigate the elevated level of risk are determined.

Stress testing

To help assess financial impact, stress testing is used to inform the level of adequate capital and liquidity to withstand external shocks such as a global economic downturn or internal events such as a system failure. Stress testing results are also used by Management to inform risk mitigation actions and support appropriate allocation of financial resources.

SAB maintains a wide-ranging stress testing programme including scenario analysis. Stress tests are conducted across the Bank in line with Management requirements, as well in line with the SAMA policy and directives. The stress scenarios may include adverse macroeconomic events; failures at country, sector, and counterparty levels; geopolitical events; and a variety of projected major operational risk events.

02 Strategic Report

We financed the first of the Kingdom's car imports

Board Chair's Statement

"Looking back on 2023, I feel immense pride at the journey Saudi Awwal Bank has taken and the overall transformation since we merged Saudi British Bank with Alawwal Bank - two of the most respected banking brands in the Middle East. We merged, we integrated, we invested. 2023 has been a year of execution and confirmation. Our execution can be measured by the stellar financial performance we've delivered, the improvements in customer satisfaction, the deployment of digital capabilities, and our leadership in driving forward the sustainability agenda, all of which confirms that the strategy the bank undertook was the right strategy, solidifying our status as the leading bank in the Kingdom with an international reach – we are first…we are Awwal!

A year of firsts and a year of leadership

The level of activity in 2023 for SAB was unprecedented – a year of transformation, delivery and success. Following the rebranding to Saudi Awwal Bank in the first half of 2023, we opened our new state-of-the-art headquarters in Riyadh, which was recognised for its use of smart technology and recycled construction materials and waste. It was a pleasure to host an opening ceremony with our Board members, management, staff, with senior management from HSBC and a host of distinguished guests from both the private and public sectors. It was truly a very proud moment for the bank and myself personally.

Digital transformation continued at pace with key developments in our SME business as we ready ourselves for potential opportunities. After delivering a similar digital journey in 2021 in relation to our mortgage business, we captured mortgage originations during 2023 at an unprecedented level. Our Global View Global Transfer ('GVGT') product expanded to 21 corridors and we are keen to establish this service as a key differentiator for SAB's wealth agenda. In addition, our retail app achieved a 4.7 rating on the Apple app store. Both these examples show the breadth of our ability, with the former developed together with HSBC and the latter developed with a local domestic focus, a great demonstration of our ability to bring the best of both worlds to our customers and of the value of our strong and strategic relationship with HSBC.

We grew our loan portfolio significantly ahead of the market, including market leading mortgage growth capturing 11% of origination market share; we had above market growth in corporate, where the bank saw drawdowns in some of the flagship Vision 2030 giga-projects together with further commitments being made, supporting our future pipeline. We also delivered SAR 12.6 bln of sustainable finance and investments by the end of 2023. Our commitment to achieving SAR 34 bln by 2025 remains one of the most important targets of our ESG and overall bank strategy.

Across the sector, we won several industry-leading awards for our trade business, our liquidity and cash management services, our mortgage business and many more, underscoring the level of transformation the bank has achieved. With the strong base we have built, we are very excited for the future.

SAR

12.6 bln

of sustainable finance and investments by the end of 2023

Constructive operating environment

The global macro environment was challenging in 2023. Much of this was due to the higher rate environment that 2023 witnessed; however, in the Saudi context this did not impact loan demand and, moreover, SAB was a key beneficiary of the higher rate environment, seeing the highest year-on-year percentage growth in both revenue and net special commission income.

During 2023, Saudi Arabia's non-oil-related economy performed well with current estimates for 2023 close to 4.6%. The growth in the non-oil sector was increasingly diverse with sectors such as tourism, energy, retail, construction, trade, and more all growing and contributing, all sectors that mirror SAB's recent strategic focuses. Overall, the Kingdom saw a slight fall in economic growth mainly driven by lower oil revenues following cuts in production in 2023 reflecting the lower global demand which has been a theme for the last few years.

Looking ahead, the outlook for the Kingdom remains robust with continued performance in key sectors that fit well with SAB's priorities and strategic focus areas.

Our Global View Global Transfer ('GVGT') product expanded to over

21

corridors

Delivery of leading financials

I am incredibly proud of the bank's strategic delivery and how this has translated into a positive impact on key financial KPIs. There is further information in this annual report

Board Chair's Statement (continued)

Interest rates may of course change, but we've taken the steps to minimise falls in revenue from anticipated lower rates by lowering the sensitivity of our balance sheet. We have used a collaborative cross-business approach to reach this point, and this sets the bank up for the medium-term. We have the platform to grow our asset base across corporate and retail. These actions, together with further investment in our wealth capability during 2024, should translate to a stabilisation in our returns for 2024, before we build on these levels.

regarding how the bank's financials have evolved. Briefly, in 2023 we delivered the highest net special commission income percentage growth, the highest revenue growth and the highest net income growth in the Saudi banking sector, whilst at the same time growing our loan portfolio 18%, which was well ahead of the market. This strong performance increased our return on tangible equity to 15.3% for the full year, which is almost double the level we delivered two years ago.

We are truly a transformed bank delivering the financial results expected of a top tier bank.

Our strategy evolves

Following conclusion of our 2023 year-end results, we announced our medium-term strategy that takes us out to 2026. Additional information is included in this report on the steps we're taking, showing it is a natural evolution over the course of the last 4 years. We will continue to invest, but we now have the core platform to drive the business forward. The global macro has clear challenges, yet the Saudi landscape continues to offer exciting opportunities, driven by a robust vision that captures and provides opportunities for every Saudi citizen.

Interest rates may of course change, but we've taken the steps to minimise falls in revenue from anticipated lower rates by lowering the sensitivity of our balance sheet. We have used a collaborative cross-business approach to reach this point, and this sets the bank up for the medium-term. We have the platform to grow our asset base across corporate and retail. These actions, together with further investment in our wealth capability during 2024, should translate to a stabilisation in our returns for 2024, before we build on these levels.

And while we extract further value from our balance sheet, we continue our efforts to make SAB the best place to work for our employees, to make it the best place to bank for our diverse customer base and to continue showing leadership in driving forward the sustainability message and helping our customers transition to a more sustainable operating mode.

A responsible player in society

Given the many challenges we face every day, I'm proud that SAB not only upheld, but actually strengthened its contribution to building an increasingly vibrant society. Here's how we strive to contribute: Providing access to finance via the bank's vast network of branches and digital channels is a foundation for financial inclusion, and instilling financial literacy in children is a key enabler for them to lead independent lives. Supporting MSMEs, especially startups, helps strengthen the economic fabric of a nation. Encouraging women to climb the ranks in our bank is transformational for our workforce. All these efforts showcase how SAB contributes to a thriving economy and lives up to its role of a responsible corporate citizen in an ambitious nation.

Our thanks

The success we've had this year would not have been possible without the efforts and expertise of our management and staff. The adaptability, drive and commitment I have witnessed in such a changeable environment has been truly inspiring. Our loyal customers and shareholders also deserve our heartfelt thanks for the faith they have shown in the bank as we've navigated this unique journey since the merger, and I hope they would agree that their loyalty and support have been validated!

And, of course, I would like to also thank HSBC, which remains a critical element of our differentiation in the KSA market. In an era where global connectivity is more important than ever, SAB's connection to a wider global network via HSBC puts us at a distinct advantage over the rest of the market, and as cross-border flows increase with the Kingdom, SAB is in a position of strength to leverage this opportunity.

And finally, we remain 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.

Ms. Lubna S. Olayan
Board Chair

Highest net income growth

in the Saudi banking sector

↑18%

Loan portfolio growth

↑15.3%

Return on tangible equity

“

This strong performance increased our return on tangible equity to 15.3% for the full year, which is almost double the level we delivered two years ago.

Managing Director's Message

"Our loan portfolio expanded faster than the market across both our corporate and retail segments during 2023. The overall sector increased approximately 11% with corporate growth of approximately 15% and retail growth of 6%. However, we comfortably expanded ahead of these levels with 18% corporate and 16% retail growth.

An exceptional year of delivery has translated into market-leading financial results. When I joined in 2021, my remit was very clear: get the Bank back to growth, deliver on the promise of the merger, and regain our positions of strength.

There is of course more to be done as we come to the end of the first phase of our strategy, which has been centred on investment and transformation, but at the same time, proving our execution capability that has resulted in significantly faster-than-market loan growth during 2023.

As we maintain our leadership positions in payments and trade, we developed new leadership positions, such as in the sustainability space where we are driving forward the development of a cleaner, greener, and more responsible banking sector, in addition to supporting the regulators and the entire banking sector with making this shift.

2023 has been a challenging year with a considerably different outlook on the global stage. Geo-political tensions continue to impact global macroeconomic policy and performance, and global supply chains have not been immune to these conditions. Global inflationary pressures largely continued into 2023, raising benchmark policy rates to recent highs, although we are hopefully witnessing the start of an improvement to these pressures in 2024. The Saudi outlook has mirrored some of this but has remained resilient, especially in our focus areas. Increasing policy rates have had an impact on market liquidity, but with our unique and market-leading funding strengths, we have utilised our funding capacity and grown our balance sheet. With this, we have witnessed the highest expansion in net special commission income margins in the KSA banking space. At the same time, we manoeuvred our balance sheet, reducing its sensitivity to policy rates, so that our revenue levels are protected as we navigate the next stage of the rate cycle.

2024 will be a year where we sweat our balance sheet for more growth, having transformed the platform. We will continue to invest in the business but are optimistic about the ever-increasing international opportunities where we have a distinct advantage.

A bank transformed

We have had phenomenal results during 2023, where returns have significantly improved and we are well ahead of the market. This is driven by a core overarching factor: we have transformed the Bank. We have gone through one of our biggest investment phases with SAR 1.5 bln largely invested in digital and infrastructure in our focused growth areas. We have also invested heavily in our people who have been the driving force behind these changes. Over the past year, we have discussed at length the investments we made in our mortgage capability and, more recently, the investment in our new digital SME platform – both businesses have had excellent performance – and our investment will continue. Importantly, we now have a core platform and capability that allows the Bank to expand with more ease than in our recent past. This shift means we are now generating twice the levels of returns, growing significantly faster than market, all while operating under a principle of positive jaws.

> We have witnessed the highest expansion in net special commission income margins in the KSA banking space

Growing faster than market

Our loan portfolio expanded faster than the market across both our corporate and retail segments during 2023. The overall sector increased 11% with corporate growth of approximately 15% and retail growth of 6%. However, we comfortably expanded ahead of these levels with 18% corporate and 16% retail growth.

Our corporate growth included the support of some of the big transformational projects in the Kingdom that cross sectors such as tourism, entertainment, real estate, and energy, but also from our business-as-usual focus on large corporates and multinationals. The multinational customer segment remains an extremely important sector and an incredible opportunity for SAB. Having invested in our mortgage capability during 2021, we now have the platform to expand the mortgage book ahead of the market where we took close to 11% origination market share during 2023. This resulted in 27% growth during the year and closing the mortgage portfolio at SAR 28 bln.

Growing returns whilst protecting future revenue flows

With our primarily floating-rate loan portfolio, we expected to be a key beneficiary of higher policy rates resulting in the increased revenue levels we saw during 2023. At the same time, we developed a strategy that, over time, would reduce the sensitivity to rates, thereby protecting our revenue base at 2023 levels. The mortgage portfolio was a key part of this strategy, together with increasing our investment portfolio, which ended the year at a value of SAR 97 bln. Much of this portfolio is also on a fixed rate and, having extended its average duration, we are confident our sensitivity to policy rates is significantly lower than what we have seen historically.

Managing Director's Message (continued)

Our medium-term outlook

Our strategy evolves. We have established a bank that is well positioned to take advantage of future opportunities across the banking ecosystem, whether it be corporate, institutional, retail affluent, retail mass, SME, or mid-market – we are now ready to execute on opportunities that come our way. We will, of course, continue to invest, especially in areas where we possess competitive advantages.

Over the next 3 years, we are targeting to grow our levels of returns, and we aim to be the digital bank of choice and the bank of choice as our customers transition to more sustainable modes of operation. Our positioning in the Saudi banking space is clear; we are the leading international bank in the Kingdom. With our connectivity with the HSBC Group, we offer our customers – both corporate and retail – access to a wider global network and provide a familiar banking partner for international companies coming into the Kingdom. We are in the perfect position to capture cross-border flows.

We will continue to be a key partner for Vision 2030 programmes and for our more international-leaning companies, providing them with a wide range of services, including our market-leading trade and liquidity management products. On the retail side, we aim to be the bank of choice for internationally focused customers, with sustained strength in wealth, mortgages, payments, and cards.

In summary

In conclusion, 2023 has been a stellar year for SAB. Having invested in the platform, 2023 was a year where we demonstrated that we can 'work' the platform and grow at a pace we choose, across both our retail and corporate segments. At the same time, we have taken steps to protect our revenue base from further sensitivity to changes in rates.

The environment is ever-evolving, at times challenging. Yet, we have successfully navigated this backdrop, delivering leading growth in profits and a strong balance sheet.

Of course, our performance is driven by our core assets: our employees, our Senior Management team, and our dedicated Board. We remain grateful to the Saudi Central Bank, the Capital Markets Authority and other government agencies and ministries, who continue to provide diligent support for the entire banking sector. Lastly, I would like to thank our customers for their loyalty in our great banking franchise.

Tony Cripps
CEO and Managing Director

Key partner

for Vision 2030 programmes

SAR
28 bln

mortgage portfolio

“Our positioning in the Saudi banking space is clear; we are the leading international bank in the Kingdom. With our connectivity with the HSBC Group, we offer our customers – both corporate and retail – access to a wider global network and provide a familiar banking partner for international companies coming into the Kingdom.

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 touchpoints, frank discussions, collaboration, and strong 2-way relationships.

> Tech and innovation
We pride ourselves on the level of innovation we bring to banking. Our digital office provides 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, which provides our customers with unrivalled international access, linking our corporate customers to HSBC's international network, allowing for inbound and outbound financing opportunities, and connecting our retail customers to 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

Strategy

As we look back on 2023, we are able to review the progress and performance achieved not only during the year, but more broadly against the aims the Bank set in 2021 when it launched its strategy.

The beginning of 2024 marks the end of our first phase of delivery and the announcement of the next stage of our strategy, with a revised set of targets that represent a natural strategic evolution, building upon the success of our delivery to date. Our performance against the targets we set, along with our outlook for the medium-term, is presented in the following pages.

Our strategic delivery

2023 was a year of growth following a period of high investment into our products and services, as well as our IT architecture and infrastructure. Execution took the form of balance sheet growth, mainly in customer loans and growth in our investment portfolio. This resulted in solid performance across financial key performance indicators, including significant growth in return on tangible equity to 15.3%, improved cost efficiency of 32.4%, and market leading liquidity metrics, such as a regulatory loan-to-deposit ratio of 75% and a dividend pay-out ratio of 55%.

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 SAB 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
- Transform HR and develop 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 pay-out

15.3%
RoTE
↑ 4.1 ppt

SAR 3.41
EPS
↑ SAR 1.06

32.4%
CER
↓ 5.6 ppt

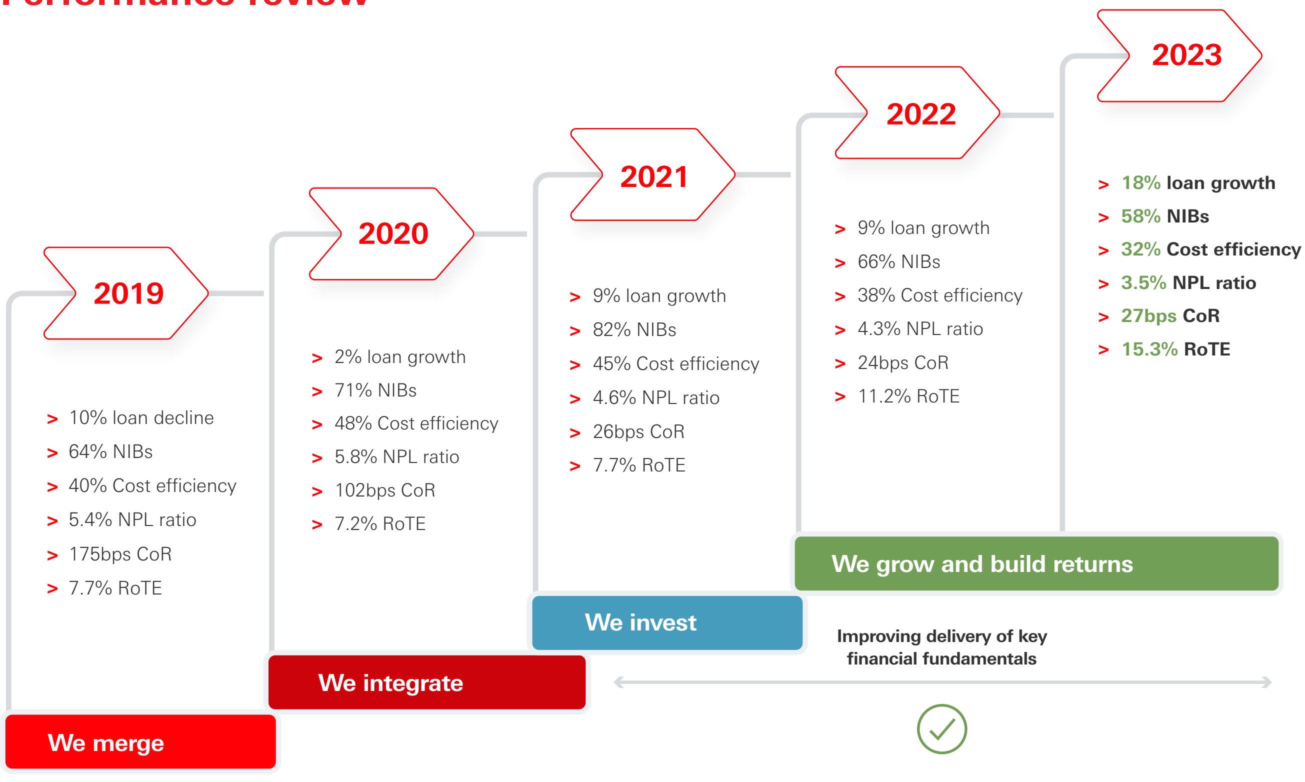
17.7%
Tier 1
↑ (improved with the SAR 4 bln Addition Tier 1 issuance)

75%
Regulatory liquidity deposit ratio

SAR 1.62
Dividends per share during 2023

Strategy (continued)

Performance review



2023 in focus

Loan growth during 2023 was significantly ahead of the market across both our corporate and retail franchises. Corporate growth was aligned with our strategic strengths in our institutional, multinational, and large corporate business segments. This was complemented by robust growth in our SME portfolio, which, although relatively smaller, has benefited from focused investment. Our retail segment went from strength to strength, with our mortgage portfolio taking considerable origination market share during 2023, allowing the Bank to build its mortgage portfolio to SAR 28 bln, a 27% increase on the previous year.

At the same time, asset growth was not confined to customer lending. A key tenet of the strategy – as policy interest rates peaked globally – was to shift the makeup of the balance sheet to be more attuned to a falling rate environment. SAB has been a key beneficiary of increasing global policy rates, which have, in turn, increased the Saudi Arabian interbank offer rate (SAIBOR), but we have taken proactive steps to protect current levels of revenue in anticipation of falling rates. Our Treasury segment invested capital into the local bond market, increasing our investment portfolio to SAR 97 bln, with a greater proportion of the portfolio being fixed. This, with a larger mortgage portfolio, translates to a less sensitive balance sheet for the bank as we approach the next phase of the rate cycle.

The delivery of market-leading growth was underpinned by significant continued investment in our Bank-wide digital capabilities.

Digital highlights in 2023

Our wealth and personal banking business continued its digital investment programme and launched several new digital journeys, services, and products. The continued investment in Global View and Global Transfer (GVGT) – which allows customers to transfer funds seamlessly from their SAB accounts to HSBC accounts – is a unique proposition in the Kingdom. It increased to include 21 international corridors in transfers during 2023. The Bank can now provide a virtual credit card to a new-to-bank customer within 10 minutes, completely removing the need to visit a branch. Connectivity with national agencies, such as NAFATH, and the introduction of device registration with biometrics further demonstrate our commitment to digital innovation.

Within our corporate and institutional business, delivery of our SME platform was a key priority. During 2023, the business successfully launched the SME Digital Credit Platform, linked to government and third-party data sources, making the lending process more efficient. CIB also launched a fully digital know-your-customer (Digital KYC) solution, allowing our customers to submit various returns with a seamless online experience.

86%
Digital penetration (from 85% in 2022, 73% in 2021)

4.7
App store rating

SME digital credit platform
launched

Strategy (continued)

Our strategic evolution

Medium-term outlook: 2024 to 2026

1
Grow sustainable returns in a changing environment

2
Sustainably gain market share in lending over the next 3 years

3
Be future-ready by leading on digital and ESG

Leading international bank in the Kingdom

Scale player in corporate banking and treasury

Focus: Core/giga projects, trade, cash management, and SME

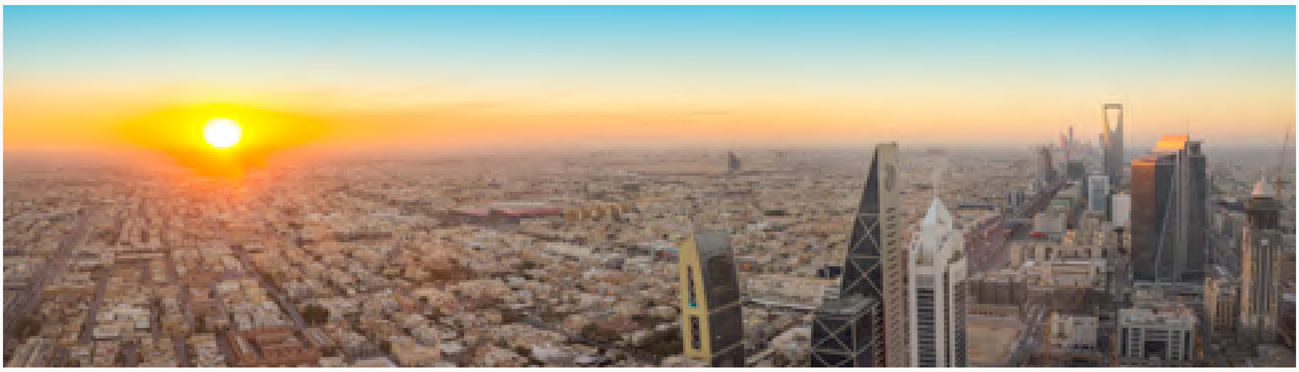
Bank of Choice, for wealth and internationally minded customers

Focus: Wealth, mortgage, cards, and payments

Alawwal (the best) in customer experience

Alawwal (the best) in employee experience

Alawwal (the best) in organisational efficiency



Primary strategies targets by 2026

Other key financial metrics

15.5 to 16.5%	Low double-digit to low-teens	6-10%	30-32%
RoTE	Loans growth CAGR	Annual revenue growth	Cost-to-income ratio

In February 2024, we announced our medium-term outlook, which lays the foundation for further growth and the investment required to deliver on our targets. This medium-term outlook is a natural strategic evolution, building on the progress achieved over the past 4 years, following the merger of Saudi British Bank and Alawwal Bank.

It is designed to drive sustainable growth to make SAB the leading international bank in the Kingdom. Its targets include being a scale player in corporate banking and treasury, with a focus on the Kingdom's transformation agenda, and being the retail bank of choice for wealth and internationally focused customers. We will deliver on these aims by becoming the number one (Alawwal) bank in customer experience, employee experience, and organisational efficiency.

Ultimately, we are well positioned to maintain our positive trajectory and aim to ensure our strategic focus and actions translate into sustainable growth and returns, building on our market-leading strengths and solid performance since the merger.

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, provide a leading online and mobile digital banking experience that remains at the heart of this. SAB's customer experience strategy focuses on embedding a new culture, a new set of values, and a brand promise.

Our approach: Alawwal in customer experience

Customer experience is managed from the top; the team reports directly to SAB's Managing Director and CEO. The approach to offer a truly leading customer experience has been bespoke for the various different business segments we possess – a one-size-fits-all approach will not deliver the goals we are targeting. Therefore, different methods have been used to serve our SME customers to those methods used for our more affluent retail and private banking customers. The team comprises of three divisions: i) Complaint handling, business insight, and consumer protection; ii) culture and engagement; and iii) quality and performance analysis, with all three divisions working together, improving our culture, taking action on real-time issues, and using data and analytical tools to guide future improvements.

We try to build our approach from a preventative lens, identifying and addressing issues before they grow, but also ensure we can actively react when problems do arise.

Customer-centric focus

Prioritise understanding and meet the unique requirements of each customer segment, fostering personalised interactions.

Cultural shift

Instil a customer-centric culture throughout the organisation, from leadership down to frontline employees.

Consistent communication

Maintain open channels of communication with customers, seek feedback, and keep them informed about improvements and changes within the Bank, services, and products.

Service recovery excellence

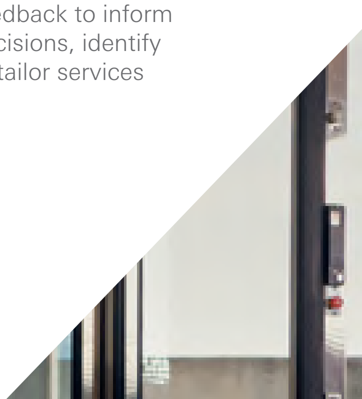
Establish efficient mechanisms for post-complaint resolution. Swift, empathetic responses to complaints help turn dissatisfied customers into loyal advocates.

Proactive quality management

Utilise quality management tools to identify and rectify potential issues before they escalate into complaints. Continuous process improvement is a top priority within the strategy.

Data-driven decision-making

Leverage customer, staff, process, interaction-related data and feedback to inform strategic decisions, identify trends, and tailor services accordingly.



Digitising is key

Our digital transformation has been key in improving our customer's experience with the Bank.
A significant proportion of the SAR 1.5 bln investment fund was directed towards digitising the Bank and innovating. During 2023, we have delivered on the following.

- Corporate and Institutional Banking successfully launched the SME Digital Credit Platform, which possesses linkages with government and third-party data sources, making the lending process more efficient.
- Corporate and Institutional Banking launched a fully digital know-your-customer (Digital KYC) solution that enables our customers to submit various returns with a seamless online experience.
- Wealth and Personal Banking launched a first in market new-to-bank credit card application digital journey, which enables new customers to digitally apply for and receive a ready-to-use virtual card in less than 10 minutes.
- Treasury enhanced our FX digital services.

How we measure our operational performance

96%

Customer Recommendation Index

↑ from 95%

SAB App

4.7

top ranked on IOS store

86%

Digital penetration

↑ from 85%

VOC

In our commitment to providing exceptional customer experience, we recognise the invaluable insights gained through the Voice of the Customer (VoC) programme. Throughout the year, we diligently gather feedback from our valued customers through various channels including surveys, social media, complaints and suggestions.

This comprehensive approach allows us to understand our customers' evolving needs and preferences, enabling us to continuously enhance our products and services. By analysing this feedback, we identify opportunities for improvement, whether streamlining digital banking platforms or enhancing the efficiency of our interactions with customers.

Our VoC programme serves as a cornerstone in our decision-making process, guiding us to prioritise initiatives that directly address the concerns and desires of our customers.

Through our unwavering dedication to listening to the voice of our customers, we aim to not only meet but exceed their expectations, fostering enduring relationships built on trust and satisfaction.

Market Overview

The Saudi Arabian economy

2023 was a year of resilience and continued diversification for the Saudi Arabian economy, navigating challenges in the oil sector and the broader global economy. As part of the strategic oil production cuts implemented by OPEC+, Saudi Arabia voluntarily reduced its oil production in 2023 which is estimated to result in a fall in overall national GDP of approximately 1%.

The sustained growth of the non-oil sector was encouraging, estimated to grow at 4.6% YoY in 2023. This robust expansion reflects the success of diversification efforts outlined in Vision 2030. The government's focus on fostering a vibrant non-oil economy, coupled with improvements in the regulatory environment, has spurred growth in areas like tourism, trade, and hospitality. This diversification strategy aims to reduce the Kingdom's reliance on oil and ensure long-term economic sustainability.

The banking sector

The Saudi Arabian banking sector continued to demonstrate strength and stability in 2023, despite facing challenges and navigating a dynamic landscape. This vital sector plays a crucial role in supporting the Kingdom's economic transformation and Vision 2030 aspirations.

The sector maintained a robust capital base, providing a buffer against potential risks and ensuring operational resilience. During the year, there was a healthy 11% increase in total bank lending with traditional corporate growth overtaking retail growth as the largest driver. On aggregate, this was slower than 2022 growth but this reflects the base effect of the strong retail growth witnessed in recent years. Seeing corporate growth accelerate was very welcoming and reflects the optimism on execution of the Vision 2030 programmes. Customer deposit growth was slightly slower at 8%, which was a reflection of the heightened rate environment.

Profitability across the banking sector increased 12% in 2023 compared with 2022, which in part was supported by the solid loan growth and also the heightened rate environment. Despite what many consider as an elevated rate environment in the Kingdom, asset quality has remained robust, and demand for credit has not suffered.

The year ahead

2024 promises to be a continuation of the Kingdom's journey on its economic transformation and diversification strategy, enhancing the non-oil sector, developing more stable revenue streams that in turn will support further investment and development of both social and economic reforms. This is an addition to continued efforts to in develop fiscal policy to also support revenues.

A start to normalised benchmark policy rates is expected during 2024, with demand for bank lending increasing as projects evolve and new industries emerge. The Kingdom's budget assumes total revenue and expenditure levels fall marginally compared with the expected 2023 ending point, with the 2024 budget deficit remaining broadly at the same levels as 2023.

The overall Vision 2030 strategy together with the focused regional and sectoral strategies that have been announced pave the way for a firmer, brighter more sustainable future for the Kingdom and its people. From advancing home ownership to developing new industries, from developing areas of heritage to leading tech development, the future diversity remains exciting.

USD

437 bln

FX reserves

24.8%
(estimate)

Government debt to GDP ratio

8.6%

Unemployment

SAR

118,216

GDP per capita

USD

3.0 trn

Tadawul market cap

World's largest oil exporter

“

The sector maintained a robust capital base, providing a buffer against potential risks and ensuring operational resilience. During the year, there was a healthy 11% increase in total bank lending with traditional corporate growth overtaking retail growth as the largest driver.

Chief Financial Officer's Review

Gross loans grew to SAR 222 bln, with a corporate portfolio of SAR 167 bln, a retail portfolio of SAR 54 bln, which includes a mortgage portfolio that has grown 27% during 2023 to SAR 28 bln. Higher balances throughout the year have supported increased revenues.

The end of 2023 marks a point in time where we can look back on the progress that SAB has made, and look ahead to the future with confidence. The financial performance of the Bank was truly exceptional but importantly, our 2023 results have been largely in line with our own expectations. This point is important as it demonstrates the organisation, diligence, and rigour of the entire Bank – acting in unison – to deliver the strategy, which in turn delivers the financials. This approach, reflects the confidence we see from our customers, our shareholders and investors, and other market commentators.

Faster-than-market loan growth, together with the highest year-on-year net income growth, resulted in the Bank delivering SAR 7.0 bln of net income for 2023 and a 15.3% RoTE, double the levels we were delivering two years ago. Calling it an 'exceptional' year feels like an understatement!

Leading the sector with our net income growth with solid capital and funding discipline

We reported net income after Zakat and income tax of SAR 7.0 bln for 2023. This was SAR 2.2 bln or 45% higher than 2022. We achieved this through stellar revenue growth as margins expanded across the portfolio, together with faster-than-market loan growth. Operating expenses of SAR 4.1 bln were 12% higher than 2022, reflecting the investment phase that 2023 represented. Expected credit losses of SAR 0.6 bln were 26% higher than 2022 but represented a cost-of-risk of 27 bps, which remains at historically low levels.

We grew our loan book at 18%, which is significantly faster than the market at 11%. In fact, we expanded faster than the market in both corporate and retail and importantly, sustainably throughout the year. Gross loans grew to SAR 222 bln, with a corporate portfolio of SAR 167 bln, a retail portfolio of SAR 54 bln, which includes a mortgage portfolio that has grown 27% during 2023 to SAR 28 bln. Higher balances throughout the year have supported increased revenues.

SAR

7.0 bln

Net income after Zakat and income tax

↑ 45%

And we have grown assets while maintaining solid funding discipline. Deposits grew 12% to SAR 241 bln with our Central Bank regulatory liquidity-deposit ratio at the low end of the sector at 75% and a non-interest bearing (NIBs) deposits ratio of 58%, which also remains ahead of the sector.

This translates to a RoTE of 15.3%, 4.1ppt higher than 2022, double the levels achieved in 2021, and ahead of the initial strategic target of 13%. Capital levels were strong with a CET1 capital ratio of 16.3%, Tier 1 ratio of 17.7%, and a total capital ratio of 19.7%. We have utilised more leverage during 2023 as we aim to be more efficient with our capital usage, and this will remain the approach going forward. To bolster capital levels for the next phase of our strategy, we added a further SAR 4 bln of additional Tier 1, raised on a floating basis to benefit from an expected lower average SAIBOR over the next few years.

Growing revenues at record pace whilst protecting core revenue at current levels

SAB delivered SAR12.7 bln of revenue during 2023, which was a 32% increase compared with 2022. Fourth quarter revenues of SAR 3.2 bln are approximately 60% higher than in the first quarter of 2022, when SAIBOR started its current journey, following the first increases in the Federal Reserve Funds rate to counter the effects of inflation in the US.

With our corporate portfolio, representing approximately 75% of our lending portfolio, being largely on a floating basis and coupled to average 3-month SAIBOR, and our stronger-than-market NIBs ratio, which averaged 62% during 2023, we benefited as average SAIBOR increased nearly 300bps, resulting in higher levels of net special commission income (NSCI). Our NSCI margin increased from 2.5% in 2022 to 3.0% in 2023.

Throughout 2022 and 2023, we diligently reviewed our expectations for forward policy rates and took a position that rates would peak following a lengthened period of time when the FED continued to tighten its monetary policy. We actively increased our investment portfolio over this period from SAR 65 bln at the end of 2021 to SAR 97 bln at the end of 2023, and grew the fixed element of this portfolio, which now represents 86% of the portfolio. We also grew our mortgage portfolio significantly over this time as mentioned earlier. As we moved through this part of the rate cycle, at the same time we reduced our sensitivity to rates to significantly lower levels. This means we expect to see less revenue attrition when rates fall.

Non-funds income also saw 6% growth as we generated SAR 1.1 bln of net fee income, SAR 0.9 bln of foreign exchange income, and SAR 0.3 bln of other income, mainly from trading income.

Chief Financial Officer's Review (continued)

Strong cost discipline remains a constant

Operating expenses increased 12% during 2023 bringing our cost base to SAR 4.1 bln. SAB has gone through one of the most intense investment phases in recent years, where the Bank has invested SAR 1.5 bln from the front to the back, to digitally transform, enhance our products, and develop our people. Of course, this will come with an increase in overall operating expenses, but this investment has allowed the Bank to grow in the fashion it has.

Despite this investment, we ensured the Bank operated with positive jaws, and we delivered a substantial decrease in our cost efficiency ratio, which reduced 5.6ppt to 32.4%. This also marks a significant improvement since the merger when the Bank was operating with a cost efficiency ratio in the high-forties; so, I am incredibly proud that we have managed to bring this down to such a low level, despite being in such an investment phase.

Asset quality trends continue in a positive direction

Expected credit losses of SAR 0.6 bln increased SAR 0.1 bln or 26% but it is pleasing to see cost-of-risk remaining stable at 27bps. The net charge can be broken down into a charge of SAR 1.0 bln, partly offset by write-offs net of recoveries of SAR 0.4 bln.

We continue to extract value from our purchased or originated credit impaired (POCI) portfolio. This is essentially the acquired portfolio from our merger, which was written down to its net recoverable value. A proportion of this portfolio has cured and continues to perform well, which results in the recoveries we see. Underlying delinquency trends continue to show no indications of elevated stress. I am really pleased with the overall asset quality of the portfolio, which on a total basis has reduced significantly since the merger to 3.5%.

Delivering robust levels of financial returns and, in turn, shareholder returns

As mentioned earlier, this all translates to one of the highest returns we have seen as a bank, delivering 15.3% RoTE. In addition, during the year, we paid dividends totalling SAR 3.33 bln that equated to a payout ratio of 55%. Following our year-end results announcement and strategy update in February 2024, SAB's share price increased 9% since the start of the year to the end of February, which was ahead of the market and shows signs of increased confidence from the investor community.

15.3%

RoTE

SAR

1.5 bln

Invested across the Bank

In summary

It has been a year of which we are extremely proud. The Bank has grown its asset base, and increased its returns but at the same time, it has taken active steps to protect its revenue base for the next stage in the rate cycle. And we have done this through strong cost discipline and continued improvement in asset quality. The Bank has taken a leap in 2023 and is well positioned to capture future opportunities.

Ms. Lama Ghazzaoui

Chief Financial Officer

SAR

12.7 bln

Revenue

↑ 32%

SAR

222.1 bln

Gross loans

↑ 17%

"Following our year-end results announcement and strategy update in February 2024, SAB's share price increased 9% since the start of the year to the end of February, which was ahead of the market and shows signs of increased confidence from the investor community.

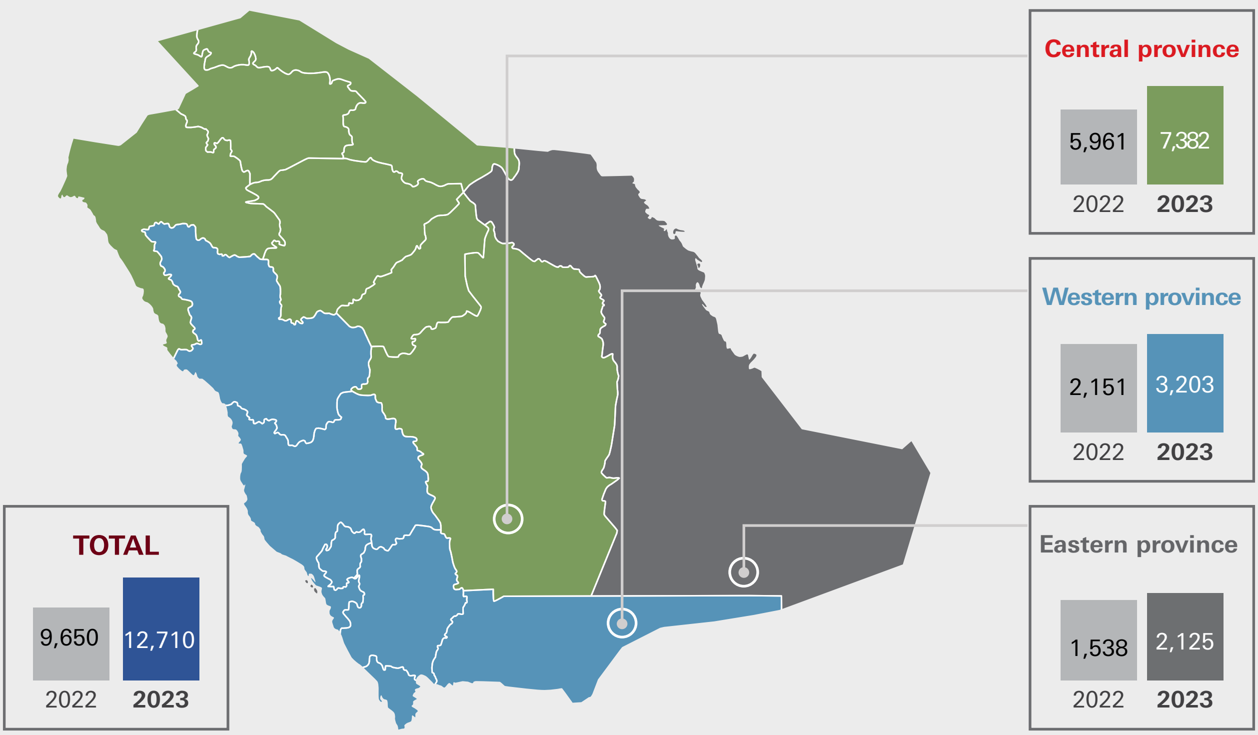
Operating Review

Reported historical financial results

	2023	2022	2021	2020	2019
Investments, net	96,567	86,363	64,904	60,831	60,464
Loans and advances, net	215,936	183,132	167,556	153,243	152,075
Customer deposits	240,940	214,279	186,761	189,110	192,167
Total assets	356,642	314,404	272,396	276,452	265,987
Total liabilities	294,742	259,767	219,368	225,690	209,903
Shareholders' equity	57,915	54,637	52,926	50,657	55,994
Net income after Zakat and income tax	**7,002**	**4,826**	**3,202**	**(4,168)**	**2,736**

Total operating income 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.



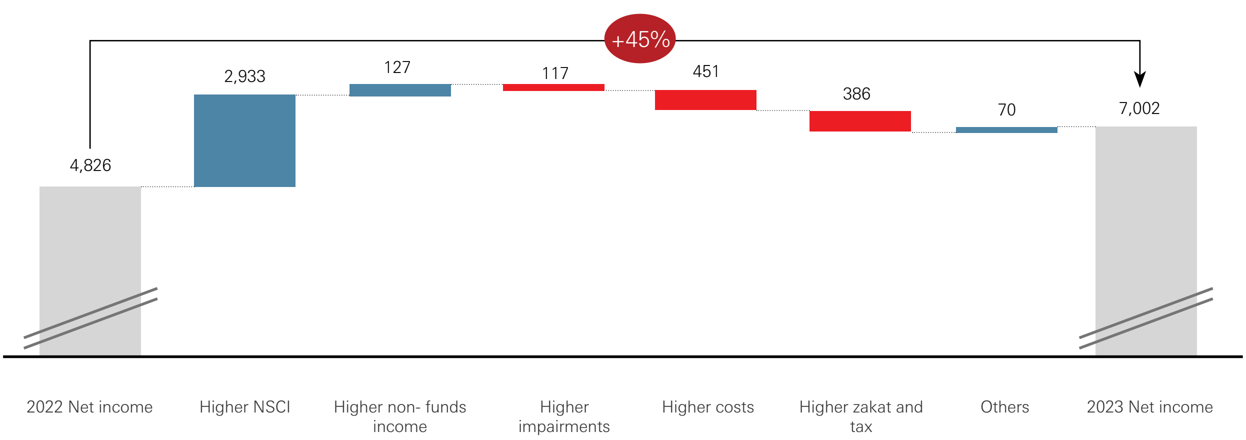
Reported performance

SAB reported net income of SAR 7,002 mln in 2023, which was SAR 2,177 mln or 45% higher than 2022. Zakat and income tax rose by SAR 385 mln year-on-year to reach SAR 1,221 mln for 2023. Net income before Zakat and income tax of SAR 8,223 mln was SAR 2,508 mln or 44% higher than 2022, driven by higher total operating income (revenue) partly offset by increased operating expenses and higher expected credit losses.

- Revenue of SAR 12,710 mln was SAR 3,060 mln or 32% higher than 2022, mainly from increased NSCI reflecting repricing as a result of higher average 3-month SAIBOR during 2023 compared with 2022. Non-funds income of SAR 2,369 mln was SAR 127 mln or 6% higher than 2022 owing to higher fee and foreign exchange income, although this was partly offset by lower trading income.
- Operating expenses of SAR 4,113 mln was SAR 451 mln or 12% higher than 2022 and is owing to the significant investments made in both systems, digital capability, and staff. Costs were also impacted by inflationary pressures, although overall inflation remained manageable. Despite higher costs, the Bank maintained positive jaws and the cost efficiency ratio fell further to 32.4% from 37.9% in 2022.
- Expected credit losses of SAR 562 mln were SAR 117 mln or 26% higher than 2022. Despite the increase, cost-of-risk remains stable at 27bps, compared with 24bps in 2022, and significantly below market levels.

Income statement highlights (SAR mln)	2023	2022
Total operating income (revenue)	12,710	9,650
Provision for expected credit losses, net	(562)	(445)
Total operating expenses	(4,113)	(3,662)
Share in earnings of associates	188	172
Net income before Zakat and income tax	**8,223**	**5,715**
Zakat and income tax	(1,221)	(836)
Net income after Zakat and income tax	**7,002**	**4,826**

2023 Net income after Zakat and income tax walk



Operating Review (continued)

Reported results by business segment

2023 (SAR mln)	WPB	CIB	TSY	Capital Markets	Other	Total
Total operating income (revenue)	3,454	6,870	2,061	338	(12)	12,710
Provision for expected credit losses, net	(78)	(481)	(4)	(0)	-	(562)
Total operating expenses	(1,868)	(1,581)	(397)	(228)	(39)	(4,113)
Share in earnings of associates	-	-	-	-	188	188
Net income before Zakat and income tax	**1,508**	**4,808**	**1,660**	**110**	**138**	**8,223**

2022 (SAR mln)	WPB	CIB	TSY	Capital Markets	Other	Total
Total operating income (revenue)	2,826	4,859	1,828	211	(74)	9,650
Provision for expected credit losses, net	81	(530)	4	(0)	-	(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**	**64**	**142**	**5,715**

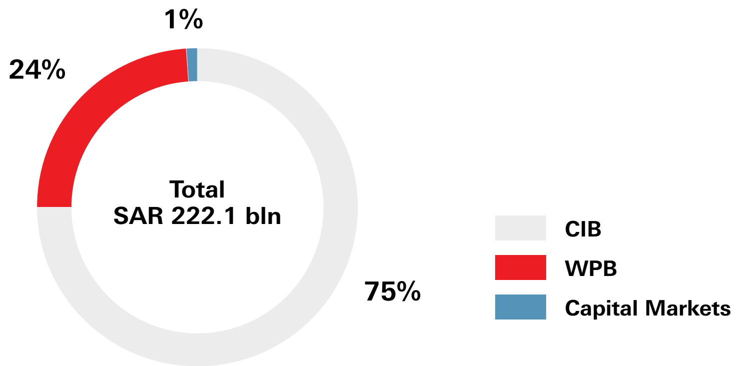
Balance sheet

Total assets of SAR 356.6 bln increased SAR 42.2 bln or 13% compared with 2022 driven by an increase in customer lending and in our investment portfolio.

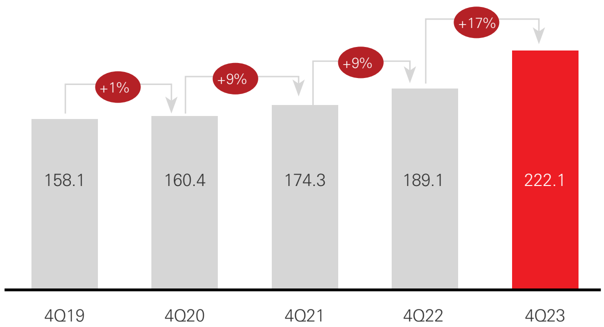
Balance sheet highlights (SAR bln)	2023	2022
Total assets	356.6	314.4
Gross customer advances	222.1	189.1
Investment portfolio	96.6	86.4
Customer deposits	240.9	214.3
Demand deposits	139.0	141.4
Average interest earning assets	336.9	295.2

Customer lending

Gross customer advances increased by 17% during 2023 to reach SAR 222.1 bln. This marks the fourth consecutive year of growth in customer lending for the Bank since the merger. Our Corporate and Institutional Banking business contributes 75% of our loan book, our Wealth and Personal Banking business contribute 24%, with the remainder coming from our Capital Markets business.



Gross customer lending (SAR bln)



Gross customer lending increased across both our CIB and WPB businesses

CIB balances grew SAR 25 bln or 18% compared with 31 December 2022 with a closing balance of SAR 167 bln. Growth was mainly relating to short-term commercial lending to support our customers' ongoing working capital requirements. In addition, a number of key infrastructure projects and some of the larger Vision 2030 giga-projects accelerated, requiring drawdowns of funds, which also bolstered the business' originations. Sector concentration remains low, with lending made to several sectors, including energy, tourism, and real estate.

The Wealth and Personal Banking business grew SAR 8 bln or 16% compared with 31 December 2022 with a closing balance of SAR 54 bln. Growth was mainly driven by continued efforts on our mortgage business, which grew 27% to SAR 28 bln at the end of 2023. Credit card and personal lending balances also grew during 2023.

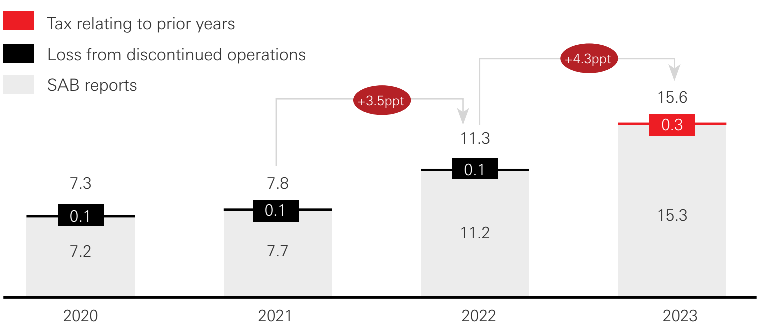
Customer deposits

Customer deposits increased 12% during 2023 to SAR 241 bln driven mainly by an increase in deposits from our CIB business but also supported by growth in our WPB and TSY businesses. Robust deposit growth resulted in overall expansion of our lending portfolio and supported the expansion in our investment portfolio.
Given the higher policy rates in the Kingdom, the proportion of non-interest-bearing deposits (demand deposits or NIBs) fell further during 2023 averaging 62% across the year, although absolute balances grew in the second half of 2023, and our NIB ratio remains ahead of the sector. Overall funding and liquidity metrics remain robust with a regulatory loan-to-deposit ratio of 75%, simple loan-to-deposit ratio of 90%, liquidity coverage ratio of 184%, and a net stable funding ratio of 128%.

Returns

During 2023, SAB delivered a return on tangible equity of 15.3%. This has been driven by increased NSCI reflecting repricing as a result of higher average 3-month SAIBOR during 2023 compared with 2022. Therefore, the Bank's NIM increased from 2.5% to 3.0% in 2023. Stronger than market loan growth also supported the NSCI expansion. Growth in our net fee income and exchange income also contributed to the higher RoTE levels.

Return on tangible equity, %



SAR

241 bln

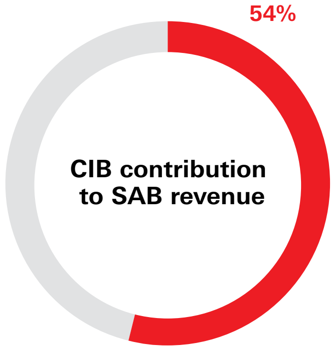
Customer deposits

Operating Review (continued)

Corporate and Institutional Banking

CIB financial highlights (SAR mln)

	2023	2022
Total operating income (revenue)	6,870	4,859
Provision for expected credit losses	(481)	(530)
Total operating expenses	(1,581)	(1,433)
Net income before Zakat and income tax	4,808	2,896
Gross loans	166,896	141,547
Customer deposits	144,866	129,751
Demand deposits	86,609	86,189



Operating highlights

The Corporate and Institutional Banking (CIB) provides tailored solutions to a wide range of customer segments including Global Corporates and Institutional Banking, Multinational Corporates, Large and Commercial Banking Corporates, and Small and Medium Enterprises. CIB banks over 22,000 active customers across a wide range of sectors, providing core banking, liquidity management, trade-finance and treasury services. CIB enjoys c.12.5% corporate lending market share and is the leading international trade bank in the Kingdom, with c. 24% market share of trade balances (Letters of Credit and Letters of Guarantee).

CIB's main priorities during 2023

The business' primary focus was centred on accelerating the momentum on loan growth following the launch of the strategy in 2021. The CIB loan portfolio grew c. 18% during 2023 by adding SAR 25 bln to reach a closing portfolio of SAR 167 bln by the end of 2023. CIB supported customers through project and capital expenditure and infrastructure (CAPEX) financing together with working capital financing to cover short-term financial borrowing needs. CIB continued to support the Bank's ESG strategy by launching a range of sustainability-focused and ESG-compliant financing arrangements. CIB was also active on several giga-projects, supporting some of the ground-breaking transformation programmes in the Kingdom, notably in the infrastructure, energy and renewables sector.

12.5%

Corporate lending market share

24%

Trade market share

The second key focus for 2023 was expanding our overall trade, supply chain and receivables finance leadership position, where we are the number one provider of off-balance sheet financing through our Global Trade and Receivables Finance (GTRF) business. Our multinational-focused corporate segment registered c. 50% growth and was by far the biggest contributor to the growth in CIB trade balances supporting multinational clients in bidding for 'giga' and other infrastructure projects such as the Spine (a high-speed railway that runs 170km along the Neom Line); Shuaiba (an extension of one of the world's largest power plants); and Marjan (an extension of a large offshore oil field). Our partnership and continued collaboration with HSBC is a key differentiator for the Bank. We connect our corporate customers with a global network through HSBC, but equally capture many international opportunities coming into the Kingdom. We bank a significant proportion of multinationals coming into the Kingdom and much of this is captured via our relationship with HSBC.

Our third key focus was accelerating our digital transformation by launching a range of innovative digital solutions across our corporate customer base focusing initially on our small and medium enterprise (SME) customers. CIB successfully

launched the SME Digital Credit Platform, which possesses linkages with government and third-party data sources, making the lending process more efficient. CIB also launched a fully digital know-your-customer (Digital KYC) solution, allowing our customers to submit various returns with a seamless online experience. Complementing our digital transformation, we expanded customer experience surveys across more customer journeys and channel touchpoints. We use this feedback to continuously improve customer experience. Our liquidity management segment, Global Liquidity and Cash Management (GLCM) and GTRF added a range of new features in our online channel for SMEs called SAB iCorp, improving the range of features accessible to our SMEs. These include the ability to access VAT statements online and to review and approve guarantees and cash-backed guarantees digitally. Testament to the strong focus on the SME segment, the Bank was awarded the 2023 Outstanding SME Account Opening and Onboarding Initiative award from The Digital Banker. This, together with 3.5x growth in new SME account openings, vindicates the investments we have made and ideally sets up the Bank to service this customer segment in the future.

Financial performance

Net income before Zakat and income tax of SAR 4,808 mln was SAR 1,912 mln higher than 2022, mainly from increased revenue that benefited from strong loan growth and expansion in margins, together with growth in fee income.

Revenue of SAR 6,870 mln was c. 41% higher than 2022. This was driven from higher average loans balances as well as increased margins following the repricing of loans following the hikes to benchmark rates during the year. The 3-month SAIBOR, which is the typical benchmark for a large proportion of corporate lending contracts, increased from 5.3% at the start of the year to 6.3% at the end of the year. Revenue growth was also supported by growth in fee income notably in our segments.

Gross lending of SAR 166.9 bln increased by c.18%. Growth was mainly driven by the Large Corporate and the Global Corporates and Institutional segments, which make up over 80% of the corporate lending portfolio. Customer deposits increased by 12%, to SAR 144.9 bln and the level of demand deposits, or non-interest-bearing deposits stabilised in the second half of the year.

+66%

Net income before Zakat and income tax

SAR

25 bln

Corporate loan growth

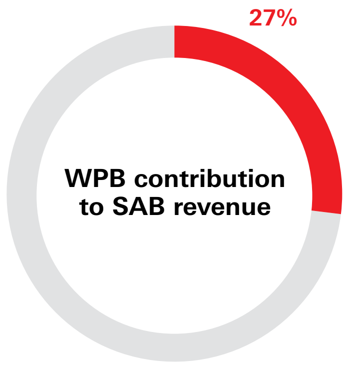
↑ 18%

Operating Review (continued)

Wealth and Personal Banking

WPB financial highlights (SAR mln)

	2023	2022
Total operating income (revenue)	3,454	2,826
Provision for expected credit losses	(78)	81
Total operating expenses	(1,868)	(1,765)
Net income before Zakat and income tax	1,508	1,142
Gross loans	53,967	46,404
Customer deposits	78,178	71,705
Demand deposits	52,346	54,935



WPB operating highlights

Wealth and Personal Banking serves close to 1.5 million customers offering a variety of wealth and consumer lending products. Having a healthy mix of Saudi and international customers, WPB aims to be the Bank of choice for wealth and internationally-minded customers.

1.5 mln

customers

During 2023, a key focus for the WPB business was to build on the previous years' transformation of the WPB's mortgage offering and convert this investment into mortgage growth. Increased investment and focused sales efforts led to a substantial increase in mortgage sales, with originations of SAR 8.4 bln during 2023, more than 4 times the levels achieved in 2020 prior to the launch of our strategy. Our mortgage portfolio now stands at SAR 28 bln and represents over 50% of the retail lending portfolio. Building on this momentum, WPB has implemented several significant initiatives in support of the housing programme, with continuous engagement with Real Estate Development Fund (REDF) which resulted in a significant improvement in REDF's sales rankings, with SAB being one of the top 4 banks in the Kingdom supporting REDF sales.

We also maintained our leadership position in credit cards, which remains a very profitable business for WPB. With growth in card balances of over 22%, which was ahead of market growth, we were able to increase market share to just under 12%.

Cards acquisition increased by 83% compared to 2022, while Cards spend grew by 24% and we continued to maintain the highest spend per card position across the Kingdom.

Ongoing digital transformation was a key tenet of the WPB strategy during 2023. Enhanced customer satisfaction resulted in increased sales, which in turn boosted revenues. Specifically, during 2023, WPB developed a number of digital journeys in the personal finance and credit cards sectors that eliminated the need to visit a physical branch. We launched a new-to-bank credit card application digital journey, which enabled new customers to digitally apply for and receive a virtual card in less than 10 minutes without the need for any physical documentation. Digital penetration increased to 86% and, as our mobile app usage grew, our app rating score rose to 4.7, making our app one of the highest rated in the Kingdom.

SAB is the first bank to launch a personal finance management tool, called SAB 360 with 47% of digital active customers subscribing to the tool.

Over
SAR
1.5 bln

Net income

As part of lifestyle banking, SAB Store began offering a range of products for online purchases, including gift cards, vouchers and prepaid bills. The integration with the national digital identity platform, NAFATH, and the introduction of device registration with biometrics further demonstrated our commitment to digital innovation. Our market share in the digital payment sector also increased to 15%, up from 12% as of year-end 2022. Remittance customers saw a 20% year-on-year increase, with total remittance transactions growing by 31% over the same period.

Global View and Global Transfer (GVGT) is now available for Premier and Advance customers on 21 international corridors. GVGT is a service which allows SAB customers to link their accounts with their HSBC accounts globally. The next step in the strategy, GVGT Two Way, is poised to become a key service for our customers to both view and transfer funds into their SAB accounts.

Our Wealth business caters to the more affluent segment of our customer base, with a customer base of over 15% HNW individuals. During 2023, we experienced strong growth in customer deposits, supported by the introduction of new features, such as the Commodity Investment account and a Shariah-compliant alternative to conventional time deposits.

Investment in Wealth will continue into 2024 with a focus on high net worth value propositions and restructuring our Private Banking unit. As part of the Private Banking strategy, WPB partnered with our fully owned subsidiary, SAB Invest, to enhance overall product offerings and customer experiences through digital connections.

WPB financial performance

Revenue of SAR 3,454 mln was SAR 628 mln, or 22%, higher than 2022. This was mainly from increased sales of mortgages, credit cards, and personal finance, which resulted in higher average balances, supported by increased margins following the hikes to benchmark rates during the year. In addition, we delivered solid growth in foreign exchange income.

Net income of SAR 1,508 mln for the year represented an increase SAR 365 mln, or 32%, compared to 2022. This was mainly from higher revenue, as mentioned above, but these factors were partly offset by higher operating expenses following continued investment and a net charge of expected credit losses compared with a net release in 2022 following a modelling update.
Gross lending of SAR 54.0 bln was a rise of SAR 7.6 bln, or 16%, for the year, while customer deposits also increased 9% to SAR 78.2 bln as at year end 2023. Non-interest-bearing deposits or demand deposits fell, reflecting the higher rate environment together with expected customer withdrawals.

SAR
3,454 mln
Revenue

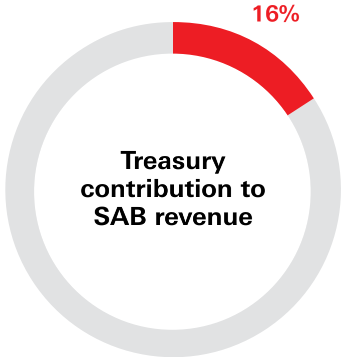
SAR
54.0 bln
Gross lending

Operating Review (continued)

Treasury

Treasury financial highlights (SAR mln)

	2023	2022
Total operating income (revenue)	2,061	1,828
Provision for expected credit losses	(4)	4
Total operating expenses	(397)	(362)
Net income before Zakat and income tax	1,660	1,471
Investment portfolio	95,757	85,951
Customer deposits	17,896	12,823



Operating highlights

The Treasury business provides Corporate, Institutional, Wealth and Private banking clients with access to treasury and capital markets products across multiple asset classes, including foreign exchange, interest rate, and commodities hedging solutions. In addition, Treasury manages the liquidity and market risk of the Bank, including deployment of its commercial surplus through its investment portfolio.

Treasury achieved a record financial performance in 2024, driving revenue growth across trading, sales and investments. From the end of 2022 and throughout 2023, the Treasury business has positioned the bank's investment portfolio in readiness for a lower rate environment to protect the net special commission income revenue line. This has manifested in lowering the Banks' sensitivity to changes in SAIBOR and other domestic rates. This detailed forward planning approach will support the Bank in maintaining its current revenue and return levels in a lower rate environment, but also allows it to benefit from tactical investment gains as and when they arise.

During 2023, the Treasury business has played a pivotal role in maintaining the Bank's cost of funding at one of the lowest levels in the market, while the trading team achieved higher revenues across rates, foreign exchange, and commodity markets.

Our customers remain at the heart of Treasury's strategy. We continue to drive innovation through our enhanced FX digital services and through the introduction of new commodity-hedging solutions. We enjoyed a significant increase in FX volumes in 2024, driven primarily by customer flows.

Treasury is fully aligned with Vision 2030 and strongly supports the Financial Sector Development programme. We are proud to be one of the government's primary dealers and we are leading the development of the local repo market. Our HSBC partnership is also key, and through strong collaboration, we are leveraging our international connectivity to provide hedging solutions to the Kingdom's giga projects.

During November, SAB issued a SAR 4 bln additional tier 1 (AT1) Sukuk. This capital raise was unique in issuing on a floating basis, which will be beneficial as we head into a lower rate environment. The capital raise also means we are well capitalised for the next stage in the Bank's journey.

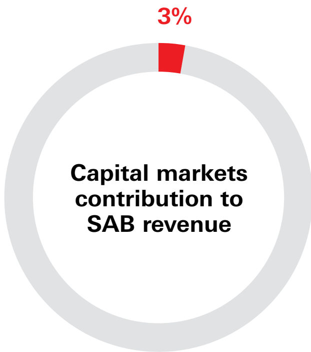
Financial performance

Net income before Zakat and income tax of SAR 1,660 mln was SAR 190 mln higher than 2022 mainly from higher revenue partly offset by higher operating expenses.

Revenue of SAR 2,061 mln was c. 13% higher than 2022. This was driven by increased customer flows, a strong trading performance and higher investment returns .

Our investment portfolio grew SAR 9.8 bln or 11% to SAR 95.7 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 financial highlights (SAR mln)

	2023	2022
Total operating income (revenue)	338	211
Provision for expected credit losses	(0)	(0)
Total operating expenses	(228)	(147)
Net income before Zakat and income tax	110	64
Assets under management (AuM)	27,253	15,750

Operating highlights

The Capital Markets segment is a new segmentation created in 2022 and brings together the margin lending, brokerage, and asset management business, which were acquired from HSBC Saudi Arabia with our wholly owned subsidiary SAB Invest. Given the common objective of these businesses, in managing, arranging, advising, dealing, and taking custody of securities, the acquisition brings together SAB's interests in these activities. Combining these areas and dedicating capital to this business will allow the Bank to deliver a broader proposition to our Wealth and Private Banking customers, as well as our government and institutional clients.

Asset Management offers a comprehensive range of investment management and advisory solutions, in both conventional and Shariah-compliant formats, in Saudi Arabia as well as regional markets. The product offering includes all major asset classes through public and private funds, discretionary portfolios and advisory mandates. The investment strategies include equities, money markets, fixed income, multi-assets, ETFs, real estate, and alternatives.

In 2023, SAB Invest rose through the ranks as the fastest growing asset manager in the Kingdom with over 70% growth in AUM ending the year at SAR 27.3 bln. SAB Invest also had the best performing equity funds during 2023 which delivered returns ranging between 44-51%, outperforming respective benchmarks by over 30%. Testament to its dedication to outperformance and growth, SAB Invest was awarded the Asset Manager of the Year by Saudi Tadawul Group – the parent company of Saudi Exchange.

SAB Invest's Brokerage segment is the execution arm for the business and offers its customers and clients a wide range of products, including equity and fixed income products, across both local and international markets. Clients use multiple online and app-based trading channels and for customers dealing in international markets, SAB Invest offers a full range of market-leading brokerage services including execution, clearing, and safekeeping.

During 2023, SAB Invest's traded value more than doubled to reach SAR 73 bln. The majority of this traded volume was through online channels, and we expect this to increase as we further invest in the digital capability of the business.

SAB Invest established Global Investment Solutions during 2023 with the mandate to develop a range of products that complement the business' existing product offering and provide customers with an unparalleled access to global markets, together with bespoke services for SAB's private banking customers and also its institutional client base.

A five-year strategy has been approved with the aim of being a top-tier capital markets business in the Kingdom, rivalling some of the established peers. Digital transformation and investing in our people are two critical ingredients. Four flagship IT projects have been identified in order to make SAB Invest more dynamic, with the ability to deliver increased number of products and services. We have revamped our rewards system to strengthen talent retention and invested in training programmes to create a culture of continuous learning.

Financial performance

Revenue of SAR 338 mln was SAR 126 mln or 60% higher than 2022 mainly from higher asset management fees and increased revenue from margin lending activities. 2022 included a one-off bargain purchase gain of SAR 109 mln relating to the conclusion of the purchase price allocation exercise for the sale and transfer of the business lines from HSBC Saudi Arabia mentioned earlier.

Net income of SAR 110 mln increased SAR 45 mln or 71%, mainly from higher revenue as mentioned but these factors were partly offset by higher operating expenses reflecting the current investment phase of the business.

Capital Overview

Capital management is critical for the longevity of the Bank. SAB ensures 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.

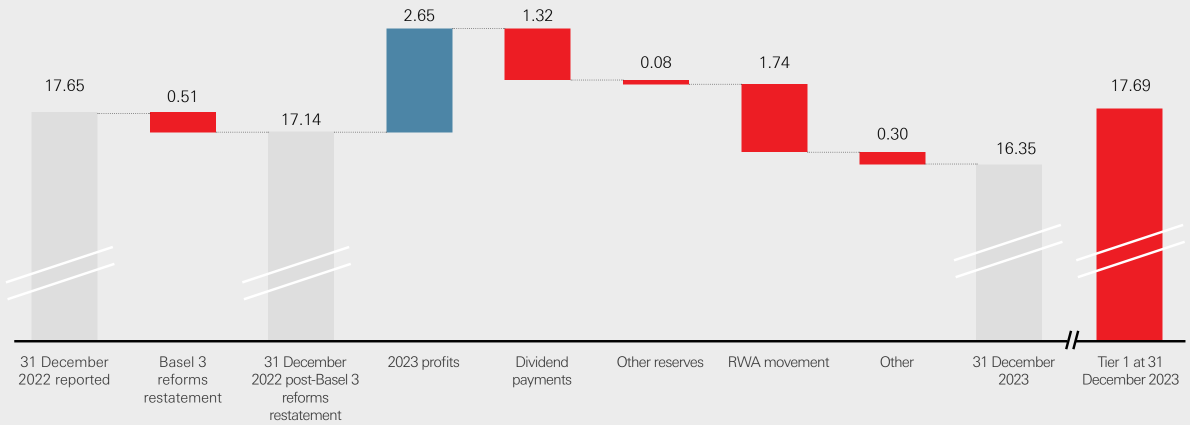
SAB's assessment of capital adequacy is aligned with its assessment of risks, including credit, liquidity, Shariah, and other operational risks as detailed on page 110 within the Risk overview.

Capital ratio (%)	31 Dec 2023	31 Dec 2022
Common equity Tier 1 ratio	16.34%	17.65%
Tier 1 ratio	17.69%	17.65%
Total capital ratio	19.72%	19.92%

Capital (SAR mln)	31 Dec 2023	31 Dec 2022
Common equity Tier 1 capital	48,054	45,238
Additional Tier 1 capital	3,985	-
Tier 1 capital	52,039	45,238
Total regulatory capital	57,997	51,033

Risk-weighted assets (RWA) (SAR mln)	31 Dec 2023	31 Dec 2022
Credit risk	279,968	232,948
Operational risk	10,458	16,213
Market risk	3,724	7,091
Total RWAs	294,151	256,252

CET1 ratio movement 31 December 2023 vs 31 December 2022, %



Supporting Micro, Small and Medium-sized Enterprises

SAB is committed to supporting micro, small and medium-sized enterprises (MSME) in line with Vision 2030.

SAB defines its MSME segments as follows:

Sub-segments	Annual turnover
Micro	Below SAR 3 mln
Small	Between SAR 3 mln to SAR 40 mln
Medium	Between SAR 40 mln to SAR 200 mln

SAB supports around 18,000 active MSME customers increasingly through our digital offerings but also through 5 small and medium enterprises (SME) centres across the Kingdom covering all major business hubs:

1. Riyadh
2. Jeddah
3. Al-Khobar
4. Dammam
5. Al Qassim

SAB offers a range of products and services to meet the needs of MSME including Shariah-compliant products. Customers receive a dedicated relationship manager (RM) to assess their banking needs and provide solutions to meet their requirements. SAB has dedicated staff to support the SME client and, in 2023, SAB invested in people by forming an SME middle office to build out the size and capabilities of SME team. SAB also continues to invest in digitalisation.

In 2023, SAB continued its digital transformation by launching innovative digital solutions for SMEs and corporate banking customers. SAB won the award for our Digital Account Opening platform and accelerated SME account openings. SAB also launched a Digital Credit Platform and Digital KYC to streamline the loan process and improve customer experience. Additionally, SAB added new features to improve online banking for SMEs, such as accessing VAT statements and approving guarantees online.

During 2023, SAB SME won the **Best Bank for SMEs in KSA** by Euromoney.

SAB manages its MSME segment across the Kingdom via two teams:

- Small and micro segment that supports SMEs with turnover of less than SAR 40 mln.
- Medium segment that serves customers with turnover between SAR 40 mln and SAR 200 mln.

Further, the Bank was actively engaged in a number of government initiatives such as:

MSME training initiatives and workshops for staff and customers

In total, SAB has around 87 FTE dedicated to supporting MSMEs to which over 132 hours of training were delivered.
Customers had around 8 hours of online training through SAB Academy, in addition to participating as sponsorship for the awareness sessions conducted by government and semi-government initiatives to enhance customers' knowledge towards the banking finance.

Kafalah programme

SAB continues to support the Kafalah programme, which aims to provide financial assistance in the form of financial guarantees to SMEs. Kafalah also provides a quarterly performance report to display the ranking of SAB among all the banks, noting that during 2023, SAB ranked 4th in Kafalah performance in both the guarantees amount and the number of enterprises.

Monsha'at platform

Monsha'at, the Small and Medium Enterprises General Authority, works on supporting, developing, and nurturing the MSME sector. SAB continues to collaborate with Monsha'at in support of several initiatives, including agreement to help develop the new financing gateway, which enables MSME customers to gain access to financing opportunities. A Memorandum of Understanding was signed to further improve our collaboration.

SME Bank co-financing

Starting year 2023, SAB entered into an agreement with the SME Bank to deliver co-financing programmes to customers in support of SAB and the SME Bank.

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

SAB SME Academy

SAB initiated a series of training and awareness for SMEs under our SME Academy programme, in collaboration with the London Stock Exchange Group (LSEG). These were delivered through webinars for SMEs, open to the public. The goal of SME Academy is to empower SMEs with financial planning as well as financial education on the essential elements of success.

In 2023, as part of SAB'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 an MSME enterprise in KSA.

SIDF collaboration
Social and Infrastructure Development Fund (SIDF) is collaborating with SAB on executing guarantees for specific sectors that empower SIDF, such as energy, logistics, etc.

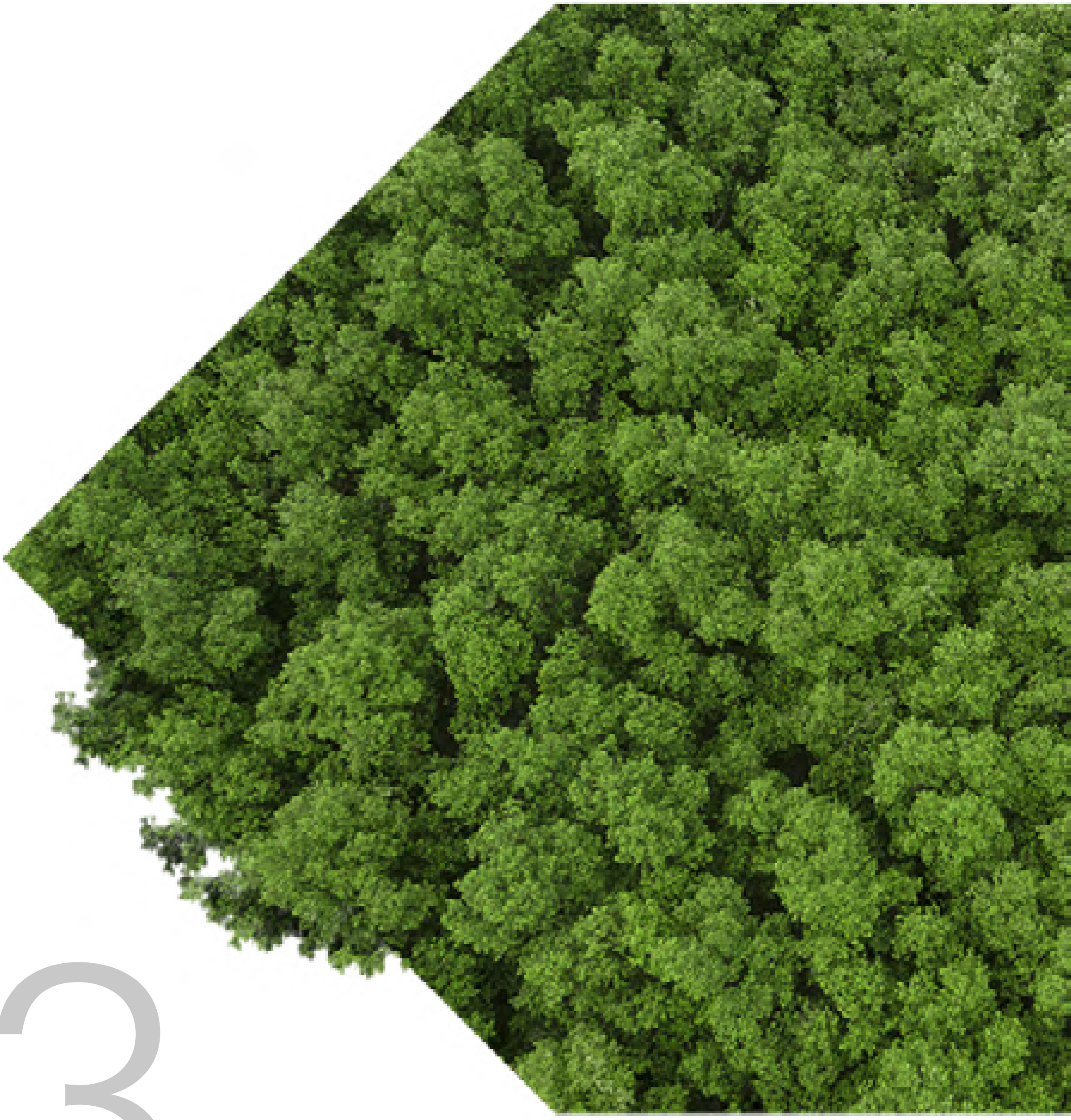
SAB has developed a platform similar to Kafalah to digitalise the process of executing guarantees.

Loans and off-balance positions to MSME customers

December 2023	SAR'000			
	Micro	**Small**	**Medium**	**Total**
Loans to MSMEs	1,515	2,975	6,538	**11,027**
Off-balance sheet positions to MSMEs	3,185	2,416	9,467	**15,068**
Loans to MSMEs as a percentage of total SAB loans	0.68%	1.34%	2.94%	4.97%
Off-balance sheet positions to MSMEs as a percentage of total SAB off-balance sheet positions	2.43%	1.85%	7.24%	11.52%
Number of credit facilities	1,370	2,385	4,730	**8,485**
Number of customers with credit facilities	526	658	481	**1,665**
Number of credit facilities guaranteed by Kafalah programme	646	1,106	1,073	**2,825**
Amount of credit facilities guaranteed by Kafalah programme	344	563	1,050	**1,957**

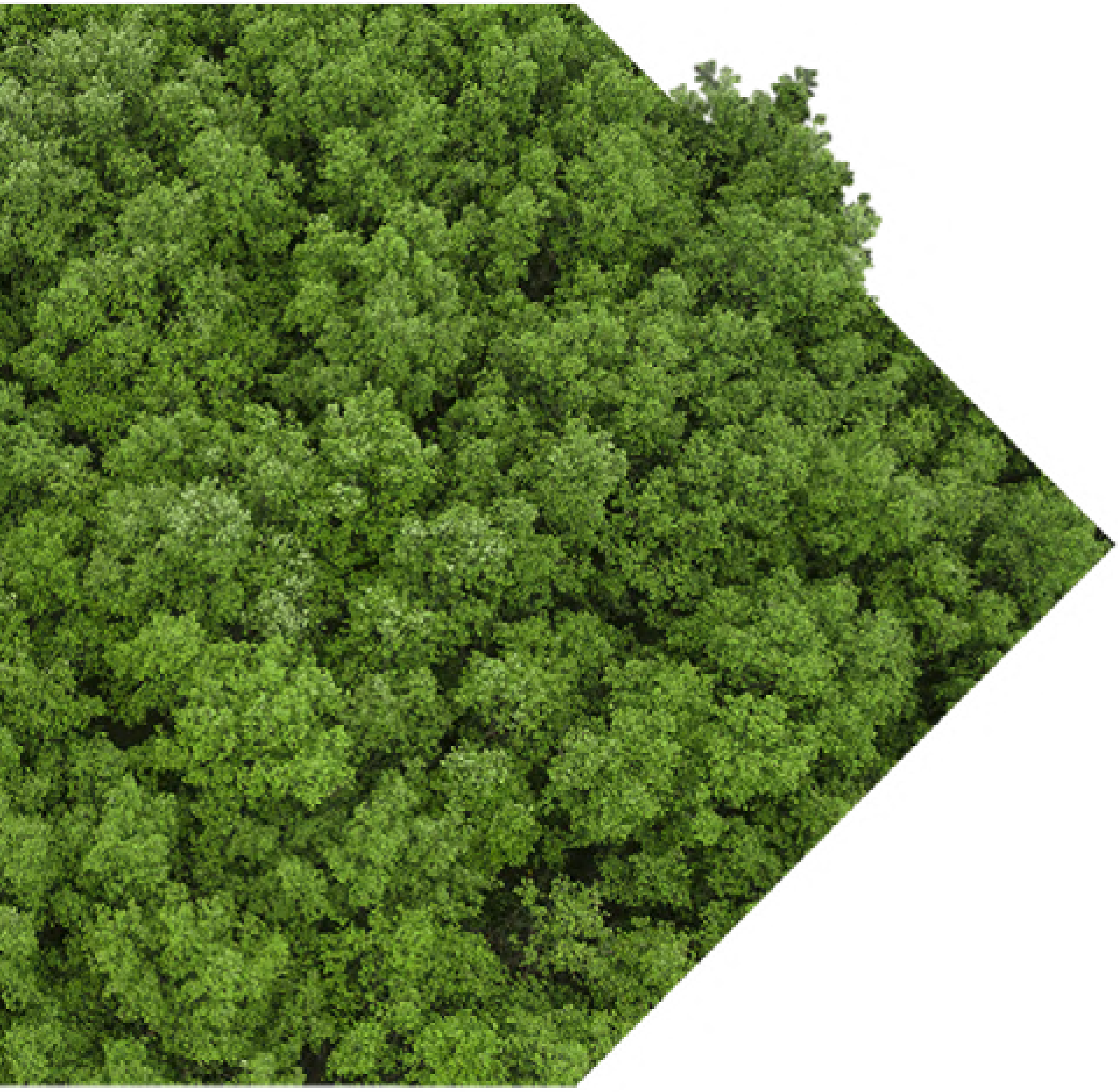
December 2022	SAR '000			
	Micro	**Small**	**Medium**	**Total**
Loans to MSMEs	1,616	2,165	7,104	**10,885**
Off-balance sheet positions to MSMEs	1,544	1,773	6,227	**9,544**
Loans to MSMEs as a percentage of total SAB loans	0.85%	1.14%	3.75%	5.75%
Off-balance sheet positions to MSMEs as a percentage of total SAB 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	164	307	1,098	**1,569**

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 gross exposure before PPA (FV adjustment) as at December 2023, was SAR 11 bln and PPA adjustment was SAR 0.9 bln (2022 – SAR 0.9 bln).



03

Environmental, Social and Governance in Focus



The first bank to
commit to planting
one million trees

Environmental, Social and Governance at SAB

Creating Equitable Growth

SAB has made significant progress in streamlining environment, social and governance (ESG) throughout the organisation by implementing the ESG strategy, which was announced in 2022. Through this strategy, SAB is extending its scope from profitable growth to equitable growth, with environmental and social factors at the very heart of its operating model, governance, and strategy. This section provides a brief overview of SAB's 2023 ESG highlights.

For further information, please consider reading our stand-alone ESG report and visiting our website: https://www.sab.com/esg/index.html?/

2023 at a glance

SAR 12.6 bln

Sustainable financing and investments facilitated by year end 2023

730,000

Students benefited from financial literacy training implemented via our cooperation with the Riyali Foundation between 2022 and 2023

60,000

Trees planted as part of our commitment to the Saudi Green Initiative

Our sustainability commitments in numbers

SAR 34 bln
committed to sustainable finance and investments by 2025

2035
Operational net zero target

2060
Net zero target for financed emissions

Sustainability awards and recognitions

Sustainability has emerged as a key driver of success for businesses worldwide. We are pleased to see our efforts have been recognised by the following awards in 2023.

Best ESG Bank
in Saudi Arabia
by Euromoney

Best for ESG Investing
in Saudi Arabia
by Euromoney

Recognised as a Sustainability Leader
in the Middle East
by Forbes

Recognised as a National Champion
at COP28 and MENA Climate Week

Best Consumer Digital Bank
by Global Finance

Best Banking Customer Experience
of KSA by KSA Future Bank Awards

Environmental, Social and Governance at SAB (continued)

ESG at SAB

Highlights and progress

Quantifying climate risk and enhancing transparent ESG reporting

ESG has been at the top of SAB's agenda, and SAB has made significant progress over the past 2 years. In 2023, we published our inaugural ESG report, which was positively received by stakeholders. As a result, our MSCI ESG rating improved from B to BBB, and our Sustainalytics Rating improved from 36.16 to 27.68.

Throughout the year, we have reflected on our reporting to better understand how we can become even more transparent and ambitious in how we report sustainability-related information to our stakeholders. To improve our transparency, we have implemented 2 main things:

- We are currently quantifying our portfolio's exposure to climate risks (both transition and physical risks).
- We aimed to align more closely with international frameworks on sustainability- and climate-related financial disclosures, such as ISSB and TCFD.

We are working towards further quantifying and monitoring ESG data and have created the relevant structures within the Bank to support us with this task.

Improving climate risk management

Informed by Task Force on Climate-Related Financial Disclosures (TCFD) and International Sustainability Standards Board (ISSB) guidelines, in 2023, we bolstered our sustainability risk management with a concrete risk management process. Climate risk is now considered a cross-cutting risk for the Bank and has been integrated into our 3 lines of defence model. The climate risk management strategy is supported by clear roles, responsibilities, and processes, and we will define a climate risk appetite statement to our strategy.

Working towards net zero

SAB is fully committed to achieving operational net zero emissions by 2035. To address our operational emissions, we are sponsoring the conversion of our Bank's branches to solar-panel-generated energy use where possible. To increase transparency, we also incorporated branches in the scope of our operational emissions disclosures. As for our value chain (scope 3), we are committed to achieving net zero by 2060 or sooner. To do so, we are currently in the process of assessing our financed emissions in hard-to-abate sectors. Our current perspective on our carbon footprint can be seen in the table below.

Scope	Category	GHG Emissions (tCO2eq)	
		2023	2022
Scope 1	Fugitive emissions	15,065	4,220
	Mobile combustion	1,147	531
	Stationary combustion	20	N/A
Scope 1 Total		**16,232**	**4,751**
Scope 2	Purchased electricity	39,248	36,303
Scope 2 Total		**39,248**	**36,303**
Scope 3	Cat 01 – Purchased goods and services	455,464	362,897
	Cat 02 – Capital goods	51,293	103,334
	Cat 03 – Fuel- and energy-related activities	11,480	11,910
	Cat 04 – Upstream transportation and distribution	19,903	29,235
	Cat 05 – Waste generated in operations	272	105
	Cat 06 – Business travel	3,031	2,544
	Cat 07 – Employee commuting	5,625	5,300
Scope 3 Total		**547,069**	**515,324**
Grand Total		**602,549**	**556,378**

Recognising the importance of data, we have also been tracking and monitoring our energy usage since 2021. The table below provides a comprehensive overview of our energy consumption, reflecting our transparency and efforts toward achieving our net zero emissions goal.

	Measure	2023	2022
Total electricity consumption	kWh	69,099,385	63,915,431

Our headquarters have moved to a smart office accredited with LEED certification, with an aim to drive down operational emissions. We are particularly proud to be the first bank in the Middle East to move into a SmartScore Platinum-certified building, underscoring our role as a sustainability-leader within the region.

Adopting and implementing international frameworks

In March 2023, we achieved a significant milestone by becoming the first bank in Saudi Arabia to commit to the United Nations Principles for Responsible Banking (UNPRB) and the United Nations Global Compact (UNGC). The UNPRB framework is a crucial guide, aligning our activities with global sustainability goals, including the United Nations Sustainable Development Goals (UNSDG). The framework, therefore, helps us contribute to a more sustainable and inclusive global economy. The commitment places SAB within the most extensive international banking community dedicated to sustainable finance.

Our endorsement of the UNGC marks another stride towards a more sustainable and socially responsible approach to business. The UNGC offers a comprehensive framework covering human rights, labour standards, environmental sustainability, and anti-corruption measures, reinforcing our existing practices. Closely linked to the SDGs, the UNGC encourages continual improvement in the areas it addresses. We are actively engaged in implementing these standards and look forward to reporting on our progress in upcoming disclosures.

Our outlook for 2024

In 2023, SAB achieved notable milestones, yet our aspirations for the upcoming year are even more ambitious. Some of the key initiatives for this coming reporting period include the following:

- **Sustainable Finance & Investments:** Building on our public commitment, SAB is dedicated to deploying SAR 34 bln of sustainable financing and investments by 2025. We have reached SAR 12.6 bln as at year end 2023 and are steadfast in advancing this success throughout 2024.
- **Assessing financed emissions:** Recognising the significant climate impact stemming from financing, we are actively engaged in reviewing emissions in selected hard-to-abate sectors. Our commitment involves assessing forward-looking sector scenarios to identify and pursue appropriate decarbonisation pathways.
- **Improve disclosures and transparency:** In our ongoing pursuit of transparency, we are diligently working on the second iteration of our ESG report. Simultaneously, our ESG website is undergoing updates to enhance market transparency and align our disclosures with internationally accepted standards.
- **Drive industry-level engagement:** Under the patronage of SAMA, SAB continues to drive the efforts for the ESG Saudi Bank's Advisory Committee (EBAC) with a focus on environmental and social risks, disclosures, taxonomy and solutions. Additionally, SAB continues to participate as a member of the Corporate Sustainability Policy Development (CSPD) Working Group to help design and implement sustainability policies for Saudi Arabia.

Environmental, Social and Governance at SAB (continued)

ESG Governance

2023, a year of progress

The robust ESG governance structure, processes, and frameworks at SAB form the cornerstone of our comprehensive ESG strategy. The Board has closely monitored sustainability topics throughout the reporting period. In particular, the Board has focused on the following sustainability-related topics:

- Integration of ESG into business strategy
- Enhancing ESG reporting and transparency
- Compliance with regulatory requirements including SAMA guidelines

SAB's Board of Directors is committed to driving sustainable growth and has established various dedicated committees, including both Board and Steering committees, to achieve ESG goals and execute the strategy.

2022 was the inaugural year for our ESG Steering Committee and our ESG office. The ESG Steering Committee, comprised of Executive Management with relevant expertise, oversaw strategic ESG commitments and initiatives. Throughout the year, the ESG Steering Committee convened 6 times to address critical topics, including:

- ESG strategy implementation progress
- Sustainable Financing and Investments
- Financed emission
- Domestic and national developments on ESG
- SAB's sustainable debt framework
- Operational and supply chain transition to net zero
- Philanthropic and CSR project review and approvals

In our commitment to transparency and accountability, we have taken a significant step in ensuring the credibility and reliability of our ESG metrics. For the 2023 reporting period, we engaged the services of an independent third party to validate and provide assurance on our ESG data and metrics.

In tandem, the central ESG office was pivotal in supporting the Steering Committee and all ESG initiatives. Tasked with the day-to-day operations related to ESG reporting, disclosures, spending control, governance, and monitoring of ESG indicators, the ESG office collaborates with relevant functions across the Bank to develop and recommend effective governance measures for ESG activities.

In our commitment to transparency and accountability, we have taken a significant step in ensuring the credibility and reliability of our ESG metrics. For the 2023 reporting period, we engaged the services of an independent third party to validate and provide limited assurance on our ESG data and metrics. This external assurance process is integral to our dedication to accuracy and completeness in reporting. The assurance engagement covers key aspects, including:

- 2022, 2023 GHG emissions (Scope 1, 2 and 3 excluding category 15)
- 2023 Energy consumption
- 2023 Staff and Board diversity
- 2023 Staff training
- 2023 Compliance with regulations
- 2023 Sustainable financing activities

By subjecting our ESG disclosures to external scrutiny, we aim to enhance stakeholder trust and confidence in the accuracy of our sustainability performance.

Community and stakeholder engagement

Driving sustainability in the Kingdom

The Saudi Central Bank (SAMA) has acknowledged the critical importance of integrating ESG factors into the Kingdom's financial ecosystem. To drive this initiative, an industry-wide committee was established to oversee progress in key strategic areas essential for incorporating ESG considerations.

In April 2023, the Committee's inaugural meeting identified four pivotal areas of focus:

- Climate and environmental risk management
- Taxonomy development
- Reporting and disclosures
- Green and sustainable product development

These areas represent distinct work streams designed to harness expertise and capabilities from various banks across the Kingdom. SAB is an active participant in all 4 of the SAMA led work streams, initial meetings for these work streams took place between August and September, delineating key actions following each session

Engaging with the world on climate change

COP 28

During COP28, SAB exhibited a strong commitment to sustainability and environmental initiatives. The Bank was highlighted as a national sustainability champion within the green and blue zones of the COP28 conference area.

Our key leadership spoke at multiple events. Tony Cripps, our CEO, addressed SAB's expertise in corporate sustainability practices; while Lama Ghazzaoui, our CFO, actively contributed to the UN Women Roundtable, solidifying SAB's dedication to sustainability discussions.

MENA Climate Week

Building upon our commitment to being a leader in the MENA region, SAB played a pivotal role in shaping the discourse on climate action at MENA Climate Week. Showcasing its commitment to the cause, SAB was one of the top-tier sponsors of this event. This underscores our dedication to actively contributing to the realisation of Vision 2030 and beyond, aligning with our role as a key player in the financial sector.

SAB Representatives participated in prominent panel dissensions including Climate Finance, National Frameworks, and Private Sector for Accelerating Climate Transitions, at the associated event: Finance, Markets, and Technology.

Environmental, Social and Governance at SAB (continued)

Our Workforce Community

As a bank, people are at the heart of our business. Our employees play an integral role in driving our success. SAB continuously fosters a workplace culture centred on employee satisfaction, wellbeing, and meaningful engagement. This section gives an overview of our progress over the past year, highlighting our efforts to create a supportive and rewarding environment for our valued employees.

Investing in continuous learning

At SAB, we prioritise continuous learning and professional growth to enhance service quality. In 2023, 3,866 employees engaged in training for a total of 85,455 hours. Training programmes are tailored based on annual employee survey results, covering areas like ESG, digital transformation, and customer-centricity.

Key training metrics

- 85,455 hours of training provided to employees
- Cross-selling workshops and training provided to 284 employees
- 41 employees sent abroad for executive education at foreign universities

Creating a rewarding workplace

At SAB, we offer a comprehensive range of benefits to attract and retain talent, enhance satisfaction, and improve performance. These benefits include child and daycare allowances, generous annual leave, paid study leave, medical insurance, and flexible remote working practices.

To foster a fulfilling work environment, in 2023, we formed a culture working group (CWG) consisting of Executive and senior members representing diverse backgrounds, genders, and nationalities (including Saudi nationals and expatriates). This group is responsible for:

- Integrating culture and values into the Bank's overarching strategy
- Identifying and reporting on cultural challenges observed within the Bank
- Proposing culture initiatives based on feedback from their respective teams
- Approving culture initiatives
- Evaluating the effectiveness of these initiatives within their designated areas

Our commitment to employee satisfaction and growth has been recognised externally, with SAB earning recognition; SAB was named one of the top workplaces for career growth in Saudi Arabia by LinkedIn's 2023 ranking of the best companies to work for.

For more information on how we create a fulfilling, diverse workplace where employees can develop their skills and careers, please consider reading the 2023 ESG report.

Our workforce in numbers

3,866
full-time employees

64%
of new hires between 18 and 30

91.6%
of employees are Saudi

1/3
of Executive Management is female.

25
female members were appointed to Senior Management-level positions and Board committees

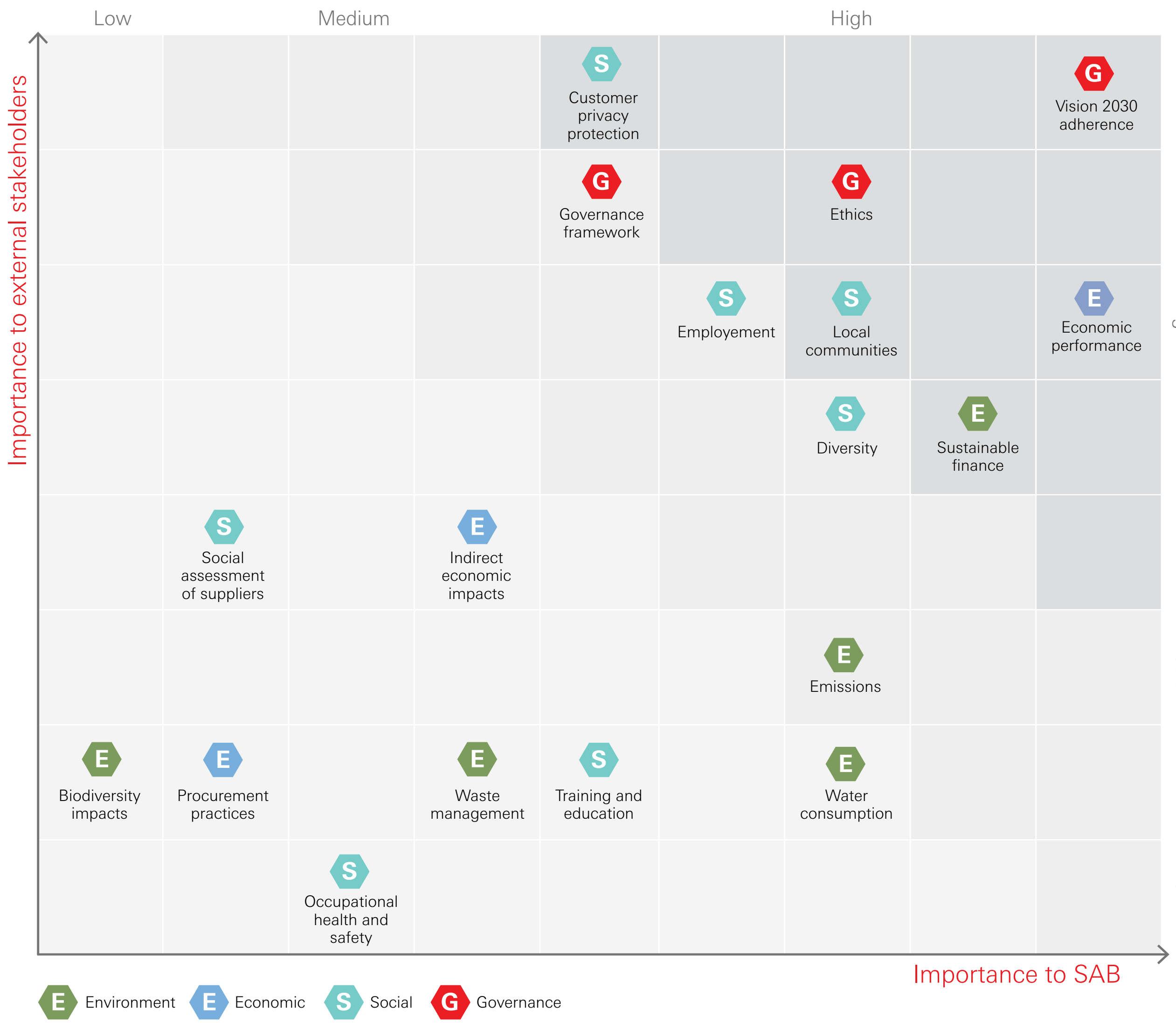

الأول
SAB

Environmental, Social and Governance at SAB (continued)

Materiality matrix

We regularly identify the issues most material to our stakeholders and prioritise sustainability initiatives and strategies accordingly. The matrix, therefore, guides reporting processes and strategic decision-making. Our materiality assessment is part of an ongoing dialogue between SAB and our stakeholders and is regularly updated to integrate stakeholder concerns and market trends.

The graph below shows our most material sustainability topics.



Community investment

To further demonstrate our alignment with Vision 2030, SAB is committed to actively contributing to realising a strong, happy, and fulfilling Saudi society. As a leading financial institution, we recognise the importance of supporting philanthropic initiatives in line with our purpose-driven approach. Our dedication to societal development is underscored by stringent criteria applied to each new endeavour, ensuring a focus on lasting benefits, staff engagement, community impact, and a specific emphasis on education or the environment.

We have continuously strengthened the internal processes and policies that underpin our corporate social responsibility (CSR) strategy, and each Riyal spent created maximum impact. Hence, in 2022, we enhanced our CSR policy to align resources with community needs, incorporating insight from a comprehensive review with HSBC. In 2023, our CSR team collaborated with leadership, HSBC, and governmental bodies to enhance impact through a 2-layer CSR framework assessment methodology, prioritising initiatives based on lasting impact and community scale.

Guided by this policy, in 2023, SAB undertook impactful initiatives aligned with Vision 2030 and the UNSDGs. The following case studies provide insight into our journey, highlighting some of the tangible contributions we have made to foster a resilient and thriving Saudi society.

Case studies on community investment

Empowering youth through financial literacy

Over the period 2022-2023, SAB's collaboration with the Riyali Foundation impacted the lives of 730,000 students by providing comprehensive financial literacy training. The programme, designed by Riyali, encompasses essential skills and educational courses covering financial planning, saving, inflation dynamics, and Islamic borrowing and finance.

Greening Saudi Arabia with the Saudi Green Initiative

SAB is a proud supporter of the Saudi Green Initiative, dedicated to enhancing the Kingdom's environmental landscape. Our involvement extends to multiple initiatives under the programme, which aims to plant 10 billion trees across the Kingdom and includes the Green Riyadh Project. SAB commits to planting a million trees over 5 years, underscoring our dedication to net zero efforts.

Within the financial reporting period, we planted 60,000 trees, thereby contributing to the restoration of mangrove forests along the Red Sea and Arabian Gulf coasts, vital components of Saudi Arabia's ecosystem. In 2024, we are planning to make substantial progress towards the million-tree goal.

Environmental, Social and Governance at SAB (continued)

Leveraging green growth and supporting the transition

The transition presents many opportunities

Consumer and market priorities are quickly changing, so we are enhancing our offerings to reflect those changes. Developing sustainable finance and investment products such as green loans and environmentally friendly banking options allows us to tap into an expanding segment, thereby implementing our vision of creating equitable growth. It also serves as a risk mitigation tool regarding risks associated with climate change and regulatory changes.

SAB aspires to be a leader in sustainable finance in the Kingdom and beyond. We have rapidly developed and innovated, to position SAB as a dynamic bank, able to contribute greatly to the transition. In 2022, SAB introduced the Kingdom's first green deposit, to allow retail clients to benefit from sustainable products. In 2023, SAB developed a Sustainable Debt Framework, which aims to channel funds towards projects with positive environmental and social impacts.

Since then, SAB's transition and sustainable finance capacities have grown, and we have launched new products to meet the growing demand for "green" or sustainable products, including, but not limited to:

- Green loans
- Green trade finance
- Sustainability linked trade
- Green deposits
- Social loans
- Sustainable supply chain finance

In an effort to streamline our sustainable finance efforts, in 2023, SAB constructed a Sustainable Finance Data Dictionary, laying out the principles and frameworks that all ESG-focused products must follow. For example, green loans follow the standards established by the Loan Market Association (LMA); whereas investments adhere to the framework published by the International Capital Market Association (ICMA). This commitment ensures adherence to recognised standards, promoting transparency and accountability.

SAB developed a Sustainable Debt Framework, which aims to channel funds towards projects with positive environmental and social impacts.

Spotlight: Sustainable Debt Framework

In 2023, we developed our first Sustainable Debt Framework, marking a pivotal step in our commitment to sustainability and responsible banking. This framework is designed to play a crucial role in supporting SAB's target to provide SAR 34 bln by 2025. Aligned with major international sustainable bond principles, our framework adheres to industry-leading standards to ensure transparency, accountability, and the effective use of funds for sustainable initiatives.

- Social Bond Principles, ICMA, 2023
- Social Loan Principles, LMA/LSTA/APLMA, 2023
- Green Bond Principles, ICMA, 2021
- Green Loan Principles, LMA/LSTA/APLMA, 2023
- Sustainability Bond Guidelines ICMA, 2021

By aligning our Sustainable Debt Framework with these internationally recognised principles, we aim to strengthen our position as a responsible financial institution committed to making a positive impact on society and the environment. Further, SAB was provided with a second-party opinion on the framework, to mitigate risks and strengthen the framework.
We are confident this framework will guide sustainable financing decisions, ensuring the capital we deploy contributes to a more sustainable and inclusive future. As we move forward, we are dedicated to regularly reviewing and updating this framework to stay at the forefront of sustainable finance practices and meet the evolving needs of our stakeholders.

Offering sustainable products through our Green Deposit accounts

Our Green Deposit account is an innovative, Shariah-compliant time deposit that offers the opportunity to meet sustainability goals through personal investments. With this deposit, individuals can invest in environmentally friendly projects in Saudi Arabia while earning stable returns. It requires a minimum investment of SAR 25,000, offers flexible investment periods from 1 to 12 months, and is accessible only through digital channels like SAB Online and SAB Mobile. By funding various themes such as renewable energy, energy efficiency, and sustainable waste management, investors can contribute to sustainability initiatives while benefiting from predictable returns.

Investment in green and sustainable bonds

SAB invests in various ESG-related bonds, including green bonds and social bonds. These bonds finance projects designated for green and social projects, respectively. Within this approach, our contributions to finance projects align with ICMA principles.

Case study: Financing green growth through the support of the NEOM Green Hydrogen Project

SAB takes pride in supporting the NEOM Green Hydrogen Project with significant guarantees. NEOM aims to establish a ground-breaking green hydrogen/green ammonia facility in Saudi Arabia. The project anticipates producing approximately 560 tonnes of green hydrogen daily, and 1.16 million tonnes of green ammonia annually. Beyond contributing to global net zero climate targets, the Green Hydrogen Project opens up a new economic avenue for Saudi Arabia, aligning with the nation's efforts to diversify its economy away from fossil fuels.

04

Governance

Played a key role in the issuance of the first Saudi Riyal

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 who bring a wealth of local and international experience across a spectrum of industries. At the Ordinary General Meeting held on 21 December 2022, 8 directors were elected by the shareholders, and 3 were appointed by HSBC Holding B.V, according to the Bank's bylaws.

Appointments to the Board are made on merit and in compliance with regulatory requirements. A rigorous selection process is followed in order to appoint a Director. This process also ensures SAB maintains diversity across its Board.

The Directors have been appointed for a new term starting from 1 January 2023 until the end of the term on 31 December 2025, demonstrating our commitment to stability and continuity in leadership. Directors are appointed for an initial 3-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 MD are separate, with a clear division of responsibilities between the Chair managing the Board and developing the strategy, and the MD responsible for the day-to-day running of the Bank.

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 Executive 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 S. Olayan[1]	Chair – Non-Executive
Mr. Saad Abdulmohsen Al-Fadly[2]	Vice Chair – 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
Mr. Mohamed Almaraj	Independent

1. Ms. Lubna S. Olayan was appointed as Chair of the Board of Directors commencing 1 January 2023 for a 3-year term
2. Mr. Saad Abdulmohsen Al-Fadly was appointed as Vice Chair of the Board of Directors commencing 1 January 2023 for a 3-year term

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. SAB is committed to updating relevant documents, such as the bylaws of the Bank, the terms of reference of the Board and its committees, its Corporate Governance framework, and the Board policies, in accordance with these regulations and best practices.

Diversity

Diversity is another key aspect to both local and international governance best practice. SAB 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 is 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 SAB's corporate governance framework, the Board of Directors and the Committee members attend an induction programme with the Bank upon their appointment.

SAB maintains a bespoke training programme that covers all aspects of the banking industry. In addition, the Board undertakes mandatory training on a wide range of subjects, including awareness on compliance, AML, fraud and Shariah compliance, asset liability and capital management, environmental, social and corporate governance (ESG).

Biographies of Board Members
as at 31 December 2023

Ms. Lubna Olayan
Board Chair - Non-Executive

Current positions
- Vice Chairman of the Board and a member of the Executive Committee at Olayan Financing Company (Saudi Arabia)
- Board Chair and member of various committees at Olayan Saudi 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 38 years of experience in investment, banking, and business management

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

Current positions
- Chief Executive Officer and Board member of Hassanah Investment Company (Saudi Arabia)
- Chairman of Board Director of National Medical Care Company (Listed/Saudi Arabia)
- Chairman of the Board Director of Maarif Holding (Saudi Arabia)
- Chairman of the Board of Directors 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 23 years of experience in investment management and banking services at a number of financial and regulatory institutions

Mr. Ahmed Al-Aulaqi
Independent Director

Current position
- Chairman and CEO of Lakemore Partners

Former positions
- CEO and Board member of SNB Capital (Saudi Arabia)
- 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)
- 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 33 years of experience in business management, banking, treasury, capital markets and international asset management

Mr. Sulaiman Al-Gwaiz
Independent Director

Current positions
- Board Director of Etihad Etisalat Co (Mobily) (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)
- Board Director of Agriculture & Livestock Investments Co (SALIC)

Former positions
- Board Director of Saudi Arabian Mining Co (Listed/Saudi Arabia)
- Board Director of National Company for Glass Industries (ZOUJAJ) (Listed/Saudi Arabia)
- Board Director of National Industries Company (NIC) (Listed/Saudi Arabia)
- Chairman of Royal Sun Alliance Insurance (Middle East)
- Chairman of MasterCard International (Southwest Asia, ME and Africa)
- 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
- Professional Citibank qualifications in Banking Operation and in Corporate Finance and Credit

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 43 years of senior management experience in banking, financial services, and risk management

Mr. Mohammed Almaraj
Independent Director

Current positions
- CEO of Bank ABC "Ila Bank" (Bahrain)
- Board Director of King Fahed Causeway Authority (Saudi Arabia/ Bahrain)
- Board Director of Bank ABC (Jordan)
- Board Director of Bahrain Car Parks Company "Amakin" (Bahrain)

Former positions
- COO of Bank ABC "Ila Bank" (Bahrain)
- Vice President for Group Strategy in Arab Banking Corporation (Bahrain)
- Investment Team Senior Analyst in The Family Office (TFO) (Bahrain)
- Investment Banking Associate, Corporate Advisory in Perella Weinberg Partners (New York)
- Board Director of Arab Financial Services in Bahrain

Qualifications
- Bachelor of Science in Economics with a major in Finance and Accounting from Wharton School of Business at the University of Pennsylvania, Philadelphia, USA

Experience
- Experience in Digital Banking, Investment Banking and Business Management

Biographies of Board Members as at 31 December 2023 (continued)

Eng. Mohammed Al-Omran
Non-Executive Director

Current positions
- General Manager of Omran Mohammad Al-Omran and Partners Investment 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 Arabia Railways (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's degree in Civil Engineering from King Saud University, KSA
- Master's degree in Construction Engineering and Management from the University of Southern 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 Jardine Matheson Holdings Limited (listed in U.K. and Singapore)
-

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

Qualifications
- Master of Law from Oxford University, UK

Experience
- More than 40 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 Awwal Bank (SAB) (Listed/Saudi Arabia)
- Board Director of HSBC Saudi Arabia Limited (Saudi Arabia)
- Board Director of SAB 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 39 years' experience in international banking. Assumed many Executive roles at HSBC Group

Mr. Samir Assaf
Non-Executive Director

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

Former positions
- Board Chairman of HSBC Middle East Ltd (Middle East)
- 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 Holdings plc (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 31 years' financial and managerial experience gained from various leadership roles at HSBC Group and prior to that at Price Waterhouse

Biographies of Executive Management
as at 31 December 2023

Mr. Tony Cripps
Executive Director

Current positions
- CEO and Managing Director of the Saudi Awwal Bank (SAB) (Listed/ Saudi Arabia)
- Board Director of HSBC Saudi Arabia Limited (Saudi Arabia)
- Board Director of SAB 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 39 years' experience in international banking. Assumed many Executive roles at HSBC Group

Mr. Yasser Albarrak

Current positions
- Chief Corporate and Institutional Banking Officer, SAB
- Board member of SAB Invest
- Board member of HSBC Saudi Arabia

Former positions
- General Manager of Corporate and Institutional Banking, SAB
- Co-Head of Global Banking, SAB
- Deputy Chairman SAB Takaful

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

Experience
- More than 20 years of practical experience of which 19 years experience in the Saudi banking industry

Mr. Bandar Al-Gheshayan

Current positions
- Chief Wealth and Personal Banking Officer, SAB
- Board member of SIMAH
- Board member of SAB Invest

Former positions
- Chief Operating Officer of Wealth and Personal Banking, SAB
- Regional Head of Retail Banking, SAB

Qualifications
- Master of International Management from the University of Liverpool, UK
- Has attended various programmes in executive leadership and management from London Business School, IMD, INSEAD and Cambridge

Experience
- More than 23 years of extensive experience in several sectors and 16 years in retail banking

Mr. Mohammed Al-Shaikh

Current position
- Chief Treasury and Investment Officer, SAB

Former positions
- General Manager of Treasury (Treasurer) at Alawwal Bank
- Treasurer, of Samba Financial Group's London
- Assistant General Manager-Treasury, Samba Financial Group

Qualifications
- Bachelor of Science in Finance from King Saud University, Saudi Arabia
- Has completed a number of executive programmes at INSEAD and Oxford University

Experience
- Over 29 years of experience in the Saudi banking industry

Mr. Khalid Ismail

Current position
- Chief Risk Officer, SAB

Former positions
- Chief Credit Officer, SAB
- General Manager for Special Asset Management, SAB
- Head of Special Asset Management, SAB
- Chairman of the Audit Committee, MEDGULF Insurance company

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

Experience
- Over 25 years of experience in the financial sector spread across Corporate Banking, Treasury and Risk Management. He has extensive knowledge of the business environment being an entrepreneur and having worked in leadership roles across various organizations. Mr. Ismail joined Alawwal Bank prior to the SAB merger in September 2018 as Deputy Head of Corporate Banking and was appointed as General Manager for Special Asset Management in January 2020 prior to assuming Chief Risk Officer role in November 2022. Mr. Ismail's former appointments include: Corporate Treasurer & Head of Treasury and Strategic Planning for one of the leading Saudi corporations covering multiple asset classes across public equity, private equity and real estate

Mrs. Rania AlSharyoufi

Current positions
- Chief Human Resources Officer, SAB
- NRC member at HSBC Saudi Arabia
- NRC member at Alawwal Invest

Former positions
- Deputy Chief Human Resources Officer, SAB
- Head of HRBP- Wealth Personal Banking, SAB
- Head of HR, SAB Takaful

Qualifications
- Master's degree in Human Resources Management from Brunel University, London.
- Several HR accreditations including CIPD, the Work-Life Certified Professional and Coaching Leader, as well as executive education from London Business School, INSEAD, Harvard University, and Cambridge Judge Business School.

Experience
- Over 10 years of Human Resources experience from having had different roles in the HR field

Biographies of Executive Management
as at 31 December 2023 (continued)

Ms. Lama Ghazzaoui

Current positions
- Chief Financial Officer, SAB
- Audit Committee member, SAB Invest
- Board and Audit Committee member, Muqassa
- Board member, Human Rights Council of Saudi Arabia
- Board Risk and Audit committee member, Destination Development Company

Former position
- Chief Financial Officer, SNB

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

Experience
- Over 24 years of experience in many banking, finance, and accounting related areas, as well as previous experience in external auditing

Ms. Ghada Al-Jarbou

Current positions
- Chief Operating Officer, SAB
- Board member and NRC Chair, GOSI
- Board member and NRC Chair, SGS
- Board member, IPL

Former positions
- General Manager of Global Liquidity and Cash Management, SAB
- Chief Operating Officer Retail Banking, SAB
- Head of Direct Channels Retail Banking, SAB
- Head of HR Service Delivery, SAB

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

Experience
- Over 25 years of experience in banking. Joined SAB in 1998 and worked across different banking fields including Information Technology, Human Resources, Retail Banking & Wealth Management and Corporate and Institutional Banking

Ms. Faten Abalkhail

Current position
- Company Secretary, SAB

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

Qualifications
- Bachelor of Home Economics and Nutrition, King Saud University
- Diploma in Computer Sciences, Programming and Information System, King Saud University

Experience
- More than 25 years of experience and in-depth knowledge in governance, strategic planning and execution of strategic initiatives

Mr. Musaifer Alosaimi

Current position
- Chief Information Officer, SAB

Former positions
- Head of Information Technology Development, SAB
- Head of Software and Solutions Development, SAB
- Head of Payment Channels, SAB

Qualifications
- Diploma in Computer Engineering
- Diploma in English language from ALA, USA
- MBA in Payments
- Completed a number of executive training programmes in management, leadership and strategy offered by international centres and universities

Experience
- He has been the Chief Information Officer of SAB since 2016. He has more than 30 years of experience in the banking and technology fields. He started his career in 1994 in the Saudi Central Bank where he spent more than 10 years within the Banking Technology department. In 2005, he joined SAB progressing through different roles in the Information Technology department such as the Head of Payment Channels and the Head of Software and Solutions Development. Over the years, he played a significant role in the strategic transformation of SAB's IT Department. He has completed a number of executive training programs in management, leadership and strategy offered by international centers and universities

Mr. Ali Alqahtani

Current positions
- Chief Compliance Officer, SAB
- Chairman of Compliance Committee, SAB Invest

Former positions
- Deputy Chief Compliance Officer, SAB
- Head of Financial Crimes Compliance, SAB
- Chaired and contributed to the banking committees, Anti-Financial Crimes and Money Laundering Committee, Banks Chief Compliance Officers committee, and the Self Supervisory Committee
- Chaired a number of sub-committees assigned by banking committees or SAMA AML senior officials

Qualifications
- Bachelor of Law from Saudi Electronic University, Saudi Arabia
- Diploma, Computer & Information Technology from Chamber of Commerce
- Enterprise Risk Leadership, LEAD Program and FATCA Certificate from SAB
- Multiple AML & Compliance Courses and Certifications from CCL Academy, ACAMS and CCO.

Experience
- Over 22 years of experience in the Saudi banking system, covering the areas of Information Technology, Compliance, Financial Crime Compliance – Anti-Money Laundering, Fraud, Sanctions, Countering Terrorist Financing and Anti-Bribery and Corruption

Mr. Abdullah Al-Qahtani

Current positions
- Chief Internal Auditor, SAB
- Member of the Institute of Internal Auditors (IIA)

Former positions
- Senior Vice President of Assurance Audits, Mobily
- Head of Downstream Audits, Saudi Aramco
- Head of Fraud Investigations Division, Saudi Aramco
- Head of Subsidiaries and JV Audits, Saudi Aramco
- Chief Internal Auditor, Aramco Overseas Company, Netherlands

Qualifications
- Bachelor of Business Bachelor's degree in Accounting from Michigan State University, United States.
- MBA from the University of British Columbia, Canada
- Certified Internal Auditor (CIA) by the Institute of Internal Auditors (IIA)
- Certified in Risk Management Assurance (CRMA) from the IIA

Experience
- With 18 years of internal audit experience with companies such as Saudi Aramco, Aramco Overseas Company in the Netherlands and Mobily

Biographies of Executive Management
as at 31 December 2023 (continued)

Ms. Mashael Alshebaiky

Current positions
- Chief Legal Officer, SAB
- Compliance Committee Member, SAB Invest

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

Qualifications
- Bachelor of Arts in Law from Prince Sultan University, KSA
- Master of Law (LLM) from Duke University, North Carolina, USA
- Qualified to practice law in the Kingdom of Saudi Arabia and the State of New York

Experience
- Prior to joining SAB, she worked in top ranking law firms including AS&H Clifford Chance and Allen & Overy, where she gained considerable experience in advising financial and other institutions on a number of landmark transactions

Mr. Saeed Assiri

Current position
- Chief Digital Officer, SAB

Former positions
- Head of Digital Strategy and Innovation, SAB
- Head of Transaction Banking – Cash Management, SAB
- Head of Products and Implementation, SAB

Qualifications
- Master of Engineering and Technology Management from Portland State University, USA
- Bachelor's degree in Business Administration and Information Management from Portland State University, USA
- Attended INSEAD's Executive Leadership programme

Experience
- Over 16 years of experience working across the Saudi banking sector, during which he held several leadership positions

Mr. Faris Fehied Al-Shareef

Current position
- Chief Strategy Officer, SAB

Former positions
- Deputy CFO, SAB
- Head of Financial Planning and Analysis, SAB
- Head of Investor Relations, SAB
- Head of Regulatory Reporting & Tax, SAB
- Various positions in Finance in various organizations

Qualifications
- Master of Business Administration from London Business School
- Bachelor of Accounting from King Fahad University of Petroleum and Minerals
- 2023 Leaders Program
- CAS Leadership programme, General Electric
- Passed the Certified Public Accountant exams

Experience
- More than 15 years of experience in the fields of finance and management

Changes to the Board during 2023

Appointment, retirement and re-election of Directors

At the Ordinary General Assembly meeting on 21 December 2022, the Board of Directors was elected for a 3-year term started 1 January 2023, until 31 December 2025. There are no changes to the Board of Directors during 2023.

Board meetings

During 2023, the Board held 5 meetings. The following table shows details of those meetings and their attendance.

	Meeting dates				
	04 April	19 June	10 July	25 September	19 December
Ms. Lubna S. Olayan	✓	✓	✓	✓	✓
Mr. Saad Al-Fadly	✓	✓	✓	✓	✓
Eng. Mohammed Al-Omran	✓	✓	✓	✓	✓
Mr. Stephen Moss	✓	-	✓	✓	✓
Mr. Samir Assaf	✓	✓	✓	✓	✓
Mr. Martin Powell	✓	✓	✓	✓	✓
Mr. Stuart Gulliver	✓	✓	✓	✓	✓
Mr. Ahmed Al-Aulaqi	✓	✓	✓	✓	✓
Mr. Tony Cripps	✓	✓	✓	✓	✓
Mr. Sulaiman Al-Gwaiz	✓	✓	✓	-	✓
Mr. Mohamed Almaraj	✓	✓	✓	✓	✓

Board Committees

The Board has established 6 committees:

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

The Bank's approach with regard 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

The Bank annually reviews and updates the terms of reference of the Board and the Board committees as necessary in line with the relevant regulations such as the Companies Law, SAMA's key principles of Corporate Governance, and CMA Corporate Governance Regulations. SAB's Board approves the terms of reference of all Board committees, while the meeting of the General Assembly ratifies the terms of reference of the Audit Committee (AUCOM) and the Nomination and Remuneration Committee (NRC) as per regulatory directives.

All the Board committees must review their performance, status and terms of reference on an annual basis to ensure the committee is operating effectively including compliance with regulatory requirements, and to recommend any changes deemed appropriate for the Board's approval.

Assessment of the effectiveness of the Board of Directors and Board committees

In 2023, the Board of SAB conducted an assessment of its effectiveness with the objective to further enhance its overall performance. The assessment was performed by an independent governance consultant and covered the Board, Directors and Chair, the Board Committees and their respective Chairs, as well as Board and Board Committee Meetings. The assessment was conducted through structured, one-on-one interviews with 26 people: 11 Board Members (including the CEO), 6 External Committee Members, and 9 members of the Senior Executive team. A comprehensive report presenting key strengths and areas for improvement was presented to the Board Chair and the Board. Separate, one -on -one sessions were also conducted with the Chairs of the Board Committees. Overall, the Board of SAB is regarded by its Directors and Management as effective. The comprehensive report presented to the Board included recommendations and a time -bound action plan, with specific actions and initiatives for the Board to consider, as it strives to further raise its effectiveness throughout its current term and beyond.

Board Committees (continued)

Board and committee attendance during 2023

	Independent	Board	EXCOM	AUCOM	NRC	BRC	TDC	SC
Number of meetings held	-	5	7	5	4	4	5	6
Chair								
Ms. Lubna S. Olayan*	-	5/5	7/7	-	4/4	-	-	-
Vice Chair								
Mr. Saad Al-Fadly	-	5/5	-	-	4/4	-	-	-
Executive Director								
Mr. Tony Cripps	-	5/5	7/7	-	-	-	5/5	-
Non-Executive Directors								
Mr. Ahmed Al-Aulaqi	✓	5/5	-	-	4/4	-	-	-
Mr. Sulaiman Al-Gwaiz*	✓	4/5	7/7	-	3/4	4/4	-	-
Mr. Martin Powell	✓	5/5	-	5/5	-	4/4	-	-
Eng. Mohammed Al-Omran	-	5/5	7/7	-	-	-	-	-
Mr. Stephen Moss	-	4/5	-	-	-	-	5/5	-
Mr. Samir Assaf	-	5/5	-	-	4/4	-	-	-
Mr. Stuart Gulliver	✓	5/5	-	-	4/4	4/4	-	-
Mr. Mohamed Almaraj**	✓	5/5	5/7	-	-	-	5/5	-
Other Board committee members								
Mr. Andrew Jackson	-	-	-	5/5	-	-	-	-
Dr. Deema Alathel	-	-	-	-	-	-	5/5	-
Dr. Ammr Kurdi	-	-	-	5/5	-	-	-	-
Mr. Abdullah Al-Faifi	-	-	-	5/5	-	-	-	-
Mr. Abdulhameed Al-Muhaidib	-	-	-	-	-	4/4	-	-
Mr. Gareth Thomas	-	-	-	-	-	4/4	-	-
Sheikh Dr. Abdullah Al-Mutlaq	✓	-	-	-	-	-	-	6/6
Sheikh Dr. Esam Al-Enezi	✓	-	-	-	-	-	-	6/6
Sheikh Dr. Abdullah Al-Aydhy	✓	-	-	-	-	-	-	6/6

* Ms. Lubna S. Olayan was appointed as a member of the NRC on 19 November 2023, succeeding Mr. Sulaiman Al-Gwaiz
** Mr. Mohamed Almaraj has been appointed as an additional member of the EXCOM, on 19 November 2023. He attended as an observer

Description of the duties, composition and competencies of the Board committees, and their meeting details

Dr. Ammr Kurdi

Independent Non-Board Committee Member in the Board Audit Committee

Current positions

- Assistant Governor for Financial Sustainability and Risk Management for General Organisation for Social Insurance (GOSI) (Saudi Arabia)
- Audit Committee Vice Chair for Saudi Telecom Company (STC) (listed/Saudi Arabia)
- Audit Committee member for Saudi Electricity Company (SEC) (listed/Saudi Arabia)
- Audit, Risk and Compliance Committee member for General Authority for Military Industries (GAMI) (Saudi Arabia)
- Audit Committee member for Saudi Agricultural and Livestock Investment Company (SALIC) (listed/Saudi Arabia)
- Investment Committee member for (Tawuniya) (listed/Saudi Arabia)
- Advisory Board member for the Saudi Institute of Internal Auditors (IIA) (Saudi Arabia)

Former positions

- Chief Financial Officer for the Company for Cooperative Insurance (Tawuniya) (listed/Saudi Arabia)
- Chief Corporate Services Officer for Saudi Arabian Industrial Investment Company (DUSSUR) (Saudi Arabia)
- Global Board member for Institute of Management Accountants (IMA)
- Audit Committee member for Savola Group (listed/Saudi Arabia)
- Audit Committee member for ACWA Power Company (listed/Saudi Arabia)
- Governance, Risk and Compliance Committee member for ACWA Power Company (listed/Saudi Arabia)
- Audit Committee member for King Fahd University of Petroleum and Minerals Endowment Fund (Saudi Arabia)
- Audit Committee member for Saudi United Company for Cooperative Insurance (Wala’a) (listed/Saudi Arabia)
- Audit Committee member for National Agricultural Development Company (NADEC) (listed/Saudi Arabia)
- Audit Committee member for Derayah Financial Investment Company (Closed joint stock investment company/Saudi Arabia)
- Chair of Audit Committee for Rabigh Electricity Company (RABEC) (Saudi Arabia)
- Audit Committee member for Dhahran Techno-Valley Company (DTVC) (Saudi Arabia)
- Audit Committee member for GE Saudi Advanced Turbines (GESAT) (Saudi Arabia)
- Board member for Waseel ASP Ltd (Saudi Arabia)
- Board member for Bunyan United Company (Saudi Arabia)

Qualifications

- Doctor of Philosophy in Accounting from University of North Texas, USA
- Master of Accounting from University of Arizona, USA
- Bachelor of Science in Accounting from King Fahd University of Petroleum and Minerals, KSA
- Executive Programme in Internal Auditing from Harvard Business School, USA
- Executive Programme in Merger and Acquisitions from London Business School, UK

Experience

- Experience in accounting, finance, internal audit, and risk management

Board Committees (continued)

Mr. Abdullah Al-Faifi

Independent Non-Board Audit Committee Member

Current positions

- Chair of the Board of Directors for Integrated Data Company for Information Technology (Saudi Arabia)
- Chair of the Board of Directors for Saudi Anti-Fraud Association (Saudi Arabia)
- Board member, Chair of the Audit Committee and member of Nomination and Compensation Committee for Rabigh Refining and Petrochemical Co. (Petro Rabigh) (listed/Saudi Arabia)
- Audit Committee member for Abdullah Al- Othaim Markets (listed/Saudi Arabia)
- Audit and Risk Committee member for Tanami Arabia Co (Saudi Arabia)
- Audit Committee member for National Centre for Non-Profit Sector (Saudi Arabia)
- Independent consultant for Audit, Governance, Risk and Compliance (Saudi Arabia)

Former positions

- Board member, Chair of the Audit Committee and member of Nomination and Compensation Committee for Nama Chemicals Company (listed/Saudi Arabia)
- Audit and Risk Committee member for Al Othaim Investment Company (Saudi Arabia)
- Audit and Risk Committee member for General Authority for Statistics (Saudi Arabia)
- Nomination and Compensation Committee member for Eastern Health Cluster (Saudi Arabia)
- Chair of the Audit Committee for the Saudi Institute of Internal Auditors (Saudi Arabia)
- Adviser to the Minister of Health on Audit and Compliance (Saudi Arabia)
- Special Audits Manager for Saudi Aramco (listed/Saudi Arabia)
- International Business Audit Manager for Saudi Aramco (listed/Saudi Arabia)

Qualifications

- Bachelor of Accounting from King Abdulaziz University, KSA
- Certified Internal Auditor
- Certified Fraud Examiner
- Certified Risk Management Assurance

Experience

- More than 35 years of experience in accounting, auditing, governance, risk and compliance in different sectors

Mr. Andrew Jackson

Independent Non-Board Audit Committee Member

Current positions

- Chair for Rift Valley Roses Ltd
- Chair for Nondescripts Rugby Football Ltd
- Director for Hemingway's Hospitality Ltd
- Director Lima Labs Ltd
- Director for Jackson Consultants Ltd

Former positions

- CEO for KPMG Gulf Holding (Saudi Arabia, Kuwait, Jordan)
- Partner for KPMG (Europe)
- Partner for KPMG East Africa
- Trustee for Youth Safety Awareness Initiative
- Director for Mara Conservancy Ltd
- Partner for KPMG UK
- Partner for KPMG Argentina
- Partner and CEO for KPMG Saudi Arabia
- Member of the Saudi British Joint Business Council

Qualifications

- Bachelor of Computer Science and Accountancy from Manchester University, UK
- Chartered Accountant (FCA)

Experience

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

Mr. Abdulhameed Al-Muhaidib

Non-Board Risk Committee Member

Current positions

- Chief Financial Officer (CFO) of ACWA Power (listed/Saudi Arabia)
- Board member and BRC member for HSBC Saudi Arabia (Saudi Arabia)
- Board member for Shuaa Energy 1 PSC, Dubai (UAE)
- Board member for Shuaa Energy 3 PSC, Dubai (UAE)
- Saudi Tadawul Group Audit Committee member (Saudi Arabia)

Former positions

- Deputy Chief Financial Officer for ACWA Power Company (listed/Saudi Arabia)
- Executive Director, Portfolio Management for ACWA Power Company (listed/Saudi Arabia)
- Director, Assets Management for ACWA Power Company (listed/Saudi Arabia)
- Board member of First National Operation and Maintenance Co. (NOMAC) (Saudi Arabia)
- Board member of Internal Audit Committee Chair for Shuqaiq Arabian Water and Electricity Company (Saudi Arabia)
- Board member for International Bowarege Co. for Water Desalination Ltd (Saudi Arabia)
- Executive Managing Director for Noor Energy (UAE) (Saudi Arabia)

Qualifications

- Bachelor of Business Administration in Finance from the University of Miami, USA
- Master of Business Administration from 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

Board Committees (continued)

Mr. Gareth Thomas

Non-Board Risk Committee Member

Current positions

- Chief Risk and Compliance Officer MENAT for HSBC Bank Middle East Ltd

Former positions

- Chief Risk Officer MENAT for HSBC Bank Middle East Ltd
- Head of Global Banking MENAT for HSBC Bank Middle East Ltd
- Co-Head of Public Sector Banking for HSBC Holdings plc, UK

Qualifications

- Bachelor of Science – Social Sciences in Business Economics and Accounting from University of Southampton

Experience

- Experience in debt and trade finance, commodities, payments, and hedging in the developed and emerging markets in both product and coverage roles across all client sectors

Dr. Deema Alathel

Non-Board TDC Chair

Current positions

- WW Client and Product Advocacy Director – IBM HQ (Europe, Middle East and Africa)
- Member of the Advisory Board of the College of Engineering and Architecture for Al-Yamamah University (Saudi Arabia)
- Member of the Strategic Council for Emerging Technologies for Princess Nourah Bint Abdulrahman University (Saudi Arabia)
- Member of the Advisory Council of Technical Colleges for Girls for Technical and Vocational Training Corporation (Saudi Arabia)
- Board member for Saudi Climbing and Hiking Federation Founding Partner of Masarat Club (Saudi Arabia)

Former positions

- Business Automation Practice Leader – Global IBM Software Services (Middle East and Africa)
- IBM Technology Services Delivery Leader (Saudi Arabia)
- Critical Accounts Executive for Global IBM Software Services (Europe, Middle East and Africa)
- Data and AI Business Development Leader for Global IBM Software Services (Washington, DC, Saudi Arabia)
- Strategy Leader for IBM Saudi Arabia
- Deputy Deanship of E-Transactions and Communications for King Saud University (Saudi Arabia)
- Assistant Professor – College of Computer and Information Sciences for King Saud University
- Consultant in Deanship of E-Transactions for King Saud University (Saudi Arabia)

Qualifications

- Ph.D. in Computer Science (Artificial Intelligence) from George Washington University Washington, USA
- Master's in Computer Science from King Saud University, KSA
- Bachelor's in Computer Applications from King Saud University, KSA

Experience

- Over 20 years of experience in developing and managing IT solutions and facilitating the decision-making process at higher levels in different organisations
- Over 10 years' experience in setting up and activating strategies at enterprise levels

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 positions

- Chair of the Comparative Fiqh Department at the Imam Mohammed bin Saud University

Qualifications

- Ph.D. in Comparative Jurisprudence from Imam Muhammad bin Saud University, Saudi Arabia

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

Qualifications

- Ph.D. in Islamic Jurisprudence from the University of Jordan

Experience

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

Board Committees (continued)

Dr. Abdullah Al-Aydhy

Current positions
- Associate Professor in Shariah Department at Imam Muhammed Bin Saud Islamic University
- Member of Saudi Law of Civil Procedures Team
- Member of several Shariah committees of Islamic financial institutions

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

Qualifications
- Ph.D. in Comparative Jurisprudence (Figh) from Al Imam Muhammad bin Saud Islamic University

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 Director)
- Mr. Tony Cripps (Executive Director)
- Eng. Mohammed Al-Omran (Non-Executive Director)
- Mr. Mohamed Almaraj (Independent Director)
- Mr. Sulaiman Al-Gwaiz (Independent Director)

Roles and responsibilities

The EXCOM meets at least 6 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 2023, the committee held 7 meetings. The table below shows details of those meetings and the record of attendance of members during the year.

EXCOM meetings during 2023

	Ms. Lubna Olayan	Mr. Tony Cripps	Eng. Mohammed Al-Omran	Mr. Mohamed Almaraj*	Mr. Sulaiman Al-Gwaiz
25 Jan	✓	✓	✓	-	✓
19 Feb	✓	✓	✓	✓	✓
17 May	✓	✓	✓	-	✓
29 Aug	✓	✓	✓	✓	✓
29 Oct	✓	✓	✓	✓	✓
12 Nov**	✓	✓	✓	✓	✓
20 Nov	✓	✓	✓	✓	✓

* Mr. Mohamed Almaraj was approved by the EXCOM to attend as an observer starting at the 19 February 2023 meeting. Furthermore, he has been appointed as an additional member of the EXCOM, effective 19 November 2023
** A special meeting was held, and the entire Board of Directors attended

Board Committees (continued)

Audit Committee (AUCOM)

Members
- Mr. Martin Powell (Chair – Independent Director)
- Mr. Andrew Jackson (Non-Board member)
- Mr. Abdullah Al-Faifi (Non-Board member)
- Dr. Ammr Khurdi (Non-Board member)

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 31 May 2023.

AUCOM meets at least 4 times every year and, in 2023, the committee held 5 meetings. The following table shows details of those meetings and the record of attendance of members during the year.

AUCOM meetings during 2023

	Mr. Martin Powell	Mr. Andrew Jackson	Mr. Abdullah Al-Faifi	Dr. Ammr Khurdi
07 Feb	✓	✓	✓	✓
30 Apr	✓	✓	✓	✓
26 Jul	✓	✓	✓	✓
23 Oct	✓	✓	✓	✓
18 Dec	✓	✓	✓	✓

Nomination and Remuneration Committee (NRC)

Members
- Mr. Ahmed Al-Aulaqi (Chair – Independent Director)
- Ms. Lubna Olayan (Non-Executive Director)
- Mr. Saad Al-Fadly (Non-Executive Director)
- Mr. Samir Assaf (Non-Executive Director)
- Mr. Stuart Gulliver (Independent Director)

Roles and responsibilities
The NRC recommends the nominations for Board membership in line with SAB selection policy for Board and Board committee members. The committee 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 ensures the independence of Independent Directors and the absence of any conflicts of interest for all Directors. Finally, it reviews the scope and limits of SAB's governance in addition to drawing up and approving the compensation and remuneration policies and schemes, and oversees the proper implementation of them.

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 2023, the committee held 4 meetings. The following table shows details of those meetings and the record of attendance of members during the year.

NRC meetings during 2023

	Mr. Ahmed Al-Aulaqi	Ms. Lubna Olayan*	Mr. Saad Al-Fadly	Mr. Samir Assaf	Mr. Sulaiman Al-Gwaiz*	Mr. Stuart Gulliver
22 Jan	✓	✓	✓	✓	✓	✓
03 Apr	✓	✓	✓	✓	✓	✓
25 Sep	✓	✓	✓	✓	✓	✓
19 Dec	✓	✓	✓	✓	-	✓

* Ms. Lubna Olayan attended the first 3 NRC meetings as an observer. She was appointed as a member on 19 November 2023, succeeding Mr. Sulaiman Al-Gwaiz

Board Risk Committee (BRC)

Members

- Mr. Sulaiman Al-Gwaiz (Chair – Independent Director)
- Mr. Martin Powell (Independent Director)
- Mr. Stuart Gulliver (Independent Director)
- Mr. Gareth Thomas (Non-Board member)
- 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 the 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.

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 19 December 2023.

The committee consists of 5 members and reports directly to the Board. It meets at least 4 times a year.

In 2023, the Committee held 4 meetings. The following table shows details of those meetings and the record of attendance of members during the year.

BRC meetings during 2023

	Mr. Sulaiman Al-Gwaiz	Mr. Martin Powell	Mr. Stuart Gulliver	Mr. Gareth Thomas	Mr. Abdulhameed Al-Muhaidib
03 Apr	✓	✓	✓	✓	✓
20 Jun	✓	✓	✓	✓	✓
01 Aug	✓	✓	✓	✓	✓
18 Dec	✓	✓	✓	✓	✓

Board Committees (continued)

Technology and Digital Committee (TDC)

Members
- Ms. Deema Alalthel (Chair – Non-Board member)
- Mr. Tony Cripps (Executive Director)
- Mr. Stephen Moss (Non-Executive Director)
- Mr. Mohammed Almaraj (Independent Director)

Roles and responsibilities
The TDC assists the Board in setting and overseeing the execution of the Bank's strategic plan, strategic objectives and major initiatives, and investments and capital expenditures with respect to information technology, digital technology, transformation, and innovation, along with setting governance standards for the digital transformation of the Bank.

The TDC assesses technological risks, advising the Board Risk Committee on safeguarding the Bank against digital threats. It ensures transparency through regular updates and communication with the Board. The SAB Board of Directors approved the terms of reference on 19 June 2023, which serve as the foundation for the committee's operations and strategic guidance.

The committee consists of 4 members and reports directly to the Board. It meets at least 3 times a year.

In 2023, the committee held 5 meetings. The following table shows details of those meetings and the record of attendance of members during the year.

TDC meetings during 2023

	Ms. Deema Alalthel	Mr. Tony Cripps	Mr. Stephen Moss	Mr. Mohammed Almaraj
14 Mar	✓	✓	✓	✓
03 May	✓	✓	✓	✓
06 Jun	✓	✓	✓	✓
09 Oct	✓	✓	✓	✓
27 Nov	✓	✓	✓	✓

Shariah Committee

Members:
- Sheikh Dr. Abdullah Al-Mutlaq – (Chair)
- Sheikh Dr. Esam Al-Enezi – (Member)
- Sheikh Dr. Abdullah Al-Aydhy – (Member)

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

All the SC members are independent as per the independence requirements of SAMA Shariah Governance Framework. The Board acknowledges the independency of the Shariah Committee and ensures it is not exposed to any influence that might hinder it from issuing objective Shariah decisions when considering the issues presented to it.

Roles and responsibilities

The SC 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, and procedures etc. used in Shariah-compliant products besides reviewing and approving Shariah review (audit) reports.

The terms of reference of the SC were revised and approved by the Board on 25 September 2023 to bring them in line with SAMA's Shariah governance requirements and market best practices.

SC meets at least 4 times a year. In 2023, the committee held 6 meetings. The following table shows the record of attendance of members during the year.

SC meetings during 2023

	Sheikh Dr. Abdullah Al-Mutlaq	Sheikh Dr. Abdullah Al-Aydhy	Sheikh Dr. Essam Al-Enazi
26 Feb	✓	✓	✓
11 May	✓	✓	✓
17 Jul	✓	✓	✓
26 Jul	✓	✓	✓
31 Aug	✓	✓	✓
08 Oct	✓	✓	✓

Risk Governance

SAB has a consistently strong risk culture across the organisation, which is embedded throughout business units, 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 the principle that all staff are responsible for identifying and managing risk within the scope of their role, while providing effective oversight through an operational and resilience risk function, other risk stewards, internal audits, 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	Are ultimately responsible for managing the impact that conduct outcomes have on our customers and the financial markets in which we operate through the procedures, processes, controls, and technologies they manage. This includes the ability to measure the impact they have and to drive continuous learnings from root cause analysis.
Second line of defence	Are responsible for ensuring conduct outcomes are adequately considered in the oversight and management of all financial and non-financial risks, operational processes, and technologies, including within the risks they articulate and the control libraries they own.
Third line of defence	The Internal Audit department helps the Board and Executive Management to protect the assets, reputation, and sustainability of SAB. The INA provides independent and objective assurance to management and the Audit Committee as to whether our risk management, governance, and internal processes are designed and operating effectively.

The Risk Management Committee (RMC) is the key Management-level risk governance committee that supports 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. The Asset and Liability Committee (ALCO) reviews the risks associated with the Bank's balance sheet including asset and liability management, capital, liquidity, and funding.

Risk management tools

Risk appetite

Risk appetite is the articulation of the level and type of risks we are willing to accept in order to achieve our strategic objectives. The Risk Appetite provides a link between the businesses, risk, and finance. It enables Senior Management to make informed decisions on how to optimally allocate capital for strategic growth within acceptable risk levels, as well as support our monitoring of risk exposure.

SAB's risk appetite statement (RAS) is deployed at the Bank level for all key risk categories, and at the business level to document appropriate risk appetite and limits for major lines of business.

SAB'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

SAB 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 further investigated and actions are determined to mitigate the elevated level of risk.

Stress testing

To help assess financial impact, stress testing is used to inform the level of adequate capital and liquidity to withstand external shocks such as a global economic downturn or internal events such as a system failure. Stress testing results are also used by Management to inform risk mitigation actions and support appropriate allocation of financial resources.

SAB maintains a wide-ranging stress testing programme including scenario analysis. Stress tests are conducted across the Bank in line with management requirements, as well as in line with the SAMA policy and directives. The stress scenarios may include adverse macroeconomic events, failures at country, sector and counterparty levels, geopolitical events, as well as a variety of projected major operational risk events.

Top and Emerging Risks

We use a top and emerging risks process to provide a forward-looking view of risk issues with the potential to threaten the execution of our strategy or operations over the medium to long term. We proactively assess the internal and external risk environment, as well as review the themes identified across local and global regions. We update our top and emerging risks as necessary.

Risk Governance (continued)

SAB 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 its 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 SAB, aligned with SAMA Rules on Credit Risk Management in Banks. Its primary responsibilities include: independent risk assessment to ensure applications conform with SAB'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. The IFRS 9 process comprises 3 main areas: modelling and data, implementation, and governance. Established IFRS9 modelling and data processes are subject to internal model risk governance, including independent review of significant model developments. Unbiased and independent macroeconomic scenarios are provided by a recognised organisation specialised in economic forecast, and these are reviewed and checked for consistency with the economic conjuncture and the current economic and financial risks. The impairment engine performs the expected credit losses calculation using data, which is subject to several validation checks and enhancements. The IFRS9 Impairment Review Committee is established to review and approve the impairment results. Required members of the committee are the Chief Risk Officer, General Manager Wholesale Credit, General Manager Retail Credit Risk, Chief Financial Officer and Chief Accounting Officer.

Real Estate Finance Risk	The Bank's total outstanding residential real estate finance portfolio as of 31 December 2023 was SAR 27.9 Bn. The Bank has developed adequate policies and procedures to ensure that the appropriate insurance coverage is in place to hedge against potential financial losses associated with residential real estate portfolio. However, risk elements which are not part of the insurance coverage are dealt with according to the Bank's internal risk management framework. Following are the different types of insurance covers that the Bank has utilized to hedge various risks associated with its residential real estate finance portfolio. (i) Death and Disability Insurance: This insurance cover provides financial protection in the event of death or disability resulting from natural or accidental events or specified cause as per the insurance policy in order to recover the outstanding finance amount. Disability coverage is for customers may become fully and permanently disabled and is unable to work or engage in an income earning activity. (ii) Property Insurance: Property insurance provides coverage for physical damage or loss to the property caused by events such as fire, flood, or natural disasters etc. This is aimed to mitigate the financial impact of property damage, allowing the Bank to recover the costs due to unexpected / unforeseen events.
Regulatory compliance and financial crime compliance (FCC) risk	Compliance risk is the risk leading to statutory, legal sanctions, material financial loss, or damage to the reputation of SAB, which 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 the compliance function is to protect the reputation and credibility of SAB and protect the interest of shareholders and depositors, and to safeguard the institution against legal and 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, anti-bribery, and corruption. SAB has continued to make significant investments in people and compliance infrastructure including monitoring systems, internal reporting tools and training in order to better control 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 2 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. SAB 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).

Risk Governance (continued)

Liquidity risk	Liquidity risk is the risk that SAB 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, and proves unsustainable 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 has 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, and the 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 Performance and Capital Management (PCM) team, together with regular oversight and monitoring by Senior Management (via ALCO), Executive Committee (EXCOM), and the Board Risk Committee (BRC). The Bank conducts regular stress testing under a range of severe but plausible scenarios, which form part of the framework of its Individual 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 Liquidity 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 (EWI). Through ongoing monitoring, these EWI forewarn 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 an annual basis at least and is also subject to ongoing testing to ensure the operational effectiveness of the Bank’s mitigating actions. The Bank has developed a recovery and resolution framework, which sets out the principles and guidelines that apply for recovery and resolution. It also sets out the standards for the identification, measurement, management, and reporting of recovery and resolution requirements. The objective of the framework is to ensure the Bank has sound and embedded recovery and resolution planning capabilities, which meet recovery and resolution legal and regulatory requirements as well as the SAB Board’s expectations.
Shariah risk	Shariah risk is the risk of financial loss, regulatory sanction and/or reputational damage to SAB as a result of either a failure to comply with the pronouncements, guidelines, and resolutions issued by SAB’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 an SAB product can be interpreted as non-compliant by another Shariah body. To mitigate this, SAB has ensured its Shariah Committee members are of high standing. Further, SAB 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, SAB 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 that impact business and risk management. The Shariah Committee reports directly to the Bank’s Board.

Non-financial risk (NFR), also known as operational risk, has been defined as the risk of loss resulting from people, inadequate internal processes and systems, and external events. This risk can arise during our day-to-day operations while we take financial risk. At SAB, managing NFR is important to ensure we grow our business safely and remain within our risk appetite. It also ensures we have the correct controls in place to mitigate NFR and reduce any operational loss. NFRs for SAB include: legal, regulatory and financial crime compliance, people, model, Shariah, and resilience risks.

The risk appetite for NFR is established annually and approved by the Board. This is reviewed at the Operational and Resilience Risk Committee and the RMC with quarterly updates to the BRC.

To ensure continuous assessment of the adequacy of control over NFR, risk and control assessments are completed. Controls identified that mitigate the risk are tested periodically by control owners and business risk control managers. Issues identified in the design and/or operating effectiveness of the control are recorded in the operational risk repository system and issue remediation is tracked to completion by risk and control owners.

In addition, issues identified in other reviews – including those conducted by assurance functions, internal audit, external audit, and regulatory authorities – are also recorded in system, monitored through risk governance committees and any escalations required.

The protection of the Bank's technology infrastructure and our customers' data is a key operational risk as more and more banking processes are digitalised.

Operational and resilience risk

As part of its core business processes, SAB 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 compliant with information security policies by undertaking monitoring of information flows, data risk management and access management over SAB's core systems.

Cybersecurity risk is the probability of exposure or loss resulting from a cyberattack or data breach on SAB. 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 backup and recovery. Cyber risk is a priority area for the Bank and is routinely reported at both the RMC and BRC meetings to ensure appropriate visibility, governance, and executive support for our ongoing cybersecurity programme.

From a cybersecurity regulatory point of view, SAB is focused on maintaining compliance with frameworks and initiatives introduced by Saudi Central Bank (SAMA) and National Cybersecurity Authority (NCA), which helps further improve SAB's overall cybersecurity posture. During 2023, SAB achieved Payment Card Industry Data Security Standard (PCI DSS) certification. Furthermore, a cybersecurity awareness programme continued 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 SAB 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 NFR arising from this change in working practices and operational risks have been managed to an acceptable level during the year.

Risk Governance (continued)

Reputational risk	Reputational risk relates to stakeholders' perceptions, whether based on fact or otherwise. As stakeholders' expectations are constantly changing, reputational risk is dynamic. Therefore, SAB's approach to reputational risk management must be upheld at all times and across all businesses and functions. SAB 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 SAB is critical 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. SAB 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. SAB 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.
ESG risks	We understand the significance of adopting a comprehensive view of risk. The diverse types of risk factors that SAB and our customers may encounter have the potential to influence our financial stability significantly. In our strategic discussions and risk management framework, we therefore actively incorporate various dimensions of Environmental, Social, and Governance (ESG) considerations. For SAB, these risks are regarded as fundamental to our business operations, and we are dedicated to seamlessly integrating them into our strategy and operational framework. This section offers a synopsis of the primary ESG risks that shape our strategic and risk management considerations. Climate risks Climate change impacts us directly as well as through our value chain. Both physical risks and transition risks, as defined by TCFD, manifest in various ways, including but not limited to: Decreased real estate values, lower asset performance, reduced household income or wealth, increased legal and compliance costs, shifted customer demands and perceptions. We view climate risks as pervasive, as they impact multiple facets of our organisation. Presently, we are enhancing our understanding of climate-related risks through a project aimed at quantifying our financed emissions. Once completed, the assessment will provide us with a complete picture, help us manage risks adequately, and inform further strategic decisions. Sustainability risks Taking on a holistic perspective, Sustainability risks are captured in SAB's risk taxonomy. SAB incorporates sustainability risks into its risk framework alongside financial risks like capital, liquidity, and market risks. These can be linked to the social or governance dimension of ESG and include, among others: People risk, legal risk, regulatory and compliance risk. These non-financial risks are seamlessly integrated into our three lines of defense risk management model, with specific Risk Stewards and audit procedures assigned. When necessary, these risks are further subdivided to enable effective risk management at a suitable level.

Internal Controls

The ultimate responsibility for the system of internal controls resides with the Board. SAB's internal control system is designed to manage the risk of failure to achieve the Bank's strategic objectives. SAB'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 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. SAB'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 2023, 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 SAB'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, SAB'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 SAB 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 provide only 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 SAB have been in place throughout the year.

Internal Controls (continued)

SAB'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 sets 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.

Chief Internal Auditor Confirmation of Organisational and Functional Independence

- Internal Audit department (INA) provides independent and objective assurance and consulting to management of SAB and its subsidiaries* over the risk management and controls framework, to add value and to improve operations. INA also helps management accomplish its objectives by bringing a systematic, disciplined approach in their evaluation and improvement of the effectiveness of risk management, control, and governance processes.
- Internal Audit staff are independent of the operations which they audit and are objective in carrying out their duties. All INA staff have an impartial, unbiased attitude and avoid any conflict of interest.
- INA will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- Documents and information provided to INA during its activities are handled in the same professional, prudent and confidential manner as by those employees accountable for the appropriate handling of said documents.
- The Chief Internal Auditor (CIA) reports to the Chairman of AUCOM on all audit matters. For administrative issues, CIA reports to the SAB Managing Director MD. Appointments and annual performance evaluation, salary increment and bonus of CIA is endorsed by the AUCOM and Nomination & Remuneration Committee.

* SAB subsidiaries excluding SAB Invest. This subsidiary is governed by their own Board of Directors, Audit Committees and Internal Audit functions. However, SAB INA will support the subsidiary based on the executed Service Level Agreements

Summary of key internal controls

Control	Description
SAB principles	SAB 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	SAB has a strong policies and procedures framework governed by the Procedures of SAB Manuals. Policies and procedures cover all major activities of the Bank besides stand-alone policies on the key regulations. Policies and procedures mandated by the Regulator 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	SAB has set a formal delegation of authority for Board and the Executive Management to delegate their authority to sign for, bind, or otherwise incur an obligation, including but not limited to, all categories of contracts, financial commitments, and other obligations of the Bank on behalf of SAB. Such delegations precisely define the authorities being delegated and are consistent with the provisions set forth in the bylaws, terms of reference of the Board and Board committees, as well as any applicable legal and regulatory requirements.
Risk identification and monitoring	Systems and procedures are in place in SAB 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.
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	All significant operational risks, together with the associated controls are identified through a risk and control assessment (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	SAB's financial reporting process for preparing the financial statements as the year ended 31 December 2023 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.

Internal Controls (continued)

Annual operating plans	Annual operating plans, informed by detailed analysis of risk appetite describing the types and quantum of risk that SAB 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 and risk	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 and Board committees as well as Management committees, which oversee the effectiveness of risk management and report to the Board 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 SAB, 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 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 SAB internal audit activity charter sets out the accountability, independence, responsibility, and authority of the INA function, while the SAB audit instruction manual (AIM) prescribes the standards and procedures adhered to by the INA function. Both documents are annually reviewed and approved by AUCOM, acting on behalf of the Board. Executive Management is responsible for ensuring 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 2023, INA reviewed a number of activities and processes of SAB following a risk-based approach. Reports of these audits have been submitted to the AUCOM highlighting that we have well-established non-financial and financial risk frameworks in place where a lot of effort has been applied in socialising key expectations in terms of roles and responsibilities. Further effort is required to demonstrate fully embedding key controls to ensure we have a sustainable risk and control environment supporting material processes Bank-wide. On an overall basis, audits of the effectiveness of the internal control environment conducted during 2023 confirmed that systems and procedures for the ongoing identification, evaluation, and management of significant risks faced by SAB were in place throughout the year. These procedures enabled SAB 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:

> The system of internal controls is sound in design and has been effectively implemented.

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

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.

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

The year-end balances included in the consolidated financial statements resulting from related party transactions are as follows. All amounts are in SAR '000s unless otherwise stated.

HSBC	2023	2022
Due from banks and other financial institutions	1,305,070	4,397,919
Investments	8,226	10,263
Fair value derivatives, net	9,607	24,517
Due to banks and other financial institutions	3,993,071	4,152,262
Commitments and contingencies	6,244,070	3,977,543

Associates:	2023	2022
Investments	462,046	599,290
Loans and advances	-	72,370
Other assets	5,824	16,554
Customer deposits	900,888	1,083,661
Retained earnings	12,000	-
Other liabilities	-	8,379
Commitments and contingencies	1,764	3,169

Directors, Board committees, other major shareholders, key Management personnel and their affiliates:	2023	2022
Investments	2,283,604	3,335,028
Loans and advances	12,378,119	17,979,384
Customers' deposits	15,950,252	24,883,930
Negative fair value derivatives, net	151,372	190,148
Other liabilities	17,235	19,335
Commitments and contingencies	2,448,481	939,590

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

Related mutual funds:	**2023**	**2022**
HSBC:		
Investments	389,473	370,264
Customers' deposits	16,105	1,875
Debt securities issued	-	212,000
Subsidiaries:		
Investments	72,527	38,361

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

Associates:	**2023**	**2022**
Special commission income	601	13,622
Special commission expense	221,826	87,654
Fees and commission income	7,288	8,540
Service charges paid to an associate	1,768	4,261
Service charges recovered from associate	22,696	28,776
Profit share paid to associate relating to investment banking activities	74,424	68,803

HSBC, Directors, Board committees, other major shareholders, key management personnel and their affiliates:	**2023**	**2022**
Special commission income	583,822	637,507
Special commission expense	470,451	134,870
Fees and commission income	110,643	153,428
General and administrative expenses	186,637	181,301
Service charges paid to HSBC	44,315	12,310
Directors' and Board committees' remuneration	6,778	6,957

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

	2023	**2022**
Short-term employee benefits*	47,755	34,616
Termination benefits	-	70
Other long-term benefits	16,841	12,077
Share-based payments	5,543	8,282

* Short-term employee benefits includes: salaries, allowances, benefits, and 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)

Transactions and contracts concluded during the year ended 31 December 2023:

Related party	Relation to related party	Name of the party with direct or indirect interest or shareholding	Value SAR	Nature of business	Agreement Annually/ one time
Saudi Xerox Co	Board member/ shareholder	Ms. Lubna Olayan	1,298,033	Statement printing	Annually
HSBC Bank Middle East Limited (HBME)	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	557,490	Performance Level Agreement for a software service	Annually
HSBC Holdings	Board member / Shareholder	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	-	Intra Group service agreement	Annually
HSBC Bank Middle East	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	-	Intra Group Service Agreement	Annually
HSBC Bank plc	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	-	Intra Group service agreement with HSBC UK	Annually
HSBC Bank Canada	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	-	Intra Group service agreement with HSBC Canada	Annually
HSBC (Malaysia) Trustee Berhad	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	-	Cash Vault and Safe Deposit Services	One time
HSBC PB Services SA (Suisse)	Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	16,309	Intra Group Service Agreement	Annually
HSBC Saudi Arabia	Board member 49% owned by SAB	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps Mr. Yasser Albarrak	1,767,642	Intra Group services agreement	Annually
Al Bustan Company	Board member	Ms. Lubna Olayan	1,984,523	One ATM and four staff housing rentals	Annually
Olayan Real Estate Co.	Board member	Ms. Lubna Olayan	910,800	Branch site rentals	Annually
Arabian Business Machines Co.	Board member	Ms. Lubna Olayan	98,900	Cash vault & safe deposit services	One time
ATOS Saudi LLC	Board Member	Ms. Lubna Olayan	245,812	ArcSight Logger - Renewal From 1JAN-2023 to 31-DEC-2023	One-time Proposal
HSBC Saudi Arabia	Subsidiary / Associate 49% Owned by SAB	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps Mr. Yasser Albarrak	-	Safekeeping	Annually
HSBC Service Delivery (Polska) SP. Z.O.O.	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	68,894	Intra Group Service Agreement	Annually
HSBC Software Development (Guangdong) LTD	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	2,829,157	Intra Group Service Agreement	Annually
HSBC Technology & Services (USA) Limited	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	274,064	Intra Group Service Agreement	Annually
HSBC Electronic Data Processing India Private Limited (Bangalore)	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	3,653,590	Intra Group Service Agreement	Annually
HSBC Electronic Data Processing Lanka (Private) Limited	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	354,758	Intra Group Service Agreement	Annually
HSBC - Hong Kong Branch	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	6,081,889	Intra Group Service Agreement	Annually
Bupa Insurance	Relative to SAB Board member	Mr. Sulaiman Al-Gwaiz	129,086,684	Staff and Parents Insurance Policy	Annually
HSBC Software Development (India) Private Limited	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	15,570,912	Intra Group Service Agreement	Annually

Related party	Relation to related party	Name of the party with direct or indirect interest or shareholding	Value SAR	Nature of business	Agreement Annually/ one time
HSBC Global Services Limited	SAB Board member	Mr. Stephen Moss Mr. Samir Assaf Mr. Tony Cripps	14,907,979	Intra Group Service Agreement	Annually
WALAA Cooperative Insurance Co.	15.60% Owned by SAB	Associate	12,772,774	SAB Credit Cards Insurance (Closed) Directors and Officers Liability Policy Money Insurance Policy	Annually
SIMAH	Associate 21.87% Owned by SAB/ Senior Executive	Associate Mr. Bandar Gheshayan	20,730,594	SIMAH Membership Houser Price Index Portfolio 360 Service Benchmarking Report services	Annually
SANID	Associate 20% Owned by SAB/ Senior Executive	Associate Ms. Jehan Tashkandi	32,281,217	ATM Replenishment CIT Services NDA Sanid	Annually

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	Number of shares		Change		
	1 January 2023	31 December 2023	Shares	%	Ownership %
HSBC Holdings B.V.	636,986,300	636,986,300	-	-	31.0%
Olayan Saudi Investment Company Ltd	416,365,671	418,738,739	2,373,068	0.6	20.4%

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	16 January 2023	Update of shareholder records
2	03 March 2023	Update of shareholder records
3	07 May 2023	Update of shareholder records
4	07 May 2023	Dividend entitlement
5	08 June 2023	Update of shareholder records
6	13 June 2023	Update of shareholder records
7	22 June 2023	Update of shareholder records
8	29 June 2023	Update of shareholder records
9	02 July 2023	Update of shareholder records
10	03 July 2023	Update of shareholder records
11	23 July 2023	Update of shareholder records
12	31 July 2023	Update of shareholder records
13	10 August 2023	Update of shareholder records
14	15 August 2023	Update of shareholder records
15	20 August 2023	Update of shareholder records
16	21 August 2023	Update of shareholder records
17	23 August 2023	Update of shareholder records
18	31 August 2023	Update of shareholder records
19	17 September 2023	Update of shareholder records
20	30 October 2023	Update of shareholder records
21	31 October 2023	Update of shareholder records
22	30 November 2023	Update of shareholder records
23	31 December 2023	Update of shareholder records

SAB 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 92 (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
92	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.

SAB General Meetings

During 2023, SAB held an Extraordinary General Meeting on 03 May 2023 (Annual General Meeting) via online platform with the required quorum and attendance of 73.90% of shareholders. The second Extraordinary General Meeting was held on 31 May 2023 via online platform with the required quorum and attendance of 73.37% 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	03 May 2023	31 May 2023
Ms. Lubna Olayan	✓	✓
Mr. Saad Al-Fadly	✓	✓
Mr. Mohammed Almaraj	✓	✓
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)

Name of stakeholder	Number of shares		Change	
	1 Jan 2023	31 Dec 2023	Shares	%
Ms. Lubna Olayan	150,000	150,000	-	0
Mr. Mohammed Almaraj	-	-	-	-
Eng. Mohammed Al-Omran	52,196,643	52,201,643	5,000	0
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	1	201	-	nm
Mr. Tony Cripps	-	-	-	-

Senior Executives' interests (including relatives)

Name of Senior Executives	Number of shares		Change	
	1 Jan 2023	31 Dec 2023	Shares	%
Mr. Tony Cripps	-	-	-	-
Ms. Lama Ghazzaoui	-	60,201	60,201	nm
Ms. Faten Abalkhail	-	20,000	20,000	nm
Mr. Majed Najm*	199,846	337,345	137,499	69
Mr. Mohammed Al-Shaikh	-	-	-	-
Mr. Bandar Al-Gheshayan	10,065	46,071	36,006	>100
Mr. Khalid Ismail	10,564	53,730	43,166	>100
Mr. Faris Al-Shareef	-	-	-	-
Mr. Yasser Albarak	59,826	122,752	62,926	>100
Ms. Ghada Al-Jarbou	5	1	4	(80)
Ms. Mashael Al-Shebaiky	-	19,663	19,663	nm
Mr. Musaifer Al Ossaimi	83,599	153,775	70,176	84
Ms. Rania Al-Sharyoufi	-	19,324	19,324	nm
Mr. Saeed Assiri	-	902	902	nm
Mr. Abdullah Al-Qahtani**	-	-	-	-
Mr. Ali Al-Qahtani	9,447	44,702	35,255	>100

* Mr. Majed Najm is a Non-Executive Senior Adviser
** Mr. Abdullah Al-Qahtani appointed as Chief Internal Auditor effective 9 July 2023
nm - not meaningful

Remuneration

In accordance with the highest standards of corporate governance and in compliance with global best practices and regulatory requirements, the remuneration policy was revised and approved at the Ordinary General Assembly on 3 May 2023.

SAB's remuneration 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 SAB's remuneration policy and the recommendation of the Nomination and Remuneration Committee.

There is no material deviation between the remunerations paid to the Directors and SAB's remuneration 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 2023, none of the Board or Board 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 Board 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	400	25	25				450									
Mr. Sulaiman Al-Gwaiz	494	20	70				584*									
Mr. Mohammed Almaraj	406	25	50				481									
Mr. Martin Powell	450	25	50				525									
Mr. Stuart Gulliver	450	25	45				520*									
Total	**2,200**	**120**	**240**				**2,560**									
Second: Non-Executive Directors																
Ms. Lubna Olayan	406	25	55				486									
Mr. Saad Al-Fadly	400	25	25				450									
Eng. Mohammed Al-Omran	400	25	35				460									
Mr. Stephen Moss	400	20	30				450									
Mr. Samir Assaf	400	25	25				450									
Total	**2,006**	**120**	**170**				**2,296**									
Third: Executive Directors																
Mr. Tony Cripps	-	-	-				-									

*Remuneration and compensations paid to Directors did not exceed SAR 500,000 annually; any payment of 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			
Mr. Martin Powell	50	25	75
Dr. Ammr Kurdi	150	25	175
Mr. Abdullah Al-Faifi	150	25	175
Mr. Andrew Jackson	150	25	175
Nomination and Remuneration Committee			
Mr. Ahmad Al-Aulaqi	50	20	70
Ms. Lubna Olayan	6	20	26
Mr. Samir Assaf	50	20	70
Mr. Sulaiman Al-Gwaiz	44	15	59
Mr. Saad Al-Fadly	50	20	70
Board Risk Committee			
Mr. Sulaiman Al-Gwaiz	50	20	70
Mr. Stuart Gulliver	50	20	70
Mr. Martin Powell	50	20	70
Mr. Abdulhameed Al-Muhaidib	150	20	170
Mr. Gareth Thomas	150	20	170
Executive Committee			
Ms. Lubna Olayan	50	35	85
Mr. Sulaiman Al-Gwaiz	50	35	85
Eng. Mohammad Al-Omran	50	35	85
Mr. Tony Cripps	-	-	-
Mr. Mohammed Almaraj	6	25	31
Technology and Digital Committee			
Ms. Deema Al-Athel	150	25	175
Mr. Stephen Moss	50	25	75
Mr. Tony Cripps	-	-	-
Mr. Mohammed Almaraj	50	25	75
Shariah Committee			
Dr. Abdullah Al-Mutlaq	470	30	500
Dr. Esam Al-Enezi	210	30	240
Dr. Abdullah Al-Aydhy	270	30	300

Remuneration (continued)

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

Fixed remunerations				Variable remunerations		
Salaries	Allowances	In-kind benefits[2]	Total	Periodic remunerations[1]	Profits	Short-term incentive plans
11,235	2,348	1,019	14,602	16,467	-	-

1. Includes both cash and deferred bonus and cash dividends
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

Long-term incentive plans[3]	Granted shares (insert the value)	Total	End-of-service award	Total remunerations for Board Executives, if any	Aggregate amount
8,140	-	24,606	-	-	39,208

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 SAB’s compensation structure is conducted by an external consultant and submitted to the Nomination and Remuneration Committee and subsequently 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 SAB’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 2023 amount to SAR 755 mln.

The Bank has share-based equity settled bonus payment plans outstanding at the end of the year. Under the terms of these plans, SAB’s eligible employees are offered shares at a predetermined price. At the vesting dates determined under the terms of the plan, SAB 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 Bank currently has 2 share-based equity plans, under which the grant for the bonus deferral programme was made at various dates during 2021, 2022, and 2023. 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 the share-based equity settled bonus payment plans is as follows.

Movement in the number of shares under the share-based equity settled bonus payment plans

	2023	2022
Beginning of the year	4,232,334	4,591,311
Forfeited	(596,159)	(411,584)
Exercised or expired	(1,607,790)	(634,519)
Granted during the year	**649,547**	**687,126**
End of the year	**2,677,932**	**4,232,334**

The weighted average price of shares granted during the year was SAR 41.0 (2022: SAR 38.2)

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

Number of treasury stocks	Market value (SAR)	Date of holding	Detail of uses
3,573,713	136,158,465	31 Dec 2023	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
SAB			**SAB**		
Arabian Real Estate Company Limited	Subsidiary	100%	Engaged in the real estate activities with own and leased property	SAR 1,000,000	Saudi Arabia
SAB Markets Limited	Subsidiary	100%	Engaged in derivatives trading and repo activities	USD 50,000	Cayman Island
Alawwal Invest	Subsidiary	100%	Engaged in security activities related to dealing, managing, arranging, advising, and taking custody of securities	SAR 840,000,000	Saudi Arabia
Alawwal Real Estate Company	Subsidiary	100%	Engaged in the real estate activities with own and leased property	SAR 500,000	Saudi Arabia
HSBC Saudi Arabia	Associate	49%	Engaged in the full range of securities activities related to dealing, managing, arranging, advising, and taking custody of securities	SAR 500,000,000	Saudi Arabia
Saudi Kayan Assets Leasing Company	Special purpose vehicle	50%	SAB 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*	Special purpose vehicle	50%		SAR 500,000	Saudi Arabia
Yanbu Asset Leasing Company**	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.
* Company is under the process of liquidation
** Company was liquidated in 2023

Appointment of External Auditors

The Ordinary General Meeting of the Bank held on 3 May 2023 endorsed the selection of both Price Waterhouse Cooper (PwC) and KPMG and Partners as external auditors to audit the Bank's consolidated financial statements and review quarterly interim condensed financial statements for the year ended 31 December 2023, in line with the recommendations of AUCOM.

Accounting standards

The consolidated financial statements as at and for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in 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 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, the Bank has issued the following debt securities.

Tier II Capital Sukuk: The sukuk was issued by SAB 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 the 6-month Saudi Arabian Interbank Offered Rate (SAIBOR) plus 195 bps payable semi-annually. The sukuk is unsecured and are registered on Tadawul.

Additional Tier I: On 31 October 2023, the Bank issued a SAR 4 billion additional Tier 1 Capital Sukuk (SAR-denominated) perpetual sukuk, callable after 5 years. The applicable profit rate on the sukuk is payable on each periodic distribution date, except in the event of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment elections are not considered to be events of default.

The sukuk carries an effective rate of 3 months SAIBOR plus 125 bps payable quarterly. The sukuk is registered on Tadawul.

Syndicated borrowing

There are currently no outstanding syndicated loans.

Statutory Payments

Statutory payments payable by the Bank during 2023 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 2023	(320,407)
Advance tax paid to ZATCA pertaining to the year 2023	(209,063)
Corporate income tax paid to ZATCA pertaining to the year 2022	(159,882)
Zakat paid to ZATCA pertaining to the year 2022	(393,714)
GOSI payments	(158,801)
Withholding tax	(109,815)
Value Added Tax	(315,936)
Other payments	(24,176)

Penalties

The table below includes penalties imposed by SAMA on SAB during 2023 and 2022.

	2023		2022	
Subject of violation	**Number of penalties**	**Fine (SAR)**	**Number of penalties**	**Fine (SAR)**
Violation of the SAMA's supervisory instructions	18	12,185,850	24	10,044,935
Violation of the SAMA's instructions for customer protection	0	0	1	5,950
Violation of the SAMA's instructions regarding the level of performance of – ATM and POS	2	30,000	1	15,000
Total	**20**	**12,215,850**	**26**	**10,065,885**

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 penalties imposed
Late payment	ZATCA	265,361	Adequate measures including enhancement of related process and procedures have been taken to ensure adherence with applicable requirements.
Saudi Payment service level agreement performance	Saudi Payments	46,563	Adequate measures including enhancement of related process and procedures have been taken to ensure adherence with applicable requirements.
Non-conformity with municipality requirements	Municipalities	681,400	Adequate measures including enhancement of related process and procedures have been taken to ensure adherence with applicable requirements.
Total		**993,323**	

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Financial Statements

Inauguration of the state-of-art new Head Office building

KPMG Professional Services
Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Headquarters in Riyadh

Independent Auditors' Report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Saudi Awwal Bank (formerly "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 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include material accounting policy information 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi 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 that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional 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 Saudi Awwal 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 2023, the gross loans and advances of the Group were SAR 222.06 billion against which an expected credit loss ("ECL") allowance of SAR 6.13 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 judgment 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 experiencing 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 Saudi Awwal 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 2023. *Refer to note 1.f(j) to the consolidated financial statements 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; the material accounting policies note 28(v) for the impairment of financial assets; note 6 which contains the disclosure of impairment against loans and advances; and note 30(ii) for details of credit quality analysis and key assumptions and factors considered in the determination of ECL.*	• For selected loans, we evaluated 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 2023. • Where required, we involved our experts to assist us in evaluating model calculations, 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 Saudi Awwal 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 and, where appropriate, hedge effectiveness.
As at 31 December 2023, the positive and negative fair values of derivatives held by the Group amounted to SAR 2.37 billion and SAR 2.23 billion respectively.
Refer to the basis of preparation note 1.1(v) to the consolidated financial statements which sets out the critical accounting judgments, estimates and assumptions regarding fair value measurement; the material 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 system bookings 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 in re-performing valuations of the derivatives and compared the result with management's valuation; and
considered the hedge effectiveness performed by the Group and assessed the related hedge accounting.

We assessed the adequacy of disclosures regarding the valuation basis in accordance with IFRS 13 as endorsed in the Kingdom of Saudi Arabia 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 Saudi Awwal 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 2023, the Group has goodwill with a carrying value of SAR 8.76 billion. Management has conducted a goodwill impairment test as at 31 December 2023. We considered the impairment assessment of goodwill as a key audit matter because it involves the 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 material accounting policies note 2H(i) to the consolidated financial statements for the 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 perused the strategic / operating plan as approved by the Board of Directors, and checked that forecast information used in the goodwill impairment assessment conducted by management was consistent with this plan. • We involved our experts and assessed the reasonableness of the VIU calculations and the underlying assumptions, including cash flow projections and discount rates used. • We considered 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 Saudi Awwal Bank (A Saudi Joint Stock Company)

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

Other information included in the Group's 2023 annual report

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e., the Board of Directors and Audit Committee, 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 Saudi Awwal 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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.

Independent Auditors' Report (continued)

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

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 for the year ended 31 December 2023.

PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
License Number 447

KPMG Professional Services

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

(05 Sha'ban 1445H)
(15 February 2024)

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Consolidated Statement of Financial Position

As on 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000 (Restated)
ASSETS			
Cash and balances with Saudi Central Bank ("SAMA")	3	16,741,235	19,258,717
Due from banks and other financial institutions, net	4	7,407,481	5,871,533
Positive fair value of derivatives, net	11	2,368,382	2,538,074
Investments, net	5	96,566,836	86,363,159
Loans and advances, net	6	215,935,845	183,132,249
Investment in an associate	7	462,046	599,289
Other assets	10	2,758,518	2,228,977
Property, equipment and right of use assets, net	8	3,844,926	3,621,644
Goodwill and other intangibles, net	9, 39	10,556,367	10,790,482
Total assets		**356,641,636**	**314,404,124**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	12	32,196,102	25,517,303
Customers' deposits	13	240,940,306	214,278,851
Negative fair value of derivatives, net	11	2,231,470	1,907,436
Debt securities in issue	14	5,177,862	5,114,836
Other liabilities	15	14,196,333	12,949,047
Total liabilities		**294,742,073**	**259,767,473**
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	(1,414,343)	(1,182,348)
Retained earnings	39	9,708,134	6,198,227
Total equity attributable to equity holders of the Bank		**57,914,563**	**54,636,651**
Additional Tier 1 Sukuk	19	3,985,000	-
Total equity		**61,899,563**	**54,636,651**
Total liabilities and equity		**356,641,636**	**314,404,124**

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Lama Ghazzaoui
Chief Financial Officer

Tony Cripps
Managing Director & Authorized Member

Lubna S. Olayan
Board Chair

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Consolidated Statement of Income

For the year ended 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000 (Restated)
Continuing Operations			
Special commission income	21	17,088,441	9,321,874
Special commission expense	21	(6,746,972)	(1,913,587)
Net special commission income		**10,341,469**	**7,408,287**
Fee and commission income	22	3,255,403	2,770,173
Fee and commission expense	22	(2,110,865)	(1,884,517)
Net fee and commission income		**1,144,538**	**885,656**
Exchange income, net		915,124	777,313
Gain from FVSI financial instruments, net	23	345,598	430,861
Dividend income		4,747	-
Losses on FVOCI debt instruments, net	18	(4,892)	(11,654)
(Losses) / gain on amortised cost investments, net		(14,929)	30,505
Other operating (expense) / income, net	39	(21,195)	129,260
Total operating income		**12,710,460**	**9,650,228**
Provision for expected credit losses, net	30(i) (a)	(562,442)	(445,261)
Operating expenses			
Salaries and employee related expenses	24	(2,087,799)	(1,809,465)
Rent and premises related expenses		(73,646)	(49,957)
Depreciation and amortization	8, 9	(565,603)	(464,482)
General and administrative expenses		(1,386,042)	(1,337,942)
Total operating expenses		**(4,113,090)**	**(3,661,846)**
Income from operating activities		**8,034,928**	**5,543,121**
Share in earnings of an associate	7	188,214	172,144
Net income for the year before Zakat and income tax		**8,223,142**	**5,715,265**
Provision for Zakat and income tax	26	(1,220,769)	(835,810)
Net income for the year after Zakat and income tax from continuing operations		**7,002,373**	**4,879,455**
Net loss from discontinued operations	40	-	(53,860)
Net income for the year after Zakat and income tax		**7,002,373**	**4,825,595**
Attributable to:			
Equity holders of the Bank		7,002,373	4,827,605
Non-controlling interests		-	(2,010)
Net income for the year after Zakat and income tax		**7,002,373**	**4,825,595**
Basic and diluted earnings per share (in SAR) from continuing operations attributable to equity holders of the Bank	25, 39	**3.41**	**2.38**
Basic and diluted losses per share (in SAR) from discontinued operations attributable to equity holders of the Bank	25	**-**	**(0.03)**
Basic and diluted earnings per share (in SAR)	25	**3.41**	**2.35**

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Saudi Awwal Bank (formerly known as The Saudi British Bank)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 SAR' 000	2022 SAR' 000 (Restated)
Net income for the year after Zakat and income tax		**7,002,373**	**4,825,595**
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to consolidated statement of income in subsequent years			
Net changes in fair value of FVOCI equity instruments	18	207,197	4,778
Re-measurement of defined benefit liability	18,28	(23,467)	3,088
Items that will be reclassified to consolidated statement of income in subsequent years			
Debt instrument at FVOCI:			
Net changes in fair value, net	18	(420,181)	(1,436,597)
Transfer to consolidated statement of income, net	18	4,892	11,654
Cash flow hedges:			
Net changes in fair value	18	149,222	228,784
Transfer to consolidated statement of income, net	18	(144,717)	(25,617)
Total other comprehensive loss		(227,054)	(1,213,910)
Total comprehensive income for the year		**6,775,319**	**3,611,685**
Attributable to:			
Equity holders of the Bank:			
Continuing operations		6,775,319	3,667,555
Discontinuing operations		-	(53,860)
Non-controlling interests – discontinued operations		-	(2,010)
Total comprehensive income for the year		**6,775,319**	**3,611,685**

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Saudi Awwal Bank (formerly known as The Saudi British Bank)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

		Attributable to equity holders of the Bank							
2023	**Notes**	**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	(1,182,348)	6,244,780	54,683,204	-	54,683,204
Effect of restatement	39	-	-	-	-	(46,553)	(46,553)	-	(46,553)
Restated balance at the beginning of the year		20,547,945	8,524,882	20,547,945	(1,182,348)	6,198,227	54,636,651	-	54,636,651
Total comprehensive income / (loss) for the year									
Net income for the year after Zakat and income tax		-	-	-	-	7,002,373	7,002,373	-	7,002,373
Net changes in fair value of cash flow hedges	18	-	-	-	149,222	-	149,222	-	149,222
Net changes in fair value of FVOCI equity instruments	18	-	-	-	207,197	-	207,197	-	207,197
Net changes in fair value of FVOCI debt instruments	18	-	-	-	(420,181)	-	(420,181)	-	(420,181)
Re-measurement of defined benefit liability	18, 28	-	-	-	(23,467)	-	(23,467)	-	(23,467)
Transfer to consolidated statement of income, net	18	-	-	-	(139,825)	-	(139,825)	-	(139,825)
		-	**-**	**-**	**(227,054)**	**7,002,373**	**6,775,319**	**-**	**6,775,319**
Purchase of treasury shares		-	-	-	(37,414)	-	(37,414)	-	(37,414)
Employee share plan reserve net charge and shares vested		-	-	-	32,473	-	32,473	-	32,473
Additional Tier 1 Sukuk issued		-	-	-	-	-	-	3,985,000	3,985,000
Additional Tier 1 Sukuk issuance cost		-	-	-	-	(16,956)	(16,956)	-	(16,956)
2023 interim dividend, net of Zakat and income tax	16	-	-	-	-	(1,992,689)	(1,992,689)	-	(1,992,689)
2022 final dividend, net of Zakat and income tax	16	-	-	-	-	(1,482,821)	(1,482,821)	-	(1,482,821)
Balance at the end of the year		**20,547,945**	**8,524,882**	**20,547,945**	**(1,414,343)**	**9,708,134**	**57,914,563**	**3,985,000**	**61,899,563**

		Attributable to equity holders of the Bank							
2022	**Notes**	**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 as reported		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 (restated)									
Net income / (loss) for the year after Zakat and income tax (restated)		-	-	-	-	4,827,605	4,827,605	(2,010)	4,825,595
Net changes in fair value of cash flow hedges	18	-	-	-	228,784	-	228,784	-	228,784
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)
Re-measurement of defined benefit liability	18, 28	-	-	-	3,088	-	3,088	-	3,088
Transfer to consolidated statement of income, net	18	-	-	-	(13,963)	-	(13,963)	-	(13,963)
		-	**-**	**-**	**(1,213,910)**	**4,827,605**	**3,613,695**	**(2,010)**	**3,611,685**
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)**	**6,198,227**	**54,636,651**	**-**	**54,636,651**

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

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Saudi Awwal Bank (formerly known as The Saudi British Bank)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000 (Restated)
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		**8,223,142**	**5,661,405**
Adjustments to reconcile net income before Zakat and income tax to net cash generated from operating activities:			
Amortisation of premium on investments not held as FVSI investments, net		(361,786)	(28,092)
Depreciation and amortization	8,9	565,603	464,482
Special commission expense on debt securities in issue		387,029	203,039
Special commission expense on lease liabilities		16,049	19,439
Loss / (gains) on amortised cost investments		14,929	(30,505)
Bargain purchase on acquisition of business	39	-	(108,600)
Income transferred to consolidated statement of income	18	(139,825)	(13,963)
Share in earnings of an associate	7	(188,214)	(172,144)
Provision for expected credit losses, net	30 (i) (a)	562,442	445,261
Employee share plan reserve		32,473	61,501
		9,111,842	**6,501,823**
Change in operating assets:			
Statutory deposit with SAMA		(422,881)	(1,260,487)
Due from banks and other financial institutions		(203,851)	297,660
Investments held as FVSI		(53,788)	420,094
Loans and advances		(33,290,214)	(14,675,827)
Positive fair value derivatives		318,914	(1,199,445)
Other assets		(350,911)	1,131,920
Change in operating liabilities:			
Due to banks and other financial institutions		6,678,799	10,853,637
Customers' deposits		26,661,455	27,518,239
Negative fair value derivatives		324,034	392,844
Other liabilities		1,086,689	1,444,612
		9,860,088	**31,425,070**
Zakat and income tax paid	26	(1,241,856)	(877,776)
Net cash generated from operating activities		**8,618,232**	**30,547,294**
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVSI		12,812,581	4,766,592
Purchase of investments not held as FVSI		(22,833,309)	(28,115,568)
Dividend received from an associate	7	325,457	156,214
Purchase of property, equipment and intangibles, net		(554,770)	(661,030)
Acquisition of business	39	-	(1,216,800)
Net cash used in investing activities		**(10,250,041)**	**(25,070,592)**
FINANCING ACTIVITIES			
Special commission paid on debt securities in issue		(324,003)	(149,736)
Payment of lease liabilities		(118,281)	(99,854)
Dividends paid		(3,465,931)	(1,962,582)
Purchase of treasury shares		(37,414)	-
Additional Tier 1 Sukuk		3,985,000	-
Additional Tier 1 Sukuk issuance cost		(16,956)	-
Net cash generated from / (used in) financing activities		**22,415**	**(2,212,172)**
Net change in cash and cash equivalents		**(1,609,394)**	**3,264,530**
Cash and cash equivalents at beginning of the year	27	**11,808,078**	**8,543,548**
Cash and cash equivalents at end of the year	27	**10,198,684**	**11,808,078**
Supplemental non-cash information			
Right of use assets	8	402,377	499,431
Lease liabilities	15	491,652	577,398
Net changes in fair value and transfers to consolidated statement of income		(227,054)	(1,213,910)
Special commission income received		16,542,810	8,408,449
Special commission expenses paid		6,299,657	1,469,694

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Saudi Awwal Bank (formerly known as The Saudi British Bank)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

All amounts in thousands of Saudi Riyals unless otherwise stated

1. General

Saudi Awwal Bank (formerly known as The Saudi British Bank) ('SAB') 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). SAB 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. SAB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 104 branches (31 December 2022: 109 branches) in the Kingdom of Saudi Arabia. The address of SAB's head office is as follows:

Saudi Awwal Bank
7206 Prince Abdul Aziz Bin Musaid Bin Jalawi
4065 Al Murabba District.
12613
Riyadh
Kingdom of Saudi Arabia

The shareholders of the Saudi British Bank and Alawwal Bank ("AAB") have approved the merger of the two banks at Extraordinary General Meetings held on 15 May 2019 pursuant to Articles 191-193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G) (the "Companies Law"), and Article 49 (a) (1) of the Merger and Acquisitions Regulations issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (the "CMA").

Subsequent, to the above merger, the Group has changed its commercial name from "The Saudi British Bank" to "Saudi Awwal Bank" effective from 11 June 2023.

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

All amounts in thousands of Saudi Riyals unless otherwise stated

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

Name of Subsidiary/ Associate	Ownership % 2023	Ownership % 2022	Description
Arabian Real Estate Company Limited ("ARECO")	100%	100%	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.
SAB Markets Limited (formerly known as SABB Markets Limited) ("SAB Markets")	100%	100%	A limited liability company incorporated in the Cayman Islands under commercial registration No 323083 dated 21 Shaban 1438H (17 May 2017). SAB Markets is engaged in derivatives trading and repo activities.
Alawwal Invest Company ("SAB Invest")	100%	100%	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. SAB 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.
Alawwal Real Estate Company ("AREC")	100%	100%	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.
HSBC Saudi Arabia	49%	49%	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.

All amounts in thousands of Saudi Riyals unless otherwise stated

SAB has participated in the following two structured entities for the purpose of effecting syndicated loan transactions in the Kingdom of Saudi Arabia. These entities have no other business operations. The details of the entities are as follows:

	Ownership %		
Name of Entity	**2023**	**2022**	**Description**
Saudi Kayan Assets Leasing Company	50%	50%	The entity was incorporated for the purpose of effecting syndicated loan transactions and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structure.
Rabigh Asset Leasing Company	50%	50%	(the company is currently under liquidation).
Yanbu Asset Leasing Company	-	100%	(the company was liquidated during the year).

SAB 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. The related underlying funding to the relevant borrowers is recorded on SAB's consolidated statement of financial position.

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 also the functional currency of SAB, 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) relating to financial assets and financial labilities is presented in note 32(b).

e) Basis of consolidation
These consolidated financial statements comprise the financial statements of SAB 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 SAB, using consistent accounting policies.

Subsidiaries are entities which are directly or indirectly controlled by SAB. SAB 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 SAB and cease to be consolidated from the date on which the control is transferred from SAB. Intra-group transactions and balances have been eliminated upon consolidation.

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

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:

Estimates:

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, allowances for financial assets are measured on a Lifetime ECL basis and the qualitative assessment;
- the segmentation of financial assets when the ECL is assessed on a collective basis;
- development of ECL models, including the various formulae and the choice of inputs;
- determination of associations between macroeconomic scenarios, 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 34 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.

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 includes all instruments for which the valuation technique includes 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 the VIU calculation.

iv. Impairment of financial assets at amortised cost (refer to note 2B (v))

v. Depreciation and amortisation (refer to note 2G, 2H and 2I)

vi. Defined benefit plan (refer to note 2J)

vii. Provisions for liabilities and charges

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.

viii. Zakat and Income tax (refer to note 2M)

Judgments:

i. Determination of control over investees

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

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

iii. 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.

iv. Equity vs liability for Tier 1 Sukuk

The Group classifies Sukuk issued with no fixed redemption / maturity dates (perpetual Sukuk), and where the Bank may elect not to pay profit, as part of equity. The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings. Management exerts judgment in the determination of equity classification for the Tier 1 Sukuk, after considering the terms and conditions in the Offering Circular.

v. 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. Material accounting policies

A. Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022. Based on the adoption of new standards and in consideration of the current economic environment, the following accounting policies are applicable effective 1 January 2023 replacing, amending, or adding to the corresponding accounting policies set out in 2022 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

The following standards, interpretations or amendments are effective from the current year and are adopted by the Group, however, these do not have significant impact on the consolidated financial statements of the year.

Accounting Standards, interpretations, amendments	Description	Effective from periods
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'	This standard replaces IFRS 4, and permits a wide variety of practices in accounting for insurance contracts.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	Annual periods beginning on or after 1 January 2023

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 2024. 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 from periods
Amendment to IFRS 16, Leases on Sale and Leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.	1 January 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025

The material 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.

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.

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.

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.

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. 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.

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 a 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.

F. 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 obligations 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.

G. 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	Shorter of useful life or lease term
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.

H. 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.

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 cost 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.

I. 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.

Right of use assets

The Group applies a cost model, and measures 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.

J. 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.

K. 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.

L. 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 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.

M. 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.

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.

N. 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 SAB. 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 financing:** is an 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's duty is to invest the capital in activities that comply with Shariah rules. The income is divided according to the agreement. In the case of loss, "Rab Almaal" has to bear all the losses from his capital and the "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.

All amounts in thousands of Saudi Riyals unless otherwise stated

3. Cash and balances with SAMA

	2023	2022
Cash in hand	1,775,854	1,779,646
Statutory deposit	13,746,941	13,324,060
Placements with SAMA	56,000	4,039,485
Other balances	1,162,440	115,526
Total	**16,741,235**	**19,258,717**

In accordance with the Banking Control Law and regulations issued by SAMA, SAB 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 SAB's day-to-day operations and therefore is not part of cash and cash equivalents (note 27). 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:

	2023	2022
Current accounts	6,381,300	5,282,629
Money market placements	1,026,941	-
Reverse repos	-	590,792
Provision for expected credit losses	(760)	(1,888)
Total	**7,407,481**	**5,871,533**

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		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	5,873,421	-	-	-	5,873,421
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(217)	-	217	-	-
Net change for the year	1,534,438	-	382	-	1,534,820
Balance as at 31 December 2023	**7,407,642**	**-**	**599**	**-**	**7,408,241**

All amounts in thousands of Saudi Riyals unless otherwise stated

	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**

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 2023	**7,406,882**	**-**	**599**	-	**7,407,481**
31 December 2022	5,871,533	-	-	-	5,871,533

Balances under due from banks and other financial institutions are investment grade (except for lifetime ECL credit impaired) 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 2023			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	1,888	-	-	1,888
Transfer to lifetime ECL credit impaired	(12)	-	12	-
Net change for the year	(1,326)	-	198	(1,128)
Balance as at 31 December 2023	**550**	**-**	**210**	**760**

	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 change for the year	(314)	-	-	(314)
Balance as at 31 December 2022	**1,888**	**-**	**-**	**1,888**

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

All amounts in thousands of Saudi Riyals unless otherwise stated

5. Investments, net

a) Investment, net securities are classified as follows:

	2023	2022
FVOCI – Debt	47,759,449	30,938,120
FVOCI – Equity	423,852	218,332
FVSI	1,017,062	963,274
Held at amortised cost	47,377,847	54,252,894
Provision for expected credit losses for investments held at amortised cost	(11,374)	(9,461)
Total	**96,566,836**	**86,363,159**

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		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	30,938,120	-	-	-	30,938,120
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	16,821,329	-	-	-	16,821,329
Balance as at 31 December 2023	**47,759,449**	**-**	**-**	**-**	**47,759,449**

	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**

All amounts in thousands of Saudi Riyals unless otherwise stated

- **Held at amortized cost**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	54,252,894	-	-	-	54,252,894
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(6,875,047)	-	-	-	(6,875,047)
Balance as at 31 December 2023	**47,377,847**	**-**	**-**	**-**	**47,377,847**

	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**

c) Investments, net by type of securities

	Domestic		International		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Fixed rate securities	76,351,154	68,146,227	6,866,745	5,010,685	83,217,899	73,156,912
Floating rate securities	12,422,644	12,403,594	-	172,494	12,422,644	12,576,088
Equities and mutual funds	916,045	618,233	10,248	11,926	926,293	630,159
Total	**89,689,843**	**81,168,054**	**6,876,993**	**5,195,105**	**96,566,836**	**86,363,159**

All amounts in thousands of Saudi Riyals unless otherwise stated

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:

2023	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2023	**9,461**	**-**	**-**	**9,461**
Net change for the year	1,913	-	-	1,913
Balance as at 31 December 2023	**11,374**	**-**	**-**	**11,374**

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 change for the year	(3,628)	-	-	(3,628)
Balance as at 31 December 2022	**9,461**	**-**	**-**	**9,461**

An analysis of changes in provision for ECL of debt instruments measured at FVOCI, is as follows:

2023	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2023	**7,353**	**-**	**-**	**7,353**
Net change for the year	2,799	-	-	2,799
Balance as at 31 December 2023	**10,152**	**-**	**-**	**10,152**

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 change for the year	(349)	-	-	(349)
Balance as at 31 December 2022	**7,353**	**-**	**-**	**7,353**

e) The analysis of the composition of investments, net is as follows:

	2023			2022		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate securities	80,876,282	2,341,617	83,217,899	71,357,561	1,799,351	73,156,912
Floating rate securities	8,499,725	3,922,919	12,422,644	8,262,779	4,313,309	12,576,088
Equities and mutual funds	743,919	182,374	926,293	606,396	23,763	630,159
Total	**90,119,926**	**6,446,910**	**96,566,836**	**80,226,736**	**6,136,423**	**86,363,159**

All amounts in thousands of Saudi Riyals unless otherwise stated

f) The Investments, net includes Shariah based investments as below:

	2023	2022
Debt instruments:		
Sukuks	70,558,359	63,707,577
Provision for expected credit losses	(9,149)	(7,255)
	70,549,210	**63,700,322**
Equities and mutual funds	461,999	604,895
Total	**71,011,209**	**64,305,217**

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 2023			
	Held at Amortised Cost	FVOCI	FVSI	Total
Investment grade	46,514,481	46,199,838	514,618	93,228,937
Non-investment grade	-	1,166,152	-	1,166,152
Unrated	851,992	817,311	502,444	2,171,747
Total	**47,366,473**	**48,183,301**	**1,017,062**	**96,566,836**

	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**

h) The analysis of investments by counterparty is as follows:

	2023	2022
Government and quasi government	80,705,930	81,860,582
Corporate	6,730,785	1,516,016
Banks and other financial institutions	8,964,542	2,973,059
Others	165,579	13,502
Total	**96,566,836**	**86,363,159**

All amounts in thousands of Saudi Riyals unless otherwise stated

6. Loans and advances, net

a) Loans and advances are comprised of the following:

	2023			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,967,942	49,078,628	138,385,203	190,431,773
Lifetime ECL not credit impaired	111,496	2,147,838	21,300,335	23,559,669
Lifetime ECL credit impaired	54,937	679,699	3,525,019	4,259,655
Purchased or originated credit impaired	184	127,141	3,685,794	3,813,119
Total loans and advances, gross	**3,134,559**	**52,033,306**	**166,896,351**	**222,064,216**
Provision for expected credit losses	(213,565)	(741,663)	(5,173,143)	(6,128,371)
Loans and advances, net	**2,920,994**	**51,291,643**	**161,723,208**	**215,935,845**

	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**

Lifetime ECL credit impaired includes non-performing loans and advances of SAR 3,875 million (31 December 2022: SAR 4,292 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.

All amounts in thousands of Saudi Riyals unless otherwise stated

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		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**2,406,246**	**112,842**	**52,208**	**85**	**2,571,381**
Transfer to Stage 1	39,590	(34,047)	(5,543)	-	-
Transfer to Stage 2	(62,446)	69,627	(7,181)	-	-
Transfer to Stage 3	(28,657)	(12,616)	41,273	-	-
Net change for the year	613,209	(24,310)	50,413	99	639,411
Write-offs	-	-	(76,233)	-	(76,233)
Balance as at 31 December 2023	**2,967,942**	**111,496**	**54,937**	**184**	**3,134,559**

	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**

- **Other retail lending**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**41,648,747**	**2,401,715**	**826,047**	**147,568**	**45,024,077**
Transfer to Stage 1	687,446	(524,744)	(162,702)	-	-
Transfer to Stage 2	(549,833)	811,052	(261,219)	-	-
Transfer to Stage 3	(127,171)	(177,288)	304,459	-	-
Net change for the year	7,419,439	(362,897)	195,353	(20,427)	7,231,468
Write-offs	-	-	(222,239)	-	(222,239)
Balance as at 31 December 2023	**49,078,628**	**2,147,838**	**679,699**	**127,141**	**52,033,306**

All amounts in thousands of Saudi Riyals unless otherwise stated

	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**

- **Corporate and institutional lending**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**113,788,692**	**20,048,085**	**4,016,719**	**3,693,775**	**141,547,271**
Transfer to Stage 1	19,323	(19,323)	-	-	-
Transfer to Stage 2	(1,543,676)	1,544,673	(997)	-	-
Transfer to Stage 3	(3,871)	(38,749)	42,620	-	-
Net change for the year	26,124,735	(234,351)	280,404	(7,981)	26,162,807
Write-offs	-	-	(813,727)	-	(813,727)
Balance as at 31 December 2023	**138,385,203**	**21,300,335**	**3,525,019**	**3,685,794**	**166,896,351**

	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**

All amounts in thousands of Saudi Riyals unless otherwise stated

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		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**573,972**	**2,177,072**	**2,806,054**	**453,382**	**6,010,480**
Transfer to Stage 1	94,271	(30,377)	(63,894)	-	-
Transfer to Stage 2	(12,241)	89,006	(76,765)	-	-
Transfer to Stage 3	(3,225)	(31,520)	34,745	-	-
Net re-measurement of loss allowance	161,840	141,201	388,386	240,191	931,618
Write-offs	-	-	(813,727)	-	(813,727)
Balance as at 31 December 2023	**814,617**	**2,345,382**	**2,274,799**	**693,573**	**6,128,371**

	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**

All amounts in thousands of Saudi Riyals unless otherwise stated

- **Credit cards**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**107,649**	**39,632**	**39,218**	**-**	**186,499**
Transfer to Stage 1	11,626	(7,721)	(3,905)	-	-
Transfer to Stage 2	(4,257)	9,549	(5,292)	-	-
Transfer to Stage 3	(1,882)	(4,174)	6,056	-	-
Net re-measurement of loss allowance	18,918	2,681	5,467	-	27,066
Balance as at 31 December 2023	**132,054**	**39,967**	**41,544**	**-**	**213,565**

	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**

All amounts in thousands of Saudi Riyals unless otherwise stated

- **Other retail lending**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**205,737**	**141,324**	**288,794**	**71,030**	**706,885**
Transfer to Stage 1	82,162	(22,173)	(59,989)	-	-
Transfer to Stage 2	(6,153)	77,127	(70,974)	-	-
Transfer to Stage 3	(1,318)	(24,123)	25,441	-	-
Net re-measurement of loss allowance	(10,602)	(24,920)	68,653	1,647	34,778
Balance as at 31 December 2023	**269,826**	**147,235**	**251,925**	**72,677**	**741,663**

	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**

- **Corporate and institutional lending**

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**260,586**	**1,996,116**	**2,478,042**	**382,352**	**5,117,096**
Transfer to Stage 1	483	(483)	-	-	-
Transfer to Stage 2	(1,831)	2,330	(499)	-	-
Transfer to Stage 3	(25)	(3,223)	3,248	-	-
Net re-measurement of loss allowance	153,524	163,440	314,266	238,544	869,774
Write-offs	-	-	(813,727)	-	(813,727)
Balance as at 31 December 2023	**412,737**	**2,158,180**	**1,981,330**	**620,896**	**5,173,143**

All amounts in thousands of Saudi Riyals unless otherwise stated

	Non-credit impaired		Credit impaired		
2022	**Stage 1**	**Stage 2**	**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**

d) Economic sector risk concentrations for the loans and advances are as follows:

2023	Performing	Non-performing	POCI	Provision for expected credit losses	Loans and advances, net
Government and quasi government	-	-	-	-	-
Finance	11,510,254	16,021	-	(43,250)	11,483,025
Agriculture and fishing	629,659	-	241	(27,187)	602,713
Manufacturing	21,737,788	698,518	738,974	(500,348)	22,674,932
Mining and quarrying	7,200,480	-	612	(20,010)	7,181,082
Electricity, water, gas, and health Services	20,785,568	-	385,706	(117,800)	21,053,474
Building and construction	16,099,169	586,322	892,596	(1,532,425)	16,045,662
Commerce	50,673,552	1,792,344	1,421,785	(2,518,253)	51,369,428
Transportation and communication	12,993,096	3,330	1,877	(20,050)	12,978,253
Services	10,384,370	372,442	121,593	(354,646)	10,523,759
Credit cards and other retail lending	54,664,520	376,020	127,325	(955,228)	54,212,637
Others	7,697,399	30,245	122,410	(39,174)	7,810,880
Total	**214,375,855**	**3,875,242**	**3,813,119**	**(6,128,371)**	**215,935,845**

All amounts in thousands of Saudi Riyals unless otherwise stated

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**

e) The following table sets out information about the credit quality of loans and advances. The amounts in the table represent gross carrying amounts.

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	35,391,651	240,000	-	-	35,631,651
Good	78,217,247	3,212,795	-	-	81,430,042
Satisfactory	24,776,306	10,076,695	25,796	-	34,878,797
Special mention	-	7,770,845	-	-	7,770,845
Unrated	52,046,569	2,259,334	358,615	-	54,664,518
Non-performing	-	-	3,875,244	3,813,119	7,688,363
Total	**190,431,773**	**23,559,669**	**4,259,655**	**3,813,119**	**222,064,216**

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**

All amounts in thousands of Saudi Riyals unless otherwise stated

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.
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.
Unrated: Represents performing retail loans and advances that are not rated.
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:

	2023	2022
Tawaruq	135,662,242	116,265,499
Murabaha	17,013,231	10,434,932
Ijara	15,637,417	15,970,902
Total	**168,312,890**	**142,671,333**

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, project proceeds 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 2023, the fair value of collateral held against those loans and advances amount to SAR 1,446 million (2022: SAR 929 million).

7. Investment in an associate

	2023	2022
HSBC Saudi Arabia		
Balance at beginning of the year	**599,289**	**583,359**
Share in earnings	188,214	172,144
Dividend received	(325,457)	(156,214)
Balance at end of the year	**462,046**	**599,289**

All amounts in thousands of Saudi Riyals unless otherwise stated

8. Property, equipment and right of use assets, net

2023	Land and buildings	Leasehold improvements / ROU	Equipment, furniture, and vehicles	Total
Cost:				
As at 1 January	**1,585,031**	**1,612,371**	**836,879**	**4,034,281**
Additions / re-measurement	1,152,772	17,222	202,283	1,372,277
Disposals	(126,050)	(65,894)	(665)	(192,609)
As at 31 December	**2,611,753**	**1,563,699**	**1,038,497**	**5,213,949**
Accumulated depreciation:				
As at 1 January	**405,458**	**1,058,418**	**748,217**	**2,212,093**
Charge for the year	15,445	126,053	69,406	210,904
Disposals	-	(65,894)	(402)	(66,296)
As at 31 December	**420,903**	**1,118,577**	**817,221**	**2,356,701**
Net book value:				
As at 31 December	**2,190,850**	**445,122**	**221,276**	**2,857,248**
Capital work in progress				**987,678**
Total				**3,844,926**

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**

All amounts in thousands of Saudi Riyals unless otherwise stated

The movement of ROU is as below:

	2023	2022
Cost:		
As at 1 January	**907,747**	**922,092**
Additions / re-measurement	16,395	10,756
Terminations	(65,894)	(25,101)
As at 31 December	**858,248**	**907,747**
Accumulated depreciation:		
As at 1 January	**408,316**	**314,832**
Charge for the year	113,449	118,585
Terminations	(65,894)	(25,101)
As at 31 December	**455,871**	**408,316**
Net book value	**402,377**	**499,431**

9. Goodwill and other intangibles

Intangibles are comprised of the following:

	2023	2022 (restated)
Amounts arising from acquisitions:		
Goodwill	8,778,091	8,778,091
Other intangibles	1,519,279	1,698,216
Software	258,997	314,175
Total	**10,556,367**	**10,790,482**

2023	Goodwill	Software	Customer relationship - PCCR	Core deposit intangible	Brand	Customer relationship – CM	Total
Cost:							
As at 1 January (restated)	**16,195,867**	**862,339**	**71,200**	**1,875,400**	**75,000**	**228,601**	**19,308,407**
Additions	-	120,584	-	-	-	-	120,584
As at 31 December	**16,195,867**	**982,923**	**71,200**	**1,875,400**	**75,000**	**228,601**	**19,428,991**
Accumulated impairment / amortization:							
As at 1 January	**7,417,776**	**548,164**	**24,920**	**468,850**	**52,500**	**5,715**	**8,517,925**
Charge for the year	-	175,762	7,120	133,957	15,000	22,860	354,699
As at 31 December	**7,417,776**	**723,926**	**32,040**	**602,807**	**67,500**	**28,575**	**8,872,624**
Net book value							
As at 31 December	**8,778,091**	**258,997**	**39,160**	**1,272,593**	**7,500**	**200,026**	**10,556,367**

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Goodwill	Software	Customer relationship - PCCR	Core deposit intangible	Brand	Customer relationship – CM (restated)	Total (restated)
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	-	-	-	-	-	228,601	228,601
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**	**228,601**	**19,308,407**
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	5,715	261,866
Disposals / written off	-	(12,743)	-	-	-	-	(12,743)
As at 31 December	**7,417,776**	**548,164**	**24,920**	**468,850**	**52,500**	**5,715**	**8,517,925**
Net book value							
As at 31 December	**8,778,091**	**314,175**	**46,280**	**1,406,550**	**22,500**	**222,886**	**10,790,482**

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 uses 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

All amounts in thousands of Saudi Riyals unless otherwise stated

The following key assumptions were used in the calculation of the VIU:

- Discount rate of 10.02% (2022: 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% (2022: 4.0%), derived from economists' forecasts of nominal GDP for the Kingdom of Saudi Arabia ("KSA"), applied to projected periods beyond 2028.
- Long-term profit growth rate of 4.89% (2022: 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 2028.

Key assumptions used in impairment testing for goodwill

The calculation of value in use in the cash-generating units is 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

On 31 December 2023, the goodwill impairment test determined there was no impairment required to any of the CGUs and goodwill was allocated to the following CGUs:

	Goodwill allocated
Cash generating units	**2023**
Wealth & personal banking	4,649,572
Corporate and institutional banking	771,772
Treasury	3,356,747

All amounts in thousands of Saudi Riyals unless otherwise stated

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 2023 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	(4,986)	(4,234)
Corporate and institutional banking	(11,338)	(9,625)
Treasury	(2,929)	(2,488)

	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)

10. Other assets

	Note	2023	2022
Accounts receivable		1,947,676	1,806,556
Collateral margin		54,922	-
Deferred tax	26	264,131	294,564
Others		491,789	127,857
Total		**2,758,518**	**2,228,977**

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.

Risk-related adjustments

Bid-offer:

Valuation models generates 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 Over the Counter (OTC) derivative contracts to reflect within fair value the possibility that the counterparty may default and that SAB 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 SAB may default, and that SAB may not pay the full market value of the transactions.

Credit valuation adjustment/debit valuation adjustment methodology:

SAB calculates a separate CVA and DVA for each counterparty to which the entity has exposure. SAB calculates the CVA by applying the probability of default (‘PD’) of the counterparty conditional on the non-default of SAB to the expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default.

Conversely, SAB calculates the DVA by applying the PD of SAB, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to SAB 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 30 – financial risk management, note 31 - market risk and note 32 - liquidity risk). Part of the risk management process involves managing the Group's exposure to fluctuations in various asset classes including, but not limited to foreign exchange, interest rates and commodities within acceptable levels, as determined by the Board Risk Committee within the guidelines issued by SAMA. The Board Risk Committee establishes the levels of risk appetite for the Bank. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are used to 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 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, SAB 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'. For Cash flow hedges 'the critical terms matches' methodology is used at time of designation of hedge.

All amounts in thousands of Saudi Riyals unless otherwise stated

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.

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:

2023	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	180,557	451,469	52,111	13,177
Net cash inflow	**180,557**	**451,469**	**52,111**	**13,177**
2022				
Cash inflows (assets)	80,761	549,052	151,993	47,034
Net cash inflow	**80,761**	**549,052**	**151,993**	**47,034**

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.

All amounts in thousands of Saudi Riyals unless otherwise stated

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				
2023	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	1,809,112	(1,692,732)	88,912,539	3,277,765	11,027,021	34,818,287	39,789,466
Special commission rate options	221,240	(227,245)	6,545,126	225,313	977,313	2,040,500	3,302,000
Forward foreign exchange contracts	94,477	(64,097)	16,189,169	14,571,392	1,617,777	-	-
Currency options	-	-	-	-	-	-	-
Currency swaps	785	(465)	1,687,500	-	-	1,687,500	-
Derivatives held as fair value hedges:							
Special commission rate swaps	214,550	(222,705)	9,075,000	400,000	337,500	1,762,500	6,575,000
Derivatives held as cash flow hedges:							
Special commission rate swaps	24,624	(22,574)	3,566,000	-	-	3,281,000	285,000
Currency swaps	3,594	(1,652)	75,000	75,000	-	-	-
Total	**2,368,382**	**(2,231,470)**	**126,050,334**	**18,549,470**	**13,959,611**	**43,589,787**	**49,951,466**
Fair values of netting arrangements	**526,248**	**(177,869)**					
Cash collateral, net	**(355,372)**	**300,450**					
Fair values after netting	**170,876**	**122,581**					

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Positive fair value	Negative fair value	Notional amounts by term to maturity: 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**					

All amounts in thousands of Saudi Riyals unless otherwise stated

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.

			Notional amounts by term to maturity				
2023	**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	25,198	(119,995)	8,686,345	90,516	446,163	4,086,733	4,062,932
Special commission rate options	33,381	(5,256)	639,541	-	63,541	50,000	526,000
Total	**58,579**	**(125,251)**	**9,325,886**	**90,516**	**509,704**	**4,136,733**	**4,588,932**

			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	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**

The tables below show a summary of the hedged items, the nature of the risk being hedged, the hedging instruments and their fair values.

2023	**Fair value**	**Hedge inception value**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Description of the hedged items:						
Fixed commission rate investments	8,653,731	9,019,750	Fair value	Special commission rate swap	214,550	(222,705)
Floating commission rate investments	3,565,347	3,566,000	Cash flow	Special commission rate swap	24,624	(22,574)
Fixed commission rate investments	74,624	75,000	Cash flow	Currency swap	3,594	(1,652)

All amounts in thousands of Saudi Riyals unless otherwise stated

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	3,527,316	3,526,000	Cash flow	Special commission rate swap	30,691	(24,915)
Fixed commission rate investments	73,963	75,000	Cash flow	Currency swap	3,050	(1,033)

Approximately 86.2 % (2022: 94.8%) of the positive fair value of the Bank's derivatives are entered into with financial institutions and out of which 78% (2022: 68.1%) of the positive fair value contracts are with a single counterparty at the year end.

12. Due to banks and other financial institutions

	2023	2022
Current accounts	5,293,646	3,735,075
Money market deposits	17,187,265	12,804,597
Repo with banks	6,974,026	2,777,696
Others*	2,741,165	6,199,935
Total	**32,196,102**	**25,517,303**

*Others include deposits from SAMA.

13. Customers' deposits

	2023	2022
Demand	138,953,931	141,427,465
Time	98,578,400	69,651,646
Savings	2,092,397	1,981,334
Margin and others	1,315,578	1,218,406
Total	**240,940,306**	**214,278,851**

The above deposits include the following deposits in foreign currency:

	2023	2022
Demand	17,954,605	16,515,036
Time	21,522,300	14,969,131
Savings	99,816	15,604
Margin and others	187,636	176,943
Total	**39,764,357**	**31,676,714**

All amounts in thousands of Saudi Riyals unless otherwise stated

Customers' deposits include the following deposits under Shariah approved product contracts:

	2023	2022
Demand	85,723,036	91,148,380
Time	60,972,171	43,808,403
Savings	1,876,964	1,915,405
Margin and others	392,219	223,500
Total	**148,964,390**	**137,095,688**

14. Debt securities in issue

SAR 5 Billion 10 year Sukuk – 2020

SAB 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 SAB 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

	2023	2022
Accounts payable	8,554,339	6,893,995
Provision against loan commitments and financial guarantee contracts (note 20)	1,025,977	953,737
End of service benefits (note 28)	812,150	748,494
Collateral margin	-	676,158
Lease liabilities	491,652	577,398
Others	3,312,215	3,099,265
Total	**14,196,333**	**12,949,047**

16. Share capital

The authorised, issued and fully paid share capital of SAB consists of 2,054,794,522 shares of SAR 10 each (2022: 2,054,794,522 shares of SAR 10 each). The ownership of the SAB's share capital is as follows:

	2023	2022
HSBC Holdings B.V	31%	31%
Other shareholders*	69%	69%

*Other shareholders include both Saudi and non-strategic foreign shareholders.

SAB paid the final dividend of SAR 1,483 million as approved by the Board of Directors, to the shareholders of the Group for the year ended 2022 (2022: SAR 702 million for the year ended 2021). This resulted in SAR 0.74 per share for Saudi shareholders, net of Zakat (2022: SAR 0.36). The income tax of the foreign shareholders was deducted from their share of the dividends.

All amounts in thousands of Saudi Riyals unless otherwise stated

SAB also paid an interim dividend of SAR 1,993 million approved by the Board of Directors for distribution to the shareholders of the Group for the first half of 2023 (2022: SAR 1,263 million for the first half of 2022). This resulted in SAR 0.88 per share for Saudi shareholders' net of Zakat (2022: SAR 0.55). 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

2023	Cash flow hedges	FVOCI	Treasury shares	Employee share plan reserve	Re-measurement of defined benefit liability	Total
Balance at beginning of the year	**212,830**	**(1,336,658)**	**(179,000)**	**111,756**	**8,724**	**(1,182,348)**
Net change in fair value	149,222	(212,984)	-	-	-	(63,762)
Transfer to consolidated statement of income	(144,717)	4,892	-	-	-	(139,825)
Net movement defined benefit liability	-	-	-	-	(23,467)	(23,467)
Net charge, vested and shares purchased	-	-	43,871	(48,812)	-	(4,941)
Balance at end of the year	**217,335**	**(1,544,750)**	**(135,129)**	**62,944**	**(14,743)**	**(1,414,343)**

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, vested and shares purchased	-	-	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)**

All amounts in thousands of Saudi Riyals unless otherwise stated

19. Additional Tier 1 Sukuk

On 31 October 2023, the Bank has issued SAR 4 billion Additional Tier 1 Capital Sukuk (SAR-denominated) by way of private placement, which were approved by the regulatory authorities and Board of Directors of the Bank. These Sukuk are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets. The applicable profit rate on the Sukuk is payable on each periodic distribution date, except in the event of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment elections are not considered to be events of default.

20. Commitments and contingencies

a) Legal proceedings

There are no material outstanding legal proceedings against the Group.

b) Capital commitments

As at 31 December 2023, the Group has capital commitments of SAR 1,316 million (2022: SAR 1,436 million) in respect of land, buildings, equipment and software 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:

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	14,746,763	874,480	2,893	38,833	15,662,969
Letters of guarantee	88,243,609	7,844,758	1,241,777	1,232,269	98,562,413
Acceptances	3,672,874	194,943	520	830	3,869,167
Irrevocable commitments to extend credit	11,953,358	537,713	-	217,829	12,708,900
Total	**118,616,604**	**9,451,894**	**1,245,190**	**1,489,761**	**130,803,449**

All amounts in thousands of Saudi Riyals unless otherwise stated

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**

The un-utilized portion of non-firm commitments, which can be revoked unilaterally at any time by the Group, is SAR 128,165 million (2022: SAR 128,942 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		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2023	**15,267,551**	**801,470**	**7,469**	**38,502**	**16,114,992**
Transfer to Stage 1	36,393	(36,393)	-	-	-
Transfer to Stage 2	(363,885)	363,885	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	(193,296)	(254,482)	(4,576)	331	(452,023)
Balance as at 31 December 2023	**14,746,763**	**874,480**	**2,893**	**38,833**	**15,662,969**

	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**

All amounts in thousands of Saudi Riyals unless otherwise stated

Letters of guarantees

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2023	**64,348,335**	**8,231,151**	**1,308,921**	**1,665,909**	**75,554,316**
Transfer to Stage 1	363,670	(363,670)	-	-	-
Transfer to Stage 2	(648,988)	648,988	-	-	-
Transfer to Stage 3	(162)	(92,076)	92,238	-	-
Net change for the year	24,180,754	(579,635)	(159,382)	(433,640)	23,008,097
Balance as at 31 December 2023	**88,243,609**	**7,844,758**	**1,241,777**	**1,232,269**	**98,562,413**

	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**

Acceptances

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2023	**2,844,988**	**304,046**	**-**	**24,572**	**3,173,606**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	827,886	(109,103)	520	(23,742)	695,561
Balance as at 31 December 2023	**3,672,874**	**194,943**	**520**	**830**	**3,869,167**

	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**

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

All amounts in thousands of Saudi Riyals unless otherwise stated

Irrevocable commitments to extend credit

	Non-credit impaired		Credit impaired		
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2023	**4,953,207**	**147,960**	**-**	**-**	**5,101,167**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net change for the year	7,000,151	389,753	-	217,829	7,607,733
Balance as at 31 December 2023	**11,953,358**	**537,713**	**-**	**217,829**	**12,708,900**

	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**

The following table shows reconciliations of the provision for expected credit losses against loan commitments and financial guarantee contracts:

2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 January 2023	**52,215**	**288,017**	**606,250**	**7,255**	**953,737**
Transfer to Stage 1	3,353	(3,353)	-	-	-
Transfer to Stage 2	(1,050)	1,050	-	-	-
Transfer to Stage 3	-	(2,232)	2,232	-	-
Net charge for the year	67,292	(33,497)	(2,374)	40,819	72,240
Balance as at 31 December 2023	**121,810**	**249,985**	**606,108**	**48,074**	**1,025,977**

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**

All amounts in thousands of Saudi Riyals unless otherwise stated

d) The analysis of credit related commitments and contingencies by counterparty is as follows:

	2023	2022
Government and quasi government	8,577,898	5,961,803
Corporate	100,830,633	77,320,034
Banks and other financial institutions	20,936,191	16,646,677
Others	458,727	15,567
Total	**130,803,449**	**99,944,081**

The following table sets out information about the credit quality of commitments and contingencies. The amounts in the table represent gross carrying amounts.

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Strong	49,069,467	-	-	-	49,069,467
Good	58,561,947	3,116,074	-	-	61,678,021
Satisfactory	10,985,190	3,640,868	24,829	-	14,650,887
Special mention	-	2,694,952	-	-	2,694,952
Non-performing	-	-	1,220,361	1,489,761	2,710,122
Total	**118,616,604**	**9,451,894**	**1,245,190**	**1,489,761**	**130,803,449**

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**

All amounts in thousands of Saudi Riyals unless otherwise stated

21. Net special commission income

	2023	2022
Special commission income		
Loans and advances	12,838,133	7,083,479
Due from banks and other financial institutions	536,102	188,916
Investments:		
FVOCI	2,060,475	705,641
Held at amortised cost	1,653,731	1,343,838
	3,714,206	**2,049,479**
Total	**17,088,441**	**9,321,874**
Special commission expense		
Customers' deposits	(5,046,039)	(1,312,950)
Due to banks and other financial institutions	(1,294,600)	(378,159)
Debt securities in issue	(390,479)	(203,039)
Others	(15,854)	(19,439)
Total	**(6,746,972)**	**(1,913,587)**
Net special commission income	**10,341,469**	**7,408,287**

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:

	2023	2022
Loans and advances		
Tawaruq	8,058,294	4,180,955
Ijarah	1,114,054	702,449
Murabaha	634,575	370,135
Total	**9,806,923**	**5,253,539**
Special commission income		
Investments:		
Held at amortised cost / Sukuk	1,504,319	1,059,274
FVOCI / Sukuk	1,144,652	494,321
Total	**2,648,971**	**1,553,595**
Due from Banks and other financial institutions	**7,019**	**-**
Special commission expense		
Customers' deposits		
Murabaha	(2,739,970)	(674,296)
Tawaruq	(283,178)	(58,077)
Mudarbah	(47,219)	(11,789)
Debt securities in issue – Murabaha	(390,479)	(203,039)
Total	**(3,460,846)**	**(947,201)**

All amounts in thousands of Saudi Riyals unless otherwise stated

22. Net fees and commission income

	2023	2022
Fee and commission income:		
Card products	1,463,971	1,313,611
Trade finance	789,407	700,305
Corporate finance and advisory	258,179	209,777
Fund management fees	241,115	87,450
Other banking services	502,731	459,030
Total fee and commission income	**3,255,403**	**2,770,173**
Fee and commission expense:		
Card products	(1,849,538)	(1,658,024)
Corporate finance and advisory	(53,199)	(22,904)
Fund management fees	(27,394)	(15,678)
Custodial services	(3,711)	(3,959)
Other banking services	(177,023)	(183,952)
Total fee and commission expense	**(2,110,865)**	**(1,884,517)**
Net fees and commission income	**1,144,538**	**885,656**

23. Gain from FVSI financial instruments, net

	2023	2022
Derivatives	140,820	141,041
Foreign exchange income, net	126,804	238,031
Debt securities	35,431	(23,531)
Others	42,543	75,320
Total	**345,598**	**430,861**

Saudi Awwal Bank (formerly known as The Saudi British Bank)
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

All amounts in thousands of Saudi Riyals unless otherwise stated

24. Salaries and employee related expenses

The following table summarises the Group's employee categories defined in accordance with SAMA's Banks compensation rules practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended 31 December 2023 and 31 December 2022, and the forms of such payments.

2023 Category	Number of employees*	Fixed compensation	Variable compensation paid Cash	Shares	Total
Senior executives requiring SAMA no objection	22	(42,259)	(18,724)	(29,220)	(47,944)
Employees engaged in risk taking activities	918	(453,194)	(123,689)	(36,011)	(159,700)
Employees engaged in control functions	356	(102,172)	(14,796)	(40)	(14,836)
Other employees	2,899	(613,177)	(106,564)	(153)	(106,717)
Outsourced employees	910	(78,457)	(35,031)	-	(35,031)
Total	**5,105**	**(1,289,259)**	**(298,804)**	**(65,424)**	**(364,228)**
Variable compensation accrued in 2023		(401,750)			
Other employee related benefits **		(396,790)			
Total salaries and employee related expenses		**(2,087,799)**			

2022 Category	Number of employees*	Fixed compensation	Variable compensation paid 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)	(52)	(29,203)
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)**	**(31,474)**	**(270,736)**
Variable compensation accrued in 2022		(338,947)			
Other employee related benefits **		(221,200)			
Total salaries and employee related expenses		**(1,809,465)**			

* Represents all employees who worked for the Group and were compensated during the year 2023 or 2022, 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 CEO & 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's Banks compensation rules practices, a compensation policy endorsed by Nomination and Remuneration Committee and approved by the Board of Directors has been formulated and implemented.

SAB compensation policy

i. Policy objectives

The policy sets the guidelines as to how both fixed and variable pay will be managed at SAB. 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 SAB.

ii. Compensation structure

SAB'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.

ii. 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 SAB focuses on the differentiation of individual performance and drives the variable reward strategy which encourages high performance within a risk compliant manner.

All amounts in thousands of Saudi Riyals unless otherwise stated

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, SAB's eligible employees are offered shares at a predetermined price. At the vesting dates determined under the terms of the plan, SAB 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 2021, 2022 and 2023 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	2023	2022
Beginning of the year	**4,232,334**	**4,591,311**
Forfeited	(596,159)	(411,584)
Exercised / Expired	(1,607,790)	(634,519)
Granted during the year	649,547	687,126
End of the year	**2,677,932**	**4,232,334**

The weighted average price of shares granted during the year was SAR 40.99 (2022: SAR 38.20). Total treasury shares held by the Group as at 31 December 2023 were 3,573,713 shares (2022: 4,181,503 shares).

All amounts in thousands of Saudi Riyals unless otherwise stated

25. 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 2023 and 31 December 2022 are calculated by dividing the net income / (loss) after Zakat and income tax from continuing and discontinued operations respectively for the years by the weighted average number of shares 2,054,794,522 (December 2022: 2,054,794,522) outstanding during the years.

26. 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, SAB 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.

SAB has filed its Zakat and income tax return for the years 2022 and 2021 and they are under ZATCA reviews. Zakat and income tax assessments for 2019 and 2020 and income tax assessment for 2014 have been issued and SAB has settled the additional liabilities during the year and closed those assessments, Income tax assessments from 2015 to 2018 have not been received by the Bank.

The below table represents the movements in the current Zakat and income tax liability:

	2023	2022
Opening Zakat and income tax liability	**1,028,636**	**1,174,320**
Charge for the year:		
Provision for Zakat	592,745	517,377
Provision for income tax	488,125	220,707
Charged for the current year	1,080,870	738,084
Prior year charge:		
Provision for Zakat	109,169	-
Provision for income tax	297	-
Charged for the prior year	109,466	-
Total charged	**1,190,336**	**738,084**
Payment of Zakat and income tax liability	(1,241,856)	(877,776)
Disposal of subsidiary	-	(5,992)
Closing Zakat and income tax liability	**977,116**	**1,028,636**

All amounts in thousands of Saudi Riyals unless otherwise stated

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:

	2023	2022
Opening deferred tax asset	**294,564**	**392,290**
Provision for deferred tax	(30,433)	(97,726)
Closing deferred tax asset	**264,131**	**294,564**

The deferred tax included in these financial statements comprise of the following:

	2023	2022
Property, equipment, ROU, goodwill and other intangibles	149,890	213,837
Other liabilities	49,249	79,113
Provision for expected credit losses	64,992	1,614
Total	**264,131**	**294,564**

27. Cash and cash equivalents

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

	2023	2022
Cash and balances with SAMA excluding the statutory deposit (note 3)	2,994,294	5,934,657
Due from banks and other financial institutions with an original maturity of three months or less from date of the acquisition	7,204,390	5,873,421
Total	**10,198,684**	**11,808,078**

All amounts in thousands of Saudi Riyals unless otherwise stated

28. 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 the 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.

	2023	2022
Defined benefit obligation at the beginning of the year	**748,494**	**711,414**
Charge for the year:		
Current service cost	72,114	68,225
Interest cost	30,112	18,160
Benefits paid	(62,037)	(72,772)
Liability acquired on acquisition of business	-	26,555
Re-measurement of defined benefit liability:		
Financial Assumptions	1,438	(37,108)
Demographic adjustments	1,082	(3,991)
Experience Adjustments	20,947	38,011
Defined benefit obligation at the end of the year	**812,150**	**748,494**

c) Principal actuarial assumptions (in respect of the employee benefit scheme)

	2023	2022
Discount rate	4.70%	4.20%
Expected rate of salary increase	4.70%	4.20%
Normal retirement age	60 Years	60 Years

All amounts in thousands of Saudi Riyals unless otherwise stated

d) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December 2023 to the discount rate and salary increase rate.

	Impact on defined benefit obligation – increase / (decrease)		
Base Scenario 2023	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	(60,509)	69,274
Expected rate of salary increase	1%	70,558	(62,994)

	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)

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:

2023	**Less than a year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	78,465	66,625	197,310	903,188	**1,245,588**

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**

The weighted average duration of the defined benefit obligation is 8 years (2022: 7 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 88 million (2022: SAR 77 million).

All amounts in thousands of Saudi Riyals unless otherwise stated

29. 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 brokerage and assets management, SAB 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 2023 and 2022, its total operating income and expenses, and the results for the years then ended, by operating segment, are as follows:

31 December 2023	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	**61,934,769**	**165,446,807**	**124,613,981**	**2,185,929**	**2,460,150**	**356,641,636**
Loans and advances, net	53,013,292	161,723,208	-	1,199,345	-	215,935,845
Investments, net	-	-	95,756,549	386,435	423,852	96,566,836
Investment in an associate	-	-	-	-	462,046	462,046
Total liabilities	**82,222,616**	**152,853,673**	**59,441,350**	**171,439**	**52,995**	**294,742,073**
Operating income / (loss) from external customers	1,878,386	8,417,825	2,088,289	337,515	(11,555)	12,710,460
Inter-segment operating income / (expense)	1,575,447	(1,548,150)	(27,297)	-	-	-
Total operating income / (loss), of which:	**3,453,833**	**6,869,675**	**2,060,992**	**337,515**	**(11,555)**	**12,710,460**
Net special commission income	3,060,389	5,792,332	1,374,810	113,938	-	10,341,469
Net fees and commission income / (expenses)	134,627	802,646	(27)	207,292	-	1,144,538
Provision for expected credit losses, net	**(77,806)**	**(480,836)**	**(3,584)**	**(216)**	**-**	**(562,442)**
Total operating expenses	**(1,868,207)**	**(1,581,273)**	**(397,072)**	**(227,644)**	**(38,894)**	**(4,113,090)**
Share in earnings of an associate	-	-	-	-	188,214	188,214
Net income for the year before Zakat and income tax from continuing operations	**1,507,820**	**4,807,566**	**1,660,336**	**109,655**	**137,765**	**8,223,142**

All amounts in thousands of Saudi Riyals unless otherwise stated

31 December 2022	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets (restated)	**54,775,263**	**139,458,637**	**115,987,828**	**1,705,322**	**2,477,074**	**314,404,124**
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	211,090	(77,143)	9,650,228
Inter-segment operating income / (expense)	595,586	(392,031)	(206,981)	-	3,426	-
Total operating income, of which: (restated)	**2,825,977**	**4,858,650**	**1,828,228**	**211,090**	**(73,717)**	**9,650,228**
Net special commission income	2,403,159	3,932,477	1,035,780	36,871	-	7,408,287
Net fees and commission income / (expense)	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 (expense) / income	**(1,764,547)**	**(1,432,880)**	**(361,738)**	**(146,447)**	**43,766**	**(3,661,846)**
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**	**64,266**	**142,193**	**5,715,265**
Net loss from discontinued operations	**-**	**-**	**-**	**-**	**(53,860)**	**(53,860)**

a) The Group's credit exposure by operating segment is as follows:

2023	Wealth & Personal Banking	Corporate and Institutional Banking	Treasury	Capital Markets	Others	Total
Assets	53,013,292	161,723,208	69,244,979	1,693,701	-	285,675,180
Commitments and contingencies	7,973	70,672,306	-	-	-	70,680,279
Derivatives	-	-	62,294,652	-	-	62,294,652
Total	**53,021,265**	**232,395,514**	**131,539,631**	**1,693,701**	**-**	**418,650,111**

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**

Credit exposure comprises the carrying value of assets excluding cash, property and equipment, other assets, investment in associates and equity investments. Commitments, contingencies and derivatives are presented based on the credit conversion factor as prescribed by SAMA.

All amounts in thousands of Saudi Riyals unless otherwise stated

30. Financial risk management

i) Credit risk

The Group follows SAMA Rules on Credit Risk Management whereby the Board of Directors has ultimate responsibility for the effective management of risk and approves the risk appetite. The Board has constituted a Board Risk Committee (BRC) for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework. Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making.

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending, trade finance and leasing activities, but also from other products such as guarantees and derivatives.

The Group continues to assess the impact of economic developments on specific customers, customer segments or portfolios. As credit conditions change, the Group takes mitigating actions, including the revision of risk appetites or limits and tenors, as appropriate. In addition, continues to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Credit approval authorities are delegated by the Board to the Managing Director together with the authority to sub-delegate them. The Credit Risk function is responsible for the key policies and processes for managing credit risk, which include formulating credit policies and risk rating frameworks, guiding the Group's appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios.

Concentrations of credit risk arise when a number of counterparties have comparable economic characteristics, or such counterparties are engaged in similar business activities, or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political, or other conditions. The Group uses a number of controls and measures to minimize undue concentration of exposure in the portfolios. These include portfolio and counterparty limits, approval and review controls, and stress testing.

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	2023	2022
Net provision for expected credit losses:			
Due from banks and other financial institutions	4 (d)	1,128	314
Investments	5 (d)	(4,712)	3,977
Loans and advances	6 (c)	(931,617)	(906,110)
Loan commitments and financial guarantee contracts	20 (c)	(72,240)	(219,390)
Write-offs net, recoveries of debts previously written-off*		444,999	675,948
Net charge for the year		**(562,442)**	**(445,261)**

* Write-offs net, recoveries of debts previously written-off include purchase price allocation release from POCI accounts of SAR 486 million (2022: SAR 616 million).

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

All amounts in thousands of Saudi Riyals unless otherwise stated

b) Geographical concentration of financial assets, liabilities, commitments and contingencies, and the maximum exposure to credit risk.

2023	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other Countries	Total
Assets						
Cash and balances with SAMA:						
Cash in hand	1,775,854	-	-	-	-	1,775,854
Balances with SAMA	13,802,941	-	-	-	-	13,802,941
Other balances	1,162,440	-	-	-	-	1,162,440
Due from banks and other financial institutions, net:						
Current accounts	1,225,397	28,919	1,111,329	3,859,965	154,930	6,380,540
Money market placements	1,026,941	-	-	-	-	1,026,941
Positive fair value derivatives, net:						
Held for trading	261,620	12,683	1,851,305	-	6	2,125,614
Held as fair value hedges	-	-	214,550	-	-	214,550
Held as cash flow hedges	-	-	28,218	-	-	28,218
Investments, net:						
FVOCI	40,892,704	4,736,387	-	2,130,358	-	47,759,449
FVSI	985,189	-	-	-	-	985,189
Amortised cost	47,366,473	-	-	-	-	47,366,473
Loans and advances, net:						
Credit cards	2,920,994	-	-	-	-	2,920,994
Other retail lending	51,291,643	-	-	-	-	51,291,643
Corporate and institutional lending	155,894,865	5,107,423	-	-	720,920	161,723,208
Other assets	2,758,518	-	-	-	-	2,758,518
Total	**321,365,579**	**9,885,412**	**3,205,402**	**5,990,323**	**875,856**	**341,322,572**
Liabilities						
Due to banks and other financial institutions						
Current accounts	1,494,066	369,403	927,808	435,218	2,067,151	5,293,646
Money market deposits	15,633,652	1,478,601	-	-	75,012	17,187,265
Repo with banks	4,392,438	-	2,581,588	-	-	6,974,026
Others	2,741,165	-	-	-	-	2,741,165
Customer deposits:						
Demand	138,329,610	30,965	423,017	46,587	123,752	138,953,931
Time	98,125,008	-	-	437,027	16,365	98,578,400
Saving	2,068,837	-	13,827	-	9,733	2,092,397
Margin and other deposits	1,305,030	323	182	43	10,000	1,315,578
Debt securities in issue	5,177,862	-	-	-	-	5,177,862
Negative fair value derivatives, net:						
Held for trading	553,369	8,022	1,423,096	52	-	1,984,539
Held as fair value hedges	-	-	222,588	117	-	222,705
Held as cash flow hedges	-	-	24,202	24	-	24,226
Other liabilities	14,196,333	-	-	-	-	14,196,333
Total	**284,017,370**	**1,887,314**	**5,616,308**	**919,068**	**2,302,013**	**294,742,073**
Commitments and contingencies	**111,291,810**	**3,382,527**	**5,796,720**	**1,564,821**	**8,767,571**	**130,803,449**
Maximum credit exposure (stated at credit equivalent amounts)						
Assets	315,998,701	11,863,715	1,111,329	7,328,741	875,850	337,178,336
Commitments and contingencies	59,948,878	1,860,390	3,188,196	860,651	4,822,163	70,680,278
Derivatives	61,459,136	31,766	778,310	25,440	-	62,294,652
Total credit exposure	**437,406,715**	**13,755,871**	**5,077,835**	**8,214,832**	**5,698,013**	**470,153,266**

All amounts in thousands of Saudi Riyals unless otherwise stated

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**
Maximum 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**

All amounts in thousands of Saudi Riyals unless otherwise stated

c) The distributions by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

2023	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other countries	Total
Non-performing loans and advances	3,723,383	151,859	-	-	-	3,875,242
Provision for expected credit losses	6,120,839	6,769	-	-	763	6,128,371

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

ii) Credit quality analysis

Expected credit losses (ECL) are recognized for loans and advances to banks and customers, other financial assets held at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI) and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Forbearance

Loans are identified as forborne and classified as either performing or non-performing when the Group modifies the contractual terms due to financial difficulty of the borrower. Non-performing forborne loans are stage 3 and classified as non-performing until they met the cure criteria. Performing forborne loans are initially stage 2 and remain classified as forborne until they meet applicable cure criteria. At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

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).

Some of the primary indicators for qualitative criteria to objectively define "Unlikeliness to Pay" (UTP) events" 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.

Loan modifications other than forborne loans

Loan modifications that are not identified as forborne are considered to be commercial restructurings. Where a commercial restructuring results in a modification (whether legalized through an amendment to the existing terms or the issuance of a new loan contract) such that the Group rights to the cash flows under the original contract have expired, the old loan is derecognized and the new loan is recognized at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided.

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the Group calculates ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes the time value of money.

The ECL for wholesale stage 3 is determined on an individual basis using a discounted cash flow (DCF) methodology. The expected future cash flows are based on the credit risk officer's estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

The cash flows are discounted at a reasonable approximation of the effective interest rate by using the contractual interest rate.

Forward-looking economic inputs

The Group applies multiple forward-looking economic scenarios determined with reference to external forecast distributions representative of their view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit losses in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate.

The economic scenarios used as at 31 December included the following ranges of key indicators.

Economic indicators	2023	2022
Government revenue, oil (SAR in Millions)	Upside: 692,742 Base: 663,833 Downside: 627,580	Upside: 1,081,736 Base: 1,037,847 Downside: 982,515
Oil Price – Arabian Light (US$ per barrel)	Upside: 87.9 Base: 84.3 Downside: 79.6	Upside: 108.2 Base: 103.8 Downside: 98.4
GDP, non-oil, nominal, LCU (SAR in Millions)	Upside: 2,551,903 Base: 2,498,757 Downside: 2,426,130	Upside: 2,249,037 Base: 2,224,958 Downside: 2,186,582
Unemployment Rate (%)	Upside: 5.55 Base: 5.56 Downside: 5.57	Upside: 5.76 Base: 5.77 Downside: 5.78

The Group has used the below base case forecast in its ECL model, which is based on information available at the time of the ECL calculation:

	Forecast calendar years used in 2023 ECL model			Forecast calendar years used in 2022 ECL model		
Economic indicators	2024	2025	2026	2023	2024	2025
Government revenue, oil (SAR in millions)	713,571	717,925	732,039	1,009,645	892,881	817,871
Oil Price – Arabian Light (US$ per barrel)	85.2	81.6	81.3	97.6	88.4	81.1
GDP, non-oil, nominal, LCU (SAR in millions)	2,666,705	2,842,013	3,032,994	2,376,348	2,486,526	2,590,852
Unemployment Rate (%)	5.5	5.5	5.4	5.6	5.6	5.6

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 2023 SAR'000
Macro-economic factors(Base scenario 2024):	
Government revenue, oil (SAR in millions) reduction by 4.8%	
Oil Price – Arabian Light (US$ per barrel) increase by 1.3%	(24,788)
GDP, non-oil, nominal, LCU (SAR in millions) reduction by 6.4%	
Scenario weightages:	
Base scenario sensitized by +/- 5% with corresponding change in downside	14,906
Base scenario sensitized by +/- 5% with corresponding change in upside	9,088

31. 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.

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.

All amounts in thousands of Saudi Riyals unless otherwise stated

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:

2023 (unaudited)	Foreign exchange	Special commission rate	Overall risk
VAR as at 31 December 2023	2,955	8,481	9,252
Average VAR for 2023	4,293	5,542	6,736
Minimum VAR for 2023	450	2,818	3,240
Maximum VAR for 2023	9,142	12,907	14,069

2022 (unaudited)	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

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 2023 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 2023 for the effect of assumed changes in commission rates.

All amounts in thousands of Saudi Riyals unless otherwise stated

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.

2023

Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of Equity: 6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	+100	298,680	(100,852)	225,632	(589,273)	(3,233,439)	(3,399,252)
USD	+100	52,513	6,628	(10,342)	(183,737)	(671,031)	(805,969)
EUR	+100	(571)	(305)	(32)	-	-	(908)
Others	+100	(454)	541	-	(36)	-	51

2023

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of Equity: 6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	- 100	(298,680)	100,852	(225,632)	589,273	3,233,439	3,399,252
USD	- 100	(52,513)	(6,628)	10,342	183,737	671,031	805,969
EUR	- 100	571	305	32	-	-	908
Others	- 100	454	(541)	-	36	-	(51)

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

All amounts in thousands of Saudi Riyals unless otherwise stated

2022

Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of Equity				
			6 months or less	6-12 months	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

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of Equity				
			6 months or less	6-12 months	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	-	-	-	-	-

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.

All amounts in thousands of Saudi Riyals unless otherwise stated

The Group manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

2023	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	-	-	-	-	1,775,854	1,775,854
Balances with SAMA	56,000	-	-	-	13,746,941	13,802,941
Other balances	-	-	-	-	1,162,440	1,162,440
Due from banks and other financial institutions, net:						
Current accounts	5,143,947	-	-	-	1,236,593	6,380,540
Money market placements	823,089	203,852	-	-	-	1,026,941
Positive fair value derivatives, net:						
Held for trading	-	-	-	-	2,125,614	2,125,614
Held as fair value hedges	-	-	-	-	214,550	214,550
Held as cash flow hedges	-	-	-	-	28,218	28,218
Investments, net:						
FVOCI	1,026,380	1,222,280	5,571,221	39,939,568	423,852	48,183,301
FVSI	602	589	27,873	490,333	497,665	1,017,062
Amortised cost	3,891,299	4,177,936	24,208,854	15,088,384	-	47,366,473
Loans and advances, net:						
Credit cards	2,920,994	-	-	-	-	2,920,994
Other retail lending	1,664,626	1,947,797	20,109,173	27,570,047	-	51,291,643
Corporate and institutional lending	125,856,048	32,870,651	2,858,858	137,651	-	161,723,208
Other assets	-	-	-	-	2,758,518	2,758,518
Total assets	**141,382,985**	**40,423,105**	**52,775,979**	**83,225,983**	**23,970,245**	**341,778,297**
Liabilities						
Due to banks and other financial institutions:						
Current accounts	80,718	-	-	-	5,212,928	5,293,646
Money market deposits	12,795,025	4,392,240	-	-	-	17,187,265
Repo with banks	6,403,742	-	570,284	-	-	6,974,026
Others	230,836	2,510,329	-	-	-	2,741,165
Customer deposits:						
Demand	-	-	-	-	138,953,931	138,953,931
Time	90,746,350	7,805,963	26,087	-	-	98,578,400
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	-	-	-	-	1,315,578	1,315,578
Debt securities in issue	5,177,862	-	-	-	-	5,177,862
Negative fair value derivatives, net:						
Held for trading	-	-	-	-	1,984,539	1,984,539
Held as fair value hedges	-	-	-	-	222,705	222,705
Held as cash flow hedges	-	-	-	-	24,226	24,226
Other liabilities	101,033	50,548	288,690	163,803	13,592,259	14,196,333
Total liabilities	**117,627,963**	**14,759,080**	**885,061**	**163,803**	**161,306,166**	**294,742,073**
Commission rate sensitivity on assets and liabilities	**23,755,022**	**25,664,025**	**51,890,918**	**83,062,180**	**(137,335,921)**	**47,036,224**
Commission rate sensitivity on derivative financial instruments	**3,768,394**	**306,097**	**1,634,357**	**(5,708,848)**	**-**	
Total special commission rate sensitivity gap	**27,523,416**	**25,970,122**	**53,525,275**	**77,353,332**	**(137,335,921)**	
Cumulative special commission rate sensitivity gap	**27,523,416**	**53,493,538**	**107,018,813**	**184,372,145**	**47,036,224**	

All amounts in thousands of Saudi Riyals unless otherwise stated

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						
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
Total liabilities	**76,001,721**	**19,068,828**	**3,899,766**	**163,803**	**160,633,355**	**259,767,473**
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)**	

All amounts in thousands of Saudi Riyals unless otherwise stated

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:

	2023 Long / (short)	2022 Long / (short)
US Dollar	529,272	(4,462,175)
Euro	(2,200)	(10,791)
Sterling Pounds	(31,787)	(2,747)
Other	(33,645)	(19,425)

32. 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.

All amounts in thousands of Saudi Riyals unless otherwise stated

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").

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.

2023	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	5,293,646	-	-	-	-	5,293,646
Money market deposits	12,865,676	4,481,681	-	-	-	17,347,357
Repos with banks	3,572,666	2,900,975	567,906	-	-	7,041,547
Others	275,786	-	2,523,307	-	-	2,799,093
Customer deposits						
Demand	-	-	-	-	138,953,931	138,953,931
Time	91,181,523	8,010,893	29,151	-	-	99,221,567
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	111,337	155,118	811,093	238,031	-	1,315,579
Debt securities in issue	196,211	201,660	1,295,228	6,013,258	-	7,706,357
Lease liabilities	72,117	60,736	288,799	158,864	-	580,516
Total undiscounted financial liabilities	**115,661,359**	**15,811,063**	**5,515,484**	**6,410,153**	**138,953,931**	**282,351,990**

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
Repos 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 liabilities	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**

All amounts in thousands of Saudi Riyals unless otherwise stated

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.

2023	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	1,775,854	-	-	-	-	1,775,854
Balances with SAMA	56,000	-	-	-	13,746,941	13,802,941
Other balances	1,162,440	-	-	-	-	1,162,440
Due from banks and other financial institutions, net						
Current accounts	6,380,540	-	-	-	-	6,380,540
Money market placements	823,089	203,852	-	-	-	1,026,941
Positive fair value derivatives, net						
Held for trading	101,496	93,187	542,183	1,388,748	-	2,125,614
Held as fair value hedges	1,422	3,390	103,399	106,339	-	214,550
Held as cash flow hedges	3,594	-	-	24,624	-	28,218
Investments, net						
FVOCI	1,026,379	1,222,280	5,571,221	39,939,568	423,853	48,183,301
FVSI	602	589	27,873	490,333	497,665	1,017,062
Amortised cost	3,891,299	4,177,936	24,208,854	15,088,384	-	47,366,473
Loans and advances, net						
Credit cards	2,912,764	-	8,230	-	-	2,920,994
Other retail lending	3,057,257	1,563,031	20,540,006	26,131,349	-	51,291,643
Corporate and institutional lending	60,683,130	37,758,682	44,856,146	18,425,250	-	161,723,208
Other assets	-	-	-	-	2,758,518	2,758,518
Total assets	**81,875,866**	**45,022,947**	**95,857,912**	**101,594,595**	**17,426,977**	**341,778,297**
Liabilities						
Due to banks and other financial institutions						
Current accounts	5,293,646	-	-	-	-	5,293,646
Money market deposits	12,795,025	4,392,240	-	-	-	17,187,265
Repo with banks	6,403,742	-	570,284	-	-	6,974,026
Others	230,836	2,510,329	-	-	-	2,741,165
Customer deposits						
Demand	-	-	-	-	138,953,931	138,953,931
Time	90,746,350	7,805,963	26,087	-	-	98,578,400
Saving	2,092,397	-	-	-	-	2,092,397
Margin and other deposits	111,371	155,118	811,093	237,996	-	1,315,578
Debt securities in issue	177,862	-	5,000,000	-	-	5,177,862
Negative fair value derivatives, net						
Held for trading	53,756	110,262	462,433	1,358,088	-	1,984,539
Held as fair value hedges	-	-	1,351	221,354	-	222,705
Held as cash flow hedges	1,652	-	16,588	5,986	-	24,226
Other liabilities	899,850	157,338	1,186,721	173,558	11,778,866	14,196,333
Total liabilities	**118,806,487**	**15,131,250**	**8,074,557**	**1,996,982**	**150,732,797**	**294,742,073**

Saudi Awwal Bank (formerly known as The Saudi British Bank)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

All amounts in thousands of Saudi Riyals unless otherwise stated

2023	Within 3 months	3-12 months	1-5 Years	Over 5 years	Total
Commitments and contingencies					
Letters of credit	6,649,401	6,312,244	871,469	1,829,855	15,662,969
Letters of guarantee	7,616,608	28,136,313	34,883,582	27,925,910	98,562,413
Acceptances	3,027,251	572,735	12,688	256,493	3,869,167
Irrevocable commitments to extend credit	642,248	11,454,003	217,829	394,820	12,708,900
Total commitments and contingencies	**17,935,508**	**46,475,295**	**35,985,568**	**30,407,078**	**130,803,449**

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						
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
Total liabilities	**76,352,791**	**19,803,852**	**10,219,788**	**1,940,834**	**151,450,208**	**259,767,473**

All amounts in thousands of Saudi Riyals unless otherwise stated

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Commitments and contingencies					
Letters of credit	9,422,742	4,379,527	429,214	1,883,509	16,114,992
Letters of guarantee	13,503,625	17,805,000	17,795,022	26,450,669	75,554,316
Acceptances	2,124,862	1,041,903	6,841	-	3,173,606
Irrevocable commitments to extend credit	810,460	895,808	2,207,607	1,187,292	5,101,167
Total commitments and contingencies	**25,861,689**	**24,122,238**	**20,438,684**	**29,521,470**	**99,944,081**

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.

33. Offsetting of financial assets and liabilities

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.

				Amount not set off in the consolidated statement of financial position	
2023	**Gross amounts recognized**	**Gross amounts offset in the consolidated statement of financial position**	**Net amounts presented in the consolidated statement of financial position**	**Collateral / pledged**	**Net amount**
Financial assets					
Positive fair value of derivatives	2,368,382	-	2,368,382	(355,372)	2,013,010
Financial liabilities					
Negative fair value of derivatives	2,231,470	-	2,231,470	(300,450)	1,931,020
Repurchase agreements	6,974,026	-	6,974,026	(6,886,385)	87,641
2022					
Financial assets					
Positive fair value of derivatives	2,538,074	-	2,538,074	(724,600)	1,813,474
Financial liabilities					
Negative fair value of derivatives	1,907,436	-	1,907,436	(69,323)	1,838,113
Repurchase agreements	2,777,696	-	2,777,696	(2,796,634)	(18,938)

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.

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.

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 SAB 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 SAB 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 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.

All amounts in thousands of Saudi Riyals unless otherwise stated

34. 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.

31 December 2023	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	2,368,382	-	2,368,382	-	2,368,382
Investments held as FVSI	1,017,062	502,444	514,618	-	1,017,062
Investments held as FVOCI – Debt	47,759,449	-	47,759,449	-	47,759,449
Investments held as FVOCI – Equity	423,852	250,046	-	173,806	423,852
Financial assets not measured at fair value					
Due from banks and other financial institutions	7,407,481	-	7,407,481	-	7,407,481
Investments held at amortised cost	47,366,473	-	44,893,595	-	44,893,595
Loans and advances	215,935,845	-	-	215,808,170	215,808,170
Financial liabilities measured at fair value					
Derivative financial instruments	2,231,470	-	2,231,470	-	2,231,470
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	32,196,102	-	32,196,102	-	32,196,102
Customers deposits	240,940,306	-	240,768,784	-	240,768,784
Debt securities in issue	5,177,862	-	5,177,862	-	5,177,862

All amounts in thousands of Saudi Riyals unless otherwise stated

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

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 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.

Derivatives classified as Level 2 comprise OTC 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 represents private equity investments, the fair value of which is determined based on the 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 mid 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 (every 6 months) 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.

All amounts in thousands of Saudi Riyals unless otherwise stated

35. Related party transactions

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.

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

	2023	2022
HSBC:		
Due from banks and other financial institutions	1,305,070	4,397,919
Investments	8,226	10,263
Fair value derivatives, net	9,607	24,517
Due to banks and other financial institutions	3,993,071	4,152,262
Commitments and contingencies	6,244,070	3,977,543
Associates:		
Investments	462,046	599,290
Loans and advances	-	72,370
Other assets	5,824	16,554
Customer deposits	900,888	1,083,661
Other liabilities	-	8,379
Retained Earnings	12,000	-
Commitments and contingencies	1,764	3,169
Directors, board committees, other major Shareholders, key management personnel and their affiliates:		
Investments	161,772	10,051
Loans and advances	1,464,342	2,623,881
Customers’ deposits	4,583,743	4,936,339
Negative fair value derivatives, net	12,544	18,364
Other liabilities	17,235	19,335
Commitments and contingencies	127,092	132,056

All amounts in thousands of Saudi Riyals unless otherwise stated

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

	2023	2022
Related mutual funds:		
HSBC:		
Investments	389,473	370,264
Customers' deposits	16,105	1,875
Debt securities issued	-	212,000
Subsidiaries:		
Investments	72,527	38,361

Below represent transactions with an associate other than those disclosed elsewhere in these consolidated financial statements.

Associates:

Special commission income	601	13,622
Special commission expense	221,826	87,654
Fees and commission income	7,288	8,540
Service charges paid to an associate	1,768	4,261
Service charges recovered from associate	22,696	28,776
Profit share paid to associate relating to investment banking activities	74,424	68,803

HSBC, directors, board committees, other major shareholders, key management personnel and their affiliates:

Special commission income	174,262	74,856
Special commission expense	77,382	9,034
Fees and commission income	65,444	86,477
General and administrative expenses	57,550	37,312
Service charges paid to HSBC	44,315	12,310
Directors' and board committees' remuneration	6,778	6,957

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

Short-term employee benefits *	47,756	34,616
Termination benefits	-	70
Other long-term benefits	16,841	12,077
Share-based payments	5,544	8,282

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

All amounts in thousands of Saudi Riyals unless otherwise stated

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.

36. 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.

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 34bps for the year ended 31 December 2023.

The current period numbers are presented as per Basel III Reforms issued by SAMA (circular number 44047144) effective from 1 January 2023 while the prior period is based on Basel III regulations.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

	2023	2022
Risk Weighted Assets (RWA)		
Credit Risk RWA	279,968,368	232,948,313
Operational Risk RWA	10,458,162	16,212,894
Market Risk RWA	3,724,396	7,091,185
Total RWA	**294,150,926**	**256,252,392**
Additional Tier I Capital (Note 19)	**3,985,000**	-
Tier I Capital	**52,038,574**	**45,236,925**
Tier II Capital	**5,958,473**	**5,795,143**
Total I and II Capital	**57,997,047**	**51,032,068**
Capital Adequacy Ratio %		
Tier I ratio	17.69%	17.65%
Tier I + Tier II ratio	19.72%	19.91%
CET1	16.34%	17.65%

All amounts in thousands of Saudi Riyals unless otherwise stated

37. IBOR transition (Interest Rate Benchmark Reforms)

Management has completed the Group's overall transition activities through engagement with various stakeholders to support an orderly transition. The Group was exposed to the effects of USD LIBOR reform on its financial assets and liabilities.

38. 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 27.25 billion (2022: SAR 15.75 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.

39. 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 SAB Invest (as Buyer) was completed. The business acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with SAB Invest being the acquirer of the lines of business from HSBC Saudi Arabia.

The transaction enables SAB to strategically widen the service offering to a large base of clients across the Kingdom taking one step closer to the fulfillment of SAB'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 SAB Invest to acquire scale and significantly enhance its position in the asset management and retail brokerage businesses in the Kingdom.

a) Purchase consideration

The total purchase consideration for sale and transfer of the business lines amounted to SAR 1,216.8 million. The sale and transfer comprises acquired assets amounting to SAR 1,169.9 million and total liabilities assumed amounting to SAR 73.1 million, resulting in a bargain purchase of SAR 108.6 million.

b) 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	1,169,200
Other assets	700
Total assets	**1,169,900**
Liabilities	(73,100)
Net identifiable assets	**1,096,800**
Customer relationships	228,600
Bargain purchase	**(108,600)**
Total purchase consideration	**1,216,800**

All amounts in thousands of Saudi Riyals unless otherwise stated

The completion of purchase price allocation exercise resulted in a bargain purchase of SAR 108.6 million. It represents an excess of fair value of net identifiable assets acquired and intangible assets over purchase consideration paid.

c) 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	1,169,200	1,169,200	-
Other financial assets	700	700	-
Total	**1,169,900**	**1,169,900**	**-**

d) Purchase price allocation

The completion of the purchase price allocation exercise within twelve months from the acquisition date, including restatement of provisional fair values at which the net assets were acquired from HSBC Saudi Arabia, has had the following impact on the line items of the consolidated statements of financial position, income, and changes in equity for the year ended 31 December 2022:

Financial statements impacted	Description	As previously reported as at/ for the year ended 31 December 2022	Effect of restatement	Restated – 31 December 2022
Consolidated Statement of Financial Position	Goodwill and other intangibles, net	10,837,035	(46,553)	10,790,482
Consolidated Statement of Financial Position	Total assets	314,450,677	(46,553)	314,404,124
Consolidated Statement of Financial Position	Retained earnings	6,244,780	(46,553)	6,198,227
Consolidated Statement of Financial Position	Total equity	54,683,204	(46,553)	54,636,651
Consolidated Statement of Income	Total operating income	9,697,028	(46,800)	9,650,228
Consolidated Statement of Income	Net income for the year after Zakat and tax	4,872,148	(46,553)	4,825,595
Consolidated Statement of Income	Earnings / (losses) per share (Basic and Diluted)	2.40	(0.02)	2.38

All amounts in thousands of Saudi Riyals unless otherwise stated

40. Discontinued operations

During the period ended 30 June 2022, 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.

The investment in Walaa has been classified as FVOCI from the effective date of the merger.

Summarized statement of income of defunct SABB Takaful included in SAB's consolidated statement of income for the year ended 31 December 2022 under discontinued operations is as below:

	19 October 2022 (Unaudited)
Net operating income	17,403
Total operating expenses	(65,231)
Zakat and income tax	(6,032)
Net loss from discontinued operations for the period	**(53,860)**

41. Profit sharing investment account (PSIA)

a) Analysis of PSIA income according to types of investments and their financing

As of 31 December 2023, all joint financing is funded by comingled pool which includes funds from (vi) Mudaraba based unrestricted investment accountholder.

Average gross financing and investments (IAH funds only) by type of contract:

	2023	2022
Sales and other receivables (Murabaha)	1,667,071	727,915
Ijarah	192,069	96,700
Other instruments including Sukuk investments	697,042	294,651
Total average financing and investments	**2,556,182**	**1,119,266**

b) the basis for calculating and allocating profits between the Group and the IAHs;

Computation of pool income is as follows:

	2023	2022
Total pool income	**101,088**	**22,276**
Pool Income	101,088	22,276
Mudarib fee including Mudarib's share of profit	53,869	13,196
Movement to or from PER/IRR	-	-
Total amount attributable to shareholders pool	47,219	9,081

All amounts in thousands of Saudi Riyals unless otherwise stated

The basis of allocating the profits between IAH and the Group:

The profit sharing allocation percentages between IAH and Group vary for different types of customers and are agreed through terms and conditions or any subsequent updates. The exact amount of profit paid to each customer, from the distributable profit is shown in their statement of account.

c) Average equity of the IAHs at the end of the reporting period;

	2023	2022
Average investment account holders balance before profit	2,556,182	1,119,267
Profit for the IAH during the year	47,219	9,081
Profit paid out during the year	(47,219)	(9,081)
Total average equity for investment account holders	**2,556,182**	**1,119,267**

42. Government grant

During the year, the Real Estate Development Fund ("REDF") launched a new programme ("the programme") to support residential mortgage finance to certain eligible customers at a subsidized profit rate and within a specified period. The Bank signed an agreement with REDF to become a party to this programme on 11 November 2023

In accordance with the requirements of IFRS 9, the programme will result in a fair value loss being booked on origination of the subsidized mortgage facilities on day one due to the below-market profit rate. The Bank's management has determined that the compensation amount received from REDF qualifies as a government grant under IAS 20, that will be recognized as income on a systematic basis to off-set the fair value losses arising over the course of the programme. Pending origination of mortgages under the programme, the pro-rata compensation balance amount received from REDF has been classified under "Other liabilities".

As the programme only commenced shortly before the year end, government grant income recognized for the year (within "Other operating income, net") was not material.

43. Auditors' remuneration

	2023	2022
Fees for the quarterly reviews and annual audit of the Group	8,699	8,207
Fees for other services	1,892	332
Total	**10,591**	**8,539**

44. Subsequent event

Subsequent to the approval of the consolidated financial statement, the Board of Directors has proposed a distribution of cash dividend amounting to SAR 2,014 million for the second half of financial year ended 31 December 2023 on 29 Rajab 1445H (Corresponding 10 February 2024). This equates to SAR 0.98 per share for Saudi shareholders, net of Zakat. The income tax applicable to foreign shareholders will be withheld from their dividend payments.

45. Board of Directors' approval

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 Rajab 1445H (Corresponding 7 February 2024).

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