

# **Board of Directors' Report**



Financial Year 2022

# 1 Economic Update

# 1. Economic Update

The year 2022 was comparable to a decade wrapped in a single calendar year for its multi-decade high inflation levels, unprecedented Federal Reserve moves, global geopolitical tensions, and extreme volatility.

Inflation was a key challenge in 2022 as it was persistent and broader than originally expected. This triggered a rapid monetary policy response, with the US Federal Reserve raising its benchmark rate exponentially to 4.25%-4.50%, the highest level since December 2007. More importantly, the speed of the rate hike was the fastest in more than 35 years. This, along with impact of the geopolitical tensions in Europe, led to a major slowdown in the global economy. In 2022, the global GDP grew by 3.4%, lower than 6.0% in 2021. Growth declined to 2.7% year-on-year in advanced economies and to 3.9% year-on-year in Emerging markets. The US economy expanded by 2.0% year-on-year, while the Euro Area and China GDPs grew by 3.5% year-on-year and 3.0% year-on-year, respectively.

Influenced by macro headwinds, the global equities market recorded its worst performance since the financial crisis in 2008. The MSCI World lost c20% of its value in 2022, after three years of exceptional average annual return of +20%. The S&P 500 also declined by c20%, while Euro Stoxx was down 14.4% year-on-year. Emerging markets followed a similar path, with MSCI EM declining by 22.4%, recording its second consecutive year of negative returns.

Aggressive monetary tightening increased the preference for time deposit instruments compared to other asset classes as the yield on the benchmark 10-year US bond reached c3.74% in 2022, the highest level since March 2010.

In 2023f, the global economy is expected to grow by 2.9% year-on-year. The US GDP is expected to expand by 1.4% year-on-year, while the Euro Area is forecasted to grow by only 0.7% year-on-year. Emerging economies are expected to record a stronger growth of 4.0% year-on-year where India (6.1% year-on-year) and China (5.2% year-on-year) are expected to be the main growth drivers in emerging markets.



## Oil

The year 2022 was exceptional for oil prices. Prices peaked at US\$128 in March before declining to US\$76 in December. Despite the significant volatility, average oil prices reached Cus\$ 100 in 2022 (vs US\$ 71 in 2021), its highest level since 2014. The strong performance was triggered by limited supply and the impact of the Russia-Ukraine war. Over the medium term, demand is expected to record a steady growth driven by higher demand from Asia. Prices will be influenced by limited global capital expenditure by oil producers, geopolitical aspects, the shape of the global economy, and OPEC+ agreements.



## Saudi and Regional Markets

After recording positive returns for six consecutive years, the Saudi market declined by 7.1% year-on-year to close at 10,478 points in 2022. High-interest rates, coupled with global markets uncertainty were the key factors impacting the market. Although the performance was negatively impacted by Materials (-14.4% year-on-year) and Telecom (-12.2% year-on-year) sectors, it was partially mitigated by the strong growth in Healthcare (+24.6% year-on-year) and Utilities (+20.9% year-on-year). The average daily traded value declined to SAR 6.9 billion vs. SAR 8.3 billion and SAR 8.9 billion in 2020 and 2021, respectively. However, it was higher than the market's historical average of SAR 6.0 billion.

The GCC market's performance was mixed in 2022. Abu Dhabi was the best performing market, up 20.3% year-on-year, followed by Oman (+17.6% year-on-year) and Bahrain (+5.5% year-on-year). On the other hand, Qatar and Kuwait markets declined by 8.1% year-on-year and 4.9% year-on-year, respectively.



## Saudi Macro review

Saudi fiscal policy continues to focus on sustainability while progressing on key economic and structural reforms to solidify the fiscal position and provide economic flexibility. Supporting the private sector is a key goal, to be achieved through various economic enablers including the effective contribution of PIF and NDF. Moreover, government strategies and programs such as the National Investment Strategy, NIDLP, and the National Strategy for Industry are expected to support the growth of the private sector. As a result, Saudi GDP is expected to record a remarkable growth of 3.1% in 2023f (according to Miff), to exceed US\$ 1.0 trillion.

The Saudi budget is expected to record its second consecutive surplus of SAR 16 billion in 2023f, driven by strong economic growth underpinned by the government's efforts to strengthen the fiscal position while implementing structural reforms.



## Saudi Banks

The Saudi banking sector had another year of outstanding performance, driven by strong macro fundamentals and remarkable lending growth. Although liquidity tightened as indicated by the increase in the LDR ratio to 81.6% in 2022 vs 79.5% in 2021, the sector remained resilient with steady credit quality metrics and strong capitalization. Albeit at a slower pace, mortgage financing continued to drive lending growth supported by the Housing Program initiatives under Vision 2030. New Mortgages stood at SAR 120 billion in 2022, lower than SAR 152 billion in 2021.

The Saudi banking sector outlook remains positive, driven by a favourable macro environment and the acceleration of mega projects. Moreover, the sector is expected to be a key beneficiary of a high interest rate environment.

2

# Financial Results

## 2. Financial Results

SNB Capital's consolidated operating income for the year ended 31 December 2022 increased by 38 % from SAR 1,487 million in 2021 to SAR 2,053 million, due to stronger business growth. The Company ended the year with a net income before zakat of SAR 1,455 million against a net income of SAR 1,048 million in 2021. Total equity increased from SAR 4,691 million in 2021 to SAR 5,830 million in the year 2022.

Total assets for the year 2022 stood at SAR 12,953 million (SAR 6,434 million in 2021 with investments increasing to SAR 8,584 million (SAR 3,346 million in 2021 and balances at Banks of SAR 457 million (SAR 454 million in 2021.

Statement of Financial Position	2022	2021	2020	2019	2018
	Amount in SR <000				
<b>Assets</b>					
Cash and cash equivalent	457,409	453,988	198,666	97,215	126,471
Investments	8,584,388	3,345,958	1,628,177	970,364	693,315
Investment in an associate	2,175	2,161	2,173	18,101	29,605
Property and equipment	163,115	146,646	127,884	117,947	188,294
Investment properties	74,648	75,440	76,272	77,333	-
Right of use of asset	9,354	8,584	10,557	11,715	
Margin Receivables	2,337,760	1,802,031	635,137	378,552	246,765
Positive fair value for derivatives	36,438	-	-	-	-
Prepayments and other assets	1,287,644	599,124	302,986	242,967	191,600
<b>Total assets</b>	<b>12,952,881</b>	<b>6,433,932</b>	<b>2,981,852</b>	<b>1,914,194</b>	<b>1,476,050</b>

<b>Liabilities</b>					
Amount due to Saudi National Bank	14,793	35,000	34,776	31,125	37,185
Lease liabilities	11,771	9,782	11,470	12,039	-
Borrowings	6,445,984	1,122,566	288,341	32,123	
Employee benefits	91,620	94,378	93,942	97,158	51,651
Negative fair value of derivatives	-	4,636	-	-	-
Account payable and accruals	558,661	476,983	275,465	222,244	238,453
<b>Total liabilities</b>	<b>7,122,829</b>	<b>1,743,345</b>	<b>703,994</b>	<b>394,689</b>	<b>327,289</b>
<b>Equity</b>					
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
SNB Capital Funded Shares	-	-	(247,807)	(246,004)	(222,870)
Proposed increase in share Capital	500,000	-	-	-	-
Merger Reserve	-	500,000	-	-	-
Statutory reserve	535,248	535,248	285,248	209,248	167,248
Other reserves	(135,919)	25,479	2,174	(211)	(26,609)
Share based payments	19,290	24,164	17,334	5,901	51,434
Retained earnings	3,910,669	2,604,932	1,213,418	540,833	169,790
Non- Controlling interest	764	764	7,491	9,738	9,768
<b>Total equity</b>	<b>5,830,052</b>	<b>4,690,587</b>	<b>2,277,858</b>	<b>1,519,505</b>	<b>1,148,761</b>

Statement of Profits or Loss	2022	2021	2020	2019	2018
	Amount in SR <000				
<b>Fee from services, net</b>					
Asset Management	787,124	655,879	538,737	502,244	512,185
Brokerage	497,450	546,384	428,524	123,431	136,769
Investment Banking	180,629	125,948	117,231	88,886	48,709
Other operating income	588,215	158,424	57,740	72,281	25,932
<b>Total operating income</b>	<b>2,053,418</b>	<b>1,486,635</b>	<b>1,142,232</b>	<b>786,842</b>	<b>723,595</b>
Salaries and employee related expenses	298,569	240,813	200,871	219,925	229,173
Depreciation	26,105	22,232	19,896	19,085	15,955
Other general and administrative expenses	159,134	168,374	101,094	87,109	104,784
<b>Total operating expenses</b>	<b>483,808</b>	<b>431,419</b>	<b>321,861</b>	<b>326,119</b>	<b>349,912</b>
Finance cost	(121,715)	(12,293)	(5,912)	(2,072)	(1,832)
Other non-operating income	7,330	5,023	330	(1,195)	3,865
<b>Net income before ZAKAT for the year</b>	<b>1,455,239</b>	<b>1,047,934</b>	<b>814,789</b>	<b>457,456</b>	<b>375,716</b>

The External Auditor of SNB Capital did not list any reservations on the 2022 year-end financial statements.

3

# Business Highlights

## 3. Business Highlights

SNB Capital continues to be well-positioned to capture future growth. In 2022, the firm's strategic focus areas were to:

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

SNB Capital currently operates five business lines: Asset Management, Wealth Management, Investment Banking, Securities, and Principal Investments and is licensed by the Capital Market Authority of Saudi Arabia, to carry out dealing, as principal and agent, as well as underwriting, managing, arranging, advising and custody services, with respect to securities. In addition, the Company runs its International Alternatives platform out of its subsidiary in the DIFC, UAE.

In 2022, SNB Capital managed to increase total operating revenues by 38% (SAR 2,053 million in 2022 vs. SAR 1,487 million in 2021) and net income before Zakat by 39% (SAR 1,455 million in 2022 vs. SAR 1,048 million in 2021). SNB Capital also continued to improve efficiency and productivity, where it managed to decrease its cost to income ratio (25% in 2022 vs. 29% in 2021).

4

# The Company's Main Business Activities

## 4. The Company's Main Business Activities



### Wealth Management

The Wealth Management business serves SNB Capital's increasingly sophisticated institutional, high net worth, affluent and retail clients, offering investment advisory services, as well as access to SNB Capital's market-leading asset management offerings. In addition, the Wealth Management business also offers employee savings programs to the Kingdom's leading Public and Private sector employers, positioning the firm as Saudi Arabia's largest employee savings fiduciary/provider.

During the year, SNB Capital Wealth Management successfully raised funds across a number of asset classes including Regional Equity, Multi-Asset and Alternatives. In the Alternatives space, Wealth Management successfully closed the SNB Capital Real Estate Credit Fund, SNB Capital Asset Backed Income Fund, SNB Capital GP Stakes Opportunities Fund, and SNB Capital Danat AlJanob Real Estate Fund. The business also added new corporate saving institutional clients to its employee savings program, cementing its position as one of the region's largest providers of such programs.



### Asset Management

The Asset Management business manages Sha-riah-compliant and conventional mutual funds, closed-ended funds and separately managed accounts across the following asset classes: money market and fixed income, local and international equities, multi-asset, and alternatives (including private equity, real estate and private credit).

In Asset Management, SNB Capital continues to be the Kingdom's largest asset manager with SAR 230.40 billion in assets under management across various local and international asset classes as of December 2022. During the year, SNB Capital's KSA-based Product Development team launched 8 new funds covering all asset classes including public equities, money market & fixed income, real estate and private equity.

Broadly, the performance picture has been exceptional despite extreme volatility across all asset classes on the back of wide swings in the interest rates. A majority of SNB Capital's public funds delivered a strong performance in 2022, ranking in the first and second quartiles relative to their peers. A similar performance trend was also seen across the discretionary mandates. In addition, AlAhli REIT Fund maintained its excellent performance in relatively challenging rate environments while maintaining healthy payouts.

SNB Capital also maintained its MQ1 rating (Moody's highest rating for investment manager quality) as well as its claim of compliance with the Global Investment Performance Standards (GIPS). SNB Capital Asset Management also received 6 performance awards from Lipper for its MENA and Saudi fund offerings. The Asset Management also acclaimed "Best Asset Manager" and "Best Investment Management Company" awards from International Finance.



## Securities

The Securities business offers local and international cash and margin brokerage services through multiple trading channels to the firm's institutional, high net worth, affluent and retail clients, in addition to local and global custody, as well as market-leading securities services including Employee Share Plan programs. Securities business also offers on-the-ground equity research coverage of a broad range of sectors.

In Securities, SNB Capital expanded its products offering to serve a wider client base and diversify revenue streams. A custody platform, with a Saudi residing data center, to provide global and domestic services was introduced during the year while an agreement with NDMC was signed to be a sole distribution manager for National Saving Program. To capture the growing institutional and QFIs market, a dedicated institutional trading desk was established while QFIs onboarding process was streamlined. Moreover, Equity Research department provided pre-listing research for a number of milestones IPOs, representing a majority of the total amount raised in 2022. For Employee Share Plan Services (ESPS) program, the number of share transactions increased significantly. The Securities division has also maintained its leading market position with a brokerage market share of 18.2% for 2022 while maintaining disciplined pricing strategies.



## Principal Investments

The Principal Investments business is responsible for managing the firm's: (i) liquidity in line with the firm's business requirements and the applicable regulations, and (ii) investments across a broad range of asset classes to build a well-diversified portfolio ensuring a stable stream of revenues for the firm, with low volatility. In addition to delivering appropriate risk-adjusted returns, the Principal Investments business is also responsible for providing for the funding requirements of the firm's different business lines as needed.

SNB Capital's Principal Investments division successfully managed to secure a standalone rating (A3) by Moody's, making SNB Capital the first CMI to obtain a standalone credit rating, as well as, the completion of short-term Sukuk issuance program, making SNB Capital the first of its kind in the region, and issuing two series totaling SAR 2.25 billion over the course of 2022.



## Investment Banking

The Investment Banking business offers Public and Pri-vate sector clients the full range of investment banking services, offered through its services lines covering: Equity Capital Markets (IPOs, rights issues, and private placements), Debt Capital Markets (Sukuk, Bonds and Commercial Papers), Mergers & Acquisitions (buy and sell side advisory) and Debt Advisory services (financ-ing, refinancing and restructuring).

In 2022, SNB Capital Investment Banking team closed a significant number of transactions across its service lines in multiple industries. Despite the continuous interest rate hikes, the year witnessed successful closing of important and visible fixed income issuances with the first ever bond issuance. Equity market continued to be active and attractive to clients across all product offerings during 2022 with the stock market outlook cautiously positive supported by strong economic fundamentals, government commitment towards the 2030 vision and the PIF capital recycling and deploy-ment program.

SNB Capital Investment Banking acted as lead manager, financial advisor, bookrunner, global coordinator and lead underwriter on unique and first of a kind transactions during 2022 and continued to hold a market leadership position in lead management and financial advisory.

# 5 Remunerations and compensation paid to Members of the Board of Directors and senior executives

## Board of Directors

Statement	Executive	Non-Executive	Independent
Allowance for attendance of the Board of Directors' meetings	20,000	40,000	60,000
Allowance for attendance of the Committees' meetings	20,000	15,000	15,000
Periodic and annual remunerations	300,000	700,000	700,000
Incentive plans	-	-	-
Any compensations or other in kind benefits paid monthly or annually.	-	-	-
<b>Total</b>	<b>340,000</b>	<b>755,000</b>	<b>755,000</b>

There have been no arrangements whereby any member of the Board of Directors or the executive management waived any compensation or remuneration.

## Senior Executives

Statement	Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them
Salaries and wages	7,897,452
Allowances	4,301,256
Incentive plans (Including value of awards made to departing executives)	5,092,920
Periodic and annual Remunerations	20,400,000
Commissions	—
<b>Any compensations or other in kind benefits paid monthly or annually</b>	-
<b>Total</b>	<b>37,691,628</b>

6

# Board of Directors and Board's Committees

## 6. Board of Directors

The Board of SNB Capital consists of six members including three independent members, appointed by the ordinary general assembly. The Board meets on a quarterly basis at a minimum, or more as it may deem necessary.

### Other Board Memberships

Name	Position / Classification	Other Board Memberships
Ammar A. Al-Khudairy	<ul style="list-style-type: none"> <li>Chairman</li> <li>Non-Executive Member</li> </ul>	<ul style="list-style-type: none"> <li>Saudi National Bank.</li> <li>Amwal Capital Partners.</li> <li>Saudi Pharmaceutical Industries &amp; Medical Appliances Corporation (SPIMACO).</li> <li>Real Estate Development Fund</li> <li>Almarai Company</li> </ul>
Faisal O. Al-Saggaf	<ul style="list-style-type: none"> <li>Vice Chairman</li> <li>Non-Executive Member</li> </ul>	<ul style="list-style-type: none"> <li>Farouk &amp; Maamoun Mohammed Said Tamer Industries Holding Co. Ltd.</li> <li>Isam Khairi Kabbani Group of Companies.</li> <li>Alamar Foods Company.</li> </ul>
Rashed I. Sharif	<ul style="list-style-type: none"> <li>Chief Executive Officer</li> <li>Executive Member</li> </ul>	<ul style="list-style-type: none"> <li>Saudi National Bank.</li> <li>Saudi Telecom Company.</li> <li>Avilease</li> <li>NEOM Tech &amp; Digital Company</li> </ul>
Mohammed A. Al-Shaikh	<ul style="list-style-type: none"> <li>Non-Executive Member</li> </ul>	<ul style="list-style-type: none"> <li>Saudi Credit Bureau (SIMAH).</li> </ul>
Ahmed I. Al-Rabiah	<ul style="list-style-type: none"> <li>Independent Member</li> </ul>	<ul style="list-style-type: none"> <li>Tayseer Arabian Company</li> <li>Eastern Region Amana Development Company (Ashraq).</li> <li>Al Suwaidi Holding Company</li> </ul>
Abdullah AlAbduljabbar	<ul style="list-style-type: none"> <li>Non-Executive Member</li> </ul>	<ul style="list-style-type: none"> <li>Saudi Arabian Investments Company "Sanabil Investments"</li> <li>Richard Attias &amp; Associates</li> <li>Savvy Games Group</li> <li>Caffeine Inc</li> <li>Performance 54 Group Limited.</li> </ul>

## Meeting Attendance

Name	02 March	19 May	01 September	28 December	Total
Ammar A. Al-Khudairy	✓	✓	✓	✓	4
Faisal O. Al-Saggaf	✓	✓	✓	✓	4
Rashed I. Sharif	✓	✓	✓	✓	4
Mohammed A. Al-Shaikh	✓	✓	✓	✓	4
Ahmed I. Al-Rabiah	✓	✓	✓	✓	4
Abdullah F. Al-Abduljabbar	✓	✓	✓	✓	4

The Board of Directors has the widest authority in managing the affairs and business of the Company within and outside of the Kingdom and their responsibilities include:

1. Establish, monitor, review and guide the strategy and policies of SNB Capital and its subsidiaries (collectively "the Group") including approving the vision, mission, and philosophy and guiding principles of the Group.
2. Approve the annual business plan and the budget as submitted by the CEO and monitor the performance including interim and annual results.
3. Approve the overall performance objectives for the Group and review progress against these objectives.
4. Approve major companywide policies and reports such as the annual report, as well as exercise oversight over the adequacy of general fiduciary risk management within the Group.
5. Monitor and manage potential conflicts of interest in respect of management, Board members and shareholders. The Board must take all reasonable steps to avoid actual, potential or perceived conflicts of interests within the Group.
6. Monitor the proper application of the corporate governance framework, and periodically review the corporate governance arrangements.
7. Satisfy itself as to the integrity of the Group's financial information and to ensure the integrity of the Group's accounting and financial reporting systems, and that appropriate systems of control are in place.
8. Ensure that appropriate risk management systems, including risk frameworks, internal control and reporting systems and compliance frameworks are in place and operating efficiently.

## Audit Committee

The Audit Committee consists of three members, all non-executive and includes two independent members. The Committee meets on a quarterly basis or more as it may deem necessary.

Name	Members
Ahmed AIDhabi	Chairperson, Non-Executive
Faisal Al-Suwaylem	Independent Member
Abdulaziz AlBabtain	Independent Member

## Responsibilities and Audit Committee Report

1. Review the effectiveness of internal controls across the Group and approve the system of internal controls over annual and interim financial reporting, including security and control over information technology across the Group.
2. Review the annual and interim financial statements, including any notes and/or disclosures before release and consider the accuracy and completeness of information and its consistency with the financial statements.
3. Oversee the work of the external auditor and approve all auditing and permitted non-audit services performed by external auditors.
4. Evaluate the internal audit and compliance functions. The Heads of Internal Audit and Compliance functions functionally report to the Chairperson of the Audit Committee
5. Have access to the Group's officers, Board members or officers of SNB Capital and its subsidiary companies, external auditors or outside counsel, including access to all relevant information, as necessary to carry out its activities.
6. Review the external auditor's management letter and management's response, any material queries raised by the external auditor to management; review the annual Compliance and AML report submitted by the Head of Compliance, together with the MLRO's Annual Report.
7. Review and approve internal audit reports and where necessary recommend to the Board the steps required to mitigate issues raised by Internal Audit.
8. Review and approve the external auditors' proposed audit scope and approach, including co-ordination of the audit effort with Internal Audit.
9. Report regularly to the Board of Directors on committee activities and issues that arise with respect to the quality and integrity of the Group's financial statements and the performance and independence of the external and internal auditors.

## Meeting Attendance

Name	27 January	21 April	01 August	25 October	Total
Ahmed AIDhabi	✓	✓	✓	✓	4
Faisal Al-Suwailem	✓	✓	✓	✓	4
Abdulaziz AlBabtain	✓	✓	✓	✓	4

The Management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by Board of Directors. The system of internal controls is based on what management considers to be appropriate for the Company's activities, to the materiality of the financials and other risks inherent in those activities and to the relative costs and benefits of implementing specific controls. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and, as such, provides reasonable, but not absolute, assurance against the material misstatement and loss. In addition, the Board of Directors has formed an Audit Committee, which periodically reviews the reports submitted by the Internal Audit (Audit reports)/external auditors (Management Letter).

Such reports also include the evaluation of the effectiveness or otherwise of the internal controls on the stipulated scope of work. In view of the above, we believe that the Company has reasonably sound and effective system of internal controls in force, both in design and implementation. During the year, there have been no material observations in respect of effectiveness of internal control system and procedures of the Company.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members who meet twice a year or more as may be deemed necessary.

Name	Members
Abdullah Al-Abduljabbar	Chairman, Independent
Mohammad AlShaikh	Non-Executive
Sakhar Al-Rubyan	Non-Executive

## Responsibilities

1. Develop the general compensation policy and framework for the Company and its subsidiaries, after due discussion with the management and refer it to the Board for approval.
2. Oversee the development and implementation of the compensation framework within the Company and its subsidiaries to ensure it is in line with various jurisdictional regulations.
3. Develop and approve the Board of Directors' and Board committees' remuneration. If the Board is compensated as part of the dividends, to recommend to the Board and then to the General Assembly for approval in accordance with the Companies Regulations.
4. Review and approve award recommendations for the SNB Capital Executive Trust.
5. Approve SNB Capital's representatives on the Board of Directors of companies and establishments, both local and overseas that are owned fully or partially by the Company.
6. Clarifies the relation between the paid remunerations and the adopted remuneration policy, and highlighting any material deviations
7. Suggests clear policies and standards for membership of the Board and the Executive Management
8. Prepares a description of the capabilities and qualifications required for membership of the Board and Executive Management positions
9. Ensures annually the independence of Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company
10. Determines the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.

## Meeting Attendance

Name	22 March	07 November	27 December	Total
Abdullah Al-Abduljabbar	✓	✓	✓	3
Mohammad AlShaikh	✓	✓	✓	3
Sakhar Al-Rubyan	✓	✓	✓	3

## Board Risk Committee

The Board Risk Committee consists of three members who meet four times a year or more as may be deemed necessary.

Name	Members
Dr. Shujaat Nadeem	Chairman, Independent
Rashed Sharif	Executive
Ramzy Darwish	Non-Executive

## Responsibilities

1. Annually review and recommend for Board approval risk management strategy, risk management policies, risk appetite and limits;
2. Review and recommend for Board approval the implementation of the enterprise risk management framework and periodic updates as and when required;
3. Annually review risk management structures and annual operating plans;
4. Quarterly review of risk management reports incorporating operational risk, liquidity risk, credit risk, capital adequacy, margin trading reports, fiduciary risk and reputational risk;
5. Annually review and recommend for Board approval the ICAAP and quarterly review of capital adequacy monitoring;
6. Review and recommend for Board approval risk framework and oversight of proprietary book management;
7. Review and recommend for Board approval the margin trading program including funding, product programs and margin risk control framework

## Meeting Attendance

Name	27 February	15 May	28 August	06 November	Total
Dr. Shujat Nadeem	✓	✓	✓	✓	4
Rashed Sharif	✓	✓	✓	✓	4
Ramzy Darwish	✓	✓	✓	✓	4

**7 . Any Interest, contractual securities and rights issue belonging to the members of the Board of Directors, the senior executives and their relatives in the shares or debt instruments of the Company or any of its affiliates, and any change in that interest, those securities or rights during the last financial year.**

The Board confirms that none of the Directors or executive management and their families own any interest, contractual securities and rights issue in any of the Company's stocks or debt instruments. The Company has a long term incentive program for its employees. Some members of the executive management are granted shares as staff compensation and for details please refer to the financial statements.

**8 . Any business or contracts in which the Capital Market Institution is a party thereto and a director, the chief executive officer, or Chief Financial Officer, or any related person has an interest therein**

The Board confirms that none of its members, the Chief Executive Officer and the Chief Financial Officer or any related person has any business or contracts to which the Company is party.

**9 . Borrowings**

The Board confirms that the Company's total borrowing from the Saudi National Bank is SAR 3,228 million for a period of maximum one year and as of 31 December 2022 the total principal amount is outstanding.

The Company has also borrowed SAR 500 million from Bank Albilad and SAR 476 million from First Abu Dhabi Bank. Both borrowings are for period of maximum one year and as of 31 December 2022 the total principal amount is outstanding.

Furthermore, the Company has issued short-term certificates at commercial market rates amounting to SAR 2,228 million and as of 31 December 2022 the total principal amount is outstanding.

10

# Related Party Transactions and Balances

# 10. Related Party Transactions and Balances

The Company has mainly related party transactions with The Saudi National Bank, Key management personnel and Funds managed by the Company and for details please refer to note 19 of the financial statements.

## A) Transactions with The Saudi National Bank (the Bank - Parent Company)

	2022	2021
<b>Transactions included in consolidated statement of profit or loss</b>		
Management and performance fee charged to the Bank	12,326	19,063
Incentive expense charged by the Bank	6,358	3,200
IT related expenses charged by the Bank	43,361	32,889
Premises related expenses charged by the Bank	5,056	5,070
Finance cost of borrowing from the Bank	71,773	9,506
Rental income charged to the Bank	5,056	5,056
<b>Balances included in consolidated statement of financial position:</b>		
Balances with the Bank	387,437	412,424
Amount due to the Bank	37,585	35,000
Bank borrowings (including accrued finance cost) (note (i) below)	3,228,215	1,122,566
i) During the year ended December 31, 2022, the Company obtained financing from The Saudi National Bank ("the Parent" or "the Bank"), at commercial market rates and is repayable in equal quarterly installments ending December 2023.		
<b>Assets held in a fiduciary capacity</b>		
Assets under management	2,971,320	3,774,490

## B) Transactions with investment funds managed by the Group

	2022	2021
<b>Transactions included in consolidated statement of profit or loss:</b>		
Management fee earned on funds managed by the Group	455,126	511,117
Performance and transaction fee earned on funds managed by the Group	18,030	5,816
<b>Balances included in consolidated statement of financial position:</b>		
Investment in funds managed by the Group (note 9)	448,625	979,853
Management and performance fee receivable from funds managed by the Group	169,101	157,243

## C) Transactions with key management personnel

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

# 11 Subsidiaries\*

# 11. Subsidiaries

Entity Name	Capital	Ownership	Objective	Domicile of Residence & Place of Business
SNB Capital Real Estate Investment Company	SAR 10,000	100%	Hold and register real estate on behalf of real estate funds	Saudi Arabia
SNB Capital Dubai Inc.	USD 2,500,000	100%	Investment management services	DIFC, Dubai
The Capital Partnership (Cayman) Holdings Limited (SPV) 1	USD 50,000	100%	Investments	Cayman Islands
ORYX Regional Private Equity Fund Company 2	BD 1,000	50%	Fund Company	Bahrain
BACO WLL 2	BD 20,000	100%	Employee Investment Scheme Programme	Bahrain
Samba Investment Real Estate Company	SAR 20,000	100%	Dealing in real estate investments	Saudi Arabia
Samba US Logistics Fund G.P.	USD 1	100%	Holding and managing principal investments	Cayman Islands
Samba US Logistics Fund L.P. 3	-	-		
SNB Capital Global Markets	USD 1	100%	Holding and managing principal investments	Cayman Islands
SNBC Funding	USD 1	100%		

1. Some subsidiaries are created by SNB Capital as Special Purpose Vehicles (SPVs) which don't have real commercial activities. Further details can be found in the Audited Financial Statements.
2. Via the holding company, SNB Capital Dubai Inc.
3. Partnership structure in which Samba US Logistics Fund G.P. is a General Partner.

12

# Results of the Annual Audit for the effectiveness of the Internal Control Procedures of the Company

## 12. Results of the Annual Audit for the effectiveness of the Internal Control Procedures of the Company

SNB Capital's Internal Audit is an independent function that assesses the Company's internal control system, recommends management on developing control solutions, and monitors the implementation of these measures.

Internal Audit is mandated through Board Audit Committee's Annual Audit plan. It encompasses annual audit reviews, special reviews, advisory engagements and constant follow-ups on issues highlighted during the audits to ensure satisfactory closure throughout the year. Internal Audit during 2022 completed and finalized the audit plan for the year, including any amendments, as approved by the audit committee. It also validated successful closure of various findings during the year.

### Opinion of the Audit Committee

Based on the periodic reports presented by the Internal Audit Division, the Compliance Division, the external auditors and the Compliance Committee to the Audit Committee during the fiscal year ended 31 December 2022, the Audit Committee confirms that the internal control measures did not show any significant gaps in the control environment of the Company's business that may affect the soundness and effectiveness of the efficiency of the financial and operational systems, controls, and procedures and that the assessment of the control measures adopted by the executive management will continue throughout the year.

13

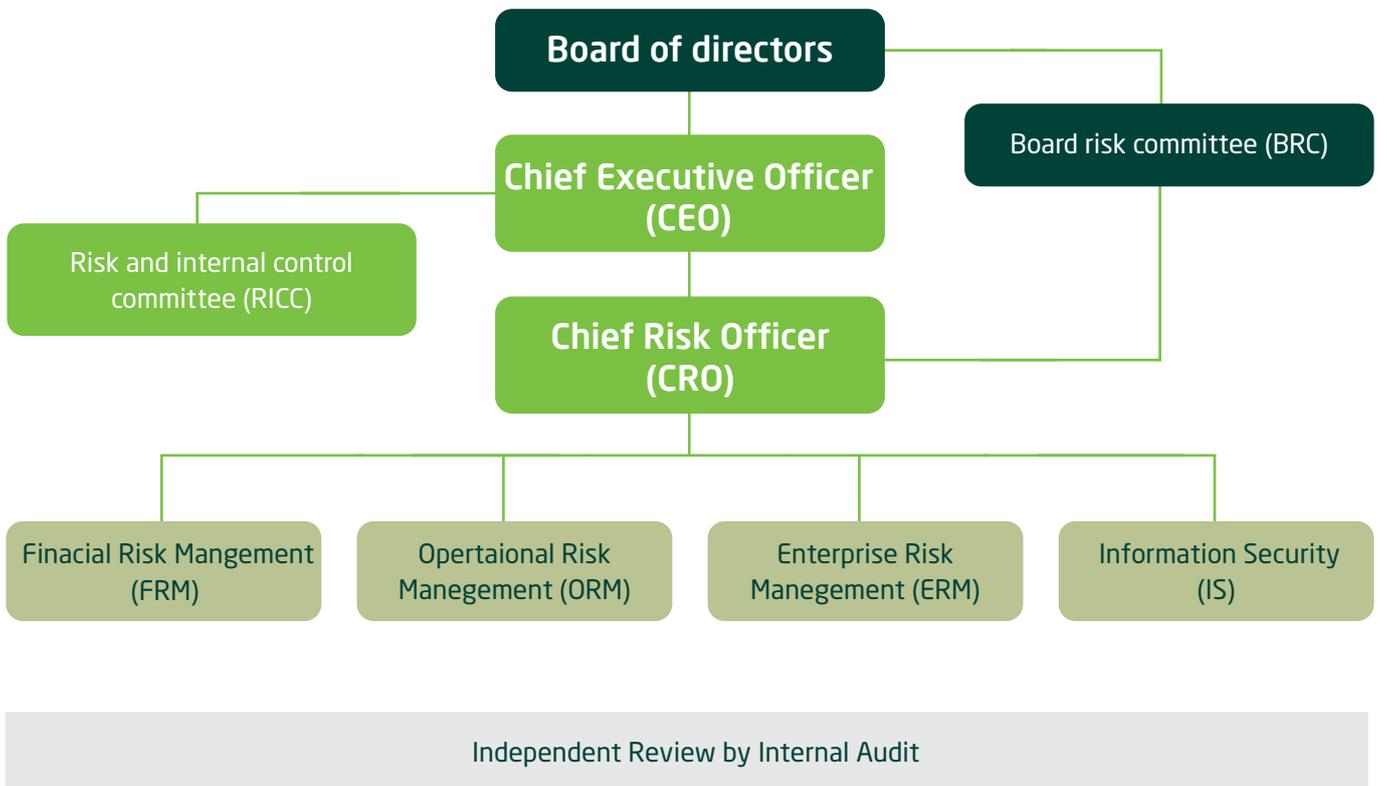
# SNB Capital Risk Management

# 13.1 SNB Capital Risk Management

Risk Management is an integral function within SNB Capital and is responsible for the design, development and implementation of Risk Management Framework (including: policies, procedures, process, and systems) that caters for the identification, assessment, mitigation, monitoring and reporting of credit, market, liquidity, operational, fiduciary, strategic, information security and emerging risks arising from the business activities across all its business lines and support functions. Risk Management helps ensure that SNB Capital's risk profile is in line with the Board approved Risk Appetite.

## Risk Governance

In recognition to the role of risk, the Company has established the following Risk Management structure:



## Risk and Internal Control Committee (“RICC”)

which supports the Chief Executive Officer (“CEO”) in the oversight of the management of operational risk within the Company including supporting implementation of a robust internal control environment covering review and governance framework for policies and procedures, business continuity risk, outsourcing risk management, information security risk, fraud and operational risk events and incidences.

## Risk Management Division (“RMD”)

which is independent of the businesses and forms the second line of defense. It provides independent oversight and ensures that at all times the Firm’s risk profile is in line with Board approved Risk Appetite. The RMD is headed by the CRO who reports to the CEO under the oversight of the BRC.

Moreover, in its quest to establish a robust risk governance, SNB Capital’s management has instituted various senior management committees to manage risks, as well as business and strategic issues that might affect the overall risk profile of the Company. The CRO is sitting in most of these critical senior management committees, making RMD a key part of the governance and decision making process within SNB Capital.

### SNB Capital’s risk governance structure is further supported by:

- **Risk Policies:** Risk policies are developed to govern the risk management practice at SNB Capital by establishing clear set of roles and responsibilities and risk management principles.
- **Standard Operating Procedures (SOPs):** In addition to the above, all SNB Capital business and support functions operate on the basis of approved SOPs which are reviewed periodically.
- **Risk Limits:** SNB Capital has defined a set of risk limits at the corporate level. These risk limits are set to monitor adherence of the actual risk profile of the Company to the Board approved Risk Appetite.

## The Board Risk Committee (“BRC”)

which assists the Board in discharging its responsibility for risk management oversight. The committee ensures risk management oversight and alignment of risk governance, risk appetite, and overall capital management. Members of the BRC are appointed by the Board. The Chief Risk Officer (“CRO”) is not a member of the BRC, but an invitee. The committee meets at a mini-mum four times in a year.

## 13.2 Risk Management

### Market Risk

SNB Capital is exposed to market risk on its proprietary investment portfolio in the form of interest rate risk, foreign exchange risk and equity price risk. On proprietary investments, the Company has an approved proprietary investment framework including board approved exposure limits to various asset classes, which limits risk exposure to the level of approved Risk Appetite. These exposure limits are monitored independently by the Risk Management Division. Further to the above, the Company has detailed risk policies on the management of market risk.

It is worth noting, that investment banking activities may give rise to market risk (as well as credit risk) in case SNB Capital is unable to fully place underwritten deals with investors. These risks are managed on a case-by-case basis and are mitigated through various arrangements including limits, capital adequacy thresholds and book building that minimize devolvement risks.

### Fiduciary Risk

Since SNB Capital offers funds management, brokerage and advisory services, the primary risk is related to adequately adhering to fiduciary mandates in managing investment funds and customer portfolios. This risk is mitigated by the implementation of specific investment processes, and monitored by reviewing the invested portfolios in comparison to their guidelines and market specifications. SNB Capital management is fully cognizant of this risk and ensures that SNB Capital adheres to its fiduciary mandate.

From a governance perspective, SNB Capital has a Fiduciary Committee in place, composed of the Heads of Wealth Management, Legal, Finance, Risk, and Compliance, which is mandated to provide oversight on delivery of the client fiduciary obligations on a firm-wide basis. Moreover, SNB Capital has a number of Fund Boards with a mandate of providing oversight on public Equity Funds, Money Market and Fixed Income Funds, and Real Estate Funds.

### Credit Risk

To manage counterparty credit risk, SNB Capital operates within the framework of approved counterparty limits for all lines of business. This includes periodic review of counterparties, brokers and investment guidelines. Credit guidelines at SNB Capital ensure that limits are approved for only those counterparties that meet the appropriate credit criteria and credit review. Essentially, credit risk mainly arises from Money Market and Multi Asset funds via Murabaha placements with highly rated banks and financial institutions. Further-more, issuer risk is also endured by these funds but at a lower concentration via the investments in Sukuk.

SNB Capital is also exposed to credit risk through its principal investment and Margin Trading (MT) activities. The former exposure, composed mainly of placements with banks, and investments in Sukuk and other Fixed Income instruments is contained by dealing with highly rated banks and by performing a thorough risk review. The latter exposure (MT) is managed through strict collateralization rules, which are in compliance with the CMA regulatory requirements, with the setup of initial, maintenance, partial liquidation and full liquidation margin thresholds of respectively 200%, 175%, 165%, and 150%. The margin-trading program is also supported by a robust risk policy and governance framework.

### Balance Sheet Investment Risks

As part of the post-merger value realization efforts, the Company established a Principal Investment function, responsible for Balance Sheet management, capital adequacy optimization and overall balance sheet deployment and funding. The initial mandate of the function has been to establish investment policy guidelines and limits for these activities under the oversight of the Management Investment Committee, Board Risk Committee and the Board. All investment activities are monitored by Risk Management and reported to the oversight bodies regularly.

## Mutual Funds

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SNB Capital manages significant volumes of client assets on both public and private funds and on discretionary and non-discretionary mandates. All SNB Capital funds are managed according to approved investment guidelines and risk exposure limits. From an investment perspective, the money market mutual funds carry a relatively low level of market risk as they consist mainly of Murabaha deposits placed with highly rated financial institutions. These are short term in nature which makes them mostly immune to changes in interest rates. The Sukuk allocation of these funds remains relatively moderate and is driven by yield and duration management purposes. Among available measures, RMD reviews and monitors a set of indicators such as the weighted average maturity of the funds, maturity distributions, exposure and concentration to issuers, groups of issuers and economic sectors.

On the other hand, equity funds, when compared to money market and fixed income funds, are exposed to market volatility through equity price risk. This risk is managed through having defined asset allocation strategies and investment guidelines for the funds.

## Liquidity Risk

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Effective liquidity risk management helps to ensure the Company's ability to meet its cash flow obligations and in maintaining diverse funding sources to support the business. Often, liquidity risk arises due to structural mismatches in the maturity pattern of assets and liabilities. SNB Capital's liquidity management strategy is characterized by the following elements:

1. Board approved exposure guidelines requiring a significant portion of the proprietary investments to be in liquid form;
2. On client fiduciary portfolios and funds, liquidity risk managed through approved liquidity guidelines, limits, instruments, restrictions on remaining maturity and weighted maturity for money market and fixed income funds;
3. Preserving the liquidity and security of cash by investing in SNB Capital's own money market funds or, alternatively, only with approved counterparties using short-term deposits or Murabahas;
4. Investment of cash in highly rated counterparties, whose credit rating and condition are actively monitored independently by the Risk Management Division;

The Company relies on internal operating cash flows and capital as the key sources of funds on a going-concern basis. Should severe liquidity scenarios materialize, reserves or intra-group facilities are available.

## Discretionary Portfolios (DPMs)

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All discretionary portfolios are managed according to the approved investment mandates and investment policy statement. Limits and restrictions on discretionary portfolios are independently monitored, on a daily basis, by RMD using automated software.

## Closed-End Funds (CEFs)

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During the course of the year, RMD performs periodic risk reviews of the Firm's CEFs and report its findings to the Fiduciary Committee and the Board Risk Committee. Part of this CEFs risk review process, RMD also monitors adherence of the CEFs to their Funds' investment guidelines and limits as per their respective Private Placement Memorandum ("PPM") documents.

## Enterprise Risk Management (ERM)

SNB Capital has an Enterprise Risk Management ("ERM") function within the Risk Management Division. The main responsibility of the function is to develop and implement an ERM framework (including policies, processes and systems) that is compliant with the CMA regulation and aligned with international best practices (e.g. COSO ERM Framework).

The department's other key responsibilities include: corporate risk profile assessment (including strategic and emerging risks), review and monitoring of the Company's Risk Appetite, preparation of capital adequacy and capital consumption reports, regular risk reporting to the Senior Management and the BRC and general management of critical risk infrastructure.

## Operational Risk

Operational Risk function is responsible for implementing the operational risk, business continuity management, policies, and standard operating procedure frameworks and ensuring that the Company is able to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions. This function implements the Company's Operational Risk Framework. Under this framework, the Company considers breakdowns in internal controls and corporate governance as the most important aspect of Operational risk as such breakdowns can lead to financial losses through error, fraud, or failure to perform in a timely manner. The Company recognizes that good management information systems (MIS), a strong internal control culture, and contingency planning are all crucial elements of effective operational risk management and takes measures to continually develop procedures and systems to support such requirements. Operational risks are reviewed continuously to update risk profiles and ensure that internal controls are proactively realigned to mitigate emerging risks. Individual line managers are responsible for identifying and assessing the operational risks of their area; this process is supported by the Chief Risk Officer.

The Company follows a structured method to identify and mitigate Operational Risk and this includes identification, quantification, and monitoring.

For low-probability high-impact insurable operating risks, the Company makes use of insurance policies and in this respect has insurance coverage under the following insurance policies:

- Professional Indemnity Insurance;
- Directors and Officers Liability Insurance;
- General Public Liability Insurance;
- Cybercrime Risk Liability Insurance;
- Bankers Blanket Bond Insurance; and
- Property All Risk Insurance.

In addition, the Operational Risk function also manages business continuity. BCM program goal is to maintain and enhance the operational resilience within SNB Capital. Various plans and procedures such as Business Continuity Plans (BCPs), Incident and Crisis Management Plan, Strategy and Solutions are in place to strengthen the resilience of SNB Capital's business. In 2022 the company initiated a comprehensive review and refresh of its BCM including revision of its Information Technology Disaster Recovery framework. The Company's BCM's framework continued to be ISO Certified (ISO 22301).

Operational Risk also manages the governance around policies and procedures. The establishment of policies and standard operating procedures governance framework which will ensure effectiveness and consistency of communication within SNB Capital, and the availability of clear, written policies and standard operating procedures that reflect current practice and community expectations assists in accountability. Further, written policies and procedures provide tangible evidence of intended practices that are consistent with SNB Capital's values.

## **Information Security**

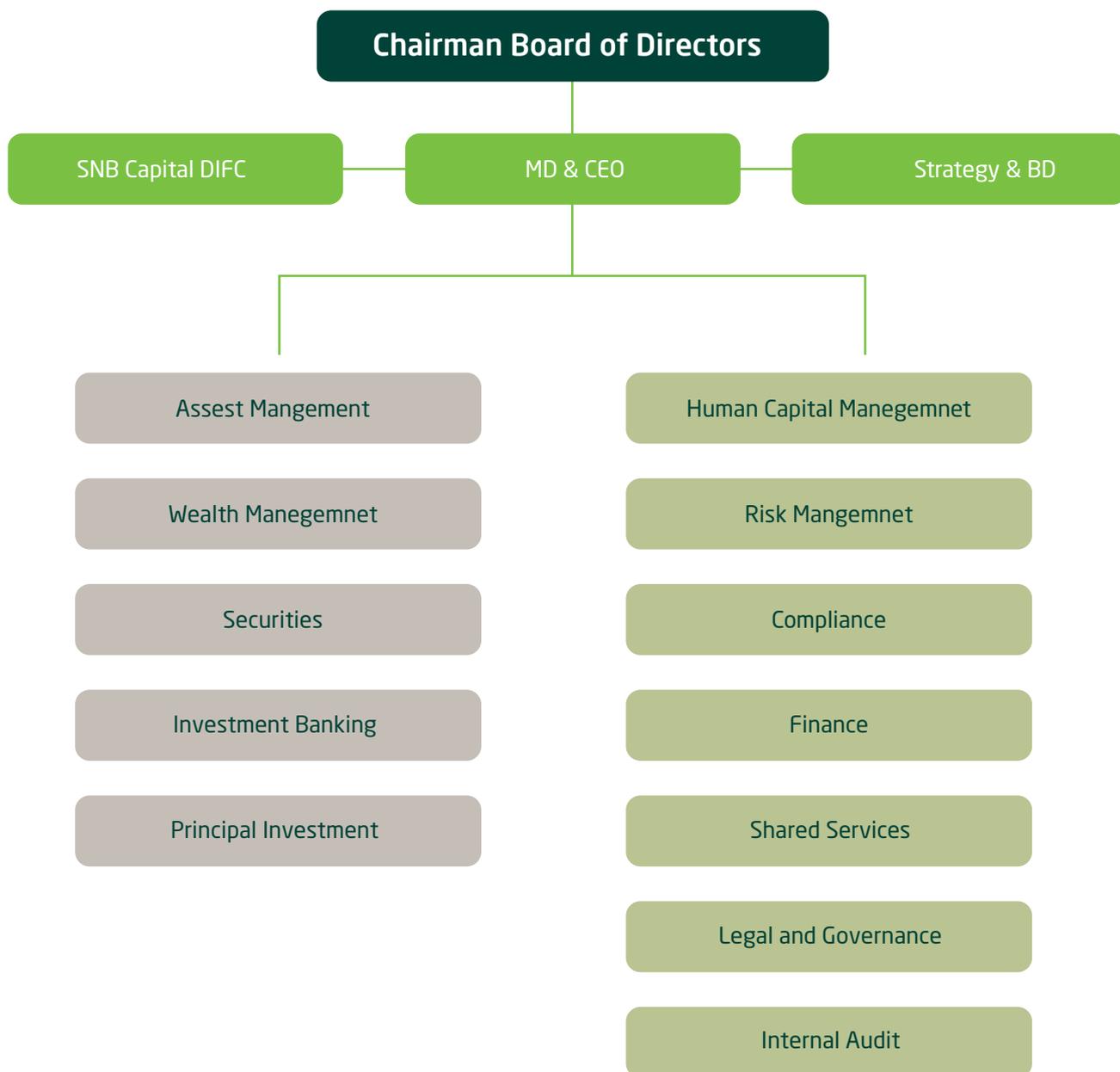
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The Firm has established an Information Security Risk function within Risk Management Division, within the framework of a Service Level Agreement (SLA) with the Saudi National Bank. Information Security refers to the provision of organizational, technical and procedural measures necessary to safeguard information assets against: unauthorized access, disclosure, duplication, denial of use, modification, diversion, loss, theft or misuse, both intentional and unintentional. All information security controls are regularly reviewed and updated.

# 14 Staff

# 14. Staff

The Company and its subsidiaries' staffing by the end of December 2022 stood at 362 employees with a nationalization rate of approximately 90%.



15

# Fines and Penalties

## 15. Fines and Penalties

In common with other multi-service financial institutions, SNB Capital is from time to time subject to regulatory and legal proceedings. Since inception, no such proceedings have been brought that, in our opinion, could have a negative impact on its ability to provide its services or discharge its obligations to the customers. In 2022, the Company was subjected to fines imposed by the Capital Market Authority amounting to SAR 1.25 million.

Details of the fines are as follows:

- An amount of SAR 1.11 million relating to Capital Market Institution Regulations Article (5) (B)(2).
- An amount of SAR 40,000 relating to Investment Account Instructions Article 16 (2) and Article 19 (3).
- An amount of SAR 100,000 relating to Article 11 (c) of the Market Conduct Regulations.

The means of remedy was in the form of enhancing / systemizing the current framework to ensure non-occurrence of violations.

16

# Appreciation

The Board of Directors takes this opportunity to express its appreciation and gratitude to the Custodian of the Two Holy Mosques

**King Salman bin Abdulaziz and His Royal Highness the Crown Prince Mohammed bin Salman.**

Appreciation and gratitude are also extended to SNB Capital's customers, correspondents, shareholders and staff for their support during the year 2022. The Board also extends its thanks to the Capital Market Authority for their support and contribution to the development of the Capital Market sector.

**May the peace, mercy and blessings of Allah be upon you.**

**Board of Directors**