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In the United Kingdom (the “UK”), this document is being distributed only to, and is directed only at persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) or high net worth entities, and other persons falling within Article 49(2)(A) to (D) of the Order (all such persons together being referred to as “**relevant persons**”). In the UK, this document must not be acted on or relied on by persons who are not relevant persons. In the UK, any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with such persons.

In member states of the European Economic Area (the “EEA”), this document and any offer of Securities described in this document when made are only addressed to and directed at persons who are “qualified investors” within the meaning of Regulation (EU) 2017 / 1129 (“**qualified investors**”).

Confirmation of your representation: In order to be eligible to view the document or make an investment decision with respect to the Securities described therein, (1) each prospective investor in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S must be outside of the United States, (2) each prospective investor in respect of the Notes being offered in the UK must be a relevant person and (3) each prospective investor in respect of the Notes being effected in the EEA must be a “qualified investor”.

By accepting this e-mail and accessing, reading or making any other use of the document, you shall be deemed to have represented to the Arrangers and Dealers (as defined in the document) that (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; and (iii) you are purchasing the Notes outside the United States in an “offshore transaction” in reliance on Regulation S under the Securities Act, and, to the extent that you purchase the securities described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including the State and District

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The document may not be distributed in the Kingdom of Saudi Arabia (the “**Kingdom**” or “**Saudi Arabia**”) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations as issued by the Board of the Capital Market Authority (the “**CMA**”) pursuant to its Resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017), as amended by its resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18 January 2023) (the “**Rules on the Offer of Securities and Continuing Obligations**”), made through a capital market institution licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 10 of the Rules on the Offer of Securities and Continuing Obligations.

The CMA does not make any representation as to the accuracy or completeness of the document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the document. Prospective purchasers of the Securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the Securities. If you do not understand the contents of the Base Offering Circular, you should consult an authorised financial adviser.

The document does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described in the document be made by a licensed broker or dealer and the Arrangers and the Dealers (as defined in the document) or any affiliate of the Arrangers or the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of the Bank, the Issuer or holders of the applicable securities in such jurisdiction.

Under no circumstances shall the document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor

in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Restriction: Nothing in this electronic transmission constitutes any offer to sell or invitation to subscribe or make commitments for or in respect of any Securities in any jurisdiction where such an offer or invitation would be unlawful. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities described therein.

None of the Arrangers, Dealers or any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Issuer, the Guarantor or the offer. The Arrangers, Dealers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Arrangers, Dealers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document and none of the Arrangers, Dealers or any of their respective affiliates accepts any responsibility for any acts or omissions of the Issuer, the Guarantor or any other person in connection with the Base Offering Circular or the Notes to be issued under the Programme.

You are responsible for protecting against viruses and other destructive items. Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



BSF Finance

(an exempted company incorporated in the Cayman Islands with limited liability and registration number 389413)

U.S.\$4,000,000,000

Medium Term Note Programme

guaranteed by

Banque Saudi Fransi

(a Saudi joint stock company incorporated with registration number 1010073368)

Under the Medium Term Note Programme described in this Base Offering Circular (the “**Programme**”), BSF Finance (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the “**Notes**”) guaranteed (the “**Guarantee**”) by Banque Saudi Fransi (the “**Guarantor**”), the “**Bank**” or “**BSF**” and, together with its subsidiaries and associates, the “**Group**”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$4,000,000,000 (or the equivalent in other currencies).

Application has been made to the London Stock Exchange plc (the “**London Stock Exchange**”) for Notes issued under the Programme during the period of 12 months from the date of this Base Offering Circular to be admitted to the London Stock Exchange’s International Securities Market (the “**ISM**”). This Base Offering Circular comprises admission particulars for the purposes of admission to trading of the Notes on the ISM. The ISM is not a regulated market situated or operating within the United Kingdom (the “**UK**”) for the purposes of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK MiFIR**”).

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the “FCA”). The London Stock Exchange has not approved or verified the contents of this Base Offering Circular.

References in this Base Offering Circular to Notes being “admitted to trading” (and all related references) shall mean that the Notes have been admitted to trading on the ISM.

This Base Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the UK which has been designated as a regulated market for the purposes of UK MiFIR and has not been approved by the FCA pursuant to the Official Listing of Securities, Offering Circular and Transparency (Amendment etc.) (EU Exit) Regulations 2019.

This Base Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the European Economic Area (the “**EEA**”) which has been designated as a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, “**MiFID II**”), and has not been approved by the competent authority in any member state of the EEA pursuant to Regulation (EU) 2017/1129.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) (the “**Conditions**”) of Notes will be set out in a pricing supplement document (the “**Pricing Supplement**”) which will be delivered to the London Stock Exchange and, with respect to Notes to be admitted to trading on the ISM, will also be published on the website of the London Stock Exchange through a regulatory information service or may be published in such other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the “**ISM Rulebook**”).

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, the Guarantor and the relevant Dealer(s). The relevant Pricing Supplement will state whether or not the relevant Notes will be listed and/or admitted to trading and, if so, on which exchange(s) the Notes are to be listed.

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form or with terms and conditions not contemplated by the Conditions, in which event a supplemental Base Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Each Series (as defined in “**Overview of the Programme – Method of Issue**”) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”), and together with each temporary Global Note, the “**Global Notes**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Global Notes and Certificates may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) (the “**Common Depositary**”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “**Summary of Provisions Relating to the Notes while in Global Form**”.

The Programme has been rated by Fitch Ratings Ltd. (“**Fitch**”) and Moody’s Investors Service Cyprus Limited (“**Moody’s**”) subject to the Pricing Supplement in respect of each issuance of Notes hereunder. Fitch has assigned Notes of a long-term senior unsecured nature the rating of A-, the Notes of a long-term (excluding government support) senior unsecured nature the rating of BBB, the Notes of a short-term senior unsecured nature the rating of F2 and the Notes of a short-term (excluding government support) senior unsecured nature the rating of F3 under the Programme. Moody’s has assigned the rating of A2 to the Programme.

Fitch is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). Fitch is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “**EU CRA Regulation**”). The rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited in accordance with the EU CRA Regulation. Fitch Ratings Ireland Limited is established in the EEA and is registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included on the list of credit rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>). Moody’s is established in the European Union and registered under the EU CRA Regulation. As such, Moody’s is included in the list of credit rating agencies published by the ESMA on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the EU CRA Regulation. Moody’s is not established in the United Kingdom and has not applied for registration under UK CRA Regulation. The ratings issued by Moody’s have been endorsed by Moody’s Investors Service Ltd in accordance with the UK CRA Regulation. Moody’s Investors Service Ltd is established in the United Kingdom and is registered in accordance with the UK CRA Regulation.

Whether or not a rating has been given in relation to any Tranche (as defined in “**Overview of the Programme – Method of Issue**”) of Notes will be disclosed in the relevant Pricing Supplement. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed “**Risk Factors**” in this Base Offering Circular.

The Notes to which this Base Offering Circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this Base Offering Circular, you should consult an authorised financial adviser.

Arrangers

Citigroup
J.P. Morgan

HSBC
Saudi Fransi Capital

Dealers

Citigroup
HSBC

J.P. Morgan
Saudi Fransi Capital

The date of this Base Offering Circular is 13 July 2023

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IMPORTANT NOTICES

This Base Offering Circular comprises programme admission particulars for the purposes of the ISM Rulebook. This Base Offering Circular does not comprise a prospectus for the purposes of either Regulation (EU) 2017/1129 or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”), and has not been approved as such by the competent authority in any member state of the EEA or by the FCA.

The Issuer and the Guarantor each accepts responsibility for the information contained in this Base Offering Circular. To the best of the knowledge of the Issuer and the Guarantor, the information contained in this Base Offering Circular is in accordance with the facts and this Base Offering Circular as completed by the relevant Pricing Supplement makes no omission likely to affect its import.

This Base Offering Circular must be read and construed together with any supplements hereto and with any information incorporated by reference herein (see “*Documents Incorporated by Reference*”) and, in relation to any Tranche of Notes which is the subject of a Pricing Supplement, must be read and construed together with the relevant Pricing Supplement. Other than in relation to the documents which are incorporated by reference herein, the information on the websites to which this Base Offering Circular refers does not form part of this Base Offering Circular and has not been scrutinised or approved by the London Stock Exchange.

Certain information in this Base Offering Circular has been extracted from industry sources and information provided by third-party sources that the Guarantor believes to be reliable (including the General Authority for Statistics (“**GASTAT**”), the Saudi Central Bank (“**SAMA**”), the Ministry of Finance, the Ministry of Economy and Planning and the International Monetary Fund (the “**IMF**”), the Organisation for Petroleum Exporting Countries (“**OPEC**”) and the Saudi Stock Exchange (“**Tadawul**”)) and, in each case, the relevant source of such information is specified where it appears under those headings. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person has been authorised to give any information or to make any representation other than those contained in this Base Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arrangers (as defined in “*Overview of the Programme*”). Neither the delivery of this Base Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Base Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Base Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

MiFID II product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each Tranche of Notes about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

No comment is made or advice given by the Issuer, the Guarantor, the Arrangers, the Dealers, or any of their respective directors, affiliates, advisers or agents, in respect of taxation matters relating to the Notes or the legality of the purchase of the Notes by an investor under applicable or similar laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER, FINANCIAL ADVISER AND BUSINESS ADVISER AS TO TAX, ZAKAT, LEGAL, FINANCIAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY NOTES.

The distribution of this Base Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Offering Circular comes are required by the Issuer, the Guarantor, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”) and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered or sold within the United States or, in the case of bearer notes, offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Offering Circular, see “*Subscription and Sale*”.

This Base Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arrangers, nor the respective affiliates of the Dealers and Arrangers, accept any responsibility for the contents of this Base Offering Circular or for any other statement made or purported to be made by an Arranger or a Dealer (and their respective affiliates) or on its behalf in connection with the Issuer, the Guarantor or the issue and offering of the Notes. Each Arranger and Dealer (and each of their respective affiliates) accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Offering Circular or any such statement. No representation or warranty is made or implied by the Arrangers or the Dealers or any of their respective affiliates, and neither the Arrangers, the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Offering Circular or any responsibility for any acts or omissions of the Issuer, the Guarantor or any other person in connection with this Base Offering Circular or the issue and

offering of any Notes under the Programme. Neither this Base Offering Circular nor any financial statements of the Issuer or the Guarantor are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arrangers or the Dealers (and their respective affiliates) that any recipient of this Base Offering Circular or any financial statements of the Issuer or the Guarantor should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers (and their respective affiliates) undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers (and their respective affiliates).

In making an investment decision, investors must rely on their own independent examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. None of the Arrangers, the Dealers or any of their respective affiliates, the Issuer or the Guarantor makes any representation to any investor regarding the legality of its investment under any applicable laws. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes may not be a suitable investment for all investors. Accordingly, each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Notes are legal investments for it; (2) the Notes can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of Notes. Financial institutions

should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

PROHIBITION ON SALES TO EEA RETAIL INVESTORS

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “IDD”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “EU PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE EU PRIIPS REGULATION.

PROHIBITION ON SALES TO UK RETAIL INVESTORS

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, ANY RETAIL INVESTOR IN THE UK. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO. 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (THE “FSMA”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT THE IDD, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO. 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

STABILISATION

In connection with the issue of any Tranche of Notes, a Dealer or Dealers (if any) appointed as the stabilisation manager(s) (the “Stabilisation Manager(s)”) (or person(s) acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilising action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment

of the relevant Tranche of Notes. Any stabilising action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

NOTICE TO RESIDENTS OF QATAR

Any Notes to be issued under the Programme will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Offering Circular has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar. The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain (“Bahrain”), Notes issued in connection with this Base Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the “CBB”) in Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Base Offering Circular does not constitute an offer of securities in Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Base Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Notes, whether directly or indirectly, to persons in Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this Base Offering Circular or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Offering Circular. No offer of Notes will be made to the public in Bahrain, and this Base Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document may not be distributed in the Kingdom except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should

conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

SAMA does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. In particular, prospective purchasers of the Notes agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Notes for any loss arising from, or incurred as a result of, the subscription of the Notes. If you do not understand the contents of this document, you should consult an authorised financial adviser.

NOTICE TO CAYMAN ISLANDS RESIDENTS

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for the Notes, and this Base Offering Circular shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Notes.

NOTICE TO RESIDENTS OF JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”). The Notes will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

NOTICE TO RESIDENTS OF SINGAPORE

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Group's financial information set forth herein has, unless otherwise indicated, been extracted, without material adjustment, from the Group's:

- unaudited interim condensed consolidated financial statements as at and for the three months ended 31 March 2023, which include comparative financial information for the three months ended 31 March 2022 (the “**Interim Financial Statements**”); and
- audited consolidated financial statements as at and for the year ended 31 December 2022, which include comparative financial information as at and for the year ended 31 December 2021 (the “**2022 Financial Statements**”). The 2022 Financial Statements and the Group's audited consolidated financial statements as at and for the year ended 31 December 2021 (the “**2021 Financial Statements**” and, together with the 2022 Financial Statements and the Interim Financial Statements, the “**Financial Statements**”),

each incorporated by reference into this Base Offering Circular.

The Interim Financial Statements were prepared in accordance with International Accounting Standard-34 Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“**SOCPA**”). The Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the 2022 Financial Statements.

The 2022 Financial Statements and the 2021 Financial Statements were prepared in compliance with International Financial Reporting Standards (“**IFRS**”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the Banking Control Law and the Regulations for Companies in the Kingdom.

The Saudi Riyal is the functional currency of the Group and the presentation currency for the Financial Statements. The Financial Statements and financial information included elsewhere in this document have, unless otherwise noted, been presented in Saudi Riyal.

Independent Auditors

The Interim Financial Statements incorporated by reference into this Base Offering Circular have been jointly reviewed by KPMG Professional Services (“**KPMG**”) and Ernst & Young Professional Services (Professional LLC) (“**EY**”) in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as endorsed in the Kingdom of Saudi Arabia.

The 2022 Financial Statements and the 2021 Financial Statements incorporated by reference into this Base Offering Circular have been jointly audited by KPMG and EY in accordance with International Standards on Auditing (“**ISAs**”) that are endorsed in the Kingdom of Saudi Arabia.

The address of KPMG is Riyadh Front - Airport Road, P.O. Box 92876, Riyadh 11663, Kingdom of Saudi Arabia and the address of EY is Al Faisaliah Office Tower, 14th Floor, King Fahad Road, P.O. Box 2732, Riyadh 11461, Kingdom of Saudi Arabia.

Sources of Financial Information

Unless otherwise indicated, the financial information included in this Base Offering Circular relating to the Group has been derived:

- in the case of the financial information as at, and for the three months ended, 31 March 2023 and 31 March 2022, from the Interim Financial Statements; and
- in the case of the financial information as at, and for the years ended, 31 December 2022 and 31 December 2021, from the 2022 Financial Statements.

Certain non-IFRS financial information

This Base Offering Circular includes selected consolidated ratios which have not been prepared in accordance with IFRS and which also constitute alternative performance measures for the purposes of the ESMA Guidelines on Alternative Performance Measures (“APMs”). These include provisions to non-performing loans ratio, non-performing loans to total loans ratio, loans to deposits ratio, SAMA loans to deposits ratio, CET1 capital adequacy ratio, Tier 1 capital adequacy ratio, total capital adequacy ratio, net interest margin, cost to income ratio, return on average assets ratio, return on average equity ratio, cost of risk ratio, liquidity coverage ratio and net stable funding ratio. APMs are not measures of financial performance under IFRS and should not be considered in isolation or as a substitute for net income, cash flows from operating activities or other financial measures of the Group’s results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group’s industry, may calculate the APMs presented differently from the Group. As all companies do not calculate these APMs in the same manner, the Group’s presentation of the APMs may not be comparable to other similarly titled APMs presented by other companies. None of the APMs are subject to any audit or review by external auditors. The APMs have been included in this Base Offering Circular because the Group considers them to be an important supplemental measure of the Group’s operating performance and financial position and the Group believes that they may be used by investors and other interested parties in the evaluation of the Group’s performance in comparison with other banking groups.

See “*Summary of the Group’s Financial Information – Key Ratios*”, “*Financial Review – Key Ratios*” and “*Financial Review – Key Performance Ratios*”.

Presentation Of Other Information

Currencies

Unless otherwise indicated, in this Base Offering Circular, all references to:

- “**riyal**”, “**SAR**” and “**SR**” are to the lawful currency of Saudi Arabia;
- “**euro**” and “**€**” are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended; and
- “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency of the United States.

Translations of amounts from riyal to U.S. dollars in this Base Offering Circular are solely for the convenience of the reader. The riyal has been pegged to the U.S. dollar since 1986 at a fixed rate of SR 3.75 = US\$1.00 and, unless otherwise stated, all conversions of riyal amounts to U.S. dollar amounts in this Base Offering Circular have been converted at this rate.

Third party and market share data

This Base Offering Circular contains information regarding the Group's business and the industry in which it operates and competes, which the Group has obtained from third party sources. The Group and other institutions operating in the banking and financial services industry in Saudi Arabia make available a wide range of financial and operational information to regulatory and market bodies, including SAMA and the CMA. These bodies use certain of the data supplied to publish statistical information, amongst other matters. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable. Where third party information has been used in this Base Offering Circular, it has been accurately reproduced and the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Base Offering Circular is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Group believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Group's knowledge of the market within which it operates, the Group cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Saudi Arabia included in this Base Offering Circular has been derived from official public sources, including GASTAT, SAMA, the Ministry of Finance, the Ministry of Economy and Planning, the IMF and OPEC. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased the Notes issued under the Programme.

Where information has not been independently sourced, it is the Group's own information.

No incorporation of website information

BSF's website is <https://www.alfransi.com.sa/english/home>. The information on this website or any other website mentioned in this Base Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Offering Circular, and investors should not rely on it.

Definitions

In this Base Offering Circular, references to:

- a **"billion"** are to a thousand million;
- the **"GCC"** are to the Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE);
- **"Government"** are to the government of the Kingdom of Saudi Arabia;
- the **"MENA region"** are to the Middle East and North Africa region; and
- **"Saudi Arabia"** or **"the Kingdom"** are to the Kingdom of Saudi Arabia.

In this Base Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

Rounding

The Financial Statements present the Group's results in thousands of riyal. Certain financial statement data in this Base Offering Circular has been expressed in millions of riyal and rounded to zero decimal places, with 0.50 being rounded up and 0.49 being rounded down. In addition, certain financial statement data in this Base Offering Circular has been expressed in billions of riyal and rounded to one decimal place, with 0.050 being rounded up and 0.049 being rounded down. As a result of such rounding, the totals of financial statement data presented in tables in this Base Offering Circular may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

In addition, all percentage data in this Base Offering Circular has been rounded to two decimal places, with 0.0050 being rounded up and 0.0049 being rounded down.

Dates

Certain dates in this Base Offering Circular have been referred to in accordance with the Hijri ("H") calendar and the Gregorian calendar.

Cautionary Statement Regarding Forward-Looking Statements

Some statements in this Base Offering Circular may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify as forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*", and "*Business Description of the Group*" and other sections of this Base Offering Circular. The Guarantor has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Guarantor believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which the Guarantor has otherwise identified in this Base Offering Circular, or if any of the Guarantor's underlying assumptions prove to be incomplete or inaccurate, the Group's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors*", "*Banking Industry in the Kingdom of Saudi Arabia*" and "*Saudi Arabian Banking Regulation and Supervision*", which include a more detailed description of the factors that might have an impact on the Group's business development and on the industry sector in which the Group operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions (and changes thereof);
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, the impact of provisions and impairments and concentration of the Guarantor's portfolio of financing and investing assets;
- the effects of, and changes in laws, regulations or governmental policy affecting the Group's business activities;
- removal or adjustment of the peg between the U.S. dollar and the Saudi riyal;

- liquidity risks, including the inability of the Group to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in interest rates and other market conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*”.

These forward-looking statements speak only as at the date of this Base Offering Circular. Without prejudice to any requirements under applicable laws, the Issuer and the Guarantor expressly disclaim any obligation or undertaking to disseminate after the date of this Base Offering Circular any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Offering Circular and, in relation to the terms and conditions of any particular Tranche, the applicable Pricing Supplement. The Issuer, the Guarantor and any relevant Dealer(s) may agree that Notes shall be issued in a form other than that contemplated in the Conditions, in which event, in the case of listed Notes only, if appropriate, a supplemental offering circular will be published.

Issuer	BSF Finance
Legal Entity Identifier of the Issuer	549300FJCGREO1P1UL36
Guarantor	Banque Saudi Fransi
Legal Entity Identifier of the Guarantor	558600N07EDF4ATYR106
Website of the Guarantor	https://www.alfransi.com.sa/english/home
Description	Guaranteed Medium Term Note Programme.
Size	Up to U.S.\$4,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arrangers	Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and Saudi Fransi Capital.
Dealers	Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and Saudi Fransi Capital.

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Offering Circular to “**Permanent Dealers**” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “**Dealers**” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent and Principal Paying Agent		Citibank, N.A., London Branch
Registrar		Citibank Europe plc
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ Series ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ Tranche ”) issued on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and	

	conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The price and amount of Notes to be issued will be determined by the Issuer, BSF and the relevant Dealer(s).
Form of Notes.....	The Notes may be issued in bearer form (“ Bearer Notes ”) or in registered form (“ Registered Notes ”) only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “ <i>Selling Restrictions</i> ” below); otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “ Global Certificates ”.
Clearing Systems	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and Principal Paying Agent and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and Principal Paying Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Specified Denomination	Notes will be issued in minimum denominations of at least €100,000 (or its equivalent in other currencies), subject to compliance with all applicable legal and/or regulatory

requirements and, unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes	<p>Floating Rate Notes (as defined in “<i>Terms and Conditions of the Notes</i>”) will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating (a) the 2006 ISDA Definitions or (b) the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), as specified in the applicable Pricing Supplement, each as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to the relevant Reference Rate, subject to adjustment according to Condition 5 (<i>Interest and other Calculations</i>). <p>Interest periods will be specified in the relevant Pricing Supplement.</p>
Zero Coupon Notes	Zero Coupon Notes (as defined in “ <i>Terms and Conditions of the Notes</i> ”) may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then-current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum

	redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders and, if so, the terms applicable to such redemption.
Guarantee.....	Payment obligations of the Issuer under the Notes will be unconditionally and irrevocably guaranteed by the Guarantor.
Issuer Maturity Par Call.....	If so specified in the applicable Pricing Supplement, the Issuer will have the option to redeem the Notes in accordance with Condition 6(e) (<i>Redemption at the Option of the Issuer – Maturity Par Call Option</i>).
Clean-Up Call Option.....	If so specified in the applicable Pricing Supplement and 75 per cent. or more of the initial aggregate principal amount of the Notes issued have been redeemed and/or purchased pursuant to Condition 6 (<i>Redemption, Purchase and Options</i>), the Issuer may, in accordance with Condition 6(f) (<i>Redemption at the Option of the Issuer – Clean Up Call Option</i>), redeem or purchase all of the remaining Notes at their principal amount, together with interest accrued to but excluding the date of such redemption.
Status of the Notes and Guarantee.....	The Notes and Guarantee will constitute direct, unconditional and (subject to the provisions of Condition 4 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and the Guarantor, respectively, and will rank <i>pari passu</i> among themselves and (save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (<i>Negative Pledge</i>)) at least equally with all other unsecured and unsubordinated obligations of the Issuer and the Guarantor, respectively, from time to time outstanding.
Negative Pledge.....	The Notes will have the benefit of a negative pledge as described in Condition 4 (<i>Negative Pledge</i>).
Cross-Acceleration	The Notes will have the benefit of a cross-acceleration provision as described in Condition 10 (<i>Events of Default</i>).
Ratings.....	The Programme has been rated by Fitch and Moody's, subject to the Pricing Supplement in each case. Fitch has assigned Notes of a long-term senior unsecured nature the rating of A-, the Notes of a long-term (excluding government support) senior unsecured nature the rating of BBB, the Notes of a short-term senior unsecured nature the rating of F2 and the Notes of a short-term (excluding government support) senior unsecured nature of F3 under the Programme. Moody's has assigned the rating of A2 to the Programme.

The rating of certain Series of the Notes to be issued under the Programme may be specified in the applicable Pricing Supplement. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not: issued by a credit rating agency established in the EEA and registered under the Regulation (EU) No. 1060/2009 on credit rating agencies, as amended (the “**EU CRA Regulation**”) unless: (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation.

Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the Regulation (EU) No. 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “**UK CRA Regulation**”) unless: or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

Early Redemption	Except as provided in “ <i>Optional Redemption</i> ”, “ <i>Issuer Maturity Par Call</i> ” and “ <i>Clean-Up Call Option</i> ” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See Condition 6 (<i>Redemption, Purchase and Options</i>).
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Cayman Islands or the Kingdom of Saudi Arabia, unless the withholding is required by law. In such event, the Issuer or the Guarantor shall (subject to the exceptions in Condition 8 (<i>Taxation</i>)) pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in Condition 8 (<i>Taxation</i>).
Governing Law	English law.
Listing and Admission to Trading	Application has been made to the London Stock Exchange for Notes to be issued under the Programme during the period of 12 months after the date hereof to be admitted to trading on the ISM. The Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between Issuer, the Guarantor and the relevant Dealer(s) in

relation to the Tranche. The relevant Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange and/or markets.

Selling Restrictions

The United States, the EEA, the UK, the Cayman Islands, Qatar, the Dubai International Financial Centre (“**DIFC**”), the United Arab Emirates (the “**UAE**”) (excluding the DIFC), the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Japan, Singapore, Hong Kong and the PRC. See “*Subscription and Sale*”.

The Issuer is Category 1 for the purposes of Regulation S under the Securities Act.

Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”)) (the “**D Rules**”) unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published shall be incorporated in, and form part of, this Base Offering Circular:

- a) the Interim Financial Statements, together with the review report thereon (an electronic copy of which is available at https://www.alfransi.com.sa/Library/Assets/Gallery/Documents/Financial_Information/2023/Financial_Statements_Q1_2023_English.pdf);
- b) the 2022 Financial Statements, together with the audit report thereon (an electronic copy of which is available at [BSF-Financial-Statements-YE-2022-English.pdf \(alfransi.com.sa\)](#));
- c) the 2021 Financial Statements, together with the audit report thereon (an electronic copy of which is available at [BSF Financial Statements YE - 2021 - English.pdf \(alfransi.com.sa\)](#)); and
- d) the terms and conditions of the Notes contained on pages 43 to 93 (inclusive) in the Base Offering Circular dated 9 June 2022 prepared by the Issuer and the Guarantor in connection with the Programme.

(together, the “**Documents Incorporated by Reference**”).

The Documents Incorporated by Reference shall be incorporated in, and form part of, this Base Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Offering Circular. Those parts of the Documents Incorporated by Reference which are not specifically incorporated by reference in this Base Offering Circular are either not relevant for prospective investors in the Notes to be issued under the Programme or the relevant information is included elsewhere in this Base Offering Circular. Any documents themselves incorporated by reference in the Documents Incorporated by Reference shall not form part of this Base Offering Circular.

Copies of the Documents Incorporated by Reference (other than the Base Offering Circular dated 9 June 2022) may be obtained (without charge) from the registered office of the Issuer or from the specified office of the Fiscal Agent during usual business hours and will be available for viewing on the Guarantor’s website at <https://www.alfransi.com.sa/english/home>. The Base Offering Circular dated 9 June 2022 is available for viewing on the website of the ISM at: <https://docs.londonstockexchange.com/sites/default/files/documents/Banque%20Saudi%20Fransi%20%244%2C000%2C000%2C000%20Medium%20Term%20Note%20Programme%20Offering%20Circular.pdf>.

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes and the Deed of Guarantee, as the case may be. In addition, factors that the Issuer and the Guarantor believe are material for the purpose of assessing the market risks associated with the Notes are described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, however, the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in respect of the Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Offering Circular and reach their own views prior to making any investment decision. Prospective investors should also consult their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances, without relying on the Issuer, the Guarantor, the Arrangers or the Dealers. Prospective investors are advised to make, and will be deemed by the Arrangers, the Dealers, the Issuer and the Guarantor to have made, their own investigations in relation to such factors before making any investment decision.

Risks relating to the Group's business – factors that may affect BSF's ability to fulfil its obligations under the Notes, the Deed of Covenant, the Deed of Guarantee and the Agency Agreement (each as defined below) (the "Transaction Documents")

The Group operates in a competitive industry

All sectors of the Saudi Arabian market for financial and banking services are highly competitive. Based on SAMA's website, there are 36 commercial banks licensed to operate in the Kingdom, of which 14 are incorporated in the Kingdom with three banks being digital banks (namely STC Bank, D360 Bank and Saudi Digital Bank) that have been recently licensed by SAMA but not yet commenced their operations. Of the remaining 22 licensed foreign banks, six are branches or subsidiaries of banks based in other GCC countries (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Bank Muscat, Qatar National Bank and First Abu Dhabi Bank), ten are international banks (namely Deutsche Bank, BNP Paribas, J.P. Morgan Chase, N.A., National Bank of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and Commercial Bank of China, MUFG Bank, Ltd., Credit Suisse Bank, Standard Chartered Bank and National Bank of Iraq) and six have been licensed but are yet to commence operations under their licences (namely Trade Bank of Iraq, Bank of China Limited, Banque Misr, National Bank of Egypt, Sohar International Bank, and Bank of Jordan). Given the growing trend towards liberalisation of the banking industry in the Kingdom, allowing the presence of both foreign banks and digital banks, and the rise of digital banking, the Group faces the prospect of a further increased competitive environment in the future.

The Saudi Arabian market is becoming increasingly competitive, and this may increase the pressure on the Group to improve the range and sophistication of the products and services it currently offers. Competition in its key areas of operation may limit the Group's ability to implement its growth strategy, increase its client base and expand its operations, and reduce or reverse its asset growth rate and profit margins on the services it provides. As a result, the Group may experience increasing margin pressure (including for example from the recently licensed digital banks who may have lower operating cost models and be capable of generating higher returns from asset growth when they commence operations) and rising operating expenses as the banking sector in the Kingdom develops, may not be able to compete effectively against its competitors or may have to incur significant additional costs as it seeks to do so. Any of the above factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is exposed to the credit risk of borrowers and other counterparties due to its financing and investment activities, which could give rise to material losses in future periods

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in a wide range of the Group's businesses, principally in its lending and investment activities. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers, customers and other counterparties of the Group, or from a general deterioration in local economic conditions, or from systemic risks within the financial system, any or all of which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of loans, securities and other credit exposures.

In particular, the Group is exposed to the risk that its borrowers / customers may not meet their obligations in respect of financing advanced by the Group and that the collateral (if any) securing the financing advanced may be insufficient, each of which could:

- affect the recoverability and value of the Group's assets;
- result in an increase in non-performing loans and advances ("NPLs"); and
- require an increase in the Group's provisions for the impairment of loans, securities and other credit exposures.

Some of the Group's borrowers have historically experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs. Some of these companies have been unable to meet their debt service obligations or other expenses as they become due, including amounts payable to the Group.

As at 31 December 2022, the Group's total loans and advances, net, NPLs and allowance for impairment losses amounted to SR 159,012 million, SR 4,170 million and SR 5,001 million, as compared with SR 147,813 million, SR 3,858 million and SR 4,733 million as at 31 December 2021. The Group's impairment charge for expected credit losses on loans and advances, net amounted to SR 1,364 million for the year ended 31 December 2022 and SR 961 million for the year ended 31 December 2021.

In addition, financial service institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis. The Group routinely executes a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers and commercial banks, resulting in significant credit concentration. As a result, the Group is exposed to counterparty risk and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. Moreover, problems at certain financial institutions in the Kingdom or in other countries could cause general market concerns over the health of financial institutions. Furthermore, these problems could lead to reduced access to liquidity and funding for financial institutions and/or decline in the value of their debt or equity instruments, possibly including the Notes, such risk being sometimes referred to as "contagion effect". In addition, many of the hedging and other risk management strategies utilised by the Group also involve transaction counterparties that are financial institutions. The weakness of these counterparties may impair the effectiveness of the Group's hedging and other risk management strategies. The "systemic risk" has further been exacerbated by the recent collapse of a number of banks worldwide, such as Credit Suisse in Europe and Silicon Valley Bank and Signature Bank in the United States. In addition, the Group has in the past witnessed an increase in payment delays and requests for restructuring and waivers of covenants, especially since the increase in systemic risks triggered by the COVID-19 pandemic. All of these factors could have a material adverse effect on the Group's ability to raise new funds

and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Security interests provided in favour of the Group may not be sufficient to cover all losses and the Group may experience difficulty in enforcing certain types of collateral

The practice of pledging assets (such as share portfolios and real estate assets) to obtain bank financing is subject to certain limitations and administrative restrictions under Saudi Arabian law. In particular, such security may, in some cases, not be enforced without a court order. Accordingly, the value of any such collateral may decrease over time while the Group seeks to enforce it, and the time and costs associated with enforcing the collateral may also adversely affect the Group's ability to recover its loan losses in full.

The Group's loans and advances, investment portfolio and customers' deposits are concentrated in the Kingdom

As at 31 December 2022, 98.98 per cent. of the Group's loans and advances, net and 86.52 per cent. of the Group's investments, net were concentrated in the Kingdom. As at 31 December 2022, the Group's customers' deposits represented 81.51 per cent. of the Group's total liabilities, with 99.89 per cent. of customers' deposits as at 31 December 2022 concentrated in the Kingdom.

Accordingly, any deterioration in general economic conditions in the Kingdom or any failure by the Group to manage its geographical risk concentrations could have a more significant adverse effect on the Group's business than on that of a more diversified bank. See – “*The Group is subject to economic and political risks in the Kingdom and emerging market countries in which it operates*” and “*The Kingdom's economy is highly dependent on its oil revenue*”.

The Group has significant customer and sector concentrations

The Group's financial condition is sensitive to volatility and downturns in the industry sectors in which its loans are concentrated.

The Group's loan portfolio is concentrated in a small number of industry sectors, including “manufacturing”, “commerce” and “services”, which together accounted for 42.78 per cent. of the Group's total loans and advances, net as at 31 December 2022. Accordingly, the Group's significant exposure to the “manufacturing”, “commerce” and “services” sectors, combined with any downturn or adverse trends in these sectors, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, as at 31 December 2022, the Group's top 20 borrowers accounted for 31.49 per cent. of the Group's total loans and advances, net.

In addition, the Group's exposure to the retail segment accounted for 23.30 per cent. of the Group's total loans and advances, net as at 31 December 2022. Any deterioration in the performance of the Kingdom's economy, stagnation or a reduction in levels of personal income, individual purchasing power and consumer confidence, either generally or specifically in respect of the banking sector, as well as any overleveraging or instability in the consumer finance market and any resulting regulatory restrictions, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and, in particular, may increase the proportion of NPLs and allowance for impairment thus adversely impacting the Group's profitability and reducing its capital. If the consumer market overheats and consumers become overleveraged and start to default due to various factors discussed above, the Group could be required to create significantly greater provisions to reflect rising credit risk and default rates on its retail finance portfolio, which could negatively affect its profit, capital generation and capital adequacy levels.

In addition, as at 31 December 2022, the Group's top 20 depositors (which comprise large Saudi Arabian corporates, Government related entities and financial institutions) accounted for 43.12 per cent. of the Group's customers' deposits. Any withdrawal or non-renewal of the Group's customers' deposits by any one or more of

its material depositors could require the Group to obtain replacement funding from other sources. No assurance can be given that such funding will be available on commercially acceptable terms or at all, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. See – *“The Group faces liquidity and funding risks”* and *“The COVID-19 pandemic has had, and may continue to have, a significant effect upon the economy of the Kingdom, which consequently may adversely affect the Group's business, financial condition and results of operations”*.

The Group has significant credit-related contingent liabilities and commitments that may lead to potential losses

As part of its normal banking business, the Group issues guarantees, letters of credit (“LCs”) and acceptances which are not accounted for on the Group's balance sheet until such time as they are actually funded or cancelled. In addition, the Group makes irrevocable commitments to advance credit to its customers. Although these commitments are contingent, they nonetheless subject the Group to both credit and liquidity risks. As at 31 December 2022 and 31 December 2021, the Group had SR 63,847 million and SR 57,470 million, respectively, in commitments and contingencies outstanding.

Although the Group anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Group may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This could result in the Group being required to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which could reduce the Group's margins and adversely impact its operating income and profitability.

The Group could be adversely affected by market risks

The Group could be adversely affected by market risks that are outside its control, including, without limitation, volatility in the benchmark interest rates, prices of securities or commodities and currency exchange rates. In particular, an increase in the benchmark interest rates generally may decrease the value of the Group's fixed-rate loans and securities and may increase the Group's funding costs. In addition, fluctuations in the benchmark interest rates may result in a pricing gap between the Group's rate-sensitive assets and liabilities. The benchmark interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as SAMA and the U.S. Federal Reserve, political factors and domestic and international economic conditions.

Changes in the interest rate levels and spreads may also affect the Group's future cash flows by adversely impacting the margin realised between the Group's lending and investment activities and its borrowing costs. Changes in debt, equity and commodity prices may also affect the values of the Group's investment and trading portfolios.

Although the Group monitors profit and cost rates with respect to its assets and liabilities and seeks to match its profit and cost rate positions, rate movements may lead to mismatches between the rates on its profit-earning assets and cost-bearing liabilities which, in turn, may adversely affect the Group's net income. The Group's funding, particularly its short-term funding (see – *“The Group faces liquidity and funding risks”*) is more exposed to changes in market conditions. If the Group's cost of funding increases and it is not able to pass the increased costs on to all or a significant portion of its existing financing customers in a timely manner or at all due to market, competitive or other conditions, this could have a material adverse effect on its business, results of operations, financial condition or prospects.

All of the above risks may be further exacerbated by the persisting global macroeconomic challenges, including increased benchmark interest rates and elevated inflation. The U.S. Federal Reserve raised U.S. overnight interest rates by 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in each of June

2022, July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in February 2023. Tracking these hikes, SAMA increased both its repo rate and its reverse repo rate by 25 basis points in March 2022, 50 basis points in each of May 2022 and June 2022, 75 basis points in each of July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023 and May 2023. Further announcements from central banks across the world could be forthcoming and it is unclear what impact these measures will ultimately have on their respective economies. Accordingly, aggressive or unexpected monetary policy tightening by the U.S. Federal Reserve could shock the markets, adversely affecting asset prices and ultimately economic growth. Furthermore, many of the world's economies are experiencing elevated inflation, which is expected to remain as such for longer than previously forecast. According to the IMF, inflation for 2022 is projected at 5.7 per cent. in advanced economies and 8.7 per cent. in emerging market and developing economies. However, as with the growth outlook, considerable uncertainty surrounds these inflation projections. Various factors have contributed to shaping the inflation outlook, including the Russia-Ukraine conflict, which caused increases to energy prices (as discussed above) and food prices (due to disruptions in the supply of commodities such as wheat, corn and fertilisers). In addition, while demand grew rapidly in 2021, various bottlenecks held back supply, including outbreak-induced factory closures, restrictions at ports, congested shipping lanes, container shortfalls and worker shortages because of quarantines. Although supply bottlenecks are generally anticipated to ease as production responds to higher prices, the Russia-Ukraine conflict and widespread sanctions on Russian persons, entities and institutions are likely to prolong disruptions in some sectors into 2023. Prolonged inflation could affect the wider global economy (by, for example, causing prompt broad-based selling in long-duration, fixed-rate debt, which could have negative implications for equity and real estate markets) and the Group's customers and counterparties (leading to lower recoverability), which, in turn, could have an adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is also exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that the Group may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Group attempts to match the currencies of its assets and liabilities and any open currency position is maintained within the limits set by SAMA. However, where the Group is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect the Group against such risks.

Adverse movements in interest and foreign exchange rates may also adversely impact the revenues and financial condition of the Group's depositors, borrowers / customers and other counterparties which, in turn, may impact the Group's deposit base and the quality of its credit exposures to certain borrowers / customers and other counterparties. While the Group's market risk positions are monitored using various indicators such as value at risk, stress testing and sensitivity analyses which are subject to internal and regulatory limits, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future volatility in interest rate or currency exchange rates or from a significant change in the prices of its securities.

The Group faces liquidity and funding risks

The Group, like other commercial banks in the Kingdom and elsewhere, is exposed to liquidity risk due to the maturity mismatches between its assets and liabilities. If the Group's cash flow from its operations is not sufficient to meet its short and medium-term contractual and contingent payment obligations when they fall due, it could experience liquidity issues, even if it continues to receive new customers' deposits and proceeds from new financings or future revenue streams. Such liquidity mismatches could also arise if there is an unexpected outflow of customers' deposits, if there is a material decline in the value of the Group's liquid securities portfolio or if the Group is unable to secure short-term funding or sell assets to bridge any such

funding gap. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, customers' deposits from Government institutions or short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide experienced a severe reduction in liquidity in the final quarter of 2008 and the first half of 2009. Since then, financial institutions have continued to experience periods of reduced liquidity.

The Group meets a significant portion of its funding requirements through short-term funding sources, primarily in the form of customers' deposits. As at 31 December 2022, customers' deposits accounted for 81.51 per cent. of the Group's total liabilities. As at 31 December 2022, demand deposits represented 57.86 per cent. of the Group's customers' deposits. In the event of any downturn in confidence in the Group or the banking sector in the Kingdom more generally, the Group's customers could seek to withdraw their deposits or decide not to roll over their deposits on maturity and consequently the Group may not have the necessary funds to meet its liabilities as they fall due, which will have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group's deposits are geographically concentrated and the Group is reliant on deposits from a limited group of customers. See – *“The Group has significant customer and sector concentrations”* and *“The Group's loans and advances, investment portfolio and customers' deposits are concentrated in the Kingdom”*.

The Group's risk management policies, systems and procedures may leave it exposed to unidentified or unanticipated risks

There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up to date or properly evaluated in all cases. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant losses as a result of unidentified credit, liquidity, market or operational risks, should they occur.

Although the Group invests substantial time and effort in its risk management systems and believes it has implemented the appropriate policies, systems and procedures to control and mitigate these risks, its risk management techniques may not be consistently implemented or fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Investors should note that any failure by the Group to identify and/or adequately control these risks, including as a result of any failure to successfully implement new risk management policies, systems and procedures in the future, may have a material adverse effect on the Group's reputation, business, results of operations, financial condition or prospects.

The Group is subject to operational risk inherent in banking activities

The Group is subject to the risk of incurring losses or undue costs due to the inadequacy or failure of internal processes or systems or human error, or from errors made during the execution or performance of operations, clerical or record-keeping errors, business disruptions (caused by various factors such as software or hardware failures and communication breakdowns), failure to execute outsourced activities, criminal activities (including

credit fraud and electronic crimes), unauthorised transactions, robbery and damage to assets. The financial services industry is exposed to the risk of misconduct by employees, which could involve, among other things, the improper use or disclosure of confidential information, violation of laws and regulations concerning financial abuse and money laundering, or embezzlement and fraud, any of which could result in regulatory sanctions or fines, as well as serious reputational or financial harm for the Group. For instance, in November 2017, SAMA imposed a fine of SR 85,839,500 on BSF for violations of governance and supervisory regulations in connection with its employee incentive programme (the “**Incentive Programme**”) and requested, among other things, that BSF improve its internal controls systems and governance structures. Under the Incentive Programme, incentive payments were made without proper authorisation to now-former BSF employees in the period from 2012 to 2017. These payments were adequately provisioned against in the relevant financial statements of BSF. In response to SAMA’s enforcement action, BSF has significantly improved its internal controls systems and governance structures, terminated the employment of the relevant employees and taken legal action against them to recover the amounts paid to them without the prior authorisation under the Incentive Programme.

Although the management team believes the Group’s risk management policies and procedures are adequate and that the Group is currently in compliance in all material respects with all laws, standards and recommendations applicable to it, any failure of the Group’s risk management system to detect unidentified or unanticipated risks, or to correct operational risks, or any failure of third parties to adequately perform key outsourced activities, such as card processing and the transportation of cash, could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects. See – “*The Group’s risk management policies, systems and procedures may leave it exposed to unidentified or unanticipated risks*”.

The Group is dependent on its ICT systems and any disruption to these systems could materially disrupt the Group’s business

As a financial services organisation, the Group is exposed to a variety of operational risks including those arising from process error, fraud, systems failure and any failure to ensure adequate levels of security and physical protection, customer services, staff skills and performance, and product development and maintenance. The materialisation of any such risk may have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

The Group depends on its ICT infrastructure to process transactions on an accurate and timely basis, and to store and process substantially all of the Group’s business and operating data. The proper functioning of the Group’s financial control, risk management, credit analysis and reporting, accounting, customer service and other ICT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group’s business and its ability to compete effectively. Further, the Group is implementing a “Core Banking System” in a phased manner to streamline its technology architecture and create contemporary technology capability for future needs. The Group’s business activities would be materially disrupted if there were to be a partial or complete failure of any of the ICT systems or communications networks or a failure to successfully implement the Core Banking System. Such failures can be caused by a variety of factors, including natural disasters, extended power outages, computer viruses and malicious acts, as well as inadequate change management processes for existing and new systems. The proper functioning of the Group’s ICT systems also depends on accurate and reliable data and other system input, which are subject to human error. Any failure or delay in recording or processing the Group’s transaction data could subject it to claims for losses and regulatory fines and penalties.

The Group has set up a disaster recovery data centre (housing back-up ICT operations and data storage systems) for use in the event of a catastrophe or failure of its primary data centre and ICT infrastructure. However, there can be no assurance that these safeguards will be fully effective in all circumstances and any failure could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

The Group's business is dependent on its ICT systems which are subject to potential cyber-attack

Technology, information and cyber security risks continue to impact financial institutions and other businesses across the globe, with the threats increasing in both volume and sophistication. The attack surface continues to expand significantly with the increasing trend of digitalisation. The Group is working with various third parties as part of its digital transformation initiatives and as such, the Group could be adversely affected by a security breach or information breach suffered by such third parties. Additionally, remote working arrangements prompted by the pandemic, the movement of information to cloud environments and the emergence of Internet of things (IoT) technologies has increased the need to invest in order to deal with the ever-changing cyber threat landscape whilst protecting the Group's data, information, technology and networks and ensuring the comprehensive and continuous management of cyber threats. Potential cyber risk encompasses loss of availability of banking services, disruption to business and technology services and critical data breaches including unauthorised access to personal and financial data. While the Group continuously invests in cybersecurity initiatives to stay ahead of the changing threat landscape, any failures could expose the Group to unplanned downtime and lost business, reputational risk, and financial losses including from regulatory penalties.

The Group is subject to litigation risk

In the ordinary course of its business, as a participant in the financial services industry, the Group may pursue litigation claims against third parties and may face litigation claims and/or regulatory proceedings filed against it. Any such litigation could result in substantial costs and diversion of management attention and resources. As at 31 December 2022, there were 102 legal proceedings outstanding against BSF, as referred to in Note 21(a) to the 2022 Financial Statements. The outcome of these outstanding claims is inherently uncertain and an unfavourable resolution of one or more material claims could result in the Group's costs not being recovered or in damages being assessed against the Group, which may not be covered by insurance. Any failure by the Group to identify and adequately control any legal and/or regulatory risk may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

BSF and certain of its subsidiaries are highly regulated entities and changes to, or to the interpretation or enforcement of, applicable laws or regulations, or the failure to comply with such laws or regulations could have an adverse impact on the Group's business

BSF and certain of its subsidiaries are subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of financial institutions, ensure their compliance with economic, social and other objectives and limit their exposure to risk. For example, the Law on the Treatment of Systemically Important Financial Institutions, issued pursuant to Royal Decree No. M/38 dated 25/04/1442H (corresponding to 10 December 2020) which came into effect in June 2021 (the "**SIFI Law**") provides for SAMA to determine whether a financial institution such as BSF should be deemed to be systemically important. BSF has been determined by SAMA to be a domestically systemically important bank ("**D-SIB**"). The objectives of the SIFI Law include the protection of the financial system and sector in the Kingdom and minimising dependence on government support by instead utilising the resources of the relevant financial institution in case of financial distress of such financial institution. The SIFI Law gives the relevant regulator (SAMA and the CMA) the right to undertake certain protective measures to safeguard the financial system, such as the ability to amend, reduce, cancel or convert into equity the rights of bondholders or sukukholders of the relevant financial institution, which may include the Noteholders.

These laws, regulations and other rules may limit the activities of the Group and increase its cost of doing business. Changes in these laws and regulations (such as those pursuant to Basel III and proposed amendments thereto published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in December 2017 (such amendments being commonly referred as "**Basel IV**")) and the manner in which they are interpreted or enforced may affect the Group's reserves, revenue and performance and may have a material adverse effect on

the Group's business, results of operations, financial condition or prospects. In particular, the implementation of Basel IV on 1 January 2023 is expected to result in increased risk-weighting for certain of the Group's exposures to unrated financial institutions and project finance transactions as well as certain off-balance sheet exposures. In addition, the revised approach to assessing market risk proposed by Basel IV might further increase the Group's risk-weighted assets. All of these factors could have a negative effect on the Group's regulatory capital position, which, in turn, may limit the Group's ability to exercise its strategy. In addition, a breach of regulatory guidelines could expose the Group to potential liabilities, sanctions and reputational damage. Although the Group works closely with its regulators and, in particular, continually monitors compliance with SAMA and CMA regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

In addition, in order to carry out and expand its businesses, it is necessary for the Group to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired. There is also increased international scrutiny of banks operating in all markets, including the Kingdom, in connection with sanctions, anti-money laundering ("AML"), anti-terrorist financing and other regulations, some of which are international in their operation. These laws and regulations require the Group, amongst other things, to adopt and enforce "know your customer" ("KYC") policies and procedures and to report suspicious and large transactions as part of their AML requirements to the applicable regulatory authorities. The Group has adopted KYC and AML policies and procedures and reviews them regularly in light of regulatory and market developments. The Group's ability to comply with all such applicable laws and rules is driven by the robustness of its information and communications technology ("ICT"), compliance, audit and reporting systems and procedures, as well as its ability to attract and retain qualified compliance and risk management personnel. In the event of actual or alleged compliance breaches, the Group may become subject to investigation and judicial or administrative proceedings, which could result in penalties or lawsuits (including by customers) for damages, the loss of its ability to do business in the international banking market or in specific jurisdictions, the loss of its banking licence or material damage to its reputation, each of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may face difficulties raising capital

In order for the Group to fund its growth strategy and enter into new lines of business, it will be required to expand its base of operations while continuing to meet regulatory capital adequacy requirements.

As at 31 December 2022, the Group's tier 1 capital adequacy ratio (calculated according to Basel III standards for Pillar 1) was 18.90 per cent. and its total capital adequacy ratio was 19.92 per cent. The Group has been designated as a D-SIB with an additional common equity tier 1 D-SIB surcharge of 0.5 per cent. Accordingly, the Group's total minimum Pillar 1-based capital requirement as at 31 December 2022 was 11.08 per cent., which also included a capital conservation buffer of 2.5 per cent. and a countercyclical capital buffer of 0.078 per cent.

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under Basel III and Basel IV, capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions which, in turn, may have a material adverse effect on the Group. In addition, a shortage of available capital might restrict the Group's opportunities for expansion.

A variety of factors affect the Group's capital adequacy levels. For example, a significant increase in lending in 2023 and beyond would likely reduce the Group's capital adequacy ratios and any losses experienced by it in future periods would have a similar effect. In addition, regulatory requirements in relation to the calculation and required levels of capital adequacy may change from time to time, including as a result of new guidelines issued by the Basel Committee. The Group may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

If the Group requires additional capital in the future, there can be no assurance that it will be able to obtain such capital on favourable terms, in a timely manner or at all. Moreover, should the Group's capital ratios fall close to regulatory minimum levels or its own internal minimum levels, the Group may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Group is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group could be adversely affected if it fails to manage its growth properly

The Group has experienced significant growth in many of its business segments in recent years. The Group intends to continue its growth in order to meet its strategic objectives, although whether this can be achieved is largely dependent on the performance of the Saudi Arabian economy and, in particular, the price of oil. See – “*The Kingdom's economy is highly dependent on its oil revenue*”. The management of the Group's growth will require, among other things, continued development of its financial and information management control systems, the ability to integrate new products and services, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistency in customer services. If the Group fails to manage its growth properly, such failure may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's continued success depends on its ability to attract key management and qualified personnel

The Group's success will depend, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel, including foreign and Saudi Arabian nationals. Although the Group attempts to structure its compensation packages appropriately in order to attract and retain experienced personnel, there is significant competition in the Saudi banking industry for personnel with relevant expertise due to the disproportionately limited number of available and/or qualified individuals relative to the high level of demand. In addition, the Group is not insured against loss that may be incurred as a result of the departure of any of its key personnel. The loss of certain members of the Group's senior management team or any significant number of its mid-level managers and skilled professionals, or their counterparts within the Group's subsidiaries and associates, may result in a loss of organisational focus, poor execution of operations and corporate strategy or an inability to identify and execute potential strategic initiatives.

In addition, the Government has introduced a number of initiatives which require private sector entities to employ a certain proportion of nationals of the Kingdom among their employees (a measure known as “**Saudisation**”). As of the date of this Base Offering Circular, BSF's Saudisation level is 91.29 per cent., and BSF strives to encourage and increase the employment of young nationals of the Kingdom. However, if further changes are implemented to the Government's Saudisation policies, such changes may adversely affect the Group's ability to recruit foreign employees in the future. The Group's failure to manage its personnel needs successfully could have a material adverse effect on its business, financial condition, results of operations or prospects.

The Group is exposed to reputational risks related to its operations and its reputation may be adversely affected if any of its Islamic finance products are deemed to be non-Shari'a compliant

The Group depends on the trust and confidence of its customers to succeed in its business. The Group is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Group's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has advanced financing or in which it has invested. For example, if one of the Group's financing counterparties becomes associated with financial scandals or widely publicised improper behaviour, the Group's own reputation may be affected. The Group is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Group or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Group's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Group.

The Group currently offers a range of Islamic finance products. All of these products are reviewed and approved by BSF's Shariah Committee. In doing so, each member of BSF's Shariah Committee must employ his interpretative efforts in accordance with methodological rules and/or principles of Islamic jurisprudence. While various Islamic schools of thought agree on the general methodology and the basic principles of interpretation, they may disagree on particular rules. If any issues are called into question relating to the extent of the *Shari'a* compliance of Board-approved products offered by the Group, the Group's reputation could be negatively affected which may in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

A downgrade of BSF's credit ratings could adversely affect BSF's ability to access the debt capital markets and may increase its borrowing costs

BSF's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining BSF's cost of borrowings. The profit rates of BSF's borrowings are partly dependent on its credit ratings. As of the date of this Base Offering Circular, BSF's long-term corporate ratings were "A-" with a "stable outlook" by S&P, "A-" with a "stable outlook" by Fitch and "A2" with a "positive outlook" by Moody's.

There can be no assurance that any of BSF's ratings will remain the same in the future. Any actual or anticipated changes in the BSF's credit ratings may affect the market value of the Notes. A downgrade of BSF's credit ratings (or a negative change of outlook) may increase its cost of borrowing and may also limit its or its subsidiaries' or associates' ability to raise capital and funding, each of which could adversely affect its business, results of operations, financial condition and prospects.

The COVID-19 pandemic has had, and may continue to have, a significant effect upon the economy of the Kingdom, which consequently may adversely affect the Group's business, financial condition and results of operations

The outbreak of the coronavirus disease ("COVID-19"), which emerged in late 2019, subsequently spread globally and, in March 2020, was declared by the World Health Organisation to be a global pandemic. The COVID-19 pandemic has since caused significant volatility in global financial markets and impacted economic activity worldwide. Since March 2020, there has been a sharp decrease in the global economic growth rate and business activities as a result of measures adopted by the governments around the world, including the Kingdom, to mitigate the impact of the COVID-19 pandemic. These measures significantly reduced economic activity in the first half of 2020 before rebounding later in the year and in 2021. With successive waves of the COVID-19 strain since then, countries have re-opened and then reintroduced many restrictions. Such restrictions may, particularly if new more transmissible and/or virulent variants are identified, be reintroduced

with more severe conditions than those experienced to date and the ongoing and longer term social, economic, and political consequences of COVID-19 on global and regional economies are still largely uncertain. Any resulting decrease in business activities and a decrease in household income as a result of the COVID-19 outbreak and related restrictive measures may result in a significant decrease in demand for banking products, as well as decrease in the quality of the Group's loan portfolio.

A number of central banks and governments have announced financial stimulus packages in anticipation of a significant negative impact on local economies. The Government introduced, amongst other things, a SR 50 billion stimulus package for the private sector and support for the deferral of SME loans.

COVID-19 also adversely affected the economic and financial condition of some of the Group's customers and the quality of the Group's loan portfolio. Principally in response to the impact of COVID-19, the Group increased its impairment charge for expected credit losses, net in the year ended 31 December 2020 compared with the year ended 31 December 2019. The Group's impairment charge for expected credit losses on loans and advances, net for the years ended 31 December 2022 and 31 December 2021 amounted to SR 1,364 million and SR 961 million, respectively.

In its April 2021 World Economic Outlook Growth Projections, the IMF estimated that global real GDP in the Kingdom had declined by 3.3 per cent. in 2020 and that real GDP in the Kingdom had declined by 4.1 per cent. Under IFRS 9, GDP and other key macroeconomic factors are taken into consideration when calculating the Group's expected credit losses ("ECL"). A worsening macroeconomic environment may result in increased ECL allowances which, in turn, may have a material adverse effect on the Group's business, financial position, results of operations and prospects.

The COVID-19 pandemic and its effects may last for an extended period of time, and could, particularly if new more transmissible and/or virulent variants are identified, result in significant and continued market volatility, exchange trading suspensions and closures, declines in global financial markets, higher default rates, and a substantial economic downturn or recession. Any or all of the foregoing factors could impair the Group's ability to maintain operational standards and may disrupt the operations of the Group's clients and service providers, adversely affect the value and liquidity of the Group's investments, and negatively impact the Group's performance and any investment in the Notes. The extent to which COVID-19 will affect the Group's business will depend on future developments, which are highly uncertain and cannot be predicted.

Should the COVID-19 outbreak continue to cause disruption to economic activity globally going forward, there could be an adverse impact on the Group's financial assets. There could be a further adverse impact on the Group's income due to lower lending and transaction volumes and potentially higher credit losses. Other potential risks include credit rating migration which could negatively impact the Group's risk-weighted assets and capital position, and potential liquidity stress due, among other factors, to increased customer drawdowns, notwithstanding the significant initiatives that governments and central banks have put in place to support funding and liquidity.

In the event the COVID-19 outbreak causes further disruption in the future, the Group's business, financial condition, results of operations, liquidity and prospects are likely to be negatively affected.

Risks relating to the Economic/Political/Regulatory Environment in the Kingdom

The Group is subject to economic and political risks in the Kingdom and emerging market countries in which it operates

The Group has all of its operations, and the majority of its assets, in the Kingdom, and accordingly, its business may be affected by the financial, political and general economic conditions prevailing from time to time in the Kingdom and/or the Middle East generally.

Like other countries in the Middle East, the Kingdom could be affected by political and social unrest in the region. In particular, since early 2011, there has been on-going political unrest in a range of countries in the MENA region, including Egypt, Algeria, Libya, Bahrain, Yemen, Syria, Tunisia, Kuwait, Lebanon, Jordan, Iraq and Oman.

In June 2017, a number of MENA countries, including the Kingdom, the United Arab Emirates, the Kingdom of Bahrain and Egypt, severed diplomatic relations with the State of Qatar, citing its alleged support for terrorism and accusing the State of Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and the imposition of trade and travel bans. The three-year embargo came to an end in January 2021 with diplomatic relations with the State of Qatar being reinstated following the signing of the Al Ula Agreement by the United Arab Emirates, the Kingdom, the State of Qatar, the Kingdom of Bahrain, Kuwait, Oman and Egypt. As part of the Al-Ula Declaration, the parties committed to the attempt to terminate all complaints and disputes between themselves by the end of the first year from the signing of the agreement. Bahrain re-opened its airspace to Qatar as of 11 January 2021.

In addition, the Kingdom has experienced occasional terrorist attacks and other disturbances in recent years, including incidents in Jeddah, Medina and Qatif in July 2016, oil tanker sabotage and drone strikes on a crude oil pipeline in May 2019 and a major act of sabotage at its Abqaiq processing facility and the Khurais oil field in September 2019. On 23 November 2020, an explosion took place as a result of a terrorist attack by a projectile, causing a fire in a fuel tank at a Saudi Aramco petroleum products distribution terminal in the north of Jeddah. In December 2021, two people were killed in Jizan in a projectile attack blamed on Yemen's Al-Houthi rebels. In March 2022, Saudi Aramco Group's refineries in Riyadh and Yasref and petroleum products distribution terminals in Jeddah and Jizan regions were attacked. See also – "*The Kingdom's economy is highly dependent on its oil revenue*". While the political situation in the Kingdom has remained stable, the Government faces a number of challenges, arising mainly from the relatively high levels of population growth and unemployment amongst Saudi Arabian youth and the security threat posed by certain groups of extremists.

More generally, since 2011, the prospect of a nuclear Iran has been at the centre of international geopolitical discourse. The comprehensive agreement between the UN Security Council's five permanent members plus Germany and Iran that was reached on July 2015 (the "**Joint Comprehensive Plan of Action**") provides for relief from international (mainly United States and EU) economic sanctions in return for a reduction by Iran in its nuclear capabilities, and supervision by the International Atomic Energy Agency (the "**IAEA**"). After the IAEA confirmed that Iran had met the relevant requirements of the Joint Comprehensive Plan of Action, certain economic sanctions were lifted on 16 January 2016 with a view to improving Iran's standing in the international community. However, certain other sanctions remain in place and the United States imposed certain additional sanctions on Iran in July 2017 relating to Iran's ballistic missile programme, human rights matters, arms sales and Iran's Revolutionary Guard Corps. On 8 May 2018, the United States announced its withdrawal from the Joint Comprehensive Plan of Action, reinstating U.S. sanctions on the Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries from May 2019. Since May 2019, a number of incidents in and around the Gulf have occurred, including the alleged seizure of three oil tankers by Iran. On 2 January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, Iran launched missiles at a U.S. base in Iraq. In the fourth quarter of 2020, prior to the inauguration of his presidency, U.S. President Joe Biden stated that the United States may re-join the Joint Comprehensive Plan of Action and lift the reinstated sanctions should Iran return to strict compliance with the terms of the Joint Comprehensive Plan of Action. On 3 December 2020, Iran announced that it would not accept these preconditions over its nuclear programme and that the United States must return to the position previously agreed under the Joint Comprehensive Plan of Action before further negotiation between the parties could take place. On 4 January 2021, the IAEA reported that Iran had begun retaliating against the continuing U.S. sanctions by resuming the process of enriching uranium to 20 per cent. purity, which can be used to create nuclear weapons, in breach of

the Joint Comprehensive Plan of Action. Any continuation or increase in international or regional tensions regarding Iran, including further attacks on or seizures of oil tankers which disrupts international trade and any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including with respect to the Kingdom and, in particular, its ability to export oil and maintain its security more generally.

If any of these risks materialise, it will have a material adverse effect on the Saudi economy which could in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Kingdom's economy is highly dependent on its oil revenue

The Kingdom's economy is highly dependent upon oil revenue. As at 31 December 2021, the Kingdom had approximately 17.3 per cent. of proven global crude oil reserves (according to OPEC Annual Statistical Bulletin 2022) which generated approximately 29.7 per cent. of its nominal GDP in 2021 according to GASTAT.

As oil is the Kingdom's most important export, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, GDP, Government revenues, balance of payments and foreign trade. International oil prices have been volatile in the past three years, with the monthly OPEC Reference Basket price reaching U.S.\$70.78 in April 2019, decreasing sharply to U.S.\$17.66 in April 2020 amid the COVID-19 global pandemic and recovering to U.S.\$82.11 in October 2021. In March 2022, the average price of the OPEC Reference Basket price was U.S.\$113.48 per barrel. Monthly average OPEC Reference Basket prices exceeded U.S.\$100 for most of 2022 due to greater demand forecasts and geopolitical tensions around the full-scale Russia-Ukraine conflict which commenced in late February 2022. The monthly price per barrel of Arabian Light Crude Oil (which is one of the five grades of crude oil produced by the Kingdom and constitutes part of the OPEC Reference Basket) has also moved in line with these trends. In March 2023, the average of the OPEC Reference Basket price was U.S.\$78.45.

On 14 September 2019, the Abqaiq processing facility and the Khurais oil field in the Kingdom were damaged in a major act of sabotage. This resulted in the temporary interruption of the Kingdom's production by an estimated 5.7 million barrels of crude oil per day, 2.0 billion cubic feet of associated gas, 1.3 billion cubic feet of dry gas, 500 million cubic feet of ethane and 0.5 million barrels of gas liquids. In March 2022, Saudi Aramco Group's refineries in Riyadh and Yasref and petroleum products distribution terminals in Jeddah and Jizan region were attacked. The attack has been reported to have increased the oil prices of Brent crude to U.S.\$120 per barrel. Such acts of sabotage (or any prolonged period of reduced production following any other incident relating to critical oil and gas infrastructure) may have a significant impact on global oil and gas prices or demand and any corresponding impact on the Kingdom's hydrocarbon exports, Government revenues and the Kingdom's economy as a whole. See – *“The Group is subject to economic and political risks in the Kingdom and emerging market countries in which it operates”*.

On 9 April and 12 April 2020, a series of meetings took place between OPEC and non-OPEC oil producing countries participating in the Declaration of Cooperation, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022 (the **“OPEC Agreement”**). According to the OPEC Agreement, during an initial two-month period beginning on 1 May 2020, production should have been reduced by a total of 9.70 million barrels per day, followed by a six-month period starting on 1 July 2020 when production had to be reduced by a total of 7.68 million barrels per day and followed by a subsequent 16-month period between 1 January 2021 and 30 April 2022 when production should be reduced by a total of 5.76 million barrels per day. On 18 July 2021, the 19th OPEC and non-OPEC Ministerial Meeting (the **“OPEC and non-OPEC Meeting”**) decided to extend the OPEC Agreement until 31 December 2022 and adjust upward their overall production by 0.4 mb/d on a monthly basis starting August 2021 until phasing out the 5.8 mb/d production adjustment. On 1 March 2022, the Kingdom reaffirmed its commitment to the OPEC Agreement despite widening sanctions on Russia. On 5 October 2022, the 33rd OPEC and non-OPEC Meeting decided to

extend the OPEC Agreement until 31 December 2023 and adjust downward the overall production by 2 mb/d from the August 2022 required production levels, starting in November 2022. The 34th OPEC and non-OPEC Meeting in December 2022 and the 48th the Joint Ministerial Monitoring Committee of OPEC in April 2023 reaffirmed the decision of the previous OPEC and non-OPEC Meetings. In addition, a number of OPEC and non-OPEC countries announced a voluntary downward production adjustment in April 2023. The 35th OPEC and non-OPEC Meeting in June 2023 decided to adjust downward the overall production to 40.46 mb/d, starting from 1 January 2024 until 31 December 2024. The next market assessment is scheduled to take place in November 2023. There can however be no assurance that the OPEC Agreement will continue to be implemented by all relevant parties or that it will achieve its stated goals or what effect it will have on global oil prices in the short to medium term.

Further factors that may affect the price of oil include, but are not limited to:

- regional and global economic and political developments, including the Russia-Ukraine conflict and international response measures;
- maintenance of the sanctions regimes relating to Venezuela and Iran;
- general economic and political developments in oil-producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil-producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil-producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels;
- the impact of COVID-19 or other pandemics; and
- global weather and environmental conditions.

Low oil prices and low demand for oil may have a material adverse effect on the Kingdom's economy and revenues, and may ultimately cause an increase in the budget deficit and a decrease in liquidity and funding in the financial sector. The Kingdom has financed past budget deficits by borrowing and utilising its reserves and it may need to do so again. Any reduction in foreign exchange reserves and/or additional borrowing could result in foreign exchange outflows and have a tightening effect on liquidity and credit expansion which may not be mitigated by any adjustments in Government spending aimed at offsetting the adverse effects of any of the foregoing. Any such significant adverse effect on the Kingdom's economy could, in turn, have an adverse effect on the Group's business, financial condition, results of operations or prospects.

There can be no assurance that the Government's efforts to diversify the Kingdom's economy will be successful and such efforts may have undesirable effects

While the oil sector accounts for a significant portion of the Kingdom's economy (see – “*The Kingdom's economy is highly dependent on its oil revenue*” above), in recent years the Government has invested heavily in diversifying the Kingdom's economy to reduce its reliance on oil revenues. The Government has in recent years announced various measures aimed at, among other things, achieving increased diversification of the Kingdom's economy. Such measures include the National Transformation Program 2020, which envisages, among other things, the transformation of the Kingdom's healthcare sector, further development of the

Kingdom's infrastructure, including through the construction of sea water desalination plants, expansion of digital transformation, development of the tourism sector and other initiatives aimed at achieving Saudi Vision 2030.

Through Saudi Vision 2030, the Government is seeking to implement far-reaching reforms of the Kingdom's economy and society. Some of the measures envisaged include greater participation of Saudi citizens in the private sector, a decrease in certain subsidies historically available to the fuel and energy sectors, as well as the imposition of new taxes and administrative fees. The implementation of these and other similar measures may be a lengthy and complex process, and there can be no assurance that these measures will not have unexpected or undesirable consequences in the Kingdom.

There can be no assurance that the increased contribution of the non-oil sector to the Kingdom's economy will continue in the future or that the non-oil sector will continue to grow at a sufficient extent to achieve effective and adequate diversification of the economy. Furthermore, there can be no assurance that the Government will be able to successfully implement Saudi Vision 2030, and/or the subset of Vision Realization Programs (a series of programmes which aim to achieve the strategic objectives of Saudi Vision 2030) in their current form, or that their implementation will be in line with the timelines originally set out. Any amendment to the scope or timing of the implementation of the objectives of Saudi Vision 2030 and/or the subset of Vision Realization Programs, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent. Additionally, to the extent that a prolonged or further decline in oil prices has an adverse impact on the Government's revenues, this may in turn adversely impact the Government's ability to invest in the diversification of the Kingdom's economy. A failure to diversify the Kingdom's economy may result in the economy remaining susceptible to the risks associated with the oil sector. Any material deterioration in the Kingdom's economic and financial condition would be likely to also negatively affect its banking sector and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Investing in emerging markets generally involves a higher degree of risk

Investors should be aware that investments in emerging markets such as the Kingdom involve a higher degree of risk than investments in more developed markets, including risks such as higher volatility, limited liquidity and changes in the legal, economic and political environment. The Kingdom's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. In addition, as a result of "contagion", the Kingdom could be adversely affected by negative economic or financial developments in other emerging market countries, which could in turn adversely affect the trading price of the Notes.

Specific emerging markets country risks that may have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects include, among other things:

- political, social and economic instability, riots, insurrection or other forms of civil disturbance or violence;
- war, terrorism, invasion, rebellion, malicious acts or revolution;
- government actions or interventions, including expropriation or nationalisation of assets, increased protectionism, the introduction of tariffs or subsidies;
- changing fiscal and tax regimes;
- arbitrary or inconsistent government action, including capricious application of tax laws and selective tax audits;
- changes to laws and regulations or their interpretation or enforcement;

- difficulties and delays in obtaining requisite governmental licences, permits or approvals or renewing existing ones;
- cancellation, nullification or unenforceability of contractual rights; and
- under-developed industrial and economic infrastructure.

In addition, changes in investment policies or shifts in the prevailing political or economic climate in any of the countries in which the Group operates or seeks to operate could result in the introduction of increased government regulations with respect to, among other things:

- price controls;
- export and import controls;
- zakat, income and other taxes;
- customs and immigration;
- foreign ownership restrictions;
- foreign exchange, currency and capital controls; and
- labour and welfare benefit policies.

In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Notes, will not be affected negatively by events elsewhere, especially in the emerging markets. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must determine for themselves whether, in light of those risks, an investment in the Notes is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

A slowdown in the economies of the Kingdom's key trading partners could adversely affect the Kingdom's economy

The Kingdom has strong trading relationships with many countries, particularly major oil-importing economies such as China, the United States, Japan, South Korea, India and a number of states of the European Union. To the extent that there is a slowdown in the economies of any of these countries, this may have a negative impact on the Kingdom's foreign trade and balance of payments, which could have a material adverse effect on the Kingdom's economic and financial condition.

Any sustained market and economic downturn or geopolitical uncertainties in the United States, China or any of the Kingdom's other key trading partners may exacerbate the risks relating to the Kingdom's trade with those countries which, in turn, may have a negative impact on the Kingdom's foreign trade and balance of payments. In particular, demand for crude oil and, consequently, the price of crude oil may be adversely affected and this may have a material adverse effect on the Kingdom's economic and financial condition.

Any material deterioration in the Kingdom's economic and financial condition would be likely to also negatively affect its banking sector and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Kingdom and other GCC legal systems continue to develop and this may create an uncertain environment for investment and business activity

The Kingdom and many of the other GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as

well as formal regulations and laws may not be applied consistently. The courts, judicial committees and adjudicatory bodies in the Kingdom (the “**KSA Courts**”) have a wide discretion as to how laws and regulations are applied to a particular set of circumstances. There is no doctrine of binding precedent in the KSA Courts, decisions of the KSA Courts are not routinely published and there is no comprehensive up-to-date reporting of judicial decisions. Bankruptcy procedures also remain largely untested. In some circumstances, it may not be possible to obtain the legal remedies provided under KSA Law in a timely manner. As a result of these and other factors, the outcome of any legal disputes in the Kingdom may be uncertain.

As the legal environment remains subject to continuous development, investors in the Kingdom and the GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in the Kingdom and the GCC may have a material adverse effect on the rights of Noteholders or the investments that the Group has made or may make in the future which may in turn have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

The Kingdom’s banking regulatory environment is continually evolving and may change in a manner that is adverse to the Group

BSF falls under the supervision of SAMA, which regulates the banking sector in the Kingdom. BSF operates in compliance with SAMA rules, regulations and guidelines, which from time to time may be amended in accordance with economic and political developments in the country. SAMA operates to a standard expected of international regulators and generally follows the recommendations of the Basel Committee. The Group’s business could be directly affected by future changes to the Kingdom’s banking regulatory policies, laws and regulations, such as those affecting the extent to which the Group can engage in specific businesses, as well as changes to other governmental policies. The Group cannot provide any assurance that such changes will not adversely affect the Group’s business, financial condition, results of operations or prospects nor that it will be able to adapt to all such changes on a timely basis. Failure to comply with the rules, regulations and guidelines of SAMA could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

There is uncertainty regarding the future development of the Kingdom’s banking sector

The growth rate of the Kingdom’s banking sector may not be as high and sustainable as it has been in previous years. While it is expected that the banking sector will expand and its number of customers may increase with the growth of the Kingdom’s economy, population and demographic changes and potential legal and other reforms, the impact on the Kingdom’s banking sector of certain trends and events, such as the pace of economic growth in the Kingdom, is currently not clear. The significant decline in oil prices has exerted fiscal and economic pressures on the Kingdom’s economy and, in turn, the Kingdom’s private sector, including the banking sector. The challenging operating environment may result in a reduction in deposits and/or a rise in the levels of non-performing loans while limiting loan growth. Lending opportunities may diminish with higher levels of sovereign debt issuance. Net income may also decrease due to the increase in total operating expenses on account of higher impairment charges. Credit conditions for the banks may deteriorate leading to increased non-performing loans, credit losses and a decline in profitability. Any slowdown in the growth and development of the banking sector will have an adverse impact on the Group’s own growth and, in turn, on its business, financial condition, results of operations or prospects.

Any alteration to, or abolition of, the foreign exchange “peg” of the Saudi Riyal or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the Saudi Riyal or other such currencies

The Group maintains its accounts and reports its results in Saudi Riyals. The Saudi Riyal has been pegged to the U.S. dollar since 1986 and remains pegged as at the date of this Base Offering Circular. In addition, the following oil-producing GCC countries have their currencies pegged to the U.S. dollar as at the date of this

Base Offering Circular: the State of Qatar; the United Arab Emirates; the Sultanate of Oman; and the Kingdom of Bahrain. From time to time, oil-producing countries with currencies that have been traditionally pegged to the U.S. dollar have faced pressure to de-peg and, in certain cases, have de-pegged their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the Azerbaijani manat peg against the U.S. dollar.

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a devaluation against the U.S. dollar immediately post-removal of the peg. While it continues to be the policy of the Government and SAMA to maintain the currency peg at its existing level, there can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government's reserve assets, will not lead the Government to reconsider its exchange rate policy.

Any such de-pegging or re-evaluation to the current exchange rate either in the Kingdom or across the wider region, particularly if such de-pegging or re-evaluation is accompanied by a significant depreciation of the relevant currency against the U.S. dollar or other major currencies, could contribute to higher inflation, increase the burden of servicing external debt and damage investor confidence, resulting in capital outflows and market volatility, each of which could have a material adverse effect on the Kingdom's economic and financial condition and, in turn, on the Group's business, financial condition, results of operations or prospects.

The statistical data contained in this Base Offering Circular should be treated with caution by prospective investors

Statistics contained in this document, including in relation to GDP, money supply, inflation and indebtedness of the Government, have been obtained from, amongst other sources, GASTAT, SAMA, the Ministry of Finance, the Ministry of Economy and Planning and OPEC. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by other sources and may be different from statistics published by third parties, reflecting the fact that the underlying assumptions and methodology may vary from source to source. There may also be material variances between preliminary, estimated or projected statistics included in this Base Offering Circular and actual results, and between statistics included in this Base Offering Circular and corresponding data previously published by or on behalf of the bodies listed above. Consequently, the statistical data contained in this Base Offering Circular should be treated with caution by prospective investors.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer (or the Guarantor, if the Guarantee has been called) would be obliged to increase the amounts payable in respect of any Notes due to any change of law in the Cayman Islands (in the case of payment by the Issuer) or the Kingdom of Saudi Arabia (in the case of payment by the Guarantor), effective on or after the date on which agreement is reached to issue the first tranche of the Notes, which results in withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Saudi Arabia or the Cayman Islands or any political subdivision thereof or any authority therein or thereof having

power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. See Condition 6(c) for further details.

In addition, if in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks related to Notes which are linked to "benchmarks"

Reference rates and indices, including interest rate benchmarks, such as the Euro Interbank Offered Rate ("EURIBOR"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), are the subject of national, international and other regulatory guidance and proposals for reform. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes (other than those that reference SOFR Benchmark or SONIA Benchmark (each as defined in "*Terms and Conditions of the Notes*")) is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where

such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

The Conditions provide for certain fallback arrangements if a Benchmark Event (as defined in the Conditions) occurs. Benchmark Events include (amongst other events) (i) the permanent discontinuation of an Original Reference Rate and (ii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is (or will be deemed by such supervisor to be) no longer representative of its relevant underlying market. If a Benchmark Event occurs and Screen Rate Determination applies (whether or not the relevant Floating Rate Notes reference SOFR or SONIA), the Issuer or the Guarantor, as the case may be, shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate, despite the continued availability of the Original Reference Rate in the case of (ii) above. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest is likely to result in Notes initially linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form. In addition, the market (if any) for Notes linked to any such Successor Rate or Alternative Rate may be less liquid than the market for Notes linked to the Original Reference Rate. Prospective investors should note that an Independent Adviser appointed pursuant to the Conditions shall, in the absence of bad faith or fraud have no liability whatsoever to the Issuer, the Guarantor, the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to the Conditions.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Conditions provide that the Issuer or the Guarantor (as applicable) may vary the Agency Agreement and the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate. The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks and/or supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the spread, formula or methodology which the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, or (iii) if the Independent Adviser determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be.

Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form. The choice of a replacement Benchmark is uncertain and could result in the use of risk-free rates such as SOFR or SONIA (see – “*The market continues to develop in relation to risk-free rates (including SONIA and SOFR) as a reference rate for Floating Rate Notes*” below) and/or in the replacement Benchmark being unavailable or indeterminable.

The Issuer or the Guarantor, as the case may be, may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions.

Where the Issuer or the Guarantor (as applicable) is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable to determine a Successor Rate or Alternative Rate before the date which is 10 business days prior to the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer or the Guarantor, as the case may be, has been unable to appoint an Independent Adviser or, the Independent Adviser has failed, to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply to the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, is likely to result in Notes linked to or referencing the relevant Benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant Benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer or the Guarantor, as the case may be, is unable to appoint an Independent Adviser or the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Floating Rate Notes, in effect, becoming Fixed Rate Notes.

In the case of Floating Rate Notes which reference SOFR where Condition 5(j)(2) (*Benchmark Discontinuation (SOFR)*) is specified as applicable in the relevant Pricing Supplement, where the Issuer, the Guarantor, or their respective designees determine that a Benchmark Event and its related Benchmark Replacement Date have occurred, a Benchmark replacement as determined in accordance with Condition 5(j)(2) (*Benchmark Discontinuation (SOFR)*) will replace the then-current Benchmark for all purposes relating to such Notes. Such Benchmark replacement may result in the Notes behaving differently (which may include payment of a lower Rate of Interest).

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions or the 2021 ISDA Definitions. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the

Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

Terms and expressions used but not defined in this risk factor have the respective meanings given to them in the Conditions.

The market continues to develop in relation to risk-free rates (including SONIA and SOFR) as a reference rate for Floating Rate Notes

Investors should be aware that the international debt capital markets continue to develop in relation to SOFR and SONIA as reference rates in the capital markets and their adoption as alternatives to the relevant interbank offered rates. In particular, market participants and relevant working groups are exploring alternative reference rates, including term reference rates (which seek to measure the market's forward expectation of an average rate over a designated term).

Furthermore, SONIA and SOFR reference rates are based on 'overnight rates'. Overnight rates differ from interbank offered rates, such as EURIBOR, in a number of material respects, including (without limitation) that such rates are backwards-looking, risk-free overnight rates, whereas EURIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that overnight rates may behave materially differently as interest reference rates for Notes issued under the Programme compared with interbank offered rates.

The future performance of SOFR and SONIA is impossible to predict. The level of SOFR or SONIA over the term of Floating Rate Notes may bear little or no relation to the historical level of SOFR or SONIA. Prior observed patterns, if any, in the behaviour of market variables, such as correlations, may change in the future. While some pre-publication hypothetical performance data has been published by the Federal Reserve Bank of New York (the "**Federal Reserve**") for SOFR, such data inherently involves assumptions, estimates and approximations. As such, no future performance of risk-free rates or Floating Rate Notes linked to or which reference a risk-free rate may be inferred from any of the hypothetical or actual historical performance data. In addition, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

In addition, the market or a significant part thereof may adopt an application of SOFR or SONIA that differs significantly from that set out in the Conditions. The Issuer may also in the future issue securities referencing SOFR, SONIA or SONIA Compounded Index that differ materially in respect of interest determination when compared with any Notes referencing a risk-free-rate issued by it under the Conditions. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time. As SOFR and SONIA are published and calculated by third parties based on data received from other sources, the Issuer and BSF have no control over its determination, calculation or publication. There can be no guarantee that SOFR or SONIA will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Notes linked to or which reference a SOFR or SONIA rate (or that any applicable benchmark fallback provisions provided for in the Conditions will provide a rate which is economically equivalent for Noteholders). None of the Federal Reserve, in respect of SOFR, or the Bank of England, in respect of SONIA, has any obligation to consider the interests of Noteholders in calculating, adjusting, converting, revising or discontinuing SOFR or SONIA, as applicable. If the manner in which a risk-free rate is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading price of such Notes. Further, the Rate of Interest payable on Floating Rate Notes which reference a risk-free rate is only capable of being determined at the end of the relevant Interest

Period and shortly prior to the relevant Interest Payment Date. It may therefore be difficult for investors in Floating Rate Notes which reference a risk-free rate to reliably estimate the amount of interest which will be payable on such Notes. Further, in contrast to EURIBOR-based Notes, if Notes referencing a risk-free rate become due and payable as a result of an Event of Default under Condition 10 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall only be determined on the date on which the Notes become due and payable and shall not be reset thereafter.

Investors should also be aware that the manner of adoption or application of SOFR or SONIA as a reference rate in the international debt capital markets may differ materially compared with the application and adoption of SOFR or SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR or SONIA as a reference rate across these markets may impact any hedging or financial other arrangements which they may put in place in connection with any acquisition, holding or disposal of Floating Rate Notes linked to or which reference a risk-free rate.

Since risk-free rates are relatively new market indices (publication of SOFR having only commenced on 3 April 2018) and continue to develop (for example, on 2 March 2020, the Federal Reserve Bank of New York, as administrator of SOFR, began publishing the SOFR Compounded Index and on 3 August 2020, the Bank of England, as the administrator of SONIA, began publishing the SONIA Compounded Index), Floating Rate Notes linked to or which reference a risk-free rate may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities linked to or which reference a risk-free rate may evolve over time and, as a result, trading prices of such Notes may be lower than those of Notes that are linked to or which reference a risk-free rate that are issued later. Further, if a risk-free rate does not prove to be widely used in securities like the Notes, the trading price of Floating Rate Notes linked to or which reference a risk-free rate may be lower than those of Notes linked to or which reference indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Investors should note that interest on Notes linked to or which reference a risk-free rate will be calculated and paid in accordance with the detailed provisions of the Conditions and the applicable Pricing Supplement. In particular (i) where the Interest Determination Date in respect of an Interest Accrual Period falls before the end of that Interest Accrual Period, the interest payable in respect of that Interest Accrual Period will not reflect any increase (or decrease) in the relevant underlying daily risk-free rate after that Interest Determination Date and (ii) if SOFR Payment Delay is specified in the applicable Pricing Supplement as the relevant Compound SOFR Average, interest will be paid after the end of the Interest Accrual Period for which it has been calculated (for each Interest Accrual Period other than the final Interest Accrual Period).

Investors should consider these matters when making their investment decision with respect to any Floating Rate Notes linked to or which reference a risk-free rate.

Terms and expressions used but not defined in this risk factor have the respective meanings given to them in the Conditions.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes.

Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes, the Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to the, where applicable, common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuers and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes, but will have to rely upon their rights under the Deed of Covenant.

Risks Related to Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions (as defined in the Agency Agreement) on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer or the Guarantor (as the case may be) will be entitled to rely upon:

- (i) where the terms of the resolution proposed by the Issuer or the Guarantor (as the case may be) have been notified to the Noteholders through the relevant clearing system(s), approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed: (a) consent or instructions given in writing directly to the Issuer or the Guarantor (as the case may be) by accountholders in the clearing systems with entitlements to such global note or certificate; and/or (b) where the accountholders hold such entitlement on behalf of another person, written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer or the Guarantor shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above;

Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. A Written Resolution or an Electronic Consent (as described below) may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that (i) the Issuer may, without the consent of Noteholders, agree to the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 11 (*Meetings of Noteholders and Modifications*) and (ii) the Issuer or the Guarantor (as the case may be) may, in consultation with an Independent Adviser (as defined in the Conditions), vary the Conditions to ensure the proper operation of a Successor Rate or Alternative Rate (each as defined in the Conditions) to be used in place of the EURIBOR or any other Benchmark (as defined below) without any requirement for consent or approval of Noteholders (see “*Risks related to Notes which are linked to “benchmarks”*”).

Change of law

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes nor whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

Change of tax law

Statements in this Base Offering Circular concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in legislation or in practice in a relevant jurisdiction could adversely impact (i) the ability of the Issuer and/or the Guarantor to service the Notes and (ii) the market value of the Notes.

Appointment of Dealers as Calculation Agents

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes. In such a case, the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Risks relating to enforcement

There are uncertainties around the choice of English law as the governing law of the Notes and agreements and around enforcing arbitral awards in the Kingdom

The payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary to bring an action against the Guarantor to enforce its obligations under the Guarantee and/or against the Issuer or the Guarantor to claim damages, as appropriate, which may be costly and time consuming.

The Deed of Guarantee and the Notes are expressed to be governed by English law, and provide for the resolution of disputes through arbitration in London under the LCIA Arbitration Rules. BSF is a Saudi Arabian company and is incorporated in and has its operations and the majority of its assets located in Saudi Arabia.

The Kingdom is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”). Any foreign arbitral award, including an LCIA award, should therefore be enforceable in the Kingdom in accordance with the terms of the New York Convention, subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Enforcement Departments of the General Courts. Under the New York Convention, the Kingdom has an obligation to recognise and enforce foreign arbitral awards unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Saudi Arabian court finds that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public order of the Kingdom. In addition, the Enforcement Departments of the General Courts (the “**Enforcement Courts**”) may decline to enforce foreign arbitral awards if the requirements of enforcing foreign arbitral awards are not met. These requirements include that: (a) the arbitral award does not conflict with public order in the Kingdom; (b) there is reciprocity in the enforcement of arbitral awards between the courts of the Kingdom and the country in which the award was made; (c) the courts of the Kingdom do not have exclusive jurisdiction over the dispute and the foreign arbitral award has been issued in accordance with the jurisdictional rules of the country in which such award was made; (d) the respective parties to the dispute were present, duly represented and able to defend themselves; (e) the award was final in accordance with the rules of the court; and (f) the award does not conflict with any ruling or order issued by a court of competent jurisdiction on the same matter in the Kingdom. In addition, even if such requirements were met, Noteholders should also be aware that if any terms of the Notes or the agreements (including any provisions relating to the payment of interest) were found to be inconsistent with *Shari’a*, such portions of an award may not be enforced by the Enforcement Courts.

The courts and judicial committees of the Kingdom may not recognise the choice of English law and may elect to apply the laws of the Kingdom instead. Accordingly, in any proceedings relating to the Notes in Saudi Arabia, *Shari’a*, as interpreted in Saudi Arabia, may be applied by the relevant court or judicial committee. The courts and judicial committees of the Kingdom have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of *Shari’a*.

In addition to the above, courts in the Kingdom, with certain exceptions, may not enforce a foreign judgment without re-examining the merits of the claim. Moreover, provisions of foreign law which are deemed contrary to public policy, order or morals in the Kingdom (including *Shari’a* law and principles), or to any mandatory law of, or applicable in, Saudi Arabia, are unlikely to be enforceable in the Kingdom.

The arbitration clause may not be upheld by a Saudi Arabian judicial body

The arbitration clause in relation to the Notes may not be upheld by a Saudi Arabian court. Under Saudi Arabian law, a court may only finally determine the appropriate adjudicating forum for the dispute, notwithstanding the contractual election of the parties to the agreement. There is therefore a risk that other courts or judicial committees will have jurisdiction to hear relevant disputes. Any provision in an agreement that purports to preclude any party from invoking the jurisdiction of a particular Saudi Arabian court or judicial committee where the parties have referred a dispute to any other Saudi Arabian court or judicial committee may not be enforceable. However, the Arbitration Law issued by Royal Decree No M/34, dated 24/5/1433 AH (corresponding to 16 April 2012) provides that a Saudi Arabian court must dismiss a claim if the defendant raises an arbitration agreement as its first defence in the case.

The payment of interest may not be permitted under the laws of Saudi Arabia

Contractual obligations governing the payment of interest may not be enforceable under Saudi Arabian law. The legal regime in the Kingdom governing transactions such as the issuance of the Notes includes *Shari'a* principles which are often expressed in general terms, providing Saudi Arabian courts and adjudicatory bodies with considerable discretion as to how to apply such principles. Under *Shari'a* principles as applied in the Kingdom, the charging and payment of interest, which is deemed to constitute unlawful gain (*riba*), is prohibited. Consequently, a court or adjudicatory body in the Kingdom applying a strict interpretation of *Shari'a* may not enforce any provision in an agreement for the payment of, whether directly or indirectly, or the bearing of the cost of any amount based upon interest (including amounts deemed by the adjudicatory bodies in Saudi Arabia to be in the nature of interest, such as charging a “commission” or a “late payment”). Although the Notes and the Transaction Documents are governed by the laws of England, there can be no assurance that the provisions in the Notes and the Transaction Documents relating to the payment of interest will be held enforceable by the adjudicatory bodies of Saudi Arabia in the event that such adjudicatory bodies were to apply the laws of Saudi Arabia to any proceedings before them relating to a dispute or enforcement of a judgment or arbitral award delivered by a foreign court or arbitral tribunal.

Courts and judicial committees in Saudi Arabia may not give effect to certain types of indemnities

Prospective Noteholders should note that should any provision of the Notes or the Deed of Guarantee be construed by a court or judicial committee in the Kingdom to be an agreement or undertaking by a party to pay indemnities or damages that are greater than a genuine estimate of actual direct loss incurred, a Saudi Arabian adjudicatory body may decline to enforce such provision. Further, any indemnity provided by BSF pursuant to the Notes or the Deed of Guarantee or in relation to any Series may not be enforceable under the laws and regulations of Saudi Arabia in certain circumstances. As such, Noteholders may ultimately not be able to recover damages from the Guarantor under the Notes or the Deed of Guarantee that are greater than a genuine estimate of actual and direct loss incurred.

A court may not grant an order for specific performance

In the event that BSF fails to perform its obligations under the Deed of Guarantee, the potential remedies available to the Noteholders include (i) obtaining an order for specific performance of BSF's obligations, or (ii) a claim for damages. There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in Saudi Arabia. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Noteholders to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award in the event of a failure by BSF to perform its obligations set out in the Notes. Damages for loss of profits, consequential damages or other speculative damages are not awarded in the Kingdom by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded. Therefore, prospective investors should note that, if damages are awarded, they may receive less than they would have if an order for specific performance had been granted.

Limitations on the Enforcement of the Guarantee in respect of the Notes

Under Saudi Arabian law there is no distinction between a guarantee as a secondary obligation and an indemnity as a primary obligation, and it is likely that a court or judicial committee in the Kingdom would treat both obligations as being in the nature of a guarantee. Therefore, the limitations discussed in this section apply equally to obligations expressed to be guarantees and obligations expressed to be indemnities.

If any of the guaranteed obligations of the Issuer under the Notes proves to be illegal or unenforceable under the laws of Saudi Arabia, the Guarantee in respect of the Notes would, in respect of those underlying obligations, also be held to be unenforceable by the courts or judicial committees of the Kingdom. For example, given a

court or judicial committee in the Kingdom may refuse to recognise the failure of the Issuer to pay any amount in the nature of, or otherwise related to the payment of, interest or deemed interest as an event of default, the Noteholders may, in turn, be unable to rely upon such a failure as an event of default under the terms of the Notes which may in turn limit their recourse against the Guarantor. See also – “*The payment of interest may not be permitted under the laws of Saudi Arabia*”.

In addition, the obligations on the Guarantor cannot be stricter than the obligations of the Issuer being guaranteed. Accordingly, the Guarantor would have, in addition to its own defences arising out of the Guarantee, the right to avail itself of any defences under Saudi Arabian law arising out of the underlying guaranteed obligations. Moreover, an open-ended guarantee that does not specify any limit on the guaranteed obligations (such as the Guarantee) may not be enforceable under Saudi Arabian law.

Guarantees are viewed under Saudi law as “voluntary obligations”, and as a result, in the event of a dispute, any Saudi Arabian court or judicial committee is likely to construe the terms and conditions of the Guarantee in favour of the Guarantor. For instance, it is the practice of certain courts and judicial committees in Saudi Arabia to consider a creditor filing a claim against the original obligor without joining the guarantor as a party to the action to have waived their rights to claim against the guarantor, unless the claim expressly preserves the creditor’s rights to claim against that guarantor. Additionally, if a creditor delays in exercising its right against a guarantor in respect of unpaid amounts for a long period of time, in the view of the relevant courts and judicial committees, the relevant courts and judicial committees may construe this delay as a waiver of the creditor’s rights.

If one or more of these defences and limitations is applicable, the Guarantor may have no liability or decreased liability under the Guarantee. If a court voided the Guarantee, or found it to be invalid or unenforceable, in whole or in part, for any reason, holders of the Notes may cease to have any claim against the Guarantor and may become a creditor solely of the Issuer. If, in such circumstance, the Issuer is unable to satisfy its obligations under the Notes, there is no assurance that the Issuer will be able to repay in full any amounts outstanding under the Notes.

Compliance with bankruptcy laws in the Kingdom may affect BSF's ability to perform its obligations under the Transaction Documents

In the event of BSF's insolvency, bankruptcy laws in the Kingdom may adversely affect BSF's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Issuer's ability to perform its obligations in respect of the Notes. There is little precedent to predict how claims by or on behalf of the Noteholders would be resolved in the event of BSF's bankruptcy and accordingly it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective and therefore there can be no assurance that Noteholders will receive repayment of their claims in full or at all in these circumstances.

The bankruptcy law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14 February 2018), as amended by Royal Decree No. M/89 dated 09/07/1441H (corresponding to 4 March 2020) (the “**Bankruptcy Law**”) provides various procedures with respect to protective settlement, financial restructuring, liquidation, and administrative liquidation and provides, among other things, that insolvency-related contract termination triggers are generally void with exceptions stipulated in relation to government contracts. Further exceptions in relation to finance transactions are to be determined by the SAMA and the CMA. The Bankruptcy Law also provides that a party may terminate a contract if such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) is necessary to implement the relevant proposal.

The implementing regulations to the Bankruptcy Law issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4 September 2018) (the “**Bankruptcy Law Implementing Regulations**”) further provide for the bankruptcy rules and procedures in the Kingdom. The Bankruptcy Law Implementing Regulations provide that a debtor (in respect of a protective settlement) may request that the court terminates any contract that such debtor is a party to by submitting a report issued by a registered custodian that proves that such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) will protect the business of the debtor.

A court may, after accepting a request to open any of the liquidation procedures set out in the Bankruptcy Law, take certain precautionary measures, at its own discretion or upon a request by an interested party, such as seizing the assets of the debtor whether such assets are held by the debtor or by third parties.

In addition, in case of financial distress of a financial institution, the SIFI Law is generally applicable and it remains uncertain to what extent the Bankruptcy Law will be applied once the treatment procedures set out in the SIFI Law were unsuccessful.

The Bankruptcy Law and its implementing regulations are relatively recent and hence their application, and how the Saudi Arabian courts and judicial committees will apply them, is yet to be seen in full effect in practice.

Risks Related to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Although application has been made for certain Notes issued under the Programme to be admitted to trading on the ISM, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency-equivalent value of the principal payable on the Notes and (3) the Investor’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than

expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available at the maturity of a series of Notes. In that event, the Issuer would make required payments in U.S. dollars on the basis of the market exchange rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the market exchange rate as at the most recent practicable date.

Price volatility

The market price of the Notes may be volatile, which could cause the value of a purchaser's investment to decline. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, and corresponding fluctuations in the prices of the Notes, may not be correlated in a predictable way to the performance or operating results of the Guarantor. Events and factors that may cause the prices of the Notes to fluctuate or decrease significantly from the issue price include variations in interest rates; general business, political, social and economic developments, particularly in the Middle East; and variations in actual or anticipated operating results of the Guarantor.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes. A drop in the level of interest rates will have a positive impact on the price of the Fixed Rate Notes, as such Notes pay a fixed annual rate of interest. Conversely, an increase in the interest rate level will have an adverse impact on the price of the Fixed Rate Notes. For investors holding the Fixed Rate Notes until maturity, any changes in the interest rate level during the term will not affect the yield of the Fixed Rate Notes, as the Fixed Rate Notes will be redeemed at par.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (3) provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (3) provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if Definitive Notes are subsequently issued

The Conditions of the Notes do not permit the sale or transfer of Notes in such circumstances as would result in amounts being held by a holder which are lower than the minimum Specified Denomination (as defined in the Conditions). However, in the event that a holder holds a principal amount of less than the minimum Specified Denomination, such holder would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Note (as defined below) in respect of such holding (should Definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Note.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Risks relating to Renminbi-denominated Notes

Notes denominated in RMB (“**RMB Notes**”) may be issued under the Programme. RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and out of the People’s Republic of China (“PRC”) and this may adversely affect the liquidity of Notes denominated in Renminbi.

Renminbi is not freely convertible at present. The government of the PRC (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi and out of into the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

Although on 1 October 2016, Renminbi was added to the Special Drawing Rights basket created by the IMF, and the People's Bank of China (the “**PBOC**”) has implemented policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Notes denominated in Renminbi and the Issuer's ability to source Renminbi outside the PRC to service such Notes.

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited.

Whilst the PBOC has established Renminbi clearing and settlement mechanisms for participating banks in various countries, through settlement agreements on the clearing of Renminbi business (the “**Settlement Agreements**”) with financial institutions (each, a “**Renminbi Clearing Bank**”) in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, where the participating banks cannot source sufficient Renminbi through the above channels, the Renminbi Clearing Banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future, which will have the effect of restricting the availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of Notes denominated in Renminbi. To the extent the Issuer and/or the Guarantor is required to source Renminbi outside the PRC to service Notes denominated in Renminbi, there is no assurance that the Issuer and/or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

An investment in Notes denominated in Renminbi is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, amongst others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. In May 2017, the PBOC further decided to introduce counter-cyclical factors to offset the market pro-cyclicality, so that the midpoint quotes could adequately reflect the PRC's actual economic performance. However, the volatility in the value of the Renminbi against other currencies still exists. All payments of interest and principal with respect to Notes denominated in Renminbi will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of an investment in Notes denominated in Renminbi in U.S. dollar or other applicable foreign currency terms will decline.

An investment in Notes denominated in Renminbi is subject to interest rate risks

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions. Notes denominated in Renminbi may carry a fixed interest rate. Consequently, the trading price of such Notes will vary with fluctuations in Renminbi interest rates. If a holder of Notes denominated in Renminbi tries to sell such Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments for Notes denominated in Renminbi will only be made to investors in the manner specified for such Notes in the Conditions

Investors may be required to provide certification and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in a number of financial centres and cities. All Renminbi payments to investors in respect of Notes denominated in Renminbi will be made solely: (i) for so long as such Notes are represented by a Global Certificate held with the common depositary, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures or those of such alternative clearing system; or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as described in the Conditions, the Issuer and/or the Guarantor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

Gains on the transfer of Notes denominated in Renminbi may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Notes denominated in Renminbi by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax (“EIT”) or PRC individual income tax (“IIT”) if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise Noteholder from the transfer of Notes denominated in Renminbi but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual Noteholder from the transfer of Notes denominated in Renminbi.

However, uncertainty remains as to whether the gain realised from the transfer of Notes denominated in Renminbi by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Noteholders who are residents of Hong Kong, including enterprise Noteholders and individual Noteholders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of Notes denominated in Renminbi, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Notes denominated

in Renminbi reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Notes denominated in Renminbi may be materially and adversely affected.

Investment in Notes denominated in Renminbi may be subject to PRC tax

In considering whether to invest in the Notes denominated in Renminbi, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the Noteholders' investment in the Notes denominated in Renminbi may be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an amended and restated agency agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 13 July 2023 between BSF Finance (the “**Issuer**”), Banque Saudi Fransi (the “**Guarantor**”), Citibank, N.A., London Branch as fiscal agent, principal paying agent and calculation agent, Citibank Europe plc as registrar the other agents named in it and with the benefit of an amended and restated deed of covenant (as amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) dated 13 July 2023 executed by the Issuer and the Guarantor in relation to the Notes and an amended and restated deed of guarantee (as amended or supplemented as at the Issue Date, the “**Deed of Guarantee**”) dated 13 July 2023 executed by the Guarantor in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agent and the calculation agent for the time being (if any) are referred to below, respectively, as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrar**”, the “**Transfer Agent**” and the “**Calculation Agent**”. The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the “**Conditions**”), “**Tranche**” means Notes which are identical in all respects.

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown in the applicable Pricing Supplement, provided that the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the applicable Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate), and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes and Transfers of Registered Notes

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfer Free of Charge**

Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Guarantee and Status

(a) **Guarantee**

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes and the Coupons. Its obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee.

(b) **Status of Notes and Guarantee**

The Notes and the Coupons relating to them constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other outstanding, present and future, unsecured and unsubordinated obligations of the Issuer and the Guarantor, respectively.

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) neither the Issuer nor the Guarantor will, and the Issuer and the Guarantor will procure that none of their respective Principal Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other

security interest other than a Permitted Security Interest (each, a “**Security Interest**”) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) or any part thereof to secure (i) any Relevant Indebtedness or Relevant Sukuk Obligation (each as defined below), or (ii) any guarantee in respect of any Relevant Indebtedness or Relevant Sukuk Obligation without at the same time or prior thereto according to the Notes or Coupon (a) the same security as is created or subsisting to secure any such Relevant Indebtedness, Relevant Sukuk Obligation or guarantee, or (b) such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

For the purposes of these Conditions:

“**Group**” means the Guarantor together with its Subsidiaries.

“**guarantee**” means, in relation to any Indebtedness or Sukuk Obligation of any Person, any obligation of another Person to pay such Indebtedness or Sukuk Obligation including (without limitation):

- (a) any obligation to purchase such Indebtedness or Sukuk Obligation;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness or Sukuk Obligation;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness or Sukuk Obligation; and
- (d) any other agreement to be responsible for such Indebtedness or Sukuk Obligation.

“**IFRS**” means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time).

“**Indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability under any lease or hire purchase contract that would be required to be treated as a balance sheet liability in accordance with IFRS;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing,

and for the avoidance of doubt “**Indebtedness**” shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari’a*, whether entered into directly or indirectly by the Issuer or the Guarantor or a member of the Group, as the case may be.

“**Non-recourse Project, Securitisation or Asset Financing**” means any securitisation of existing or future assets and/or revenues or financing of all or part of the costs of the acquisition, construction or development of any project or asset, provided that (i) any Security Interest given by the Issuer, the Guarantor, or the relevant Principal Subsidiary of the Issuer or the Guarantor is limited solely to assets and/or revenues that are the subject of the securitisation, the project or the asset (as applicable), (ii) the Person or Persons participating in such securitisation or providing such financing expressly agrees to limit their recourse to the project or asset (as

applicable) so securitised or financed and the revenues derived from such project or asset (as applicable) as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Issuer, the Guarantor, or the relevant Principal Subsidiary of the Issuer or the Guarantor in respect of any default by any Person under the securitisation or financing;

“Permitted Security Interest” means any Security Interest:

- (a) created or outstanding with the approval of an Extraordinary Resolution;
- (b) arising by operation of law, provided either that such Security Interest is discharged within 30 days of arising or does not materially impair the business of the Issuer, the Guarantor or, as the case may be, a Principal Subsidiary of the Issuer or the Guarantor and has not been enforced against the assets to which it attaches;
- (c) on assets or property existing at the time the Issuer, the Guarantor or, as the case may be, a Principal Subsidiary of the Issuer or the Guarantor acquired such assets or property, provided that such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other than proceeds of such acquired assets or property) and further provided that the maximum amount of Relevant Indebtedness or Relevant Sukuk Obligation thereafter secured by such Security Interest does not exceed the purchase price of such asset or property or the Relevant Indebtedness or Relevant Sukuk Obligation incurred solely for the purpose of financing the acquisition of such asset or property;
- (d)
 - (i) securing the Relevant Indebtedness or Relevant Sukuk Obligation of a Person and/or its Subsidiaries existing at the time that such Person is acquired by or merged into or consolidated with the Issuer, the Guarantor or, as the case may be, a Principal Subsidiary of the Issuer or the Guarantor, provided that such Security Interest was not created in contemplation of such acquisition, merger or consolidation and does not extend to any other assets or property of the Issuer, the Guarantor or, as the case may be, a Principal Subsidiary of the Issuer or the Guarantor; or
 - (ii) securing Refinancing Indebtedness in respect of the Relevant Indebtedness or Relevant Sukuk Obligation specified in paragraph (d)(i) above provided that such Security Interests are limited to all or part of the property, assets and share capital that secured the original Relevant Indebtedness or Relevant Sukuk Obligation and that the aggregate principal amount of such Refinancing Indebtedness secured does not exceed the sum of (x) the aggregate principal amount of the Relevant Indebtedness or the Relevant Sukuk Obligation being refinanced; (y) accrued and unpaid interest on such Refinancing Indebtedness and (z) fees, premiums and other costs and expenses incurred in connection with such Refinancing Indebtedness;
- (e) created in connection with any Non-recourse Project, Securitisation or Asset Financing;
- (f)
 - (i) existing at the relevant Issue Date; or
 - (ii) securing Refinancing Indebtedness in respect of any Relevant Indebtedness or Relevant Sukuk Obligation existing as at the date of the relevant Issue Date, provided that such Security Interests are limited to all or part of the assets, undertaking, property or revenues that secured the original Relevant Indebtedness or the original Relevant Sukuk Obligation, as the case may be, and that the aggregate principal amount of such Refinancing Indebtedness secured over such assets does not exceed the sum of (x) the aggregate principal amount of the Relevant Indebtedness or the

Relevant Sukuk Obligation being refinanced; (y) accrued and unpaid interest on such Refinancing Indebtedness and (z) fees, premiums and other costs and expenses incurred in connection with such Refinancing Indebtedness.

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

“Principal Subsidiary” means, at any relevant time, a Subsidiary of the Guarantor:

- (a) whose total assets or gross revenues in each case represent not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of the Group, all as calculated by reference to the then latest audited or reviewed consolidated financial statements of the Guarantor and the latest financial statements of such Subsidiary, determined on an unconsolidated basis in accordance with the IFRS; or
- (b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary.

A report by the Chief Executive Officer and the Chief Financial Officer (or any person who at any time carries out the equivalent functions of such person (regardless of such person’s title)) of the Issuer or the Guarantor, as applicable, that in their opinion a Subsidiary is or was or is or was not at any particular time or throughout a specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

“Refinance” means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease, discharge or retire, or to issue Indebtedness in exchange or replacement for, such Indebtedness in whole or in part, and “Refinanced” and “Refinancing” shall have correlative meanings.

“Refinancing Indebtedness” means Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries that Refinances any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries of the Issuer existing on the relevant Issue Date or incurred in compliance with these Conditions, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

- (a) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;
- (b) such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced;
- (c) such Refinancing Indebtedness has an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding (plus accrued interest, fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced;
- (d) the proceeds of the Refinancing Indebtedness shall be used substantially concurrently with the incurrence thereof to refinance the Indebtedness being Refinanced; and
- (e) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes, such Refinancing Indebtedness is subordinated in right of payment to the Notes at least to the same extent as the Indebtedness being Refinanced.

“Relevant Indebtedness” means any present or future Indebtedness (whether being principal, premium, interest or other amounts) which is in the form of, or represented or evidenced by, notes, bonds, certificates,

debentures, debenture stock, loan stock or other securities or instruments which for the time being are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market.

“Relevant Sukuk Obligation” any Sukuk Obligations, which for the time being are, or are intended to be, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market.

“Subsidiary” means, in relation to any Person (the **“first Person”**) at any particular time, any other Person whose financial statements are, in accordance with applicable law and IFRS, consolidated with those of the first Person.

“Sukuk Obligation” means any undertaking or other obligation to pay money given in connection with the issue of certificates whether or not in return for consideration of any kind.

“Stated Maturity” means:

- (a) with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final instalment of principal of such Indebtedness is due and payable; and
- (b) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified in such Indebtedness as the fixed date on which such instalment is due and payable.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (a) the sum of the products obtained by multiplying:
 - (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
 - (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment, by
- (b) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness.

5 Interest and other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date provided that if the Specified Currency is Renminbi and any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. The amount of interest payable shall be determined in accordance with Condition 5(g).

(b) Interest on Floating Rate Notes

- (i) Interest Payment Dates: Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as

a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either shown in the applicable Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the applicable Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) **Rate of Interest for Floating Rate Notes:** The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Pricing Supplement.

(A) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate, provided that in any circumstances where under the ISDA Definitions the Calculation Agent would be required to exercise any discretion, including the selection of any reference banks and seeking quotations from reference banks, when calculating the relevant ISDA Rate, the relevant determination(s) which requires the Calculation Agent to exercise its discretion shall instead be made by the Issuer or its designee. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating:

- (1) if “2006 ISDA Definitions” is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”) and as amended and updated as at the Issue Date of the first Tranche of the Notes; or

- (2) if “2021 ISDA Definitions” is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Notes,

the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (b) the Designated Maturity, if applicable, is a period specified in the applicable Pricing Supplement;
- (c) the relevant Reset Date is as specified in the applicable Pricing Supplement; and
- (d) if the Floating Rate Option is an Overnight Floating Rate Option, Compounding is specified to be applicable in the applicable Pricing Supplement:
 - (1) Compounding with Lookback is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Lookback is the Overnight Rate Compounding Method and (b) Lookback is the number of Applicable Business Days specified in the applicable Pricing Supplement;
 - (2) Compounding with Observation Period Shift is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Observation Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the applicable Pricing Supplement, and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the applicable Pricing Supplement; or
 - (3) Compounding with Lockout is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days specified in the applicable Pricing Supplement, and (c) Lockout Period Business Days, if applicable, are the days specified in the applicable Pricing Supplement;
- (e) if the Floating Rate Option is an Overnight Floating Rate Option, Averaging is specified to be applicable in the applicable Pricing Supplement and:
 - (1) Averaging with Lookback is specified as the Averaging Method in the applicable Pricing Supplement, Lookback is the number of Applicable Business Days as specified in the applicable Pricing Supplement;
 - (2) Averaging with Observation Period Shift is specified as the Averaging Method in the applicable Pricing Supplement, (a) Observation Period Shift is the number of Observation Period Shift Business Days specified in the applicable Pricing Supplement, and (b) Observation Period Shift Additional Business Days, if applicable, are the days specified in the applicable Pricing Supplement; or
 - (3) Averaging with Lockout is specified as the Averaging Method in the applicable Pricing Supplement, (a) Lockout is the number of Lockout Period Business Days specified in the applicable Pricing Supplement, and

(b) Lockout Period Business Days, if applicable, are the days specified in the applicable Pricing Supplement;

- (f) if the specified Floating Rate Option is an Index Floating Rate Option and Index Provisions are specified to be applicable in the applicable Pricing Supplement, the Compounded Index Method with Observation Period Shift shall be applicable and,
 - (a) Observation Period Shift is the number of Observation Period Shift Business Days specified in the applicable Pricing Supplement and
 - (b) Observation Period Shift Additional Business Days, if applicable, are the days specified in the applicable Pricing Supplement; and
- (g) in connection with any Compounding Method, Averaging Method or Index Method specified in the applicable Pricing Supplement, references in the ISDA Definitions to:
 - (1) “Confirmation” shall be references to the applicable Pricing Supplement;
 - (2) “Calculation Period” shall be references to the relevant Interest Accrual Period;
 - (3) “Termination Date” shall be references to the end date of the final Interest Accrual Period; and
 - (4) “Effective Date” shall be references to the Interest Commencement Date.

If the Pricing Supplement specifies “2021 ISDA Definitions” as the applicable ISDA Definitions:

- (a) “Administrator/Benchmark Event” shall be disappplied; and
- (b) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be “Temporary Non-Publication – Fallback Alternative Rate” in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to “Calculation Agent Alternative Rate Determination” in the definition of “Temporary Non-Publication – Alternative Rate” shall be replaced by “Temporary Non-Publication Fallback – Previous Day’s Rate”.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**”, “**Swap Transaction**”, “**Overnight Floating Rate Option**”, “**Compounding with Lookback**”, “**Compounding with Observation Period Shift**”, “**Compounding with Lockout**”, “**Applicable Business Days**”, “**Observation Period Shift Business Days**”, “**Observation Period Shift Additional Business Days**”, “**Lockout Period Business Days**”, “**Index Floating Rate Option**” and “**Compounded Index Method with Observation Period Shift**” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

If “Applicable – Term Rate” is specified as the method of Screen Rate Determination in the applicable Pricing Supplement:

- (a) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (b) if the Relevant Screen Page is not available or, if sub-paragraph (a)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (a)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the Relevant Time, subject as provided below, the Issuer shall request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Issuer and the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuer and the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (c) if paragraph (b) above applies and the Issuer determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to the Issuer and the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre interbank market or, if fewer than two of the Reference Banks provide the Issuer and the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer

suitable for such purpose) informs the Issuer and the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre interbank market provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (C) If “Applicable – SOFR Benchmark” is specified as the method of Screen Rate Determination in the applicable Pricing Supplement the Rate of Interest for each Interest Accrual Period will, subject to Condition 5(j) and as provided below, be equal to the relevant SOFR Benchmark plus or minus (if any) (as indicated in the applicable Pricing Supplement) the Margin, all as determined by the Calculation Agent on the relevant Interest Determination Date. The “**SOFR Benchmark**” will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Index Average, as follows (subject in each case to Condition 5(j)):

- (1) If Simple SOFR Average (“**Simple SOFR Average**”) is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each day during the period, as calculated by the Calculation Agent, and where, if applicable and as specified in the applicable Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date.
- (2) If Compounded SOFR Average (“**Compounded SOFR Average**”) is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during (x) where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable in the applicable Pricing Supplement to determine Compounded SOFR Average, the relevant Interest Accrual Period or (y) where SOFR Observation Shift is specified as applicable in the applicable Pricing Supplement to determine Compounded SOFR Average, the SOFR Observation Period, in each case calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable in the applicable Pricing Supplement.

- (i) SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_{i-\times USBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR_{i-USBD}**” for any U.S. Government Securities Business Day “i” in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day “i”;

“**Lookback Days**” means such number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**d_o**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

“**i**” means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a “**U.S. Government Securities Business Day “i”**”); and

“**n_i**”, for any U.S. Government Securities Business Day “i” in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

(ii) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day “i” in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”;

“**SOFR Observation Period**” means, in respect of each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

“**d**” means the number of calendar days in the relevant SOFR Observation Period;

“**d_o**”, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

“**i**” means a series of whole numbers ascending from one to d_o , representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a “**U.S. Government Securities Business Day “i”**”); and

“**n_i**”, for any U.S. Government Securities Business Day “**i**”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “**i**” up to (but excluding) the following U.S. Government Securities Business Day.

(iii) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day “**i**” in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “**i**”;

“**Interest Payment Date**” shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or, if the Issuer elects to redeem the Notes prior to the Maturity Date, the relevant Optional Redemption Date;

“**Interest Payment Delay Days**” means the number of Business Days as specified in the applicable Pricing Supplement;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**d_o**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

“**i**” means a series of whole numbers ascending from one to d_o , representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a “**U.S. Government Securities Business Day “i”**”); and

“**n_i**”, for any U.S. Government Securities Business Day “**i**” in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “**i**” up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the applicable Pricing Supplement, the SOFR reference rate for each U.S.

Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant Optional Redemption Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

- (iv) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day “i” in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”, except that the SOFR for any U.S. Government Securities Business Day “i” in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**d_o**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

“**i**” means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a “**U.S. Government Securities Business Day “i”**”); and

“**n_i**” for any U.S. Government Securities Business Day “i” in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

- (3) If SOFR Index Average (“**SOFR Index Average**”) is specified as applicable in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR Index_{End}}{SOFR Index_{Start}} - 1 \right) \times \left(\frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“SOFR Index” means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator’s Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, provided that:

1. if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the “SOFR Index Average” shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded SOFR Average formula described above in Condition 5(b)(iii)(C)(2)(ii) “SOFR Observation Shift”, and the term “SOFR Observation Shift Days” shall mean five U.S. Government Securities Business Days; or
2. if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(j)(1) or 5(j)(2) shall apply as specified in the applicable Pricing Supplement;

“SOFR Index_{End}” means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

“SOFR Index_{Start}” means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the first day of the relevant Interest Accrual Period;

“SOFR Index Determination Time” means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

“SOFR Observation Period” means, in respect of each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

“SOFR Observation Shift Days” means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement; and

“d_c” means the number of calendar days in the applicable SOFR Observation Period.

- (D) If “Applicable – SONIA Benchmark” is specified as the method of Screen Rate Determination in the applicable Pricing Supplement:

the Rate of Interest for each Interest Accrual Period will, subject to Condition 5(j) and as provided below, be equal to the relevant SONIA Benchmark plus or minus (if any) (as indicated in the applicable Pricing Supplement) the Margin, all as determined by the Calculation Agent on the relevant Interest Determination Date. The **“SONIA**

Benchmark” will be determined based on SONIA Compounded Index Rate or SONIA Compounded Daily Reference Rate, as follows (subject in each case to Condition 5(j)):

- (1) If SONIA Compounded Index Rate (as defined below) is specified in the applicable Pricing Supplement as the manner in which the SONIA Benchmark will be determined, the SONIA Benchmark for each Interest Accrual Period shall be SONIA Compounded Index Rate as follows, plus or minus (as indicated in the applicable Pricing Supplement) the Margin:

“SONIA Compounded Index Rate” means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards,

$$\left(\frac{SONIA\ Compounded\ Index_{End}}{SONIA\ Compounded\ Index_{Start}} - 1 \right) \times \left(\frac{365}{d} \right)$$

provided, however, that and subject to Condition 5(j), if the SONIA Compounded Index Value is not available in relation to any Interest Accrual Period on the Relevant Screen Page for the determination of either or both of SONIA Compounded Index_{START} and SONIA Compounded Index_{END}, the Rate of Interest shall be calculated for such Interest Accrual Period on the basis of the SONIA Compounded Daily Reference Rate as set out in Condition 5(b)(iii)(D)(a)(2) as if SONIA Compounded Daily Reference Rate with Observation Shift had been specified in the applicable Pricing Supplement and the “Relevant Screen Page” shall be deemed to be the “Relevant Fallback Screen Page” as specified in the applicable Pricing Supplement,

where:

“d” means the number of calendar days in the relevant Observation Period;

“London Business Day”, means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“Observation Period” means, in respect of an Interest Accrual Period, the period from (and including) the date falling “p” London Business Days prior to the first day of such Interest Accrual Period (and the first Observation Period shall begin on and include the date which is “p” London Business Days prior to the Issue Date) and ending on (but excluding) the date which is “p” London Business Days prior to the Interest Payment Date for such Interest Accrual Period (or the date falling “p” London Business Days prior to such earlier date, if any, on which the Notes become due and payable);

“p” means, for any Interest Accrual Period the whole number specified in the applicable Pricing Supplement (or, if no such number is so specified, five London Business Days) representing a number of London Business Days;

“SONIA Compounded Index” means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

“SONIA Compounded Index_{END}” means the SONIA Compounded Index Value on the date falling “p” London Business Days prior to (i) in respect of an Interest Accrual Period, the Interest Payment Date for such Interest Accrual Period, or (ii) if the Notes become due and payable prior to the end of an Interest Accrual Period, the date on which the Notes become so due and payable;

“SONIA Compounded Index_{START}” means, in respect of an Interest Accrual Period, the SONIA Compounded Index Value on the date falling “p” London Business Days prior to (i) the first day of such Interest Accrual Period, or (ii) in the case of the first Interest Accrual Period, the Issue Date; and

“SONIA Compounded Index Value” means in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at www.bankofengland.co.uk/bocapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on such London Business Day.

- (2) If SONIA Compounded Daily Reference Rate (as defined below) is specified in the applicable Pricing Supplement as the manner in which the SONIA Benchmark will be determined, the SONIA Benchmark for each Interest Accrual Period shall be SONIA Compounded Daily Reference Rate as follows, plus or minus (as indicated in the applicable Pricing Supplement) the Margin:

“SONIA Compounded Daily Reference Rate” means, in respect of an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards,

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

“London Business Day”, **“Observation Period”** and **“p”** have the meanings set out under Condition 5(b)(iii)(D)(1);

“d” is the number of calendar days in the relevant:

- (i) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (ii) Interest Accrual Period where Lag is specified in the applicable Pricing Supplement;

“*d_o*” is the number of London Business Days in the relevant:

- (i) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (ii) Interest Accrual Period where Lag is specified in the applicable Pricing Supplement;

“*i*” is a series of whole numbers from one to *do*, each representing the relevant London Business Day in chronological order from, and including, the first London Business Day in the relevant:

- (i) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (ii) Interest Accrual Period where Lag is specified in the applicable Pricing Supplement;

“*n_i*”, for any London Business Day “*i*”, means the number of calendar days from and including such London Business Day “*i*” up to but excluding the following London Business Day;

“**SONIA_i**” means, in relation to any London Business Day the SONIA reference rate in respect of:

- (i) that London Business Day “*i*” where Observation Shift is specified in the applicable Pricing Supplement; or
- (ii) the London Business Day (being a London Business Day falling in the relevant Observation Period) falling “*p*” London Business Days prior to the relevant London Business Day “*i*” where Lag is specified in the applicable Pricing Supplement; and

the “**SONIA reference rate**”, in respect of any London Business Day, is a reference rate equal to the daily Sterling Overnight Index Average (“**SONIA**”) rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page on the next following London Business Day or, if the Relevant Screen Page is unavailable, as published by authorised distributors on such London Business Day or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA reference rate).

- (3) Subject to Condition 5(j), where SONIA is specified as the Reference Rate in the applicable Pricing Supplement and either (i) SONIA Compounded Daily Reference Rate is specified in the applicable Pricing Supplement, or (ii) the SONIA Compounded Index Rate is specified in the applicable Pricing Supplement and Condition 5(b)(iii)(D)(2) applies, if, in respect of any London Business Day, the SONIA reference rate is not available on the Relevant Screen Page or Relevant

Fallback Screen Page as applicable, (or as otherwise provided in the relevant definition thereof), such Reference Rate shall be:

- (x) (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or
- (y) if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof), and

in each case, SONIA_i shall be interpreted accordingly.

- (E) If the Rate of Interest cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 5(j), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Accrual Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period).

If the relevant Series of Notes become due and payable in accordance with Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

- (F) Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest for Floating Rate Notes shall be deemed to be zero.

(c) **Linear Interpolation**

Where Linear Interpolation is specified in the applicable Pricing Supplement as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the applicable Pricing Supplement as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified in the applicable Pricing Supplement as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant

Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period; provided, however, that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer shall determine appropriate.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(d) **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(e) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(f) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding**

- (i) If any Margin is specified in the applicable Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the applicable Pricing Supplement, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that, if the eighth significant figure is a five or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the country of such currency.

(g) **Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Pricing Supplement, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such

Interest Amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts**

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall, subject in the case of each of the SONIA Compounded Index Rate and the SONIA Compounded Daily Reference Rate to Condition 5(b)(iii)(D) nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(i) **Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(j) **Benchmark Discontinuation**

(1) *Independent Adviser*

This Condition 5(j)(1) shall apply unless “Condition 5(j)(2) Benchmark Discontinuation (SOFR)” is specified as applicable in the applicable Pricing Supplement.

(i) *Appointment of Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer or the Guarantor, as the case may be, shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(j)(1)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(j)(1)(iv)).

In making such determination, an Independent Adviser appointed pursuant to this Condition 5(j)(1) shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor, the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 5(j)(1).

If (A) the Issuer or the Guarantor, as the case may be, is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by the Issuer or the Guarantor, as the case may be, fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(j)(1) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(j)(1). For the purposes of this Condition 5(j)(1)(i) and Condition 5(j)(1)(v) only, “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Calculation Agent.

(ii) *Successor Rate or Alternative Rate*

If the Independent Adviser determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(j)(1));
or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(j)(1)).

(iii) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(j)(1) and the Independent Adviser determines (A) that amendments to the Agency Agreement and/or these Conditions, including, but not limited to amendments to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Interest Determination Date, the definition of Business Days, and/or the definition of Reference Rate applicable to the Notes, are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “Benchmark Amendments”) and (B) the terms of the Benchmark Amendments, then the Issuer or the Guarantor, as the case may be, shall, subject to giving notice thereof in accordance with Condition 5(j)(1)(v), without any requirement for the consent or approval of Noteholders, vary the Agency Agreement and/or these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 5(j)(1), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer, the Guarantor or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(j)(1) which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(j)(1)(iv), the Issuer or the Guarantor, as the case may be, shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined in accordance with this Condition 5(j)(1) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer or the Guarantor, as the case may be, to the Fiscal Agent, the Calculation Agent and the Paying Agents. In accordance with Condition 14, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer or the Guarantor, as the case may be, shall deliver to the Fiscal Agent, the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Issuer or the Guarantor, as the case may be:

- (A) confirming (w) that a Benchmark Event has occurred, (x) the Successor Rate or, as the case may be, the Alternative Rate, (y) the applicable Adjustment Spread and (z) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(j)(1);
- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread; and
- (C) certifying that (i) the Issuer or the Guarantor, as the case may be, has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (ii) explaining, in reasonable detail, why the Issuer and/or the Guarantor has not done so.

The Fiscal Agent shall display such certificate at its offices, for inspection by the Noteholders at all reasonable times during normal business hours.

Each of the Fiscal Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Fiscal Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Fiscal Agent, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(j)(1), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(j)(1), the Calculation Agent shall promptly notify the Issuer and the Guarantor thereof and the Issuer and the Guarantor shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer and the Guarantor thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer and the Guarantor under Conditions 5(j)(1)(i), 5(j)(1)(ii), 5(j)(1)(iii) and 5(j)(1)(iv), the Original Reference Rate and the fallback provisions provided for in Conditions 5(b)(iii)(A) and 5(b)(iii)(B) will continue to apply unless and until a Benchmark Event has occurred.

(2) *Benchmark Discontinuation (SOFR)*

This Condition 5(j)(2) shall only apply where “Condition 5(j)(2) Benchmark Discontinuation (SOFR)” is specified as applicable in the applicable Pricing Supplement.

(i) *Benchmark Replacement*

If the Issuer, the Guarantor or any of their respective designees determine on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) *Benchmark Replacement Conforming Changes*

In connection with the implementation of a Benchmark Replacement, the Issuer, the Guarantor or any of their respective designees will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer or the Guarantor, as the case may be, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(j)(2). Noteholders’ consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer, the Guarantor or any of their respective designees with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) *Decisions and Determinations*

Any determination, decision or election that may be made by the Issuer, the Guarantor or any of their respective designees pursuant to this Condition 5(j)(2), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer, the Guarantor or any of their respective designees, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(iv) *The following defined terms shall have the meanings set out below for the purpose of this Condition 5(j)(2):*

“**Benchmark**” means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer, the Guarantor or any of their respective designees determine on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then “**Benchmark**” means the applicable Benchmark Replacement;

“Benchmark Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (1) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

“Benchmark Replacement” means the first alternative set forth in the order below that can be determined by the Issuer, the Guarantor or any of their respective designees as of the Benchmark Replacement Date:

- (1) the sum of:
 - (i) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
 - (ii) the Benchmark Replacement Adjustment;
- (2) the sum of:
 - (i) the ISDA Fallback Rate; and
 - (ii) the Benchmark Replacement Adjustment; or
- (3) the sum of:
 - (i) the alternate reference rate that has been selected by the Issuer, the Guarantor, or any of their respective designees as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including

any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

- (ii) the Benchmark Replacement Adjustment;

“Benchmark Replacement Adjustment” means the first alternative set forth in the order below that can be determined by the Issuer, the Guarantor or any of their respective designees as of the Benchmark Replacement Date:

- (1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer, the Guarantor or any of their respective designees giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer, the Guarantor or any of their respective designees decide may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer, the Guarantor or any of their respective designees decide that adoption of any portion of such market practice is not administratively feasible or if the Issuer, the Guarantor or any of their respective designees determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer, the Guarantor or any of their respective designees determine is reasonably necessary);

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (1) in the case of sub-paragraph (1) or (2) of the definition of “Benchmark Event”, the later of:
 - (i) the date of the public statement or publication of information referenced therein; and
 - (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (2) in the case of sub-paragraph (3) of the definition of “Benchmark Event”, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

“ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

“ISDA Fallback Adjustment” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the 2006 ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

“ISDA Fallback Rate” means the rate that would apply for derivatives transactions referencing the 2006 ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

“Reference Time” with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified as applicable in the applicable Pricing Supplement) or SOFR Index Determination Time (where SOFR Index Average is specified as applicable in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer, the Guarantor or any of their respective designees after giving effect to the Benchmark Replacement Conforming Changes;

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(k) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Adjustment Spread” means either (i) a spread (which may be positive, negative or zero) or (ii) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (1) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (2) the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce

an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied);

- (3) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (4) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

“Alternative Rate” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(j)(1)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“Benchmark Amendments” has the meaning given to it in Condition 5(j)(1)(iv).

“Benchmark Event” means:

- (1) the Original Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (3) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally, or in respect of the Notes; or
- (5) a public statement by the supervisor of the administrator of the Original Reference Rate that the (i) Original Reference Rate is (or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or (ii) the methodology to calculate such Original Reference Rate has materially changed; or
- (6) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer, the Guarantor or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (2) and (3) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (4) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (5) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying

market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer or the Guarantor and promptly notified to the Fiscal Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Fiscal Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

“Bloomberg Screen SOFRRATE Page” means the Bloomberg screen designated “SOFRRATE” or any successor page or service.

“Business Day” means:

- (1) in the case of a currency other than euro and Renminbi, and unless the applicable Pricing Supplement specifies that the Floating Rate Note Provisions apply and the Reference Rate is SOFR Benchmark, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency;
- (2) if the applicable Pricing Supplement specifies that the Floating Rate Note Provisions apply and the Reference Rate is SOFR Benchmark, any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York or one or more Business Centres and is not a date on which banking institutions in those cities or Business Centres are authorised or required by law or regulation to be closed;
- (3) in the case of euro, any day on which T2 is open for the settlement of payments in euro (a **“TARGET Business Day”**);
- (4) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or
- (5) in the case of a currency and/or one or more Business Centres, and unless the applicable Pricing Supplement specifies that the Floating Rate Note Provisions apply and the Reference Rate is SOFR Benchmark, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **“Calculation Period”**):

- (1) if **“Actual/Actual”** or **“Actual/Actual – ISDA”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (2) if **“Actual/365 (Fixed)”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (3) if **“Actual/360”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;

- (4) if “**Actual 365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (5) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

- “Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;
- “Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- “M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- “M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- “D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and
- “D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (6) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

- “Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;
- “Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- “M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- “M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- “D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and
- “D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (7) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

- “Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;
- “Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- “M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- “M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- “D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and
- “D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30; and

- (8) if “**Actual/Actual-ICMA**” is specified in the applicable Pricing Supplement,
- (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (ii) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“**Determination Date**” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Interest Payment Date(s).

“**Euro-zone**” means the region comprising member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the Peoples’ Republic of China.

“**HKMA**” means the Hong Kong Monetary Authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) or its successors.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer or the Guarantor, as the case may be, under Condition 5(j)(1)(i).

“**Interest Accrual Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (1) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part provided that if the Specified Currency is Renminbi, the Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 (CNY0.005 being rounded upwards); and
- (2) in respect of any other period, the amount of interest payable per Calculation Amount for that period “**Interest Commencement Date**” means the Issue Date or such other date as may be specified in the applicable Pricing Supplement.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (v) the fourth U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period if SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate and where Simple SOFR Average is applicable in the applicable Pricing Supplement or where SOFR Observation Lag, SOFR Observation Shift or SOFR Lockout is specified as applicable in the applicable Pricing Supplement to determine Compounded SOFR Average or where SOFR Index Average is specified as applicable in the applicable Pricing Supplement or (vi) the Interest Period Date at the end of each Interest Accrual Period, provided that the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date if SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate and where SOFR Payment Delay is specified as applicable in the applicable Pricing Supplement to determine Compounded SOFR Average.

“**Interest Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and

including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified in the applicable Pricing Supplement.

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the applicable Pricing Supplement.

“ISDA Definitions” means (i) if “2006 ISDA Definitions” is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if “2021 ISDA Definitions” is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes.

“Lock-out Period” means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Period Date.

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

“Rate Cut-Off Date” means the date that is “q” U.S. Government Securities Business Days prior to the Maturity Date or any earlier redemption date, as applicable (where “q” is the number of U.S. Government Securities Business Days in the Rate Cut-Off Period specified in the applicable Pricing Supplement).

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable Pricing Supplement.

“Reference Banks” means four major banks selected by the Issuer in the interbank market that is most closely connected with the Reference Rate.

“Reference Day” means each U.S. Government Securities Business Day in the relevant Interest Accrual Period, other than any U.S. Government Securities Business Day in the Lock-out Period.

“Reference Rate” means one of the following benchmark rates (as specified in the relevant Pricing Supplement) in respect of the currency and period specified in the relevant Pricing Supplement:

- (i) EURIBOR;
- (ii) KIBOR;
- (iii) SHIBOR;
- (iv) HIBOR;
- (v) CNH HIBOR;
- (vi) KLIBOR;
- (vii) TRLIBOR or TRYLIBOR;
- (viii) SIBOR;
- (ix) EIBOR;
- (x) TIBOR;
- (xi) SAIBOR;

- (xii) BBSW;
- (xiii) MIBOR;
- (xiv) PRIBOR;
- (xv) LIBID;
- (xvi) LIMEAN;
- (xvii) SOFR Benchmark;
- (xviii) SONIA Benchmark; or

“Relevant Financial Centre” means the financial centre specified as such in the applicable Pricing Supplement.

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement (or any successor or replacement page, section, caption, column or other part of a particular information service).

“Relevant Time” means the time specified as such in the applicable Pricing Supplement.

“Reuters Page USDSOFR=” means the Reuters page designated “USDSOFR=” or any successor page or service.

“SOFR” means, in respect of any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

- (i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator’s Website;
- (ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator’s Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator’s Website; or
- (iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth

in Condition 5(j)(1) or Condition 5(j)(2) shall apply as specified in the applicable Pricing Supplement.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate).

“SOFR Administrator’s Website” means the website of the SOFR Administrator.

“SOFR Benchmark Transition Event” means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark.

“SOFR Determination Time” means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

“SOFR Rate Cut-Off Date” means the date that is a number of U.S. Government Securities Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified in the applicable Pricing Supplement.

“Specified Currency” means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

“T2” means the real time gross settlement system operated by the Eurosystem, or any successor system.

“U.S. Government Securities Business Day” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

6 Redemption, Purchase and Options

(a) Final Redemption

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount). In the case of Fixed Rate Notes where the Specified Currency is Renminbi, if the Maturity Date falls on a day which is not a Business Day, the Maturity Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Maturity Date shall be brought forward to the immediately preceding Business Day.

(b) Early Redemption

(i) Zero Coupon Notes:

- (A)** The Early Redemption Amount payable in respect of any Zero Coupon Note shall be the Amortised Face Amount (calculated as provided below) of such Note upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(g) or upon it becoming due and payable as provided in Condition 10 unless otherwise specified in the applicable Pricing Supplement.
- (B)** Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity

Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the applicable Pricing Supplement.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(g) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the applicable Pricing Supplement.

(c) **Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands (in the case of payment by the Issuer) or the Kingdom of Saudi Arabia (in the case of payment by the Guarantor) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent tax advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer**

If Call Option is specified in the applicable Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Pricing Supplement.

If Make-whole Redemption Amount is specified in the applicable Pricing Supplement as the Optional Redemption Amount:

- (i) the Optional Redemption Amount per Note shall be equal to the higher of the following, in each case together with interest accrued to but excluding the relevant Optional Redemption Date(s):
 - (A) the nominal amount of the Note; and
 - (B) the amount equal to the sum of the then present values of the remaining scheduled payments of principal and interest in respect of the Note from and including the Optional Redemption Date to but excluding the Maturity Date (or, if Issuer Maturity Par Call is specified in the applicable Pricing Supplement, the Maturity Par Call Period Commencement Date specified in the applicable Pricing Supplement) in each case discounted to such Optional Redemption Date at the Make-whole Reference Rate plus any applicable Make-whole Redemption Margin specified in the applicable Pricing Supplement, all as determined by the Independent Investment Banker;
- (ii) the Issuer or the Guarantor shall cause the Optional Redemption Amount to be notified to the Fiscal Agent, the Registrar, each of the Paying Agents and any Calculation Agent appointed in respect of the Notes and, if the Notes are listed and/or admitted to trading on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority, as soon as possible after its determination but in no event later than the date of the notice of redemption; and
- (iii) the determination of the Optional Redemption Amount and the obtaining of any quotation and/or the making of any determination or calculation in connection therewith by the Independent Investment Banker shall (in the absence of manifest error) be final and binding upon all parties.

Any notice of redemption given under Condition 6(c), Condition 6(f) or 6(e) will override any notice of redemption given (whether previously, on the same date or subsequently) under this Condition 6(d).

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

Any such notice may, at the Issuer's or the Guarantor's (as applicable) discretion, be subject to one or more conditions precedent. In such event, such notice shall describe each such condition and, if applicable, may state that, at the Issuer's or the Guarantor's discretion, the Optional Redemption Date may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer (or the Guarantor, as the case may be) in its sole discretion) by the Optional Redemption Date, or by the Optional Redemption Date as so delayed.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

In this Condition 6(d):

“Comparable Security” means the benchmark security selected by the Independent Investment Banker as being denominated in the same currency as the Notes and having a maturity comparable to the remaining term of the Notes to be redeemed (taking into account any adjustment to such term where Issuer Maturity Par Call is specified in the applicable Pricing Supplement) that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes (taking into account any adjustment to such term where Issuer Maturity Par Call is specified in the applicable Pricing Supplement);

“Comparable Security Price” means: (i) if the Independent Investment Banker obtains four or more Reference Dealer Quotations, the average of such Reference Dealer Quotations after excluding the highest and lowest of such Reference Dealer Quotations; (ii) if the Independent Investment Banker obtains less than four but more than one Reference Dealer Quotations, the average of such Reference Dealer Quotations; or (iii) if the Independent Investment Banker obtains one Reference Dealer Quotation, such Reference Dealer Quotation;

“Independent Investment Banker” means one of the Reference Dealers appointed by the Issuer (or the Guarantor, as the case may be) to act in such capacity;

“Make-whole Reference Rate” means, with respect to any redemption date, the rate per annum equal to the annual or semi-annual (as the case may be) yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the applicable Comparable Security, assuming a price for such Comparable Security (expressed as a percentage of its principal amount) equal to the applicable Comparable Security Price for such redemption date;

“Reference Dealer” means the banks specified as such in the applicable Pricing Supplement (or, if any of their respective affiliates is a primary dealer in the Comparable Security, such affiliate) and, if applicable, their respective successors provided that if any of the Reference Dealers ceases to be a primary dealer in the Comparable Security, the Issuer or the Guarantor will substitute such bank with another bank and “Reference Dealers” shall be construed accordingly;

“Reference Dealer Quotation” means, with respect to each Reference Dealer, the average of the bid and ask prices for the Comparable Security (expressed as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Dealer at the Reference Quotation Time; and

“Reference Quotation Time” means the time specified as such in the applicable Pricing Supplement or, if no such time is specified, 5.00 p.m. on the day falling three Business Days prior to the Optional Redemption Date.

(e) **Redemption at the Option of the Issuer (Issuer Maturity Par Call)**

If Issuer Maturity Par Call is specified in the applicable Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days’ irrevocable notice to the Noteholders (or such other notice period

as may be specified in the applicable Pricing Supplement), redeem all or, if so provided, some of the Notes at any time during the Maturity Par Call Period specified in the applicable Pricing Supplement, at their Early Redemption Amount together with interest accrued (if any) to (but excluding) the date fixed for redemption.

(f) **Redemption at the Option of the Issuer (Clean-up Call)**

If Clean-up Call is specified in the applicable Final Terms, the Issuer may, if 75 per cent. or more of the initial aggregate principal amount of the Notes issued have been redeemed or purchased pursuant to the operation of this Condition 6, on giving not less than 15 nor more than 30 days' irrevocable notice to Noteholders (or such other notice period as may be specified in the applicable Pricing Supplement) (such notice being given within 30 days after the relevant redemption or purchase, as the case may be), redeem or purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes at their Early Redemption Amount together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

(g) **Redemption at the Option of Noteholders**

If Put Option is specified in the applicable Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the applicable Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(h) **Purchases**

Each of the Issuer, the Guarantor and their Subsidiaries as defined in the Agency Agreement may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price and such Notes may be held, resold or, at the option of the Issuer or the Guarantor or any of their respective Subsidiaries, as the case may be, surrendered to the Paying Agent for cancellation.

(i) **Cancellation**

All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged. Notes so purchased, if not surrendered for cancellation, may also be held to maturity or resold in the open market or otherwise.

7 Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(v)), as the case may be:
- (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank.
 - (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a), “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

(b) **Registered Notes**

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made:
 - (x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and
 - (y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), “**registered account**” means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) **Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws**

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding

or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**

The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and unexchanged Talons**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any

unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” in the applicable Pricing Supplement and:

- (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
- (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or the Kingdom of Saudi Arabia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) *Other connection:* to, or to a third-party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Cayman Islands or, in the case of payments by the Guarantor, the Kingdom of Saudi Arabia other than the mere holding of the Note or Coupon; or

- (b) *Presentation more than 30 days after the Relevant Date*: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **"FATCA Withholding"**). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used in these Conditions, **"Relevant Date"** in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) **"principal"** shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) **"interest"** shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) **"principal"** and/or **"interest"** shall be deemed to include any additional amounts that may be payable under this Condition.

9 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events (**"Events of Default"**) occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

- (i) if default is made in the payment of any principal or interest due under the Notes or any of them and the default continues for a period of seven days or more in the case of principal or 14 days or more in the case of interest; or
- (ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Conditions or the Deed of Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer or the Guarantor, as the case may be, of written notice requiring the same to be remedied; or

- (iii) (A) any Indebtedness or Sukuk Obligation of the Issuer, the Guarantor or any of their respective Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (B) any such Indebtedness or Sukuk Obligation becomes due and payable prior to its stated maturity by reason of default (however described) or (C) the Issuer, the Guarantor or any of their respective Principal Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any guarantee of any Indebtedness or Sukuk Obligation, *provided* that the amount of Indebtedness and/or Sukuk Obligation referred to in (A) and/or (B) above and/or the amount payable under any guarantee referred to in (C) above individually or in the aggregate exceeds U.S.\$50,000,000 (or its U.S. Dollar Equivalent); or
- (iv) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, save in connection with a Permitted Reorganisation; or
- (v) the Issuer, the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or the Issuer, the Guarantor or any of their respective Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed by a court of competent jurisdiction unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) (A) court or other formal proceedings are initiated against the Issuer, the Guarantor or any of their respective Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of their respective Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, save in each case in connection with the Permitted Reorganisation, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 30 days unless such proceedings are being actively pursued in good faith; or
- (vii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries (i) declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it; (ii) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium), (iii) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or (iv) any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save in connection with a Permitted Reorganisation; or
- (viii) any event occurs which under the laws of the Cayman Islands or the Kingdom of Saudi Arabia or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above; or
- (ix) at any time it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of its obligations under or in respect of the Notes, the Deed of Guarantee or any of the obligations of the Issuer or of the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable; or

- (x) if the Deed of Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect; or
- (xi) if the Issuer ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by the Guarantor.

For the purposes of these Conditions:

“Permitted Reorganisation” means:

- (a) any disposal by a Principal Subsidiary of the whole or a substantial part of its business, undertaking or assets to the Issuer or the Guarantor or any other wholly-owned Subsidiary of the Issuer or the Guarantor;
- (b) any amalgamation, consolidation or merger of a Principal Subsidiary with any other Principal Subsidiary or any other wholly-owned Subsidiary of the Issuer or the Guarantor; or
- (c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution of Noteholders.

“substantial part” means 15 per cent. of the total assets of the Guarantor and its Subsidiaries, taken as a whole.

“U.S. Dollar Equivalent” means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable foreign currency as quoted by Reuters at approximately 11:00 a.m. (New York time) on the date not more than two Business Days prior to the date of determination.

11 Meeting of Noteholders and Modifications

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10.0 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes (other than any amendment arising from the discontinuation of any interest rate benchmark used to determine the amount of any payment in respect of the Notes), (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown in the applicable Pricing Supplement, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee,

in which case the necessary quorum shall be two or more persons holding or representing not less than two thirds or at any adjourned meeting not less than one-third in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75.0 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Agency Agreement**

The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

(c) **Substitution**

The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes, the Coupons and the Talons, any company (the “**Substituted Debtor**”) that is the Guarantor, or a Subsidiary of the Guarantor, provided that no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the “**Deed Poll**”), to be substantially in the form scheduled to the Agency Agreement as Schedule 8, and may take place only if:

- (i) a deed poll and such other documents (if any) shall be executed by the Issuer, the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor as may be necessary to give full effect to the substitution (together, the “**Documents**”) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder and Couponholder to be bound by the Conditions of the Notes and the provisions of the Agency Agreement as fully as if the Substituted Debtor had been named in the Notes, the Coupons and the Talons and the Agency Agreement as the principal debtor in respect of the Notes, the Coupons and the Talons in place of the Issuer (or any previous substitute) and (if the Substituted Debtor is not the Guarantor) pursuant to which the Guarantor shall unconditionally and irrevocably guarantee (the “**New Deed of Guarantee**”) in favour of each Noteholder and Couponholder the payment of all sums payable by the Substituted Debtor as such principal debtor on the same terms *mutatis mutandis* as the Deed of Guarantee;
- (ii) without prejudice to the generality of Condition 11(c)(i) above, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than the Cayman Islands, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder and Couponholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 with the substitution for the references to the Cayman Islands of references to the territory or territories in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor to indemnify and hold harmless each Noteholder and

Couponholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder or Couponholder by any political sub-division or taxing authority of any country in which such Noteholder or Couponholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

- (iii) the Documents shall contain a representation and warranty by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor (A) that the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor have obtained all necessary governmental and regulatory approvals and consents for such substitution and (if the Substituted Debtor is not the Guarantor) for the giving by the Guarantor of the New Deed of Guarantee in respect of the obligations of the Substituted Debtor on the same terms *mutatis mutandis* as the Deed of Guarantee and for the performance by each of the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor of its obligations under the Documents and that all such approvals and consents are in full force and effect and (B) that the obligations assumed by the Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor under the Documents are all legal, valid and binding in accordance with their respective terms;
- (iv) each stock exchange on which the Notes are listed or admitted to trading shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes will continue to be listed or admitted to trading on such stock exchange;
- (v) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of lawyers in the country of incorporation of the Substituted Debtor to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor and that there are no circumstances which, upon the substitution becoming effective, would give rise to any of the events described in Condition 6(c) in respect of the Substituted Debtor, such opinion to be dated not more than seven days prior to the date of the substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders or Couponholders at the specified office of the Fiscal Agent;
- (vi) the Guarantor shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of Saudi Arabian lawyers acting for the Guarantor to the effect that, in the case where the Substituted Debtor is not the Guarantor, the Documents (including the New Deed of Guarantee given by the Guarantor in respect of the obligations of the Substituted Debtor) constitute legal, valid and binding obligations of the Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders or Couponholders at the specified office of the Fiscal Agent;
- (vii) the Guarantor shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion addressed to the Issuer, the Substituted Debtor and the Guarantor from a leading firm of English lawyers to the effect that the Documents (including, if the Substituted Debtor is not the Guarantor, the New Deed of Guarantee given by the Guarantor in respect of the obligations of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of

substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders or Couponholders at the specified office of the Fiscal Agent;

- (viii) the Substituted Debtor shall have appointed the process agent appointed by the Issuer in Condition 17(c) or another person with an office in England as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
- (ix) there being no outstanding Event of Default in respect of the Notes; and
- (x) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Issuer in respect of the Notes.

(d) **Assumption by Substitute Debtor**

Upon execution of the Documents as referred to in Condition 11(c) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

(e) **Deposit of Documents**

The Documents shall be deposited with and held by the Fiscal Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Guarantor) the Guarantor by any Noteholder or Couponholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Guarantor) the Guarantor shall acknowledge in the Documents the right of every Noteholder or Couponholder to production of the Documents for the enforcement of any of the Notes, the Coupons, the Talons or the Documents.

(f) **Notice of Substitution**

Not less than 15 business days after execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 14. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 10 shall be deemed to include that guarantee not being (or being claimed by the Guarantor not to be) in full force and effect.

12 Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of any Fiscal Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to “**Issue Date**” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “**Notes**” shall be construed accordingly.

14 Notices

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to these Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed and/or admitted to trading. If any such publication is not practicable, notice required to be given pursuant to these Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note or Coupon, the Issuer, failing whom the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s and the Guarantor’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgment or order.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Law and Arbitration

(a) Governing Law

The Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Agreement to Arbitrate

Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Coupons or the Deed of Covenant (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity or any dispute relating to any non contractual obligations arising out of or in connection with them or this Condition 17(b) (Arbitration)) (a “**Dispute**”) shall be referred to and finally resolved by arbitration, with a seat (or legal place) of arbitration in London, England conducted in the English language by three arbitrators pursuant to the arbitration rules of the LCIA (the “**Rules**”) (such arbitration to also be administered by the LCIA in accordance with those Rules). The claimant (or claimants jointly) shall nominate one arbitrator for appointment by the LCIA Court. The respondent (or respondents jointly) shall nominate one arbitrator for appointment by the LCIA Court. The third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by the parties. If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) Consolidation

The Issuer has in the Deed of Covenant:

- (i) agreed that the arbitration agreement set out in this Condition 17 and the arbitration agreement contained in each Relevant Agreement shall together be deemed to be a single arbitration agreement;
- (ii) agreed to the consolidation of any two or more arbitrations commenced pursuant to this Condition 17 and/or the arbitration agreement contained in any Relevant Agreement, subject to and in accordance with the Rules. Notwithstanding anything to the contrary in the Rules, Issuer has agreed that no arbitrations other than those referred to in this Condition 21(c)(ii) may be consolidated. For the avoidance of doubt, this Condition 21(c)(ii) is an agreement in writing by all parties for the purposes of Article 22.7(i) and Article 22.8(i) of the Rules. The Issuer has further agreed that:
 - (A) if a tribunal has been constituted in more than one of the arbitrations in respect of which consolidation is sought pursuant to this Condition 17(c)(ii), the tribunal which shall have the power to order consolidation shall be the tribunal appointed first in time; and
 - (B) the requirement in the Rules that a tribunal considering whether to consolidate disputes should give the parties a reasonable opportunity to state their views shall extend to all parties to each of the arbitrations in respect of which consolidation is sought; and

- (iii) to the extent permitted by law, waived any objection, relating to the fact that a Dispute has been resolved in a manner contemplated by this Condition 17(c), to the validity and/or enforcement of any arbitral award.

In this Condition 17(c), “Relevant Agreement” means the Deed of Guarantee and the Agency Agreement.

(d) **Service of Process**

Each of the Issuer and the Guarantor hereby irrevocably and unconditionally appoints Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom, as its agent for service of process in England in respect of any proceedings relating to any Dispute (the “**Proceedings**”) and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of the Notes issued under the Programme will be substantially in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH THE UK PROSPECTUS REGULATION FOR THE ISSUE OF THE INSTRUMENTS DESCRIBED BELOW. THE UNITED KINGDOM FINANCIAL CONDUCT AUTHORITY HAS NEITHER APPROVED NOR REVIEWED ANY INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT AND ANY INSTRUMENTS ISSUED PURSUANT TO THIS PRICING SUPPLEMENT ARE NOT COMPLIANT WITH THE UK PROSPECTUS REGULATION.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in [Regulation

(EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK MiFIR**”)/[UK MiFIR]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Notes (a “**distributor**”)] [distributor] should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

[Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [‘prescribed capital markets products’]/[capital markets products other than ‘prescribed capital markets products’] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04 N12: Notice on the Sale of Investment Products and MAS Notice FAA N16: Notice on Recommendations on Investment Products).]¹

Pricing Supplement dated [●]

BSF Finance
(LEI: 549300FJCGREO1P1UL36)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Banque Saudi Fransi
under the U.S.\$4,000,000,000
Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the offering circular dated 13 July 2023 [and the supplementary offering circular dated [●]], which [together] constitute[s] a base offering circular (the “**Base Offering Circular**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular. This document does not constitute listing particulars that the FCA has reviewed or approved pursuant to Listing Rule 4 of the FCA Handbook. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Offering Circular. The Base Offering Circular [and the supplement(s) thereto] [is] [are] available for viewing during normal business hours at the registered offices of the Issuer at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and copies may be obtained from the registered offices of the Fiscal Agent at Citigroup Centre, 6th Floor, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base offering circular with an earlier date.

¹ For any Notes to be offered to Singapore investors, the Issuer is to consider whether it needs to reclassify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the offering circular dated *[date of original offering circular]* [and the supplement(s) thereto dated [●]] which are incorporated by reference into the offering circular dated [●] 2022 [and the supplementary offering circular dated [●]], which [together] constitute[s] a base offering circular (the “**Base Offering Circular**”), and which are attached hereto. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular, save in respect of the Conditions, which are extracted from the offering circular dated *[date of original offering circular]* [and the supplement(s) thereto dated [●]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Offering Circular. The Base Offering Circular [and the supplement(s) thereto] [is] [are] available for viewing during normal business hours at the registered offices of the Issuer at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and copies may be obtained from the registered offices of the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

- | | | |
|----|--|---|
| 1 | (a) Issuer: | BSF Finance |
| | (b) Guarantor: | Banque Saudi Fransi |
| 2 | [(a)] Series Number: | [●] |
| | [(b)] Tranche Number: | [●] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount of Notes: | [●] |
| | [(a)] Series: | [●] |
| | [(b)] Tranche: | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount
[plus accrued interest from [●]] |
| 6 | [(a)] Specified Denominations: | [●] |
| | (b) Calculation Amount: | [●] |
| 7 | (c) Issue Date: | [●] |
| | (d) Interest Commencement Date: | [[●]/Issue Date/Not Applicable] |
| 8 | Maturity Date: | [●] |
| 9 | Interest Basis: | [[●] per cent. Fixed Rate]
[[●] +/- [●] per cent. Floating Rate] [Zero
Coupon]
(See paragraph [14/15/16] below) |
| 10 | Redemption/Payment Basis: | Subject to any purchase and cancellation or early
redemption, the Notes will be redeemed on the
Maturity Date at [[●]/[100]] per cent. of their
nominal amount.
[●] |
| 11 | Change of Interest or Redemption/Payment Basis: | <i>[Specify the date when any fixed to floating rate
change occurs or refer to paragraphs 14 and 15
below and identify there/Not Applicable]</i> |

12 **Put/Call Options:** [Put Option]
[Call Option]
[Issuer Maturity Par Call]
[Clean-up Call]
[(further particulars specified below)]

13 (a) Status of the Notes: Senior
(b) Status of the Guarantee: Senior
(c) [Date [Board] approval for issuance of [●] [and [●], respectively]]
Notes [and Guarantee] obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14 **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
(a) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Interest Payment Date]
(b) Interest Payment Date(s): [●] in each year [adjusted in accordance with] [[●]/not adjusted]
(c) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
(d) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
(e) Day Count Fraction: [Actual / Actual] / [Actual / Actual – ISDA] / [Actual/365 (Fixed)] / [Actual / 360] / [Actual 365 (Sterling)] / [30/360] / [360/360] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)]
(f) [Determination Dates: [●] in each year]
(g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/[●]]

15 **Floating Rate Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
(a) Interest Period(s): [●]²
[The end date of each Interest Period shall be subject to adjustment in accordance with the Business Day Convention specified in paragraph 15(e) below/ Not subject to any adjustment]
(b) Specified Interest Payment Dates: [●][The [●] Business Day following the final Interest Period Date of each Interest Period; except in respect of the final Interest Period, for which the Specified Interest Payment Date shall

² Interest Periods should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay, as in that case each Specified Interest Payment Date will fall after the end of the relevant Interest Period.

- be the Maturity Date or any earlier redemption date]³[, subject, in each case, to adjustment in accordance with the Business Day Convention specified in paragraph 15(e) below/, not subject to any adjustment]⁴
- (c) First Interest Payment Date: [●][, subject to adjustment in accordance with the Business Day Convention specified in paragraph 15(e) below/, not subject to any adjustment]
- (d) Interest Period Date: [●]⁵ (Not applicable unless different from Interest Payment Date)[, subject, in each case, to adjustment in accordance with the Business Day Convention specified in paragraph 15(e) below/, not subject to any adjustment]
- (e) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
- (f) Business Centre(s): [●]
- (g) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (h) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): [Name] shall be the Calculation Agent
- (i) Screen Rate Determination: [Applicable – Term Rate / Applicable – SOFR Benchmark / Applicable – SONIA Benchmark / Not Applicable]
- Reference Rate: [SONIA/SOFR]
- [[●] is provided by [*administrator legal name*] [*repeat as necessary*].] [As at the date hereof, [*administrator legal name*] [appears]/[does not appear] [*repeat as necessary*] in the register of administrators and benchmarks established and maintained by [ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011 (as amended, the “**BMR**”)]/[FCA pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011) as it forms part of domestic law by

³ This text will be included where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay.

⁴ Specified Interest Payment Dates will not normally be subject to adjustment where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay.

⁵ Interest Period Dates should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay, as in that case Specified Interest Payment Dates will not fall on Interest Period Dates.

	virtue of the EUWA (the “ UK BMR ”)/[As far as the Issuer is aware, as at the date hereof, the <i>[specify benchmark]</i> does not fall within the scope of the [BMR]/[UK BMR] / [Not Applicable]
— Interest Determination Date(s):	[•] [[•] U.S. Government Securities Business Days prior to each Interest Period Date] ⁶ [The Interest Period Date at the end of each Interest Accrual Period; except in respect of the final Interest Accrual Period, for which the Interest Determination Date will be the SOFR Rate Cut-off Date] ⁷ [The date which is [“p”] London Business Days prior to each Interest Payment Date]
— Relevant Time:	[•]
— Relevant Screen Page:	[•][Bloomberg Screen Page: SONCINDX] ⁸ [Bloomberg Screen Page: SONIO/N Index] ⁹
— Relevant Financial Centre:	[•]
— SONIA Benchmark:	[Not Applicable]/[SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate [with Observation Shift] / [with Lag] where “p” is [•] ¹⁰ London Business Days] ¹¹
— SOFR Benchmark:	[Not Applicable]/[Simple SOFR Average]/[Compounded SOFR Average/SOFR Index Average] ¹²
— Compounded SOFR Average:	[Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout] ¹³
— Lookback Days:	[Not Applicable/[•] U.S. Government Securities Business Day(s)] ¹⁴
— SOFR Observation Shift Days:	[Not Applicable/[•] U.S. Government Securities Business Day(s)] ¹⁵

⁶ To be included where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Observation Shift, SOFR Lockout or SOFR Observation Lag. Where the Fiscal Agent is appointed as Calculation Agent, it will normally require that this period (and, where applicable, any Lookback Days/SOFR Observation Shift Days or SOFR Rate Cut-Off Date) is at least 5 U.S. Government Securities Business Days.

⁷ Only applicable where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is the Compounded SOFR Average: SOFR Payment Delay.

⁸ Only applicable where the Reference Rate is SONIA Benchmark and SONIA Compounded Index Rate applies.

⁹ Only applicable where the Reference Rate is SONIA Benchmark and SONIA Compounded Daily Reference Rate applies.

¹⁰ Not to be less than 5 London Business Days.

¹¹ Only applicable where the Reference Rate is SONIA Benchmark.

¹² Only applicable where the Reference Rate is SOFR Benchmark.

¹³ Only applicable in the case of Compounded SOFR Average.

¹⁴ Only applicable in the case of SOFR Observation Lag.

¹⁵ Only applicable in the case of SOFR Observation Shift or SOFR Index Average.

— Interest Payment Delay Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] ¹⁶
— SOFR Rate Cut-Off Date:	[Not Applicable/The day that is the [●] U.S. Government Securities Business Day(s) prior to the end of each Interest Accrual Period] ¹⁷
— SOFR Index _{Start} :	[Not Applicable/[●] U.S. Government Securities Business Day(s)] ¹⁸
— SOFR Index _{End} :	[Not Applicable/[●] U.S. Government Securities Business Day(s)] ¹⁹
— D:	[365/360/[●]] ²⁰
— Fallback Provisions:	[Condition 5(j)(1) (Independent Adviser)] ²¹ /[Condition 5(j)(2) (Benchmark Discontinuation (SOFR))]
(j) ISDA Determination:	
— ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
— Floating Rate Option:	[●] ²²
— Designated Maturity:	[●]/[Not Applicable] ²³
— Reset Date:	[●]/[as specified in the ISDA Definitions]/[the first day of the relevant Interest Period, subject to adjustment in accordance with the Business Day Convention set out in [●] above and as specified in the ISDA Definitions]
— Compounding:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining items of this subparagraph)</i>
— Compounding Method:	[Compounding with Lookback Lookback: [●] Applicable Business Days] [Compounding with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]]

¹⁶ Only applicable in the case of SOFR Payment Delay.

¹⁷ Only applicable in the case of Simple SOFR Average, Compounded SOFR Average: SOFR Payment Delay or Compounded SOFR Average: SOFR Lockout.

¹⁸ Only applicable in the case of SOFR Index Average.

¹⁹ Only applicable in the case of SOFR Index Average.

²⁰ “D” will normally be 360.

²¹ To be included in all cases except where the parties have agreed, in respect of an issuance where the Reference Rate is SOFR Benchmark, to the inclusion of the Benchmark Discontinuation (SOFR) fallback provisions instead.

²² Ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions) if 2021 ISDA Definitions selected.

²³ A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate.

	[Compounding with Lockout Lockout: [●] Lockout Period Business Days Lockout Period Business Days: [●]/[Applicable Business Days]]
— Averaging:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining items of this subparagraph)</i>
— [Averaging Method:	[Averaging with Lookback Lookback: [●] Applicable Business Days] [Averaging with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]] [Averaging with Lockout Lockout: [●] Lockout Period Business Days Lockout Period Business Days: [●]/[Applicable Business Days]]
— Index Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining items of this subparagraph)</i>
— [Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]]
(k) Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using linear interpolation <i>(specify for each short or long Interest Period)</i>]
(l) Margin(s):	[+/-][●] per cent. per annum
(m) Minimum Rate of Interest:	[●] per cent. per annum
(n) Maximum Rate of Interest:	[●] per cent. per annum
(o) Day Count Fraction:	[●]
(p) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
16 Zero Coupon Note Provisions:	[Applicable/Not Applicable]
(a) Amortisation Yield:	[●] per cent. per annum

- (b) Day Count Fraction in relation to Early Redemption Amounts: [30/360/Actual/Actual (ICMA/ISDA)] [*Include any other option from the Conditions*]
- (c) Any other formula/basis of determining amount payable: [•]

PROVISIONS RELATING TO REDEMPTION

- 17 **Call Option:** [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] per Calculation Amount]
[Condition 6(b) applies] [Make-whole Redemption Amount]
[If Make-whole Redemption Amount is selected, include items (A) to (C) below or relevant options as are set out in the Conditions]
- (A) [Make-whole Redemption Margin: [[•] per cent.]]
- (B) [Reference Dealer(s): [•]]
- (C) [Reference Quotation Time: [•]]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [•] per Calculation Amount
- (ii) Maximum Redemption Amount: [•] per Calculation Amount
- (d) Notice period: [•]
- 18 **Issuer Maturity Par Call:** [Applicable/Not Applicable]
- (a) Maturity Par Call Period Commencement Date: [•]
- (b) Maturity Par Call Period: From (and including) the Maturity Par Call Period Commencement Date to (but excluding) the Maturity Date
- (c) Notice Period (if other than as set out in the Conditions): [•]
- 19 **Clean-up Call:**
- (a) Notice Period (if other than as set out in the Conditions): [•]
- 20 **Put Option:** [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
[Condition 6(b) applies]
- (c) Notice period: [•]
- 21 **Final Redemption Amount of each Note:** [•] per Calculation Amount
- 22 **Early Redemption Amount:** [Applicable/Not Applicable]

Early Redemption Amount(s) per Calculation [●]
Amount payable on redemption for taxation
reasons or on event of default or other early
redemption and/or the method of calculating the
same (if required or if different from that set out
in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|----|--|--|
| 23 | Form of Notes: | <p>Bearer Notes:</p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]</p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p>Registered Notes:</p> <p>[Regulation S Global Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg]]</p> |
| 24 | Financial Centre(s) or other special provisions relating to payment dates: | [Not Applicable/[●]] |
| 25 | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes [●]/No] |
| 26 | Other terms or special conditions: | [Not Applicable/ <i>give details</i>] |

Signed on behalf of BSF Finance:

By:

Duly authorised

Signed on behalf of Banque Saudi Fransi:

By:

Duly authorised

PART B — OTHER INFORMATION

1 Listing and admission to trading

- (a) Admission to trading: [[Application [has been made] [is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange’s International Securities Market] / [●] with effect from [●].]/Not Applicable]
- (b) Estimate of total expenses related to admission to trading: [●]

2 Ratings:

The Notes to be issued have been rated:

[S&P: [●]]

[Moody’s: [●]]

[Fitch: [●]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

3 [Interests of Natural and Legal Persons Involved in the Issue/Offer]

[Save as discussed in [“*Subscription and Sale/General Information*”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

4 Reasons for the Offer and Estimated Net Proceeds

- (a) Reasons for the offer: [General corporate purposes/*Give details*]
- [(b)] Estimated net proceeds: [●]

5 [Fixed Rate Notes only—Yield]

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 Operational Information

ISIN: [●]

Common Code: [●]

FISN: [●]

CFI: [●]

Trade Date: [●]

Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/[●]]

Names and addresses of initial Paying Agent(s): [●]

Names and addresses of additional Paying Agent(s) (if any): [●]

7 **Distribution**

- | | |
|--|---|
| (a) Method of distribution: | [Syndicated/Non-syndicated] |
| (b) If syndicated, names of Managers: | [Not Applicable/ <i>give names</i>] |
| (c) Stabilisation Manager(s) (if any): | [Not Applicable/ <i>give names</i>] |
| (d) If non-syndicated, name of Dealer: | [Not Applicable/ <i>give name</i>] |
| (e) US Selling Restrictions: | [Reg. S Compliance Category 1;
TEFRA C/TEFRA D/TEFRA not applicable] |
| (f) Additional selling restrictions: | [Not Applicable/ <i>give details</i>] |

SUMMARY OF THE GROUP'S FINANCIAL INFORMATION

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to the 2022 Financial Statements and the notes thereto as incorporated by reference herein.

Consolidated Statement of financial position

The table below shows the Group's consolidated statement of financial position as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	(SR '000)	
ASSETS		
Cash and balances with SAMA.....	11,325,586	9,795,068
Due from banks and other financial institutions, net.....	4,795,111	5,323,964
Investments, net	44,517,549	43,858,241
Positive fair value of derivatives	6,582,980	4,061,987
Loans and advances, net.....	159,011,525	147,812,759
Investment in associate, net.....	9,695	9,695
Property and equipment and right of use assets, net	1,739,307	1,585,763
Other real estate, net.....	342,050	384,181
Other assets, net	3,754,316	2,970,368
Total assets	232,078,119	215,802,026
LIABILITIES AND EQUITY		
Liabilities		
Due to SAMA	8,004,403	10,868,499
Due to banks and other financial institutions	8,766,039	12,985,358
Customers' deposits	157,592,320	141,950,208
Negative fair value of derivatives	7,383,707	3,246,098
Debt securities and term loans	4,515,254	—
Other liabilities.....	7,071,071	7,066,193
Total liabilities	193,332,794	176,116,356
Equity		
Share capital.....	12,053,572	12,053,572
Statutory reserve	12,053,572	12,053,572

	As at 31 December	
	2022	2021
	(SR '000)	
General reserve	982,857	982,857
Other reserves	(2,090,067)	228,707
Retained earnings.....	9,768,005	8,398,887
Proposed dividend.....	1,079,633	1,019,956
Treasury shares.....	(102,247)	(51,881)
Equity attributable to the shareholders of the Bank.....	33,745,325	34,685,670
Tier 1 Sukuk.....	5,000,000	5,000,000
Total equity	38,745,325	39,685,670
TOTAL LIABILITIES AND EQUITY.....	232,078,119	215,802,026

Consolidated statement of income

The table below shows the Group's consolidated statement of income for the years ended 31 December 2022 and 31 December 2021:

	For the year ended 31 December	
	2022	2021
	(SR '000)	
Special commission income.....	8,307,199	6,193,711
Special commission expense.....	1,880,646	495,066
Net special commission income	6,426,553	5,698,645
Fee and commission income	1,423,040	1,403,396
Fee and commission expense	526,179	515,467
Net fee and commission income	896,861	887,929
Exchange income, net	474,684	336,131
Trading income, net	201,748	171,841
Dividend income	13,397	1,501
Gains on FVOCI / non-trading investments, net.....	3,524	27,804
Other operating income.....	508	4,075
Total operating income	8,017,275	7,127,926
Salaries and employee-related expenses	1,494,960	1,397,452
Rent and premises related expenses	73,122	66,061
Depreciation and amortisation	221,428	224,972

	For the year ended 31 December	
	2022	2021
	(SR '000)	
Other operating general and administrative expenses	864,065	758,459
Total operating expenses before impairment charge	2,653,575	2,446,944
Impairment charge for expected credit losses on loans and advances, net	1,363,944	961,430
Impairment reversal for investments, financial assets and others, net	(4,147)	(117,825)
Total operating expenses, net	4,013,372	3,290,549
Net income for the year before Zakat	4,003,903	3,837,377
Zakat for the year	428,773	387,500
Net income for the year	3,575,130	3,449,877
Basic and diluted earnings per share (SAR).....	2.79	2.70

Key performance ratios

The table below shows the Group's key performance ratios as at and for the years ended 31 December 2022 and 31 December 2021:

	As at and for the year ended 31 December	
	2022	2021
Provisions to non-performing loans ⁽¹⁾	119.92%	122.67%
Non performing loans to total loans ⁽²⁾	2.54%	2.53%
SAMA loans to deposits ⁽³⁾	83.3%	86.9%
Loans to deposits ⁽⁴⁾	100.90%	104.13%
CET1 capital adequacy ⁽⁵⁾	16.57%	17.47%
Tier 1 capital adequacy ⁽⁶⁾	18.90%	19.94%
Total capital adequacy ⁽⁷⁾	19.92%	21.09%
Net interest margin ⁽⁸⁾	3.06%	3.02%
Cost to income ⁽⁹⁾	33.10%	34.33%
Return on average assets ⁽¹⁰⁾	1.58%	1.66%
Return on average equity ⁽¹¹⁾	9.24%	8.80%
Cost of risk ⁽¹²⁾	0.85%	0.67%
Net stable funding ratio ⁽¹³⁾	122%	118%

Notes:

- (1) Calculated as allowance for impairment divided by total non performing loans and advances, net.
- (2) Calculated as total non performing loans and advances, net divided by total loans and advances.

- (3) Calculated in accordance with SAMA regulations. Represents total loans and advances, net divided by total customers' deposits weighted by maturity in accordance with SAMA regulations.
- (4) Calculated as total loans and advances, net divided by total customers' deposits.
- (5) Calculated in accordance with SAMA regulations. Represents common equity tier 1 capital divided by total risk-weighted assets.
- (6) Calculated in accordance with SAMA regulations. Represents tier 1 capital divided by total risk-weighted assets.
- (7) Calculated in accordance with SAMA regulations. Represents total capital divided by total risk-weighted assets.
- (8) Calculated as net special commission income divided by the simple average of the last 13 month-end interest-earning assets. Interest-earning assets is calculated as the sum of money market placements, due from banks and other financial institutions, investments, net and loan and advances, net.
- (9) Calculated as total operating expenses before impairment charge divided by total operating income.
- (10) Calculated as net income for the period after zakat and income tax attributable to equity holders of BSF divided by average total assets. Average total assets as at 31 December 2022 is calculated as the simple average of (i) total assets as at 31 December 2022, (ii) total assets as at 30 September 2022, (iii) total assets as at 30 June 2022, (iv) total assets as at 31 March 2022 and (v) total assets as at 31 December 2021. Average total assets as at 31 December 2021 is calculated as the simple average of (i) total assets as at 31 December 2021, (ii) total assets as at 30 September 2021, (iii) total assets as at 30 June 2021, (iv) total assets as at 31 March 2021 and (v) total assets as at 31 December 2020.
- (11) Calculated as net income for the period after zakat and income tax divided by average total equity for the year. Average total equity for the year ended 31 December 2022 is calculated as the simple average of (i) total equity as at 31 December 2022, (ii) total equity as at 30 September 2022, (iii) total equity as at 30 June 2022, (iv) total equity as at 31 March 2022 and (v) total equity as at 31 December 2021. Average total equity for the year ended 31 December 2021 is calculated as the simple average of (i) total equity as at 31 December 2021, (ii) total equity as at 30 September 2021, (iii) total equity as at 30 June 2021 and (iv) total equity as at 31 March 2021 and (v) total equity as at 31 December 2020.
- (12) Calculated as impairment charge for expected credit losses on loans and advances, net divided by the average gross loan portfolio. Average gross loan portfolio as at 31 December 2022 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2022, (ii) gross loan portfolio as at 30 September 2022, (iii) gross loan portfolio as at 30 June 2022, (iv) gross loan portfolio as at 31 March 2022 and (v) gross loan portfolio as at 31 December 2021. The average gross loan portfolio as at 31 December 2021 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2021, (ii) gross loan portfolio as at 30 September 2021, (iii) gross loan portfolio as at 30 June 2021, (iv) gross loan portfolio as at 31 March 2021 and (v) gross loan portfolio as at 31 December 2020.
- (13) Calculated in accordance with SAMA regulations. Represents total available stable funding divided by total required stable funding.

FINANCIAL REVIEW

The following discussion and analysis of the Group's financial condition and results of operations covers the years ended 31 December 2022 and 31 December 2021 and the three-month periods ended 31 March 2023 and 31 March 2022. The financial information presented in this discussion has been extracted or derived from the 2022 Financial Statements and the Interim Financial Statements.

The following discussion contains forward-looking statements that involve risks and uncertainties. BSF has based these forward-looking statements on its current projections and expectations about future events. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those discussed below and elsewhere in this Base Offering Circular, particularly under the headings "Forward-looking Statements" and "Risk Factors".

See "Presentation of Financial Information" for a discussion of the source of the numbers presented in this section.

Overview

BSF is a commercial bank operating in the Kingdom under Commercial Registration No. 1010073368 dated 5 September 1989. BSF's head office is located at King Saud Road, AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia. The telephone number of BSF's head office is +966 11 289 9999.

BSF is a full-service bank, whose main business lines are corporate banking, retail banking, treasury and investment banking and brokerage. The Group offers a full range of conventional and Islamic banking products and services in Saudi Arabia to the retail and corporate sectors, in addition to investment advisory services, asset management, local and international securities trading and treasury services.

According to Tadawul, BSF was the fifth largest listed commercial bank in the Kingdom as at 31 December 2022 and 31 December 2021 by total assets (based on the latest available financial statements of the banking industry), with total assets of SR 232,078 million and SR 215,802 million, respectively. As at 31 December 2022 and 31 December 2021, the Group's total customers' deposits amounted to SR 157,592 million and SR 141,950 million, respectively. As at 31 December 2022 and 31 December 2021, the Group's customers' deposits accounted for 6.87 per cent. and 6.70 per cent. of all customers' deposits in the Kingdom, according to publicly available data. The Group's net income for the year was SR 3,575 million for the year ended 31 December 2022 and SR 3,450 million for the year ended 31 December 2021.

Significant Factors Affecting Results of Operations

Factors affecting net special commission income

The Group's net special commission income is the major contributor to its total operating income, representing 80.16 per cent. and 79.95 per cent. of the Group's total operating income for the years ended 31 December 2022 and 31 December 2021, respectively.

Within the Group's net special commission income:

- total income from loans and advances is the major contributor, accounting for 85.93 per cent. and 86.18 per cent. of the special commission income for the years ended 31 December 2022 and 31 December 2021, respectively. The Group's other sources of special commission income are investments held at a fair value through other comprehensive income (FVOCI), investments held at amortised cost and due from SAMA, banks and other financial institutions; and

- the expense paid on customers' deposits is the major contributor to the Group's special commission expense, representing 79.99 per cent. and 91.56 per cent. of the Group's special commission expense for the years ended 31 December 2022 and 31 December 2021, respectively.

The Group's net special commission income is affected by a number of factors. It is primarily determined by the volume of special commission-earning assets and investment assets relative to the volume of special commission-bearing liabilities, as well as the differential between the rates earned on special commission-earning assets and the rates paid on special commission-bearing liabilities.

For a discussion of the trends in the Group's net special commission income in each of the years under review, see "*Financial Review – Net special commission income*".

Movements in impairment charge for expected credit losses on loans and advances, net

The Group's impairment charge for credit losses represents its ECL charge for impairment on loans and advances less any recoveries of previously written-off bad debts. The Group's impairment charge for expected credit losses on loans and advances, net, amounted to SR 1,364 million for the year ended 31 December 2022 and SR 961 million for the year ended 31 December 2021.

Interest rates in the Kingdom

The table below shows the absolute level of interest rates in the Kingdom as at 31 December 2022 and 31 December 2021:

	SIBOR rate				IRS Curve	
	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years
31 December 2022	4.73017%	5.34044%	5.59776%	5.86967%	4.80%	4.71%
31 December 2021	0.70429%	0.90571%	0.98286%	1.06000%	2.00%	2.28%

Source: Reuters

Market Conditions in the Kingdom

The Group believes that its business will continue to benefit from the positive macro-economic environment in the Kingdom.

The Government has increased its investment within the Kingdom, which has resulted in sustained domestic economic growth.

Even though growth in the Saudi economy was negatively affected by the global economic crisis, the Kingdom's economy has continued to grow since 2008 (except 2017) as a result of the Government support. According to SAMA, the Saudi economy grew by 7.6 per cent. in 2022 and by 3.2 per cent. in 2021, and banks operating in the Kingdom experienced strong balance sheet growth.

According to SAMA, the Saudi financial sector increased its lending to the private sector by 12.57 per cent. in the year ended 31 December 2022 and by 15.31 per cent. in the year ended 31 December 2021.

According to GASTAT, the Kingdom's real GDP grew by 8.7 per cent. to SR 2,974.8 billion in 2022 from SR 2,736.0 billion in 2021. According to the Ministry of Finance, the Government recorded a budget surplus of SR 103.9 billion and revenues of SR 1,270 billion in 2022. Actual expenditure was estimated to have increased by 12 per cent. from SR 1,039 billion in 2021 to SR 1,160 billion in 2022.

The Government continues to place an emphasis on development projects that enhance growth sustainability and promote long-term development, including through the construction of new houses, hospitals, schools,

universities and other similar facilities. This has presented and may continue to present the Group with a number of opportunities, including:

- direct financing to clients for educational activities as well as indirectly through various funds intended for investment in the educational sector in the Kingdom;
- supporting several housing projects for the Ministry of Municipal, Rural Affairs and Housing, Kingdom - wide (including in the underdeveloped area of the north of the Kingdom). These would involve off-plan site sales targeted at largely middle-income working families;
- as part of supporting the Government's initiative towards the promotion of the tourism sector (inclusive of pilgrimage), the Group is also actively partnering with developers involved in the construction of properties to provide accommodation and facilities for the tourists and pilgrims expected;
- being an active partner in Vision 2030 projects including the Red Sea, NEOM and Qiddiya projects towards promoting the tourism and entertainment sectors in the Kingdom;
- entering into a project financing collaboration agreement with the Tourism Development Fund to support the development of the tourism sector;
- actively participating in project financings of infrastructure including conventional and renewable power, water, utilities, telecom, healthcare, hospitality, housing compounds, transport and shipping, aviation and airports, logistics and education; and
- providing strong project financing support as advisers, lenders and arrangers, to the oil and gas, mineral and mining and petrochemicals sectors.

Given the Group's extensive lending and investment banking capabilities, its management believes that the Group is well-placed to benefit from these trends.

Key Indicators and Key Ratios

The tables below show the Group's key indicators and ratios as at and for the years ended 31 December 2022 and 31 December 2021.

Key Indicators	As at and for the year ended 31 December	
	2022	2021
	(SR '000)	
Total assets.....	232,078,119	215,802,026
Loans and advances, net	159,011,525	147,812,759
Customers' deposits	157,592,320	141,950,208
Total equity	38,745,325	39,685,670
Total operating income	8,017,275	7,127,926
Net income for the year	3,575,130	3,449,877

Key ratios	As at and for the year ended 31 December	
	2022	2021
Provisions to non performing loans ⁽¹⁾	119.92%	122.67%
Non performing loans to total loans ⁽²⁾	2.54%	2.53%
SAMA loans to deposits ⁽³⁾	83.3%	86.9%
Loans to deposits ⁽⁴⁾	100.90%	104.13%
CET1 capital adequacy ⁽⁵⁾	16.57%	17.47%
Tier 1 capital adequacy ⁽⁶⁾	18.90%	19.94%
Total capital adequacy ⁽⁷⁾	19.92%	21.09%
Net interest margin ⁽⁸⁾	3.06%	3.02%
Cost to income ⁽⁹⁾	33.10%	34.33%
Return on average assets ⁽¹⁰⁾	1.58%	1.66%
Return on average equity ⁽¹¹⁾	9.24%	8.80%
Cost of risk ⁽¹²⁾	0.85%	0.67%
Net stable funding ratio ⁽¹³⁾	122%	118%

Notes:

- (1) Calculated as allowance for impairment divided by total non performing loans and advances, net.
- (2) Calculated as total non performing loans and advances, net divided by total loans and advances.
- (3) Calculated in accordance with SAMA regulations. Represents total loans and advances, net divided by total customers' deposits weighted by maturity in accordance with SAMA regulations.
- (4) Calculated as total loans and advances, net divided by total customers' deposits.
- (5) Calculated in accordance with SAMA regulations. Represents common equity tier 1 capital divided by total risk-weighted assets.
- (6) Calculated in accordance with SAMA regulations. Represents tier 1 capital divided by total risk-weighted assets.
- (7) Calculated in accordance with SAMA regulations. Represents total capital divided by total risk-weighted assets.
- (8) Calculated as net special commission income divided by the simple average of the last 13 month-end interest-earning assets. Interest-earning assets is calculated as the sum of money market placements, due from banks and other financial institutions, investments, net, and loans and advances, net.
- (9) Calculated as total operating expenses before impairment charge divided by total operating income.
- (10) Calculated as net income for the period after zakat attributable to equity holders of BSF divided by average total assets. Average total assets as at 31 December 2022 is calculated as the simple average of (i) total assets as at 31 December 2022, (ii) total assets as at 30 September 2022, (iii) total assets as at 30 June 2022, (iv) total assets as at 31 March 2022 and (v) total assets as at 31 December 2021. Average total assets as at 31 December 2021 is calculated as the simple average of (i) total assets as at 31 December 2021, (ii) total assets as at 30 September 2021, (iii) total assets as at 30 June 2021, (iv) total assets as at 31 March 2021 and (v) total assets as at 31 December 2020.
- (11) Calculated as net income for the period after zakat divided by average total equity for the year. Average total equity for the year ended 31 December 2022 is calculated as the simple average of (i) total equity as at 31 December 2022, (ii) total equity as at 30 September 2022, (iii) total equity as at 30 June 2022, (iv) total equity as at 31 March 2022 and (v) total equity as at 31 December 2021. Average total equity for the year ended 31 December 2021 is calculated as the simple average of (i) total equity as at 31 December 2021, (ii) total equity as at 30 September 2021, (iii) total equity as at 30 June 2021, (iv) total equity as at 31 March 2021 and (v) total equity as at 31 December 2020.
- (12) Calculated as impairment charge for expected credit losses on loans and advances, net, divided by the average gross loan portfolio. Average gross loan portfolio as at 31 December 2022 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2022, (ii) gross loan portfolio as at 30 September 2022, (iii) gross loan portfolio as at 30 June 2022, (iv) gross loan portfolio as at 31 March 2022 and (v) gross loan portfolio as at 31 December 2021. The average gross loan portfolio as at 31 December 2021 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2021, (ii) gross loan portfolio as at 30 September 2021, (iii) gross loan portfolio as at 30 June 2021, (iv) gross loan portfolio as at 31 March 2021 and (v) gross loan portfolio as at 31 December 2020.
- (13) Calculated in accordance with SAMA regulations. Represents total available stable funding divided by total required stable funding.

Critical Accounting Judgements, Estimates and Assumptions

In preparing the Group's financial statements, management is required to make certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. The management is also required to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. For a description of the most critical accounting judgments, estimates and assumptions made in the preparation of the 2022 Financial Statements, see note 2(e) of the 2022 Financial Statements. These are predominantly related to ECLs, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

Classification of Investments

The Group's management decides on the categorisation of its investments at the time of their acquisition. On initial recognition, a financial asset is classified into three categories: amortised cost, FVOCI (fair value through other comprehensive income) or FVTPL (fair value through profit and loss). Investments classified as FVTPL are recorded initially in the accounts at cost and periodically marked to market with any gains or losses arising on such revaluation being recorded as gains or loss in the income statement. Particularly at times of stock market volatility, this classification can have a material effect on the Group's investment income.

Impairment of Financial Assets

The Group recognises loss allowances for ECL on the financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when the credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Twelve-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

For complete details of the impairment policy, see note 3 to the 2022 Financial Statements.

Financial Position

The table below shows the Group's consolidated financial position as at 31 December 2022 and 31 December 2021:

	As at 31 December		
	2022	2021	%Var 12m 2022/2021
	(SR '000)		
ASSETS			
Cash and balances with SAMA.....	11,325,586	9,795,068	15.63%
Due from banks and other financial institutions, net.....	4,795,111	5,323,964	-9.93%
Investments, net	44,517,549	43,858,241	1.50%
Positive fair value of derivatives	6,582,980	4,061,987	62.06%
Loans and advances, net.....	159,011,525	147,812,759	7.58%
Investment in associate, net.....	9,695	9,695	0.00%
Property, equipment and right use of assets, net	1,739,307	1,585,763	9.68%
Other real estate, net.....	342,050	384,181	-10.97%
Other assets, net	3,754,316	2,970,368	26.39%
Total assets	232,078,119	215,802,026	7.54%
LIABILITIES AND EQUITY			
Liabilities			
Due to SAMA	8,004,403	10,868,499	-26.35%
Due to banks and other financial institutions	8,766,039	12,985,358	-32.49%
Customers' deposits	157,592,320	141,950,208	11.02%
Negative fair value of derivatives	7,383,707	3,246,098	127.46%
Debt securities and term loans	4,515,254	—	—
Other liabilities.....	7,071,071	7,066,193	0.07%
Total liabilities	193,332,794	176,116,356	9.78%
Equity			
Share capital.....	12,053,572	12,053,572	0.00%
Statutory reserve	12,053,572	12,053,572	0.00%
General reserve	982,857	982,857	0.00%
Other reserves	(2,090,067)	228,707	-1,013.86%
Retained earnings.....	9,768,005	8,398,887	16.30%
Proposed dividend.....	1,079,633	1,019,956	5.85%

	As at 31 December		
	2022	2021	%Var 12m 2022/2021
Treasury shares.....	(102,247)	(51,881)	97.08%
Equity attributable to the shareholders of the Bank...	33,745,325	34,685,670	-2.71%
Tier 1 Sukuk.....	5,000,000	5,000,000	0.00%
Total equity	38,745,325	39,685,670	-2.37%
Total liabilities and equity	232,078,119	215,802,026	7.54%

Assets

As at 31 December 2022, the Group's total assets were SR 232,078 million, an increase of 7.54 per cent. from SR 215,802 million as at 31 December 2021. This was mainly due to a 7.58 per cent. increase in loans and advances, net, a 62.06 per cent. increase in positive fair value of derivatives and a 15.63 per cent. increase in cash and balances with SAMA.

Cash and Interbank Positions

SAMA's regulation on banks' asset ratios requires that 20 per cent. of customers' deposits be invested in Government bonds and/or placed in short-term deposits (less than or equal to 30 days) on the interbank market or with SAMA.

The Group's cash and balances with SAMA was SR 11,326 million as at 31 December 2022, an increase of 15.63 per cent., as compared with SR 9,795 million as at 31 December 2021. This increase was primarily attributable to a 5.46 per cent. increase in statutory deposits and a 1,381.27 per cent. increase in money market placements which. The Group's due from banks and other financial institutions, net as at 31 December 2022 was SR 4,795 million, a decrease of 9.93 per cent. as compared with SR 5,324 million as at 31 December 2021. This decrease was primarily attributable to a 26.40 per cent. decrease in current accounts.

The Group's due to SAMA was SR 8,004 million as at 31 December 2022, a decrease of 26.35 per cent., as compared with SR 10,868 million as at 31 December 2021. This decrease was primarily attributable to the repayment of SR 3,555 million in the year ended 31 December 2022 of multiple profit-free deposits the Group received from SAMA in 2021 and 2020. The Group's due to banks and other financial institutions was SR 8,766 million as at 31 December 2022, a decrease of 32.49 per cent., as compared with SR 12,985 million as at 31 December 2021. This decrease was primarily attributable to a 49.41 per cent. decrease in current accounts and a 31.84 per cent. decrease in money market deposits.

The table below shows the Group's cash and the interbank positions as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	<i>(SR'000)</i>	
Cash and balances with SAMA.....	11,325,586	9,795,068
Due from banks and other financial institutions, net.....	4,795,111	5,323,964
Due to SAMA	8,004,403	10,868,499
Due to banks and other financial institutions	8,766,039	12,985,358
Net interbank position ⁽¹⁾	(649,745)	(8,734,825)

Note:

(1) Calculated as the difference between the sums of (x) "Due from banks and other financial institutions" and "Cash and balances with SAMA" and (y) "Due to banks and other financial institutions" and "Due to SAMA".

Investments, net

The Group maintains an investment portfolio for its own account consisting of fixed income instruments, the purpose of which is two-fold:

- to cater for the Group's liquidity risk management, ensuring a cushion of assets that the Group can liquidate easily (either by a sale or a repurchase agreement) in case of a sudden withdrawal of deposits; and
- to reduce the interest rate mismatches between assets and liabilities.

As at 31 December 2022, the Group's investments, net was SR 44,518 million, an increase of 1.50 per cent. as compared with SR 43,858 million as at 31 December 2021. The Group maintains a portfolio of investments of high credit quality. The Group's policy is to maintain only exposures rated BBB and above by S&P (or the equivalent) and the Group has had no direct or indirect exposure to collateralised debt obligations and other subprime-related issues. Investment grade investments include investments having a credit exposure equivalent to S&P's rating of AAA to BBB. Unrated investments were SR 6,791 million as at 31 December 2022 and SR 8,357 million as at 31 December 2021, including local *sukuk*, *Mudarabah* and a small proportion of legacy local and foreign equities.

The table below shows a breakdown of the Group's investment portfolio as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	<i>(SR '000)</i>	
Held as FVSI	68,744	209,995
Held as FVOCI, net	18,405,668	14,942,800
Held at amortised cost, net.....	26,043,137	28,705,446
Total investments, net	44,517,549	43,858,241

The table below shows the composition of the Group's investments, net by counterparty as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	<i>(SR '000)</i>	
Government and quasi government.....	30,286,351	33,112,811
Corporate.....	6,519,826	5,762,206
Banks and other financial institutions	7,711,372	4,983,224
Total investments, net	44,517,549	43,858,241

The Group's investments, net comprises Government bonds and treasury bills (accounting for 68.03 per cent. and 75.50 per cent. of investments, net, as at 31 December 2022 and 31 December 2021, respectively), corporate bonds, sukuk and equities (accounting for 14.65 per cent. and 13.14 per cent. of investments, net as at 31 December 2022 and 31 December 2021, respectively) and bonds, sukuk and equities of banks and other financial institutions (accounting for 17.32 per cent. and 11.36 per cent. of investments, net as at 31 December 2022 and 31 December 2021, respectively).

The Group's bond portfolio is highly liquid as all Government instruments are eligible for repurchase agreements and the high quality of the corporate bond portfolio ensures its marketability.

Loans and Advances, net

Total portfolio

The table below shows the Group's loan portfolio as at 31 December 2022 and 31 December 2021:

	As at 31 December 2022			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
	<i>(SR '000)</i>			
Performing loans and advances – gross.....	130,156,440	586,647	29,099,056	159,842,143
Non performing loans and advances, net...	4,038,589	20,175	111,160	4,169,924
Total loans and advances.....	134,195,029	606,822	29,210,216	164,012,067
Allowance for impairment	(4,696,609)	(38,798)	(265,135)	(5,000,542)
Loans and advances held at amortised cost, net	129,498,420	568,024	28,945,081	159,011,525

As at 31 December 2021

	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
	(SR '000)			
Performing loans and advances – gross	121,282,954	527,408	26,876,972	148,687,334
Non performing loans and advances, net	3,685,252	34,509	138,488	3,858,249
Total loans and advances	124,968,206	561,917	27,015,460	152,545,583
Allowance for impairment	(4,380,256)	(61,999)	(290,569)	(4,732,824)
Loans and advances held at amortised cost, net	120,587,950	499,918	26,724,891	147,812,759

The Group's performing loans and advances, gross were SR 159,842 million as at 31 December 2022, an increase of 7.50 per cent. as compared with SR 148,687 million as at 31 December 2021. This increase was primarily attributable to growth in the Group's corporate and retail banking segments. The Group's gross performing loans and advances in the corporate banking segment (comprising overdraft and commercial loans) were SR 130,156 million as at 31 December 2022, an increase of 7.32 per cent. as compared with SR 121,283 million as at 31 December 2021. The Group's gross performing loans and advances in the retail banking segment (comprising credit cards and consumer loans) were SR 29,686 million as at 31 December 2022, an increase of 8.32 per cent. as compared with SR 27,404 million as at 31 December 2021.

The Group's non performing loans and advances, net was SR 4,170 million as at 31 December 2022, an increase of 8.08 per cent. as compared with SR 3,858 million as at 31 December 2021. This increase was primarily attributable to an increase in non performing loans and advances, net attributable to the Group's corporate banking segment which, in turn, was a result of the growth in total gross overdraft and commercial loans.

The Group's allowance for impairment was SR 5,001 million as at 31 December 2022, an increase of 5.66 per cent. as compared with SR 4,733 million as at 31 December 2021. This increase is reflective of the overall growth in the Group's loan portfolio.

The Group's loans and advances, net was SR 159,012 million as at 31 December 2022, an increase of 7.58 per cent. as compared with SR 147,813 million as at 31 December 2021. This increase was primarily attributable to the factors described above.

The Group's non performing loans to total loans ratio was 2.54 per cent. as at 31 December 2022 and 2.53 per cent. as at 31 December 2021. The Group's provisions to non performing loans was 119.92 per cent. as at 31 December 2022 and 122.67 per cent. as at 31 December 2021.

The above also includes *Shari'a*-based overdraft and commercial loans, net of SR 86,353 million and SR 79,102 million as at 31 December 2022 and 31 December 2021, respectively, and *Shari'a*-based credit cards and consumer loans, net of SR 28,855 million and SR 26,538 million as at 31 December 2022 and 31 December 2021, respectively.

The table below shows a breakdown of the Group's total loans and advances, net by sector as at 31 December 2022 and 31 December 2021:

Loans and advances, net by geographical distribution

The table below shows the geographical distribution of the Group's loans and advances, net by aggregate amount outstanding as at 31 December 2022 and 31 December 2021:

The table below shows the geographical distribution of the Group's loans and advances, net by percentage as at 31 December 2022 and 31 December 2021:

	Kingdom of Saudi Arabia	Middle East	Europe	North America	Other Countries
31 December 2022	98.98%	1.02%	0.00%	0.00%	0.00%
31 December 2021	98.92%	1.08%	0.00%	0.00%	0.00%

Shari'a-based loans and advances

The Group's loans and advances portfolio contains a high proportion of *Shari'a*-based loans and advances. *Shari'a*-based loans and advances, net increased from SR 105,640 million, or 71.47 per cent. of loans and advances, net as at 31 December 2021 to SR 115,207 million, or 72.45 per cent. of loans and advances, net as at 31 December 2022.

Classification Process for Non Performing Loans

The Group's provisioning policy for consumer credit loans applies 100 per cent. provisioning after 360 days past due.

The table below shows the credit quality of the Group's loans and advances neither past due nor impaired as at 31 December 2022:

	31 December 2022			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	<i>(SR '000)</i>			
Very strong quality including sovereign (A+ to B)	29,551,867	27	—	29,551,894
Good quality (C+ to C)	45,062,080	791,152	3,742	45,856,974
Satisfactory quality (C-to E+)	43,579,858	5,831,672	10,592	49,422,122
Unrated (consumer loans and credit cards)	29,354,173	216,589	15,980	29,586,742
Special mention (E to E-)	476	5,346,199	77,736	5,424,411
Impaired	—	—	4,169,924	4,169,924
Total	147,548,454	12,185,639	4,277,974	164,012,067

Other than in the case of retail loans and advances, where such loans and advances are written off after 360 days past due, the Group writes off its doubtful loans only when all means of recovery have been exhausted. Such write-offs amounted to SR 1,281 million as at 31 December 2022 and SR 982 million as at 31 December 2021.

All of the Group's non performing loans and advances and allowance for impairment losses are concentrated in the Kingdom. The table below shows the Group's non performing loans and advances and allowance for impairment losses as at 31 December 2022 and 31 December 2021:

	As at 31 December			
	2022		2021	
	Non performing net	Allowance for impairment losses	Non performing net	Allowance for impairment losses
	<i>(SR '000)</i>			
Total	4,169,924	(5,000,542)	3,858,249	(4,732,824)

The table below shows the movement in the allowance for impairment losses on loans and advances as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	<i>(SR '000)</i>	
Balance at January 01	4,732,824	4,693,010
Net charge for the year	1,548,321	1,021,349
Write-offs.....	(1,280,603)	(981,535)
Balance at the end of the year	5,000,542	4,732,824

Cost of Risk

As at 31 December 2022, the Group's cost of risk ratio was 0.85 per cent., as compared with 0.67 per cent. as at 31 December 2021. The increase in the cost of risk ratio as at 31 December 2022 was primarily attributable to the increase in impairment charge for expected credit losses on loans and advances, net.

The table below shows and the calculation of the Group's cost of risk as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
Gross loan portfolio as at year end (SR'000).....	164,012,067	152,545,583
Average gross loan portfolio ⁽¹⁾ (SR'000)	160,523,467	144,559,552
Impairment charge for expected credit losses on loans and advances, net (SR'000)	1,363,944	961,430
Cost of risk ⁽²⁾	0.85%	0.67%

Note:

- (1) Average gross loan portfolio as at 31 December 2022 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2022, (ii) gross loan portfolio as at 30 September 2022, (iii) gross loan portfolio as at 30 June 2022, (iv) gross loan portfolio as at 31 March 2022 and (v) gross loan portfolio as at 31 December 2021. The average gross loan portfolio as at 31 December 2021 is calculated as the simple average of (i) gross loan portfolio as at 31 December 2021, (ii) gross loan portfolio as at 30 September 2021, (iii) gross loan portfolio as at 30 June 2021, (iv) gross loan portfolio as at 31 March 2021 and (v) gross loan portfolio as at 31 December 2020.
- (2) Calculated as impairment charge for expected credit losses, net divided by the average gross loan portfolio.

Provisions to Non Performing Loans Ratio

The provisions to non performing loans ratio is calculated as allowance for impairment divided by total non performing loans and advances, net. As at 31 December 2022, the Group's provisions to non performing loans ratio was 119.92 per cent., as compared with 122.67 per cent. as at 31 December 2021.

Positive fair value of derivatives

The Group's positive fair value of derivatives was SR 6,583 million as at 31 December 2022, an increase of 62.06 per cent. as compared with SR 4,062 million as at 31 December 2021. This increase was primarily attributable to the prevailing higher interest rate environment.

Liabilities

Deposits

The Group's funding remains well-diversified through its pool of customers from its different business lines. In order to mitigate liquidity risk on the liability side, the Group also maintains liquid reserves of not less than 20 per cent. of its deposit liabilities, in the form of cash, Government securities or assets which can be converted into cash within a period not exceeding 30 days. The Group can also raise additional funds through repo facilities available with SAMA against its holding of Government securities.

The Group's total customers' deposits increased by 11.02 per cent. to SR 157,592 million as at 31 December 2022 from SR 141,950 million as at 31 December 2021.

As a result of concentrated marketing efforts by the Group's business lines through its network of branches, non interest-bearing deposits (demand deposit and other deposits) increased by SR 1,285 million (or 1.35 per cent.) to SR 96,263 million as at 31 December 2022 compared with SR 94,978 million as at 31 December 2021.

The Group's interest-bearing deposits (saving and time deposits) increased by 30.56 per cent. as at 31 December 2022 to SR 61,329 million from SR 46,972 million as at 31 December 2021. The level of interest-bearing deposits is primarily calibrated to maintain a balanced loan to deposit ratio and changes depending on the movement in the amounts of loans and non interest-bearing deposits.

The table below shows the Group's total customers' deposits as at 31 December 2022 and 31 December 2021:

	As at 31 December		% Var 12m 2021/2022
	2022	2021	
Non interest-bearing deposits (SR'000).....	96,263,225	94,977,966	1.35%
Interest-bearing deposits (SR'000)	61,329,095	46,972,242	30.56%
Total customers' deposits (SR'000)	157,592,320	141,950,208	11.02%
Non interest-bearing deposits as a % of total customers' deposits	61.08%	66.91%	-5.83%

The ratio of non interest-bearing deposits to total deposits decreased to 61.08 per cent. as at 31 December 2022 from 66.91 per cent. as at 31 December 2021. This decrease was due to an increase in interest bearing deposits.

In line with the Group's assets and liabilities statistical model, the average duration of non interest-bearing deposits (which are categorised as demand deposits) is up to 2.5 years with a stability coefficient of 85 per cent. In accordance with BSF's ALM policy, the stability coefficient is tested on a monthly basis.

Loan to Deposits Ratio

The table below shows the Group's loans to deposits ratio (calculated as the ratio of total loans and advances, net to total customers' deposits) for each of the years ended 31 December 2021 and 2022:

	As at 31 December	
	2022	2021
Loans and advances, net (SR'000)	159,011,525	147,812,759
Customers' deposits (SR'000)	157,592,320	141,950,208
Loans to deposits (%)	100.90%	104.13%

The level of concentration of customers' deposits has not changed significantly since 2017 with the top-20 depositors representing 43.12 per cent. of total deposits as at 31 December 2022. These 20 depositors are represented by large Saudi corporates and financial institutions and Government-related companies. These deposits are from large companies most of whom have been customers of the Group since their incorporation.

Term Loans

On 22 December 2022, BSF drew down U.S.\$500 million under the U.S.\$500m facility agreement with a syndicate of international banks (the "**Club Loan Facility**"). The Club Loan Facility matures on 22 December 2025 and bears interest at a rate of SOFR plus 0.70 per cent. margin, payable quarterly.

Debt Securities

On 30 March 2010, BSF issued U.S.\$650 million 4.25 per cent. notes due 2015, its first U.S. dollar bond issue in the international capital markets under its U.S.\$2,000,000,000 euro medium-term note programme.

On 15 May 2012, BSF issued a U.S.\$750 million sukuk due 2017 with a yield of 2.947 per cent. under its U.S.\$2,000,000,000 sukuk programme.

On 18 December 2012, BSF issued a privately placed SR 1,900 million floating rate unsecured subordinated sukuk due 2019. BSF redeemed the unsecured subordinated sukuk in 2017 in line with the early redemption option to repay the unsecured subordinated sukuk after 5 years, subject to the prior approval of SAMA and the terms and conditions of the agreement.

BSF issued a privately placed SR 2,000 million unsecured subordinated sukuk in June 2014 for a period of 10 years. The sukuk carries effective special commission income at three months' SIBOR plus 140 basis points. The sukuk was settled through the Tadawul depository system. BSF redeemed this sukuk in 2019. This was done in line with the early redemption option to repay the unsecured subordinated sukuk after 5 years, subject to the prior approval of SAMA and the terms and conditions of the agreement.

BSF also issued SR 5,000 million Fixed Rate Reset Additional Tier 1 Capital Sukuk on 3 November 2020 by way of private placement.

On 21 November 2022, BSF issued U.S.\$700 million 5.50 per cent. notes due 2027 under its U.S.\$4,000,000,000 medium-term note programme (the "**2027 Notes**").

The table below shows the sources of the Group's funding as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	<i>(SR '000)</i>	
Due to SAMA.....	8,004,403	10,868,499
Due to banks and other financial institutions.....	8,766,039	12,985,358
Customers' deposits	157,592,320	141,950,208
Debt securities and term loans	4,515,254	—
	<u>178,878,016</u>	<u>165,804,065</u>
Share capital	12,053,572	12,053,572
Statutory reserve	12,053,572	12,053,572
General reserves	982,857	982,857
Other reserves	(2,090,067)	228,707
Retained earnings	9,768,005	8,398,887
Proposed dividend	1,079,633	1,019,956
Treasury shares	(102,247)	(51,881)
Equity attributable to shareholders of the Bank.....	<u>33,745,325</u>	<u>34,685,670</u>
Tier I Sukuk	5,000,000	5,000,000
Total equity	<u>38,745,325</u>	<u>39,685,670</u>

Equity

The paid-up share capital of the Group has remained at SR 12,054 million during the periods under review.

The Group paid an interim net cash dividend of SR 0.75 net per share on 4 August 2022 amounting to SR 901 million in total.

BSF's board of directors (the "**Board of Directors**") recommended a final net cash dividend of SR 0.90 net per share on 12 December 2022 amounting to SR 1,080 million in total.

The Group's total equity decreased by 2.37 per cent. from SR 39,686 million as at 31 December 2021 to SR 38,745 million as at 31 December 2022. This decrease was primarily attributable to a 1,013.86 per cent. decrease in other reserves, which, in turn, was a result of a SR 2,328 million net movement in the marked to market value of cash flow hedges and FVOCI investments for the year ended 31 December 2022.

Liquidity Coverage Ratio

BSF's liquidity coverage ratio (calculated in accordance with SAMA regulations and representing quarterly average high-quality liquid assets divided by quarterly average net cash outflows) was 196 per cent. and 179 per cent. as at and for the three months ended 31 December 2022 and 31 December 2021, respectively.

Capital Adequacy

BSF maintains an actively managed capital base to cover the risks inherent in its business. The adequacy of the BSF's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee including the framework and guidance regarding the implementation of capital reforms under Basel III (the “**Basel III Accord**”) which has been adopted by BSF's regulator, SAMA. These ratios measure capital adequacy by comparing BSF's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted assets (“**RWA**”) at or above the agreed minimum of 10.5 per cent. including a capital conservation buffer (2.5 per cent.).

The combined effect of the 7.58 per cent. increase in the Group's loans and advances, net from 31 December 2021 to 31 December 2022 and the 2.37 per cent. decrease in Group's total equity over the same period has resulted in a marginal decrease in BSF's capital adequacy ratios, which nevertheless remain well above the international requirement of 10.5 per cent.

The table below shows BSF's capital adequacy ratios as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
CET1 Capital Adequacy ⁽¹⁾	16.57%	17.47%
Tier 1 Capital Adequacy ⁽²⁾	18.90%	19.94%
Total Capital Adequacy ⁽³⁾	19.92%	21.09%

Notes:

- (1) Calculated in accordance with SAMA regulations. Represents common equity tier 1 capital divided by total risk-weighted assets.
- (2) Calculated in accordance with SAMA regulations. Represents tier 1 capital divided by total risk-weighted assets.
- (3) Calculated in accordance with SAMA regulations. Represents total capital divided by total risk-weighted assets.

BSF calculates its risk asset ratio in accordance with the capital adequacy guidelines set out in the Basel III Accord. BSF has adopted the standardised approach for all its books. Since 1 January 2014, BSF has followed the new Basel III method for computing its capital adequacy ratios in line with the progressive implementation schedule set by SAMA.

Results of operations for the years ended 31 December 2022 and 31 December 2021

Income Statement

The table below shows the Group's consolidated statement of income for the years ended 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	(SR '000)	
Special commission income	8,307,199	6,193,711
Special commission expense	1,880,646	495,066
Net special commission income.....	6,426,553	5,698,645
Fee and commission income.....	1,423,040	1,403,396
Fee and commission expense	526,179	515,467
Net fee and commission income.....	896,861	887,929
Exchange income, net.....	474,684	336,131
Trading income, net.....	201,748	171,841
Dividend income	13,397	1,501
Gains on FVOCI / non-trading investments, net	3,524	27,804
Other operating income	508	4,075
Total operating income.....	8,017,275	7,127,926
Salaries and employee-related expenses.....	1,494,960	1,397,452
Rent and premises related expenses	73,122	66,061
Depreciation and amortisation.....	221,428	224,972
Other operating and general and administrative expenses.....	864,065	758,459
Total operating expenses before impairment charge.....	2,653,575	2,446,944
Impairment charge for expected credit losses on loans and advances, net	1,363,944	961,430
Impairment reversal for investments, financial assets and others, net	(4,147)	(117,825)
Total operating expenses, net.....	4,013,372	3,290,549
Net income for the year before Zakat	4,003,903	3,837,377
Zakat for the year.....	428,773	387,500
Net income for the year	3,575,130	3,449,877
Basic and diluted earnings per share (SAR)	2.79	2.70

Overview

The Group's total operating income for the year ended 31 December 2022 increased by 12.48 per cent. to SR 8,017 million, as compared with SR 7,128 million for the year ended 31 December 2021. The increase in the Group's total operating income for the year ended 31 December 2022 was primarily attributable to an increase in the Group's net special commission income and the Group's non-interest income.

The Group's non-interest income (comprised of net fee and commission income, exchange income, net, trading income, net, dividend income, gains on FVOCI / non-trading investments, net and other operating income) for the year ended 31 December 2022 increased by 11.30 per cent. to SR 1,591 million, as compared with SR 1,429 million for the year ended 31 December 2021, primarily as a result of an increase in Group's exchange income, net and trading income, net which, in turn was a result of the factors described under "*Exchange income, net*" and "*Trading income, net*" below. The proportion of the total operating income of the Group derived from non-interest income decreased from 20.05 per cent. for the year ended 31 December 2021 to 19.84 per cent. for the year ended 31 December 2022.

The Group's net special commission income increased by 12.77 per cent. from the year ended 31 December 2021 to the year ended 31 December 2022 as a result of the factors described under "*Net special commission income*" below. The proportion of the total operating income of the Group derived from net special commission income increased from 79.95 per cent. for the year ended 31 December 2021 to 80.16 per cent. for the year ended 31 December 2022.

The Group's total operating expenses before impairment charge increased by 8.44 per cent. to SR 2,654 million for the year ended 31 December 2022 from SR 2,447 million for the year ended 31 December 2021. This increase was primarily the result of the factors described under "*Total Operating Expenses before Impairment Charge*" below.

The Group's impairment charge for expected credit losses on loans and advances, net increased by 41.87 per cent. from SR 961 million for the year ended 31 December 2021 to SR 1,364 million for the year ended 31 December 2022 primarily as a result of factors described under "*Impairment Charge for Expected Credit Losses on Loans and Advances, net*" below. Impairment reversal for investments and other financial assets, net was SR 4 million for the year ended 31 December 2022 as compared with SR 118 million for the year ended 31 December 2021.

The Group's net income for the year increased by 3.63 per cent. to SR 3,575 million for the year ended 31 December 2022 from SR 3,450 million for the year ended 31 December 2021. This increase was primarily attributable to the factors discussed above.

The Group's cost to income ratio decreased from 34.33 per cent. for the year ended 31 December 2021 to 33.10 per cent. for the year ended 31 December 2022.

Total operating income and expenses

The table below shows the Group's net special commission income, net fee and commission income, total operating income as well as expenses for the years ended 31 December 2022 and 31 December 2021:

	For the year ended 31 December		
	2022	2021	% Var 12m 2022 / 2021
	(SR '000, except percentages)		
Special commission income	8,307,199	6,193,711	34.12%
Special commission expense	1,880,646	495,066	279.88%
Net special commission income	6,426,553	5,698,645	12.77%
Non-interest income	1,590,722	1,429,281	11.30%
Total operating income	8,017,275	7,127,926	12.48%
Total operating expenses before impairment charge .	2,653,575	2,446,944	8.44%
Impairment charges for financial assets, net	1,359,797	843,605	61.19%
Net income for the year before zakat	4,003,903	3,837,377	4.34%

Special commission income

The Group's special commission income increased by 34.12 per cent. to SR 8,307 million for the year ended 31 December 2022 from SR 6,194 million for the year ended 31 December 2021. This increase was primarily attributable to the growth in the Group's loan and investment portfolios as well as the prevailing higher interest rate environment. See "Significant Factors Affecting Results of Operations – Interest rates in the Kingdom".

Special commission expense

The Group's special commission expense for the year ended 31 December 2022 increased by 279.88 per cent. to SR 1,881 million from SR 495 million in the year ended 31 December 2021. This increase was primarily attributable to the increase in expense paid on customers' deposits and debt securities and term loans. The expense paid on customers' deposits increased by SR 1,051 million (or 231.88 per cent.) for the year ended 31 December 2022 as compared with the year ended 31 December 2021, primarily as a result of an increase in interest-bearing deposits in the year ended 31 December 2022 and an increase in the rates offered by the Group on such deposits in line with the prevailing higher interest rate environment. The expense on debt securities and term loans for the year ended 31 December 2022 was SR 5.7 million, as compared with nil for the year ended 31 December 2021 as a result of the issuance of the 2027 Notes and a drawdown under the Club Loan Facility, in each case in the year ended 31 December 2022.

Net special commission income

As a result of the factors described above, the Group's net special commission income increased by 12.77 per cent. in 2022 from SR 5,699 million for the year ended 31 December 2021 to SR 6,427 million for the year ended 31 December 2022.

Non-interest income

The Group's non-interest income increased by 11.30 per cent. to SR 1,591 million for the year ended 31 December 2022 from SR 1,429 million for the year ended 31 December 2021.

The table below shows the Group's fees and commissions generated from activities contributing to its non-interest income for the years ended 31 December 2022 and 31 December 2021:

	For the year ended 31 December		% Var 12m 2022/2021
	2022	2021	
	(SR '000, except percentages)		
Net fee and commission income	896,861	887,929	1.01%
Exchange income, net	474,684	336,131	41.22%
Trading income, net	201,748	171,841	17.40%
Dividend income	13,397	1,501	792.54%
Gains on FVOCI / non-trading investments, net	3,524	27,804	-87.33%
Other operating income	508	4,075	-87.53%
Total	1,590,722	1,429,281	11.30%

Fee and commission income

The Group's net fee and commission income increased by 1.01 per cent. for the year ended 31 December 2022 to SR 897 million from SR 888 million for the year ended 31 December 2021.

Fee and commission income is generated from the management of the following product lines and entities:

- Brokerage and asset management;
- Trade finance, project finance and advisory;
- Card products; and
- Loans processing fees.

The table below shows a breakdown of the Group's banking services fees for each of the years ended 31 December 2022 and 31 December 2021:

	For the year ended 31 December		% Var 12m 2022/2021
	2022	2021	
	(SR '000)		
Share trading, brokerage, fund management and corporate finance	392,843	499,046	-21.28%
Trade finance	417,900	378,020	10.55%
Card products	426,912	368,783	15.76%
Other banking services	185,385	157,547	17.67%

	For the year ended 31 December		% Var 12m 2022/2021
	2022	2021	
	(SR '000)		
Total fees and commissions income	1,423,040	1,403,396	1.40%

The Group's share trading, brokerage, fund management and corporate finance fees and commissions decreased by 21.28 per cent. to SR 393 million for the year ended 31 December 2022 from SR 499 million for the year ended 31 December 2021 primarily as a result of lower brokerage volumes representative of a decline in the Saudi stock market in 2022.

The Group's trade finance income increased by 10.55 per cent. to SR 418 million for the year ended 31 December 2022 from SR 378 million for the year ended 31 December 2021, primarily as a result of the general growth in the Group's trade finance business.

The Group's income from card products increased by 15.72 per cent. to SR 427 million for the year ended 31 December 2022 from SR 369 million ended 31 December 2021 primarily as a result of an increase in volumes of point of sale and e-commerce transactions, which, in turn, was a result of the growth of consumer spending in Saudi Arabia and the growing consumer preference to pay by cards and online.

The Group's income from other banking services (which primarily comprises loan processing fees and penalty fees) increased by 17.67 per cent. to SR 185 million for the year ended 31 December 2022 from SR 158 million for year ended 31 December 2021 primarily as a result of the increase in loan commitment fees and Islamic products-related fees which, in turn, was attributable to the increase in the Group's loans and advances.

Exchange income, net

The Group's exchange income, net is income arising from foreign exchange gains. Exchange income, net increased by 41.22 per cent. for the year ended 31 December 2022 to SR 475 million from SR 336 million for the year ended 31 December 2021. This increase was primarily attributable to the increased volume of the Group's foreign currency transactions in 2022.

Trading income, net

The Group's trading income, net increased by 17.40 per cent. for the year ended 31 December 2022 to SR 202 million from SR 172 million for the year ended 31 December 2021 on the back of new structured deals.

Total Operating Expenses before Impairment Charge

The Group's total operating expenses before impairment charge increased by 8.44 per cent. to SR 2,654 million for the year ended 31 December 2022 from SR 2,447 million for the year ended 31 December 2021. This increase was primarily due to increases in salaries and employee-related expenses and other operating and general administrative expenses.

The Group's salaries and employee-related expenses increased by 6.98 per cent. to SR 1,495 million for the year ended 31 December 2022 from SR 1,397 million for the year ended 31 December 2021. This increase was primarily driven by the increase in the Group's headcount.

The Group's other operating and general and administrative expenses increased by 13.92 per cent. to SR 864 million for the year ended 31 December 2022 from SR 758 million for the year ended 31 December 2021. This increase was primarily attributable to the increase in insurance costs, which, in turn, was reflective of the increase in average insurance premiums in the Saudi insurance market.

Impairment Charge for Expected Credit Losses on Loans and Advances, Net

The Group's impairment charge for expected credit losses on loans and advances, net increased by 41.87 per cent. to SR 1,364 million for the year ended 31 December 2022 from SR 961 million for the year 31 December 2021. This increase was primarily attributable to loans extended by the Group to several borrowers moving from Stage 2 to Stage 3. See note 33(d) to the 2022 Financial Statements for details on classification of the Group's loans and advances.

Net Interest Margin and Cost to Income Ratio

Net Interest Margin

The tables below show the calculation of the Group's net interest margin for the years ended 31 December 2022 and 31 December 2021.

	As at 31 December	
	2022	2021
	<i>(SR '000, except percentage)</i>	
Average interest-earning assets ⁽¹⁾	209,682,471	188,599,419
Net special commission income	6,426,553	5,698,645
Net interest margin	3.06%	3.02%

Note:

- (1) Average interest-earning assets is calculated as the simple average of the last 13 month-end interest-earning assets. Interest-earning assets is calculated as the sum of money market placements, due from banks and other financial institutions, investments, net and loans and advances, net.

Cost to Income Ratio

The table below shows the calculation of the Group's cost to income ratio for the years ended 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	<i>(SR '000, except percentages)</i>	
Total operating income	8,017,275	7,127,926
Total operating expenses before impairment charge	2,653,575	2,446,944
Income from operating activities	5,363,700	4,680,982
Cost to Income Ratio	33.10%	34.33%

Performance – Business Segments

To report its published financial performance by business activities, the Group uses the format (the “**SAMA Format**”) imposed by SAMA. The SAMA Format applies unilaterally across the financial sector in the Kingdom for comparison purposes. The word “segment” refers to regulatory disclosure while “business line” designates an activity run by a business unit or a separate legal entity specific to the Group’s own organisation. The business segments below are described in a manner consistent with the disclosure within the notes to the 2022 Financial Statements. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are distinct from those other business segments.

The description of the business segments set out under “*Business Description of the Group – Operations*” reflects the SAMA Format of the business segments described therein. Accordingly, the classification in the table below is used to provide financial reporting in relation to operations of each business line within the Group.

The table below shows the Group’s internal organisation and the way the performance of each of its business line’s performance is reported in the SAMA Format (corresponding to the Group’s internal organisation and business segments as dictated by the SAMA Format):

Business Model and Bank’s Internal Organisation		Business Segment as per the SAMA Format
Business Segment	Group / Entity	Reported in
Corporate Banking	Wholesale Banking	Corporate Banking
Treasury Activities	Money Market & Funding, Market Making & Trading, Investments, Foreign Exchange, Risk Solutions and Structured Products and Treasury Sales	Treasury Banking
Retail Banking	Retail Banking Group	Retail Banking
	Wealth Management Group and High Net Worth Group	
	Bank Assurance (via Allianz Saudi Fransi, a joint venture with Allianz)	Retail Banking
	Consumer Finance and Leasing (via Saudi Fransi for Finance Leasing)	Retail Banking
Investment Banking and Brokerage	Saudi Fransi Capital (Equity Brokerage, Asset Management, Corporate Finance)	Investment Banking and Brokerage

The table below shows the Group's net income for the year before zakat by business segment following the reporting format published in the 2022 Financial Statements:

	As at 31 December	
	2022	2021
	(SR '000)	
Retail banking.....	803,269	529,163
Corporate banking	1,500,169	1,461,870
Treasury banking	1,464,265	1,588,463
Investment banking and brokerage	236,200	257,881
Total	4,003,903	3,837,377

The following is a summary explanation of the Group's net income for the year before zakat per business segment:

Retail banking – this segment includes retail banking group and the wealth management group. Retail banking's net income before zakat for the year ended 31 December 2022 was SR 803 million, an increase of 51.80 per cent. as compared with SR 529 million for the year ended 31 December 2021. This increase was primarily attributable to an increase in retail loans and advances.

Corporate banking – this segment includes the corporate banking group (large corporate and financial institutions clients) and the commercial banking division (small and medium size establishments). The corporate banking segment's net income before zakat was SR 1,500 million for the year ended 31 December 2022, an increase of 2.62 per cent. as compared with SR 1,462 million for the year ended 31 December 2021. This increase was primarily attributable to an increase in corporate loans and advances and the prevailing higher interest rate environment.

Treasury – this segment includes the capital market activities of the Group and the performance of its investment portfolio. The treasury segment's net income before zakat was SR 1,464 million for the year ended 31 December 2022, a decrease of 7.82 per cent. as compared with SR 1,588 million for the year ended 31 December 2021. This decrease was primarily a result of higher transfer cost brought about by the higher interest rate environment which, in turn, was partially offset by the increase in trading and exchange income.

Investment banking and brokerage – this segment includes the Group's asset management, brokerage and investment banking activities. The Group's investment banking and brokerage segment's net income before zakat was SR 236 million for the year ended 31 December 2022, a decrease of 8.41 per cent. as compared with SR 258 million for the year ended 31 December 2021. This decrease was primarily as a result of lower brokerage volumes representative of a decline in the Saudi stock market in 2022.

Credit Ratings

BSF is rated by S&P, Moody's and Fitch. The table below shows BSF's credit ratings as at the date of this Base Offering Circular:

	Long-Term Rating	Short-Term Bank	Outlook/Review
S&P	A-	A-2	Stable
	Long-Term Rating	Short-Term Bank	Outlook/Review
Moody's	A2	P-1	Positive
	Long-Term Rating	Short-Term Bank	Outlook/Review
Fitch	A-	F2	Stable

Credit-related Commitments and Contingencies

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers. The tables below set out the Group's credit-related commitments as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	(SR '000)	
Letters of credit.....	9,794,419	11,183,710
Letters of guarantee	40,195,932	36,677,538
Acceptances	2,412,633	2,021,025
Irrevocable commitments to extend credit.....	11,443,665	7,587,489
Total	63,846,649	57,469,762

	As at 31 December 2022				
	(SR '000)				
	Within 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Letters of credit.....	6,287,304	2,838,840	608,680	59,595	9,794,419
Letters of guarantee	12,876,001	16,557,457	10,579,734	182,740	40,195,932
Acceptances	1,311,216	996,810	104,607	—	2,412,633
Irrevocable commitments to extend credit	2,536,884	476,324	5,415,064	3,015,393	11,443,665

As at 31 December 2022

	(SR '000)				
	Within 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Total.....	23,011,405	20,869,431	16,708,085	3,257,728	63,846,649

As at 31 December 2021

	(SR '000)				
	Within 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Letters of credit.....	7,870,612	2,230,834	1,082,264	—	11,183,710
Letters of guarantee.....	11,085,736	17,226,429	7,945,081	420,292	36,677,538
Acceptances	1,540,238	439,632	41,155	—	2,021,025
Irrevocable commitments to extend credit	1,500,000	1,909,855	3,118,384	1,059,250	7,587,489
Total.....	21,996,586	21,806,750	12,186,884	1,479,542	57,469,762

Guarantees and standby letters of credit, which represent irrecoverable 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.

Letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment as the Group does not generally expect the third party to draw funds under the agreement. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers. Commitments to extend credit represent an unused 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 unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused 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 these commitments could expire or terminate without being funded. The outstanding unused portion of non-firm commitments which can be revoked unilaterally at any time by the Group as at 31 December 2022 was SR 63,570 million compared with SR 73,355 million as at 31 December 2021.

Related Parties

In the ordinary course of its activities, the Group transacts business with related parties. In the opinion of the Group's management and the Board of Directors, the related party transactions are carried out in accordance with the Group's internal pricing framework. The related party transactions are governed by limits set by the Banking Control Law and Regulations issued by SAMA. The balances as at 31 December 2022 and 31 December 2021 resulting from such transactions included in the consolidated financial statements are as follows:

	As at 31 December	
	2022	2021
	(SR '000)	
Associates		
Investments	9,695	9,695
Due to banks and other financial institutions	8,204	8,171
Directors, senior management, shari'a members and major shareholders and their affiliates		
Loans and advances	11,813,189	12,586,365
Investments	957,941	1,004,953
Due from banks and other financial institutions	—	—
Other assets	17,783	—
Customers' deposits	12,112,335	4,799,882
Due to banks and other financial institutions	900,000	2,050,000
Other liabilities	6,542	7,172
Derivatives at fair value, net	(45,733)	(66,289)
Commitments and contingencies	3,224,229	2,096,059

Recent Developments

Interim Condensed Consolidated Statement of Income

The following table sets out the Group's interim condensed consolidated statement of income for the three months ended 31 March 2023 and 31 March 2022:

	31 March 2023	31 March 2022
	(SR '000)	
Special commission income	2,996,501	1,564,018

	31 March 2023	31 March 2022
	(SR '000)	
Special commission expense.....	1,072,543	149,172
Net special commission income	1,923,958	1,414,846
Fee and commission income.....	355,414	355,264
Fee and commission expense.....	120,096	121,134
Net fee and commission income	235,318	234,130
Exchange income, net	123,629	99,383
Trading income, net	30,907	66,398
Dividend income	3,379	2,745
Gains on FVOCI / non-trading investments, net.....	449	2,719
Other operating income.....	440	822
Total operating income	2,318,080	1,821,043
Salaries and employee related expenses.....	421,975	329,088
Rent and premises related expenses	15,031	13,389
Depreciation and amortization	58,636	54,954
Other operating and general and administrative expenses	216,524	207,058
Total operating expenses before impairment charge	712,166	604,489
Impairment charge for expected credit losses, net	485,052	244,890
Impairment reversal for investments, financial assets and others, net	(79,142)	(3,470)
Total operating expenses, net	1,118,076	845,909
Net income for the period before Zakat	1,200,004	975,134
Zakat for the period.....	123,601	100,562
Net income for the period	1,076,403	874,572
Basic and diluted earnings per share (SAR).....	0.85	0.68

For the three months ended 31 March 2023, the Group's total operating income increased by 27.29 per cent. to SR 2,318 million, as compared with SR 1,821 million for the three months ended 31 March 2022. This increase was primarily attributable to an increase in net special commission income and exchange income, net.

For the three months ended 31 March 2023, the Group's net special commission income increased by 35.98 per cent. to SR 1,924 million from SR 1,415 million for the three months ended 31 March 2022. This increase was attributable to an increase in special commission income and was partially offset by an increase in special commission expense.

For the three months ended 31 March 2023, the Group's special commission income increased by 91.59 per cent. to SR 2,997 million from SR 1,564 million for the three months ended 31 March 2022. This increase was primarily attributable to the growth in the Group's loan and investment portfolios as well as the prevailing higher interest rate environment. The Group's special commission expense for the three months ended 31 March

2023 increased by 619.00 per cent. to SR 1,073 million from SR 149 million for the three months ended 31 March 2022, primarily as a result of an increase in expense paid on customers' deposits and an increase in commission bearing deposits.

For the three months ended 31 March 2023, the Group's exchange income, net increased by 24.40 per cent. to SR 124 million from SR 99 million for the three months ended 31 March 2022, primarily as a result of an increase in the volume of the Group's foreign currency transactions.

For the three months ended 31 March 2023, the Group's total operating expenses before impairment charges increased by 17.81 per cent. to SR 712 million, as compared with SR 604 million for the three months ended 31 March 2022. This increase was primarily due to an increase in the Group's salaries and employee related expenses.

The Group's salaries and employee related expenses for the three months ended 31 March 2023 increased by 28.23 per cent. to SR 422 million from SR 329 million for the three months ended 31 March 2022. This increase was primarily driven by an increase in the Group's headcount.

For the three months ended 31 March 2023, the Group's impairment charge for expected credit losses, net increased by 98.07 per cent. to SR 485 million, as compared with SR 245 million for the three months ended 31 March 2022. This increase was primarily attributable to loans extended by the Group to several borrowers moving from Stage 2 to Stage 3.

For the three months ended 31 March 2023, BSF's net income for the period increased by 23.08 per cent. to SR 1,076 million, as compared with SR 875 million for the three months ended 31 March 2022. This increase was mainly attributable to the factors described above.

Interim Condensed Consolidated Statement of Financial Position

The following table sets out the Group's interim condensed consolidated statement of financial position as at 31 March 2023 and 31 December 2022:

	31 March 2023	31 December 2022
	<u>(SR '000)</u>	<u></u>
ASSETS		
Cash and balances with SAMA.....	14,682,706	11,325,586
Due from banks and other financial institutions, net.....	4,056,131	4,795,111
Investments, net	44,807,122	44,517,549
Positive fair value of derivatives	5,820,206	6,582,980
Loans and advances, net.....	164,779,327	159,011,525
Investment in associate, net.....	9,695	9,695
Property, equipment and right of use assets, net	1,828,767	1,739,307
Other real estate, net.....	342,050	342,050
Other assets, net	3,909,518	3,754,316
Total assets	<u>240,235,522</u>	<u>232,078,119</u>
LIABILITIES AND EQUITY		

	31 March 2023	31 December 2022
	<i>(SR '000)</i>	
Liabilities		
Due to SAMA	9,927,027	8,004,403
Due to banks and other financial institutions	4,347,904	8,766,039
Customers' deposits	167,413,580	157,592,320
Negative fair value of derivatives	6,574,208	7,383,707
Debt securities and term loans	4,532,774	4,515,254
Other liabilities	7,504,090	7,071,071
Total liabilities	200,299,583	193,332,794
Equity		
Share capital	12,053,572	12,053,572
Statutory reserve	12,053,572	12,053,572
General reserve	982,857	982,857
Other reserves	(1,912,317)	(2,090,067)
Retained earnings	10,788,280	9,768,005
Proposed dividend	1,079,633	1,079,633
Treasury shares	(109,658)	(102,247)
Equity attributable to the shareholders of the Bank	34,935,939	33,745,325
Tier 1 Sukuk	5,000,000	5,000,000
Total equity	39,935,939	38,745,325
Total liabilities and equity	240,235,522	232,078,119

Key Performance Ratios

The following table sets out the Group's key performance ratios as at and for the three months ended 31 March 2023 and 31 March 2022:

	31 March 2023	31 March 2022
Provisions to non-performing loans ⁽¹⁾	122.95%	131.29%
Non-performing loans to total loans ⁽²⁾	2.59%	2.36%
SAMA loans to deposits ⁽³⁾	80.89%	84.90%
Loans to deposits ⁽⁴⁾	98.43%	101.28%
CET1 capital adequacy ⁽⁵⁾	17.35%	17.08%
Tier 1 capital adequacy ⁽⁶⁾	19.73%	19.48%
Total capital adequacy ⁽⁷⁾	20.73%	20.59%
Net interest margin ⁽⁸⁾	3.65%	2.86%

	31 March 2023	31 March 2022
Cost to income ⁽⁹⁾	30.72%	33.19%
Return on average assets ⁽¹⁰⁾	1.82%	1.60%
Return on average equity ⁽¹¹⁾	10.94%	8.84%
Cost of risk ⁽¹²⁾	1.16%	0.63%
Liquidity coverage ratio ⁽¹³⁾	200%	194%
Net stable funding ratio ⁽¹⁴⁾	119%	119%

Notes:

- (1) Calculated as allowance for impairment divided by total non performing loans and advances, net.
- (2) Calculated as total non performing loans and advances, net divided by total loans and advances.
- (3) Calculated in accordance with SAMA regulations. Represents total loans and advances, net divided by total customers' deposits weighted by maturity in accordance with SAMA regulations.
- (4) Calculated as total loans and advances, net divided by total customers' deposits.
- (5) Calculated in accordance with SAMA regulations. Represents common equity tier 1 capital divided by total risk-weighted assets.
- (6) Calculated in accordance with SAMA regulations. Represents tier 1 capital divided by total risk-weighted assets.
- (7) Calculated in accordance with SAMA regulations. Represents total capital divided by total risk-weighted assets.
- (8) Calculated as net special commission income divided by the average of the last four month-end interest earning assets, multiplied by an annualization factor which divides the number of total interest earning days in the relevant year by the number of interest earning days in the relevant quarter. Interest earning assets is calculated as the sum of money market placements, due from banks and other financial institutions, investments, net and loan and advances, net
- (9) Total operating expenses before impairment charge divided by total operating income.
- (10) Net income for the period after zakat and income tax attributable to equity holders of BSF divided by average total assets. Average total assets as at 31 March 2023 is calculated as the simple average of (i) total assets as at 31 March 2023, (ii) total assets as at 31 December 2022, (iii) total assets as at 30 September 2022, (iv) total assets as at 30 June 2022 and (v) total assets as at 31 March 2022. Average total assets as at 31 March 2022 is calculated as the simple average of (i) total assets as at 31 March 2022, (ii) total assets as at 31 December 2021, (iii) total assets as at 30 September 2021, (iv) total assets as at 30 June 2021 and (v) total assets as at 31 March 2021.
- (11) Net income for the period after zakat divided by average total equity for the period. Average total equity for the three months ended 31 March 2023 is calculated as the simple average of (i) total equity as at 31 March 2023, (ii) total equity as at 31 December 2022, (iii) total equity as at 30 September 2022, (iv) total equity as at 30 June 2022 and total equity as at 31 March 2022. Average total equity for the three months ended 31 March 2022 is calculated as the simple average of (i) total equity as at 31 March 2022, (ii) total equity as at 31 December 2021, (iii) total equity as at 30 September 2021, (iv) total equity as at 30 June 2021 and (v) total equity as at 31 March 2021.
- (12) Calculated as annualised impairment charge for expected credit losses, net divided by the average gross loan portfolio. The average gross loan portfolio as at 31 March 2023 is calculated as the simple average of (i) gross loan portfolio as at 31 March 2023, (ii) gross loan portfolio as at 31 December 2022, (iii) gross loan portfolio as at 30 September 2022, (iv) gross loan portfolio as at 30 June 2022 and (v) gross loan portfolio as at 31 March 2022. The average gross loan portfolio as at 31 March 2022 is calculated as the simple average of (i) gross loan portfolio as at 31 March 2022, (ii) gross loan portfolio as at 31 December 2021, (iii) gross loan portfolio as at 30 September 2021, (iv) gross loan portfolio as at 30 June 2021 and (v) gross loan portfolio as at 31 March 2021.
- (13) Calculated in accordance with SAMA regulations. Represents quarterly average high-quality liquid assets divided by quarterly average net cash outflows.
- (14) Calculated in accordance with SAMA regulations. Represents total available stable funding divided by total required stable funding.

Debt Securities

On 31 May 2023, BSF Sukuk Company Limited issued U.S.\$900,000,000 Trust Certificates due 2028 under BSF's and BSF Sukuk Company Limited's U.S.\$4,000,000,000 Trust Certificate Issuance Programme.

BUSINESS DESCRIPTION OF THE GROUP

Overview

BSF is a commercial bank operating in the Kingdom under Commercial Registration No. 1010073368 dated 5 September 1989. BSF's head office is located at King Saud Road, AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia. The telephone number of BSF's head office is +966 11 289 9999.

BSF is a full-service bank, whose main business lines are corporate banking, retail banking, treasury and investment banking and brokerage. BSF offers a full range of conventional and Islamic banking products and services in Saudi Arabia to the retail and corporate sectors, in addition to investment advisory services, asset management, local and international securities trading and treasury services.

According to Tadawul, BSF was the 5th largest listed commercial bank in the Kingdom as at 31 December 2022 by total assets (based on the latest available financial statements of the banking industry), with total assets of SR 232,078 million. As at 31 December 2022, BSF's total customers' deposits amounted to SR 157,592 million. As at 31 December 2022, BSF's customers' deposits accounted for 6.87 per cent. of all customer deposits in the Kingdom, according to publicly available data. BSF's net income was SR 3,575 million for the year ended 31 December 2022.

As at 31 December 2022, BSF had a network of 82 branches, which included 12 Islamic branches offering Islamic banking services and one "Fransi Connection" self-service branch that is accessible 24 hours a day. As at 31 December 2022, BSF had 460 automated teller machines ("ATMs"), 80 cash acceptance machines ("CAMs"), 74,509 point of sale ("POS") terminals and an increasing range of internet banking services.

Through a combination of active marketing and investment in its distribution channels, as at 31 December 2022, BSF has built a customer base of approximately 1.16 million individuals, 40,700 micro-, small- and medium-sized enterprises ("MSMEs"), 2,950 large and international corporates, 800 financial institutions and 90 Government and public sector entities.

History

BSF is the successor to Banque de l'Indochine, which established a branch in Jeddah in 1949. BSF was formed in accordance with regulations adopted by the Kingdom in the mid-1970s, under which foreign companies were required to sell majority equity interests to Saudi Arabian nationals. As a result, Banque Indosuez, the entity that succeeded Banque de l'Indochine in 1975, formed a new company with local partners in 1977. Royal Decree No. M/23 dated 4 June 1977 established BSF as a Saudi Arabian joint stock company.

Prior to 2017, CA-CIB, the corporate and investment banking arm of Crédit Agricole S.A., held 31.1 per cent. in the share capital of BSF. CA-CIB divested of 16.2 per cent. in the share capital of BSF to Kingdom Holding in September 2017 and divested of a further 10.9 per cent. in the share capital of BSF to RAM Holdings and Olayan Saudi Investment Company in 2019. On 27 September 2020, CA-CIB divested of a further 2.88 per cent. and 1.13 per cent. in the share capital of BSF to Al Raidah Investment Company and the Public Pension Agency, respectively. See "*Share Capital and Ownership Structure*".

Competitive Strengths

BSF's management believes that BSF benefits from the following competitive strengths:

Experienced management: BSF has a senior management team with considerable and diverse experience in the banking industry and strong skills in operating financial institutions in the local, regional and international markets.

Leading corporate franchise: BSF has deep institutional knowledge and relationships in the corporate segment and is one of the Kingdom's leading providers of banking services to large corporates and MSMEs, in addition to financial institutions, semi-Government and Government clients. According to BSF's estimates based on publicly available information, as at 31 December 2022, BSF ranked as the 5th largest bank in the Kingdom in the corporate segment by total loans and advances, net, with total loans and advances, net attributable to its corporate banking segment of SR 120,540 million.

Fully-owned investment bank providing complementary products and distribution: Saudi Fransi Capital ("SFC"), a wholly-owned investment banking subsidiary of BSF, provides BSF with a wide distribution and placement network and an extensive complementary product range for BSF's corporate (wholesale) and high net worth customers.

Recognised product expertise: BSF is a recognised leader in complex products such as interest rate derivatives and structured finance and has a strong track record of finding innovative solutions to meet its customers' requirements.

Strong high net worth business: According to BSF's estimates based on publicly available information, BSF has a market-leading position in affluent, high net worth and ultra-high net worth banking and is a partner of choice for customers in these segments.

Robust capital position: BSF benefits from a robust capital base enabling it to pursue its growth plans. As at 31 December 2022, BSF's total capital ratio was 19.92 per cent., significantly exceeding the statutory minimum total capital ratio of 10.5 per cent. (including a capital conservation buffer of 2.5 per cent.).

Effective cost management: BSF has historically maintained a low cost to income ratio compared with the banking sector in the Kingdom as a whole by following a stringent approach to cost control. For the year ended 31 December 2022 and the year ended 31 December 2021, BSF's cost-to-income ratio remained relatively low at 33.10 per cent. and 34.33 per cent., respectively, notwithstanding the growth in BSF's loan portfolio.

Strategy

BSF's strategic objective is to achieve balanced growth and maintain consistent and sustainable profitability while strictly adhering to prudent risk management. BSF endeavours to achieve this strategic objective through the implementation of the following key initiatives which account for an evolving banking market and are focused on BSF's core strengths:

Solidify BSF's Leading Positions in Wholesale Banking: BSF aims to strengthen long-term banking relations with its existing corporate clients. In addition, BSF intends to grow its corporate banking segment further through expanding its financial institutions business, relationships with multinational corporates and improving its product offering, with a particular focus on project finance, trade finance and global transaction solutions. BSF aims to rebalance its wholesale banking portfolio to focus on low risk, higher revenue sectors with strong growth and low to flat NPLs.

Enhance collaboration and maintain growth in Investment Banking and Brokerage: BSF intends to continue pursuing growth in its investment banking and brokerage segment by increasing and diversifying its investments portfolio and focusing on increased sales and foreign currency exchange volumes, including through leveraging cross-selling opportunities with its corporate (wholesale) and retail banking segments. In addition, BSF intends to focus on diversifying its sources of funding.

Focus on Development of Digital Capabilities: Over the past year, BSF has increased its focus on digital capabilities to enhance customer experience and improve operational efficiency. To that end, in 2020, BSF developed its overarching five-year digital strategy (the "Digital Strategy") to ensure BSF is more resilient to

future challenges and to cement its ambition of becoming the most modern and experience-focused bank in the region. As at the date of this Base Offering Circular, BSF has commenced implementation of the first phase of the Digital Strategy. The strategy aims to position BSF as “The go-to Bank for Digital” by utilising several enablers such as customer engagement, digital talent, enhanced elasticity of ICT infrastructure, technology infrastructure update and transitioning to an “Objective & Key Results” performance management framework. In addition, BSF intends to continue partnering with and investing in fintechs and technologies which offer operational synergies and improve BSF’s customer experience.

Renewed Growth in Retail Banking: BSF intends to grow its retail banking segment through investments in people, infrastructure and realising the full potential of cross-selling opportunities with its corporate banking and investment banking and brokerage segments.

BSF’s current strategic goals in the retail banking segment are to:

- (i) differentiate itself from its competitors through a focus on customer service and experience;
- (ii) focus on the affluent segment of the Saudi population;
- (iii) further develop its branch network to provide personalised services to all groups of its clients;
- (iv) further expand private banking product offering and implement experience-centric reward programmes for private banking customers;
- (v) focus on growth in retail financing and leasing (through Saudi Fransi for Finance Leasing (“SFL”));
- (vi) expand BSF’s active customer base through refined customer segmentation and utilising data on its existing customer base; and
- (vii) enhance customer advocacy through a premium customer experience based on the net promoter score methodology.

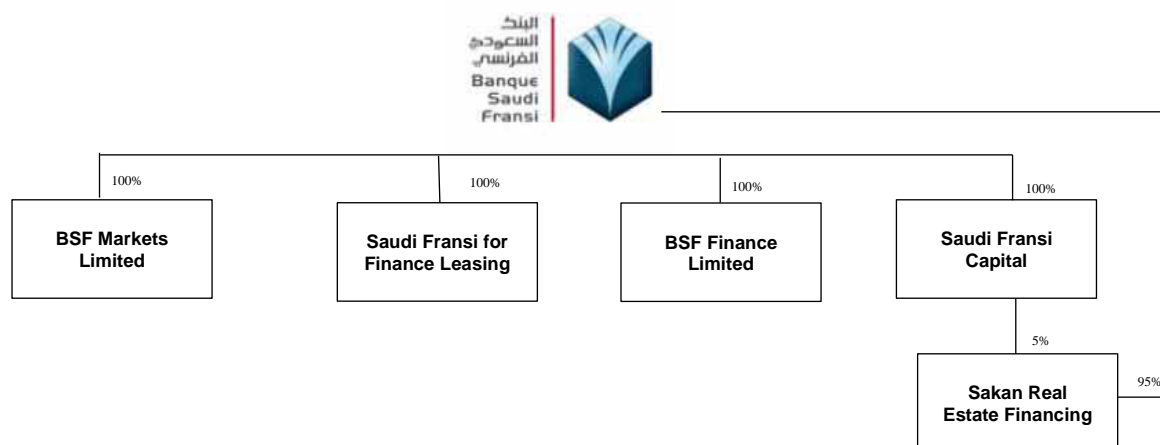
Competition

According to SAMA’s website, there are 36 commercial banks licensed to operate in the Kingdom, of which 11 are incorporated in the Kingdom. Of the remaining 25 licensed banks, six are branches of banks based in countries of the GCC other than the Kingdom (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, First Abu Dhabi Bank, Bank Muscat and Qatar National Bank), ten are international banks (namely J.P. Morgan Chase, N.A., BNP Paribas, Deutsche Bank, T.C. Ziraat Bankası A.Ş., MUFG Bank Ltd, National Bank of Pakistan, Industrial and Commercial Bank of China, Credit Suisse, Standard Chartered Bank and National Bank of Iraq) and seven have been licensed but are yet to commence operations under their licences (namely Trade Bank of Iraq, Bank of China Limited, Banque Misr, Sohar International Bank, National Bank of Egypt and Bank of Jordan). In addition, three digital banks, STC Bank, D360 Bank and Saudi Digital Bank, have been licensed recently by SAMA but have not yet commenced their operations. A digital bank does not operate through physical branches but only provides remote banking services (i.e. through online banking). STC Bank will be converted from STC Digital Payments which is a digital payments company, founded in 2018, which has become the largest digital wallet provider in the MENA region. STC Bank will have a paid-up capital of U.S.\$666.7 million. Saudi Digital Bank is being established by a consortium led by Abdul Rahman bin-Saad al-Rashed and Sons Company and will have a paid-up capital of around U.S.\$400 million. D360 Bank will be established through a consortium of investors with the Public Investment Fund as one of its key investors and will be led by Derayah Financial Company. It will have a paid-up of capital of around U.S.\$440 million. Apart from Gulf International Bank Saudi Arabia, all of the 11 Saudi operating banks are publicly listed joint stock companies and their shares are traded on the Tadawul.

All segments of the financial services market in the Kingdom are highly competitive. BSF's primary competitors in the retail and wholesale banking sectors are the Arab National Bank, Riyadh Bank, the Saudi British Bank and Saudi National Bank. BSF also faces competition from Emirates NBD and Gulf International Bank in the retail sector. In addition, there are a number of "fintech" start-ups in the Kingdom providing limited banking services such as e-wallets enabling merchant payment, remittance and inter-bank transfer.

Group Structure

The following structure chart sets out the key operating subsidiaries of BSF as at 31 December 2022:



Share Capital and Ownership Structure

The table below shows BSF's shareholders holding more than 5.0 per cent. in the share capital of BSF as at 31 December 2022.

Name	Basic Information	Percentage Shareholding
Kingdom Holding Company	The Kingdom Holding Company is a Saudi conglomerate holding company.	16.2 per cent.
Rashed Abdulrahman Al-Rashed & Sons Co	Saudi General partnership owned by the heirs of Rashed Abdul Rahman Al Rashed.	9.8 per cent.

Operations

The Group has four principal reporting segments which correspond to its core business lines. These are:

- Retail banking, which provides banking services to general retail, affluent, high net worth and ultra-high net worth customers as well as predominantly non-lending banking services to MSMEs;
- Corporate (wholesale) banking, which provides banking services to large local and international corporates, the Government and public sector entities as well as predominantly lending services to MSMEs;
- Treasury, which manages the Group's liquidity, ensures BSF is in compliance with liquidity ratios prescribed by SAMA and offers derivative and other structured products to the Group's customers; and

- Investment banking and brokerage, which provides securities brokerage, asset management and corporate finance services to the Group’s customers.

Retail Banking

Overview

BSF’s retail banking segment is the largest business line of BSF in terms of the number of customers and number of employees. Retail banking’s net income before zakat was SR 803 million for the year ended 31 December 2022 and SR 529 million for the year ended 31 December 2021. Total assets of the retail banking segment amounted to SR 38,411 million as at 31 December 2022 and SR 34,195 million as at 31 December 2021. Loans and advances, net to retail customers amounted to SR 37,048 million as at 31 December 2022 and SR 33,005 million as at 31 December 2021. Customers’ deposits within the retail banking segment amounted to SR 77,321 million as at 31 December 2022 and SR 80,467 million as at 31 December 2021.

As at 31 December 2022, BSF had approximately 1.16 million retail customers, most of whom are Saudi Arabian nationals. BSF’s retail banking segment also provides predominantly non-lending banking services to MSMEs. See “*MSME Banking*”.

BSF’s retail banking services include retail lending products, such as housing loans, consumer loans, credit and debit cards, deposit solutions, payments and transfers, foreign exchange transactions, education and retirement plans, brokerage services and portfolio and investment advisory services.

BSF’s retail banking business comprises the following segments:

- general retail banking, which provides a full suite of retail lending and deposit products to BSF’s retail customers; and
- high net worth banking, which provides tailored financial planning, portfolio management and investment advisory solutions to BSF’s affluent, high net worth and ultra-high net worth customers.

BSF’s management believes that BSF’s retail segment has significant growth potential which BSF intends to exploit. In particular, BSF is looking to increase its retail customer base by leveraging its corporate banking relationships and offering general retail banking and high net worth banking products to employees of its corporate banking customers.

General retail banking:

BSF offers a wide range of general retail banking products through its branches and alternative distribution channels. See – “*Distribution Channels*” below. The key products offered are as follows:

Home Finance

BSF offers a full range of residential finance products, which includes Murabaha, construction finance, land finance, financing of incomplete property and off-plan finance. As at 31 December 2022 and 31 December 2021, outstanding home finance loans extended by BSF amounted to SR 14,911 million and SR 13,496 million, respectively.

Auto Finance

SFL, a wholly-owned subsidiary of BSF, offers auto finance solutions in the form of leasing, which is an Ijara-based facility provided to individuals buying passenger vehicles. Under the Ijara structure, SFL, at the request of its customer, acquires a vehicle of the customer’s choice and leases it to the customer for a period of up to five years. SFL has representatives in most of the automobile showrooms in the Kingdom. As at 31 December 2022, SFL’s auto finance portfolio amounted to SR 3,690 million.

Deposit Solutions

BSF offers a wide range of deposit solutions, including savings accounts, time deposits and structured deposits. As at 31 December 2022, BSF's individual deposits amounted to SR 77,321 million.

Bank Cards

As at 31 December 2022, the number of issued credit cards, debit cards and prepaid cards was 128,627, 800,378 and 16,513, respectively. BSF offers its customers Visa and Mastercard debit and credit cards, which include both conventional and *Shari'a*-compliant cards.

Education and Retirement Plans

BSF provides its retail customers with access to education and retirement plans. These plans are long-term saving tools that build cash value over time while protecting the policy holder from unforeseen circumstances such as death, disability or serious illness. Educational plans help to cover the cost of education of children when they reach college whilst retirement plans support in sustaining oneself financially after retiring. The number of participating customers in BSF's retirement and education plans reached 3,992 as at 31 December 2022.

Brokerage and Investment funds

BSF provides its retail customers with access to both international and Saudi securities markets through its subsidiary, Saudi Fransi Capital. In addition, SFC offers a wide range of managed investment solutions such as mutual funds and managed portfolios for BSF's retail customers. See – "*Investment Banking and Brokerage*".

High Net Worth Banking

BSF's high net worth customers include affluent customers (those with personal financial assets of between SR 3 million and SR 7.5 million), high net worth customers (those with personal financial assets of greater than SR 7.5 million) and ultra-high net worth customers (those with personal financial assets of greater than SR 150 million). As at 31 December 2022, BSF had 323,608 and 79 affluent, high net worth and ultra-high net worth customers, respectively.

BSF's high net worth banking offers a wide range of tailored financial planning, portfolio management and investment advisory solutions.

Customers of BSF's high net worth banking also have access to the general retail banking products.

Distribution Channels

Branches

The following table shows the number of branches operated by BSF as at 31 December 2021 and 31 December 2022:

Year	Branches
31 December 2022	82
31 December 2021	85

BSF's branches are spread across the Kingdom and are divided into three regional management groups for operational purposes, which reflect the administrative zoning of the Kingdom, and comprise:

- Western Region (Jeddah): 28 branches
- Central Region (Riyadh): 32 branches

- Eastern Region (Dammam – Al Khobar): 22 branches

BSF is focused on modernising its branch network to make the older branches more user-friendly for customers and to improve BSF's retail product distribution.

All branches are equipped with state-of-the-art ATMs and CAMs, which allow banking operations to be processed directly by customers. In addition, as at 31 December 2022, BSF had two fully automated self-service branches in FC Dabbab and King Khalid Military City which operate 24 hours a day.

ATMs

BSF had a network of 460 ATMs as at 31 December 2022 and 466 ATMs as at 31 December 2021.

E-banking

BSF uses e-banking technologies in order to enhance its distribution channels and give it a competitive advantage. These include:

- “*FransiPlus*”, which enables retail customers to make online payments, obtain cash advances and make money transfers;
- “*FransiTadawul*”, an online local share trading system;
- “*FransiPhone*”, which enables customers to execute a selection of banking transactions by telephone and is coupled with BSF's 24-hour call centre located in Riyadh; and
- “*FransiMobile*”, which enables customers to perform various transactions using their mobile phones, such as on the spot account information and bill payments.

Corporate (Wholesale) Banking

Overview

Based on its analysis of publicly available information, BSF estimates that it is one of the largest providers of corporate banking services in the Kingdom and is ranked among the top five banks in the Kingdom by both total assets and income. According to BSF's estimates based on publicly available information, as at 31 December 2022, the market share of BSF's corporate (wholesale) banking segment was 11.4 per cent. in terms of loans and advances, net, 14 per cent. in terms of issued letters of credit and bank guarantees and 6 per cent. in terms of net income before zakat.

BSF provides a wide range of corporate banking services to large local and international corporates, the Government and public sector entities, as well as to MSMEs. Operating under the banner “One Client, One Bank”, BSF provides its corporate banking customers with integrated lending, payments, deposits, cash management and cash collection solutions. BSF's corporate banking product offering is complemented by SFC, which provides BSF's corporate clients with a wide range of investments and brokerage solutions. See – “*Investment Banking and Brokerage*”.

As at 31 December 2022, BSF's corporate (wholesale) banking segment had more than 4,600 active corporate customers, which included approximately 2,950 large and international corporates, 90 Government and public entities, 800 financial institutions and 650 MSMEs.

The corporate banking segment's net income before zakat was SR 1,500 million for the year ended 31 December 2022, as compared with SR 1,462 million for the year ended 31 December 2021. Total assets of the corporate banking segment amounted to SR 122,841 million as at 31 December 2022 and SR 114,226 million as at 31 December 2021. Loans and advances, net, to BSF's corporate customers amounted to SR 120,540 million as at

31 December 2022 and SR 113,041 million as at 31 December 2021. Customers' deposits attributable to the corporate banking segment amounted to SR 80,271 million as at 31 December 2022 and SR 61,483 million as at 31 December 2021.

BSF diversifies its corporate customer base into the following categories:

- Large corporates, being companies with annual sales exceeding SR 200 million;
- Financial institutions, being banks and non-banking financial institutions within and outside of the Kingdom;
- Government and public entities, being entities wholly owned by the Government and Government agencies and departments; and
- MSMEs, being companies with annual sales of SR 200 million or lower.

Large corporates

BSF offers a wide range of banking services and solutions to large corporates including lending, deposit and cash management solutions. As at 31 December 2022, BSF's total loans and advances, net to large corporates accounted for 76.0 per cent. of BSF's total loans and advances, net.

Lending Solutions

Lending solutions offered by BSF to its large corporate customers include term loans, working capital loans, overdraft facilities, project finance, trade finance, syndicated finance and real estate finance (both conventional and *Shari'a*-compliant).

- **Project Finance**

Since the 1990s, BSF has been involved in more than 100 project finance transactions covering key industries including: oil and gas, petrochemicals, metals and mining, power and water, infrastructure, telecommunications, transport, real estate, hospitality, construction and cement. BSF has provided a comprehensive product range in financing these sectors either through limited / non-recourse cashflow based financing or asset-backed, acquisition / leverage financing.

BSF's expertise in project finance is underpinned by its team of specialists who focus on specific industry sectors.

- **Syndicated Finance**

BSF has participated as arranger or co-arranger in virtually every major syndicated lending transaction in the Kingdom in the past decade. BSF is also active in the regional syndicated lending market.

During 2022, BSF arranged and participated in deals with an aggregate value of more than SR 12 billion across different sectors, including infrastructure, real estate, tourism, power, water and mining. These deals included debt refinancing deals for, amongst others, Red Sea Gateway Terminal Company, a Ma'aden subsidiary and Zain KSA.

BSF's Project & Structured Finance Team has been recognised for its experience and achievements in arranging debt transactions including refinancing, project financing and syndicated transactions for large corporates across various industries. Some of BSF's deal experience credentials for 2022 are as follows:

- Project Finance Deal of the Year for Jazan Integrated Gasification Power Company by GFC Media Group.

- Project Finance Deal of the Year for the Red Sea Development Company's Green Financing by GFC Media Group.
- Hybrid Energy Deal of the Year for Jazan Integrated Gasification Power Company by IJ Global.
- Petrochemicals Deal of the Year for Sadara Chemical Project Restructuring by IJ Global.
- Social Infrastructure Deal of the Year for Schools Wave 1 by IJ Global.
- Refinancing Deal of the Year for Riyadh PP11 by IJ Global.
- Trade Finance Solutions

BSF provides a comprehensive suite of documentary operations and trade finance instruments for its large corporate customers. Such instruments include revolving documentary letters of credit, transferable documentary letters of credit and standby letters of credit which are used by BSF's large corporate customers in their import and export operations. BSF also provides a wide range of guarantee services which include bid bonds, performance bonds, advance payments, payment guarantees, retention bonds, zakat and income tax bonds, shipping guarantees and counter guarantees. In addition, BSF's trade finance solutions product offering includes import / export documentary collection services, such as post finance letters of credit, avalization and bills discounting.

BSF's trade finance business has developed a firm footing in the market and has received the KSA Best Export Finance Bank Award and KSA Hall of Fame Trade Finance Bank Award at the 10th Annual Saudi Trade Finance Awards in November 2022.

Deposits and Accounts

BSF provides a full range of current and term accounts (both conventional and *Shari'a* compliant) to large corporate customers and seeks to develop new products to meet customer requirements. In addition, BSF offers time, demand, savings and other types of deposits. As at 31 December 2022, customer deposits attributable to large corporates represented 51.0 per cent. of BSF's customers' deposits.

Financial Institutions

Since its establishment, BSF has maintained strong relationships with financial institutions both regionally and globally. BSF's Financial Institutions business acts as a gateway into the Kingdom by providing foreign banks and their clients access to the Saudi market and connects BSF customers to the rest of the world. It offers a full suite of corresponding banking services, including cash management, treasury and trade services. In 2022, it received the Banking Operational Excellence Award from Citibank and Euro Operational Excellence Award from Commerzbank.

Government and Public Entities

BSF provides a full suite of solution-driven general banking services to the Government and public entities including account management, investment and commercial banking services.

In addition to general banking services, BSF participates in several joint lending programmes with Saudi Government funds and agencies, including:

- a collaboration programme with the Agricultural Development Fund (the "**ADF**") which aims to provide short-term working capital financing to agriculture companies in the Kingdom (the "**ADF Programme**"). Through the ADF Programme, banks offering finance to customers will receive a guarantee from ADF, covering up to 100 per cent. of the financing amount. As at 31 December 2022, loans extended by BSF under the ADF Programme amounted to approximately SR 357 million;

- a co-operation programme with the Tourism Development Fund (the “**TDF**”) which aims to provide funding to companies operating in the tourism sector, including large corporates and small and medium-sized enterprises (the “**TDF Programme**”). Through the TDF Programme, customers will receive a guarantee from TDF, covering up to 90 per cent. of the financing amount;
- a co-operation programme with the Cultural Development Fund (the “**CDF**”) which aims to provide funding to companies operating in the cultural sector, including large corporates and small and medium-sized enterprises (the “**CDF Programme**”). Through the CDF Programme, customers will receive a guarantee from CDF/KAFALAH, covering up to 90 per cent. of the financing amount. As at 31 December 2022, loans extended by BSF under the CDF Programme amounted to approximately SR 6.5 million; and
- a co-operation programme with the Ministry of Finance, represented by The National Debt Management Center (the “**NDMC**”) which aims to support private infrastructure companies that are facing temporary financial situations (the “**SSP Programme**”). Through the SSP Programme, banks are offering finance to customers with a 100 per cent. guarantee from NDMC. As at 31 December 2022, loans extended by BSF under the SSP Programme amounted to approximately SR 162 million.

BSF is also an active contributor to the Government’s Vision 2030 megaprojects, including:

- the Red Sea project, which involves the development of resorts across the Red Sea coastline;
- the NEOM project, which involves the development of a transnational “smart city” and economic zone located in Tabuk by the north-western border of the Kingdom;
- the Qiddiya project, which involves the development of an entertainment city located approximately 40 kilometres west of Riyadh; and
- ROSHN Real Estate, supported by the Public Investment Fund, is one of the largest national master developers specialising in the field of real estate and community building, which aims to increase the rate of home ownership among Saudi citizens to 70 per cent.

Distribution Channels

Corporate banking customers of BSF benefit from dedicated teams of relationship managers who are assigned on the basis of the size and geographical location of the customer. BSF’s relationship managers are based in the head office in Riyadh and each of BSF’s three regional offices. Operational banking requirements are met through e-channels, the branch network and designated corporate lounges. BSF also offers its corporate customers access to specialist e-banking systems such as “Fransi Global” in addition to B2B, MACUG which provides cash management services and “Fransi Trade” through which customers can obtain trade finance services such as letters of credit. Certain large corporate customers also have access to bespoke electronic banking systems dedicated to their specific requirements.

MSME Banking

BSF provides lending services to MSMEs primarily through its corporate (wholesale) banking segment, whilst non-lending services are provided to MSMEs by BSF’s retail segment. As at 31 December 2022, BSF’s corporate and retail banking segments serviced over 40,776 MSMEs. BSF offers MSMEs the same lending and deposit solutions as are offered to its large corporates (see – “*Corporate (Wholesale) Banking – Large Corporates – Lending Solutions*” and see – “*Corporate (Wholesale) Banking – Large Corporates – Deposits and Accounts*”). In addition, BSF offers a number of packaged programme-based lending products which are tailor-made for MSMEs as well as cash management solutions.

Liquidity and Cash Management

Liquidity and Cash Management (“**LCM**”) provides BSF customers with the ability to manage their cash flow and transaction banking requirements through innovative and cost-effective solutions delivered through state-of-the-art digital channels and a robust network of teams distributed across the country. LCM offers BSF’s customers a wide variety of solutions to facilitate (i) the making of payments, (ii) managing collections and liquidity digitally with solutions such as FransiGlobal, FransiTrade, B2B, MACUG, e-Dividend, e-Payroll, Payroll Cards, Ejar and (iii) acquiring business (POS and E-commerce). Expansion in this area is part of BSF’s long-term strategy.

As at 31 December 2022, BSF had 74,509 POS terminals in operation throughout the Kingdom, compared with 76,160 POS terminals as at 31 December 2021. BSF currently ranks fifth amongst the 12 Saudi operating banks in terms of the number of POS terminals in operation. As at 31 December 2022, BSF ranked second and third amongst banks in the Kingdom by volume of POS transactions conducted using Mada Prepaid and Debit cards, respectively. BSF’s average value per transaction (value divided by approved volume) (“**ATV**”) for the year ended 31 December 2022 was SR 92, compared with the average market ATV of SR 98.9 for the year ended 31 December 2021. For the year ended 31 December 2022, BSF was ranked 5th in terms of the average spend per POS terminal, with an average spend of SR 485,810 compared with the market average of SR 656,030.

Distribution Channels

BSF’s products are distributed to its MSME customers through a combination of BSF’s retail and corporate (wholesale) banking segments’ distribution channels. See – “*Corporate (Wholesale) Banking – Distribution Channels*” and “*Retail Banking – Distribution Channels*”.

Treasury

The Group’s treasury functions are carried out by the Treasury Investment Group, whose objective is to maximize returns on the Group’s assets and liabilities whilst adhering to clear limits and parameters set according to BSF’s risk appetite. The Treasury Investment Group is primarily responsible for managing BSF’s liquidity and ensuring BSF is in compliance with liquidity ratios prescribed by SAMA. In addition, the Treasury Investment Group is tasked with developing BSF’s investment strategy in line with BSF’s risk appetite and maximizing its returns through the proper and efficient deployment of capital and liquidity. The Treasury Investment Group is also a major participant in the local inter-bank market and plays a prominent role in market-making activities in the SR market for derivatives and interest-rate products.

In addition, the Treasury Investment Group offers a wide range of derivatives products which are structured with a primary focus on assisting the Group’s customers in managing their foreign currency, interest rate, commodity and other risks. Such derivative products include interest rate swaps, profit rate swaps, foreign exchange swaps, foreign exchange forwards, forward rate agreements, foreign exchange spot transactions, interest rate and foreign currency options and structured products.

The treasury segment’s net income before zakat was SR 1,464 million and SR 1,588 million for the year ended 31 December 2022 and the year ended 31 December 2021, respectively. Total assets of the treasury segment amounted to SR 68,635 million and SR 65,296 million as at 31 December 2022 and 31 December 2021, respectively.

Investment Banking and Brokerage

The Group conducts its investment banking and brokerage business through SFC which offers securities brokerage, asset management and corporate finance services. SFC is licensed as a “Capital Market Institution” by the CMA.

The Group's investment banking and brokerage segment's net income before zakat was SR 236 million and SR 258 million for the year ended 31 December 2022 and the year ended 31 December 2021, respectively. Total assets of the investment banking and brokerage segment amounted to SR 2,191 million and SR 2,084 million as at 31 December 2022 and 31 December 2021, respectively.

Securities Brokerage

As at 31 December 2022, SFC was the 6th largest equity broker by total traded volume. SFC's market share in the Saudi local brokerage market (by total value traded) was 4.76 per cent. as at 31 December 2022, according to Tadawul.

SFC offers its customers an extensive trading and price dissemination network through its proprietary trading platform, SFC Tadawul, which provides SFC's customers access to the Saudi and international securities markets.

Asset Management

BSF has operated an asset management division since 1985. Currently, SFC's asset management business offers a variety of managed investment solutions such as mutual funds, managed portfolios and private placements for all categories of customers including retail, affluent, high net worth and ultra-high net worth individuals, corporate and government clients.

As at the date of this Base Offering Circular, SFC offers eleven mutual funds, seven of which are *Shari'a*-compliant. All funds are managed locally, of which six are Saudi and GCC equity funds, four are money market and murabaha funds and one is a diversified fixed income fund. In addition, SFC manages two real estate investment traded funds ("**REITs**"), Bonyan REIT and Taleem REIT, which are listed on the Main Market of Tadawul. As at 31 December 2022, total assets under management of mutual funds listed on Tadawul amounted to SR 2,755 million (U.S.\$735 million), and the two REITs listed on Tadawul had a combined market capitalisation of SR 2,094 million (U.S.\$558 million). According to the CMA, SFC's share in "Assets under Management (Public, Private Funds and Discretionary Portfolio Management)" was 3.29 per cent. as at 31 December 2022.

In addition, SFC currently offers its customers access to more than 100 global product offerings covering all major asset classes and geographies. In 2022, SFC launched several private placement offerings of US real estate, absolute return, private equity and venture capital funds and continued building on its global multi-asset discretionary portfolio management platform. Such new offerings complement the existing product portfolio and are a part of BSF's cross-selling strategy targeting affluent, high net worth and ultra-high net worth customers, as well as key clients of the corporate banking group.

Investment Banking

SFC offers a full range of investment banking services in the Kingdom covering equity capital markets, debt capital markets, mergers and acquisitions ("**M&A**") and advisory services.

In 2022, SFC advised on a number of initial public offerings and rights issues for some of the most reputable companies in the Kingdom, including Perfect Presentation, AlSaif Gallery, Jahez and Petro Rabigh. In addition, SFC advised Seera Group and its shareholders on the demerger of Lumi Retail Company, acted as a buy-side adviser for "Solutions" by STC on the acquisition of Contact Center Company, and as a sell-side adviser to SABB Takaful on the merger of SABB Takaful and Walaa Cooperative Insurance Co. Furthermore, SFC acted as a joint lead manager and bookrunner on Public Investment Fund's inaugural U.S.\$3 billion green bond offering, the issuance of the 2027 Notes and SR 2.0 billion sukuk of Arabian Drilling Company.

In 2022, SFC was recognised as "Best Investment Bank" in Saudi Arabia by MEA Finance, "Best Investment Banking Company" in Saudi Arabia by the International Business Magazine and "M&A House of the Year" in

Saudi Arabia by GFC Capital Markets. In 2022, the issuance of the 2027 Notes on which SFC acted was named the “Bank / Financial Institutions Bond Deal of the Year” by GFC Capital Markets. In addition, in 2022, Saudi Real Estate Refinance Company’s sukuk transaction on which SFC advised was named the “Local Currency Bond/Sukuk Deal of the Year” and the “Public Sector Deal of the Year” awards by Capital Markets Saudi Arabia Awards.

Distribution

As at 31 December 2022, SFC had its own distribution team of approximately 47 employees who are responsible for marketing its asset management, securities brokerage and investment banking products and solutions.

Islamic Banking Division

In 2002, with a mandate to organise Islamic banking activities and in order to establish market credibility, BSF’s Islamic banking division engaged one of the leading and internationally renowned Islamic banking scholars, Dr. Mohammed Elgari as BSF’s *Shari’a* adviser. Dr. Elgari has assisted BSF in laying down the foundation for Islamic banking governance and the development of *Shari’a*-compliant products and services.

In 2003, BSF appointed a number of well-known *Shari’a* scholars to its Shariah Committee to ensure that BSF’s Islamic products comply with *Shari’a* requirements, both in terms of product specifications and documentation. Each new Islamic product requires the approval of BSF’s Shariah *Committee*, which is formalised by the issuance of a “Fatwa” before launch.

BSF continues to expand its Islamic banking business and to develop new products and services to meet the increasing demand of its customers, many of whom are gradually moving from conventional finance to *Shari’a*-compliant products. It offers a full range of *Shari’a*-compliant products to retail customers through its Tawafuq Islamic banking branches. BSF currently offers Islamic alternatives to most of the conventional products in corporate, retail, investment and treasury services.

BSF continues to grow its Islamic products portfolio. As at 31 December 2022, BSF operated 12 Islamic retail branches which provide Islamic finance products and services. In the corporate and investment banking sector, BSF offers corporate clients both conventional and Islamic capital market products. As at 31 December 2022, loans and advances, net (both retail and corporate) provided by BSF under *Shari’a*-compliant structures amounted to SR 115,207 million, or 72.45 per cent. of the Group’s total loans and advances, net as compared with SR 105,640 million, or 71.5 per cent. of the Group’s total loans and advances, net as at 31 December 2021. As at 31 December 2022, the Group’s *Shari’a*-based investments, net amounted to SR 8,753 million, or 19.66 per cent. of the Group’s total investments, net, as compared with SR 8,724 million, or 19.89 per cent. of the Group’s total investments, net as at 31 December 2021. As at 31 December 2022, the volume of the BSF’s *Shari’a*-compliant time deposits was SR 28,648 million, or 18.18 per cent. of total customers’ deposits, as compared with SR 16,656 million, or 11.7 per cent. of total customers’ deposits as at 31 December 2021.

Subsidiaries and Associates

In addition to SFC and SFL, BSF has a number of other subsidiaries, associates and joint ventures, including:

Sakan Real Estate Financing

Sakan Real Estate Financing is an indirectly wholly-owned subsidiary of BSF. Sakan Real Estate Financing’s primary function is to hold title deeds to properties on behalf of BSF’s shareholders and their affiliates.

BSF Finance Limited

BSF Finance Limited is a wholly-owned subsidiary of BSF. BSF Finance is a special purpose vehicle established to raise capital for BSF through issuance of debt instruments.

BSF Markets Limited

BSF Markets Limited is a wholly-owned subsidiary of BSF engaged in derivative trading and repo activities.

Allianz Saudi Fransi

Allianz Saudi Fransi is a joint venture between BSF and Allianz, a major German financial institution. Allianz Saudi Fransi offers a comprehensive range of insurance products, including marine insurance, health insurance and liability insurance. As at 31 December 2022, BSF owned 14.0 per cent. of the share capital of Allianz Saudi Fransi.

Banque Bemo Saudi Fransi Syria

As at 31 December 2022, BSF owned a 27.0 per cent. stake in Banque Bemo Saudi Fransi Syria (“**BBSF**”), which as at 31 December 2022 operated a retail banking network of 30 branches in the Syrian Arab Republic (“**Syria**”). BSF also holds a 10.33 per cent. stake in Bemo Lebanon S.A. (“**Bemo Lebanon**”), which in turn owns a 22 per cent. stake in BBSF. On 26 November 2011, the board of directors of BSF took the unanimous decision to withdraw from the board of directors of BBSF and Bemo Lebanon, terminate any operational or managerial relationship with BBSF and Bemo Lebanon, and to sell BSF’s 27 per cent. share in BBSF and 10.33 per cent. participation in Bemo Lebanon. The decision was made on the basis that operational risks in Syria as well as sanctions risks do not permit BSF to continue its operations in the Syrian market. BSF approached a reputable auditing firm to value its shares in BBSF and Bemo Lebanon and is currently looking for buyers for those shares. However, the current political situation in Syria has prevented the consummation of the sale and any such sale process shall remain subject to the approval of the Central Banks of Syria and Lebanon as applicable. BBSF is accounted for in BSF’s financial statements in accordance with the equity method and adequate provisioning is maintained through regular impairment testing.

Insurance

In order to protect itself against various risks that might affect its business, BSF has taken out the following insurance policies covering the following risks:

Name of Insurance Provider	Nature of Insurance	Interest Insured	Cover
Allianz	Property policy (all risks policy).	Building contents, furniture, micro computers, mainframe equipment, ATM, POS, software, professional fees, loss of rent.	All risks covered (unless specifically excluded): fire and lightning, earthquake impact, flooding, water damage, weather perils (storm, tempest, rain, hail), breakage of windows, explosion, burglary, accidental damage, rental expenses, temporary removal, professional.

Name of Insurance Provider	Nature of Insurance	Interest Insured	Cover
Allianz	Electronic equipment (all risks policy).	Microcomputers, mainframe equipment, POS, ATM, communications equipment, software, increased working costs.	Material damage cover (computers), data and media, debris removal.
Allianz	Public Liability.	Third party liability.	Accidental bodily injury (including death / disease), accidental loss or damage to material property.
Allianz	Terrorism policy.	All BSF buildings and infrastructures.	Riots, strikes and civil commotion, vandalism, sabotage, terrorism.
MedGulf	Banker blanket bond, including electronic computer crime.	Theft – counterfeiting – fraud.	Fraud by employees, forged cheques and alteration, forged securities, counterfeit currency, damage to offices and contents, computer system fraud, computer crime, internet banking cover.
MedGulf	D&O	Directors and officers liability	-

Environmental, Social and Governance (“ESG”)

In 2022, BSF published its first ESG policy framework (the “**ESG Framework**”), which applies to all groups and business units of BSF. The ESG Framework is focused on the following five pillars, which align with BSF’s corporate mission and values: (i) exemplifying the highest ethical and governance standards, (ii) protecting the communities, (iii) accelerating sustainable economic growth, (iv) serving the clients and (v) creating a thriving workplace. Furthermore, in 2022, BSF established the environmental, social and governance committee of the Board of Directors (the “**ESG Board Committee**”) and the ESG management committee See “*Senior Management and Employees – Governance – The ESG Board Committee*”.

RISK MANAGEMENT

Pro-active and efficient management of the risks involved in BSF's activities is critical to its long-term financial strategy, profitability, assets and stakeholders' confidence. BSF established a risk management framework (the "**Risk Management Framework**") to ensure strong risk management awareness and culture, and to instil these practices into day-to-day business activities and responsibilities. The Risk Management Framework entails proactive identification, measurement, monitoring and mitigation/control of key risks and strong risk governance and organisation.

Risk governance

BSF's approach is to identify, analyse and respond appropriately to all risks. The approved risk appetites and tolerances for each type of risk will determine the appropriate risk response. Risk management at BSF is governed as follows:

The Board of Directors has ultimate responsibility for BSF's business, strategy and financial soundness, as well as its management and compliance obligations. The Risk Committee of the Board of Directors ("**BRC**") is responsible for advising the Board of Directors on BSF's overall current and future risk appetite, overseeing senior management's implementation of the Risk Appetite Statement, reporting on the state of risk culture, interacting with the Chief Risk Officer ("**CRO**"), and overseeing the adequate functioning of the risk management function.

The Board Level Committees (mainly the BRC, Audit Committee and the Executive Committee ("**EC**")) are supported by BSF's Management Committees and respective Senior Management. In addition, in the spirit of enhanced risk culture throughout BSF, three lines of defence are in operation:

- As the first line of defence, the business units have ownership, responsibility and accountability for assessing, controlling and mitigating risks.
- As the second line of defence, the Risk Management function and Compliance and Legal facilitate and monitor the implementation of effective risk management practices by business and operational management and assist the risk owners with reporting appropriate risk-related information to the relevant stakeholders. The risk management process includes Risk Identification/Recognition, Risk Assessment (Validation, Measurement and Prioritisation), Risk Monitoring and Risk Mitigation (Controls).
- As the third line of defence, the internal audit function, through a risk-based audit approach, provides independent assurance to the Board of Directors and senior management on the effectiveness of the risk management process in BSF and its assessment and management of its risks (including the manner in which the first and second lines of defence operate).

Risk organisation

BSF has a well-defined risk taxonomy (within the overall framework of credit, market and operational Risks) following the Basel Committee on Banking Supervision ("**BCBS**") classification and best practice guidelines for newer risk types. The CRO heads the Risk Management Group ("**RMG**") and is responsible for overall implementation of the risk objectives of BSF.

Risk strategy

RMG has a dedicated Risk Strategy Division responsible for:

Analytics: Fit for purpose models for Rating, Macroeconomic Models, IFRS 9 Methodology and execution. These models, which are mainly in the credit space, ensure accurate estimation of risk components for assessment of provisions, capital planning and stress tests.

Capital Planning: Annual Internal Capital Adequacy Assessment Process (“ICAAP”) over a three-year horizon in co-ordination with the Finance Division under base and stressed conditions to ensure BSF’s growth strategy and franchise in line with SAMA guidelines and facilitate its integration with risk-based deal pricing and structuring.

Stress Testing: Semi-annual SAMA stress tests and ad-hoc integrated stress testing and scenario definition including the development of a robust recovery plan for BSF.

Risk Appetite: An enterprise-wide perspective on risks for the purpose of setting risk appetite (with approval of the Board of Directors), risk tolerance for expected losses, capital and liquidity adequacy and their impact on business lines for the purposes of setting prudential risk thresholds, all in the context of BSF’s business strategy and plans.

SAMA Regulatory Reporting: SAMA capital reporting in line with BCBS and other reporting related to IFRS 9, assessment of provisions and planning.

Portfolio Management: Independent review and reporting of the Corporate Banking book exposures, individually and from a portfolio perspective for internal and SAMA reporting.

Credit administration, control and monitoring

The Credit Administration, Control and Monitoring Division is responsible for post-approval credit controls. Its role includes:

- ensuring that documentation and securities are obtained and comply with the terms of approval prior to limit activation;
- monitoring limit excesses and credit exceptions; and
- escalating exceptions and reporting on the credit portfolio.

Risk Projects, a function managed by the division, is responsible for the integrated management of all software implementation projects (whether analytical or operational) primarily related to credit risk.

Special assets management

Special Assets Management (“SAM”) is responsible for the management of non-performing credit exposures for the institutional banking business (all businesses except consumer credit, which is managed by a separate collections division). SAM is organised into a Debt Restructuring Unit and a Recovery Unit to manage remediation and hard collection strategies, respectively.

BSF regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

Assets and Liabilities Management

BSF’s assets and liabilities management (“ALM”) policy provides the framework for the management and control of liquidity and interest rate risk. Day to day operational responsibility resides with the ALM department, reporting to the Chief Treasury and Investment Officer (“CTIO”), with governance oversight provided by the ALCO.

Liquidity: BSF has a low tolerance to liquidity risks and has delegated the management of liquidity to the Treasury department. BSF aims to hold sufficient liquidity to meet the minimum regulatory requirements set by SAMA as well as its own internal liquidity requirements. The Treasury Investment Group (“TIG”), together with internal stakeholders, is responsible for the preparation of BSF’s internal liquidity adequacy assessment

plan (“**ILAAP**”) which seeks to ensure that BSF remains sufficiently liquid for its current and forecasted business under both normal and distressed market conditions.

Interest rate risk: BSF has a low tolerance to interest rate risk that arises from its banking book activities. It is BSF’s policy to transfer interest rate risk positions from all business lines for central management by the TIG. Exposures are managed in accordance with ALCO-approved risk tolerance and pre-defined limits. Stress testing and sensitivity analyses are also performed on a regular basis, with results reported to ALCO.

Capital adequacy: BSF seeks to hold sufficient capital in both quality and quantity to meet the regulatory minimum requirement set by SAMA as well as its own internal assessment of its capital requirements. The RMG, together with internal stakeholders, is responsible for the preparation of BSF’s ICAAP. This plan seeks to ensure that BSF retains sufficient capital for its current and forecasted business under both normal and distressed market conditions.

Litigation

As at 31 December 2022, BSF had outstanding claims as referred to in Note 21(a) to the 2022 Financial Statements, for which adequate provision has been made. The legal advice provided in relation to these claims indicates that it is unlikely that any significant loss will arise. Progress on these claims has been slow due to the delay in the courts of the Kingdom; however, all major cases are typically resolved through compromises and amicable settlements. No significant new claim has been made against BSF since 31 December 2022.

Quantitative and Qualitative Disclosures About Risk

Like other financial institutions, BSF faces a range of risks in its business and operations including: (i) credit risk; (ii) market risk; (iii) liquidity risk; and (iv) operational risk.

Credit risk

BSF manages its exposure to credit risk (i.e. the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss). Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The BRC responsible for monitoring the overall risk process within BSF.

BSF’s credit policy provides detailed guidelines to manage credit risk effectively. It is reviewed and updated from time to time based on experience, emerging issues, best market practices and directives from regulatory authorities. The credit policy is designed to ensure clear recognition of credit risk management strategies and objectives. BSF’s credit exposure to each client is reviewed annually with high-risk exposures reviewed on a more frequent basis.

BSF attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and by continually assessing the creditworthiness of its counterparties. BSF’s risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to these limits.

Actual exposures against limits are monitored daily. In addition to monitoring credit limits, BSF manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, BSF may also close out transactions or assign them to other counterparties to mitigate credit risk. BSF’s credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail

to fulfil their obligations, and to control the level of credit risk taken. BSF assesses counterparties using the same techniques as for its lending activities.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of BSF's performance to developments affecting a particular industry or geographical location.

BSF assesses the probability of default of counterparties using internal rating tools and credit assessment, where necessary. Where available, BSF also uses the external ratings of the major rating agencies. BSF has a 14-point unified master scale that links the ratings of all counterparties to the probability of default.

BSF seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or industries. It also takes collateral / security when appropriate. BSF also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the allowance for impairment losses.

Market Risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, FX rates and equity prices. BSF classifies market risk exposures into trading, non-trading or banking book.

Market risk within the trading and banking book is managed and monitored using various indicators such as VAR, stress testing and sensitivity analyses.

Market risk – trading book

The Board of Directors has set limits for the acceptable levels of risk in managing the trading book. In order to manage the market risk in the trading book, BSF applies, on a daily basis, a VAR methodology based on historical rate changes observed in the market. BSF also performs daily stress testing in order to estimate the potential economic loss based on a defined set of significant changes 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 period. BSF 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.

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 may differ from the VAR calculations. The calculation also does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VAR limitations mentioned above, BSF also carries out stress tests on a daily basis of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to BSF's ALM and Market Risk committees for their review.

Market risk – non-trading book

Market risk on BSF's non-trading book mainly arises as a result of exposure to interest rate, foreign currency and equity price changes.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect either the fair values or the future cash flows of financial instruments. The Board of Directors (acting through the EC) has established interest rate sensitivity limits for stipulated periods.

BSF is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and derivative instruments that mature or re-price in a given period. BSF monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

This policy is in line with the liquidity risk management policy (see – “*Liquidity Risk*”) insofar as the liquidity created by the excess from deposits and working capital over core assets is invested in instruments, the liquidity of which then remains within BSF.

Currency Risk

Currency risk represents the risk of change in the value of financial instruments due to changes in FX rates. The Board of Directors (acting through the EC) has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The two tables below show the currencies to which BSF had a significant exposure as at 31 December 2022 and 31 December 2021 on its non-trading monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonable, possible movement of the currency rate against SR, with all other variables held constant, on the consolidated statement of income (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to changes in the fair value of commission rate swaps used as cash flow hedges). A positive effect shows a potential increase in the consolidated statement of income or equity, whereas a negative effect shows a potential net reduction in the consolidated statement of income or equity.

Currency Exposures	31 December					
	2022			2021		
	Change in	Effect on	Effect on	Change in	Effect on	Effect on
	Currency	Net		Currency	Net	
	Rate in %	Income	Equity	Rate in %	Income	Equity
(SR '000)						
USD.....	5	(1,874)	—	5	38,166	—
EUR.....	(3)	(84)	—	(3)	(122)	—

In addition, BSF manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors (acting through the EC) sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily by BSF's market risk

department. As at 31 December 2022 and 31 December 2021, BSF had the following significant net exposures denominated in foreign currencies:

	31 December	
	2022	2021
	Long (short)	Long (short)
	<i>(SR '000)</i>	
US Dollar	(56,250)	780,584
Euro.....	2,813	4,083
Pound Sterling.....	20,721	(590)
Other	32,774	18,949
Total	(392)	803,026

Within the Kingdom's economic context, where most exports and imports are settled in U.S. dollars, the largest foreign exchange exposures created by the business flows are in U.S. dollars. These U.S. dollar exposures have a very limited daily variation risk as they benefit from the 3.75 fixed exchange rate between U.S. dollars and SR handled by SAMA through daily transactions with Saudi banks.

While BSF is not aware of any planned de-pegging of the U.S. dollar and Saudi Riyal, specific stress scenarios linked to a potential USD/SR de-peg (both revaluation and devaluation) are monitored on a daily basis in order to estimate the potential associated risk.

Currency position

BSF manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors (acting through the EC) sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily.

Management of market risk

The primary focus of the market risk department is to assess, measure and follow up on the risks that are taken within the trading books managed by the treasury department.

Market risk activity is governed by BSF's Market Risk Committee, which meets regularly, and is closely monitored by a dedicated and independent Market Risk Department that reports directly to the CRO.

BSF has clearly defined policies and procedures related to market risk activity, as well as a comprehensive set of market risk indicators and their associated limits which are reviewed at least annually, monitored independently and reported on a daily basis to senior management.

The market risk department has access to sophisticated systems with real time data to calculate the daily profit and loss of BSF Treasury and monitor market risk exposures.

Liquidity Risk

Liquidity risk is the risk that BSF will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to become immediately unavailable. To mitigate this risk, BSF's management has diversified funding sources and manages its assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

BSF has delegated the management of liquidity to the TIG.

In accordance with the Banking Control Law and the Regulations issued by SAMA, BSF maintains a statutory deposit with SAMA of no less than 7 per cent. of total customer demand deposits and 4 per cent. of balances due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), savings, time deposits, margins of letters of credit and guarantee, excluding all types of repo deposits. In addition to the statutory deposit, BSF also maintains liquid reserves of not less than 20 per cent. of its deposit liabilities in the form of cash, Government securities or assets which can be converted into cash within a period not exceeding 30 days. BSF can also raise additional funds through repo facilities available with SAMA against its holding of Government securities up to 98 per cent. of the nominal value of the securities. In addition, BSF has repo agreements in place with 5 banks in order to get liquidity (if needed) from its corporate bond portfolio.

The following table shows the maturity profile of assets, liabilities and shareholders' equity as at 31 December 2022 and 31 December 2021:

	Within 3 months	3-12 months	1-5 years	Over 5 years	No Fixed Maturity	Total
	(SR '000)					
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	—	—	—	—	973,736	973,736
Balances with SAMA.....	1,185,000	—	—	—	9,166,850	10,351,850
Due from banks and other financial institutions						
Current account.....	—	—	—	—	2,793,569	2,793,569
Money market placements.....	836,950	308,514	856,078	—	—	2,001,542
Investments, net						
Held as FVSI.....	3,800	—	—	60,459	4,485	68,744
Held as FVOCI, net.....	717,073	870,618	13,519,627	2,977,957	320,393	18,405,668
Held at amortised cost, net	1,749,354	5,333,861	12,523,937	6,435,985	—	26,043,137
Investment in associate	—	—	—	—	9,695	9,695
Positive fair value of derivatives						
Held for trading.....	111,404	364,288	3,241,926	2,814,352	—	6,531,970
Held as fair value hedges	—	—	7,825	12,813	—	20,638
Held as cash flow hedges	25,331	—	5,041	—	—	30,372
Loans and advances, net						
Credit cards and consumer loans	241,054	699,551	13,182,776	15,022,058	367,666	29,513,105
Overdraft and commercial loans.....	21,299,145	29,163,057	42,155,354	35,946,710	934,154	129,498,420
Property, equipment and right of use assets, net.....	—	—	—	—	1,739,307	1,739,307
Other assets and other real estate	—	—	—	—	4,096,366	4,096,366
Total assets	26,169,111	36,739,889	85,492,564	63,270,334	20,406,221	232,078,119
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	—	—	—	—	262,687	262,687
Money market deposits	5,472,651	6,225,457	4,809,647	—	—	16,507,755
Customers' deposits						

	Within 3 months	3-12 months	1-5 years	Over 5 years	No Fixed Maturity	Total
			(SR '000)			
Demand.....	—	—	—	—	91,181,332	91,181,332
Saving	—	—	—	—	1,053,846	1,053,846
Time.....	48,572,004	8,550,894	3,152,351	—	—	60,275,249
Other	—	—	—	—	5,081,893	5,081,893
Negative fair value of derivatives						
Held for trading	89,159	354,096	3,109,251	2,675,146	—	6,227,652
Held as fair value hedges	—	—	27,240	15,906	—	43,146
Held as cash flow hedges	—	15,924	1,096,985	—	—	1,112,909
Debt securities and term loans	—	—	4,515,254	—	—	4,515,254
Other liabilities	34,577	293,980	268,228	395,500	6,078,786	7,071,071
Total equity.....	—	—	—	—	38,745,325	38,745,325
Total liabilities and equity	54,168,391	15,440,351	16,978,956	3,086,552	142,403,869	232,078,119
2021						
Assets						
Cash and balances with SAMA						
Cash in hand	—	—	—	—	1,023,141	1,023,141
Balances with SAMA.....	79,999	—	—	—	8,691,928	8,771,927
Due from banks and other financial institutions						
Current account.....	—	—	—	—	3,798,380	3,798,380
Money market placements.....	1,325,295	200,289	—	—	—	1,525,584
Investments, net						
Held as FVSI.....	7,155	59,476	3,877	139,487	—	209,995
Held as FVOCI, net.....	38,116	669,834	11,480,285	2,416,258	338,307	14,942,800
Held at amortised cost, net	2,060,623	4,444,596	17,964,725	4,235,502	—	28,705,446
Investment in associate	—	—	—	—	9,695	9,695
Positive fair value of derivatives						
Held for trading	98,238	211,110	1,926,297	1,192,156	—	3,427,801
Held as fair value hedges	—	91	1,178	—	—	1,269
Held as cash flow hedges	103,847	168,282	360,788	—	—	632,917
Loans and advances, net						
Credit cards and consumer loans	212,560	583,648	12,441,931	13,577,000	409,670	27,224,809
Overdraft and commercial loans.....	15,198,689	30,187,471	37,842,018	36,489,202	870,570	120,587,950
Property, equipment and right of use assets, net.....	—	—	—	—	1,585,763	1,585,763
Other assets and other real estate	—	—	—	—	3,354,549	3,354,549
Total assets	19,124,522	36,524,797	82,021,099	58,049,605	20,082,003	215,802,026
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	—	—	—	—	494,471	494,471
Money market deposits	13,103,851	5,828,850	4,426,685	—	—	23,359,386
Customers' deposits						
Demand.....	—	—	—	—	88,999,785	88,999,785

In all cases, the expected maturities of assets and liabilities have been determined on the basis of the remaining period at the relevant balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by BSF's deposit retention history. BSF's management monitors the maturity profile to ensure that adequate liquidity is maintained.

	As at 31 December	
	31 December 2022	31 December 2021

Notes:

- ## Investment Portfolio

The key objective of maintaining the investment portfolio is to have sufficient high-quality liquid assets (“**HQLA**”) to meet regulatory ratios and BSF’s obligations in times of stress. The vast majority of the investment portfolio is made up of HQLA assets that enhance BSF’s regulatory ratios. Moreover, the USD portfolio is composed predominantly of high investment grade paper that enhances BSF’s Net special commission Income whilst providing liquidity through the repo market when needed.

As of 31 December 2022, BSF's investments, net amounted to SR 44,518 million.

The following table sets out the credit risk exposure of the Group's investments as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	<i>(SR '000)</i>	
Saudi government bonds	28,358,050	29,163,809
Investment grade	9,053,833	6,003,729
Non-investment grade	—	—
Unrated	7,105,666	8,690,703
Total	44,517,549	43,858,241

The vast majority of the portfolio is comprised of Saudi government development bonds and Sukuks rated A-2 by Standard & Poor's Financial Services LLC, A by Fitch Ratings Inc. and A2 by Moody's Investor Service. Foreign investments are primarily investment grade securities with credit exposure equivalent to a S&P rating of AAA to BBB-. In order to enhance the portfolio yield, a small limit also exists for high-yield regional sovereigns.

Capital Adequacy Management

The RMG is responsible for ensuring that BSF's capital adequacy ratios comply with international standards, internal policies and SAMA requirements. The adequacy of BSF's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by SAMA in supervising BSF. These ratios measure capital adequacy by comparing BSF's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

RMG is responsible for ensuring that BSF's capital plan takes into consideration all key risks and makes a comprehensive assessment of its capital requirements considering its strategies, business plans and dividend policies. This ensures that the risk metrics remain within its appetite and that BSF's capital adequacy ratios remain above the thresholds prescribed by SAMA, typically over a medium-term horizon (three years), under normal and stressed operating conditions.

BSF has adopted a standardised approach for its Pillar I capital requirements, while Pillar II capital comprehensively covers risks specific to BSF's portfolio and environment (such as concentration risk, interest rate risk on the banking book, strategic risk and macroeconomic risk). BSF also conducts stress tests across all risk types to ensure that its strategy and brand franchise remain robust over a medium-term planning horizon.

BSF's ICAAP is in line with SAMA requirements, international standards and internal policies in terms of risk coverage. There is an annual supervisory review process through which SAMA provides BSF feedback on the risk coverage and strategic insights into new areas of focus.

The ICAAP is prepared under the leadership of the CRO in co-ordination with the CFO. The BRC is tasked with review and approval of the ICAAP and its recommendation to the Board of Directors. Once validated, the ICAAP is officially submitted to SAMA.

The ICAAP carefully considers business plans along with capital projections over a forward-looking horizon which are assessed under stress conditions to determine the adequacy of capital to meet business plans and potential stresses.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Where controls are not designed adequately or fail to perform, operational risks can materialise into incidents and cause damage to reputation, business disruption, have legal or regulatory implications and/or lead to financial loss. While BSF cannot eliminate all operational risks, BSF aims to manage such risks through a dynamic operational risk identification and management framework which includes identification, assessment, monitoring, treatment, reporting, control/mitigation and staff awareness of operational risks. BSF has put in place a comprehensive bank-wide risk and control assessment for operational risk management. Operational risk, including technology risk, is primarily managed by prescribing controls and mitigation measures, which are reviewed, tested and updated on a regular basis. The operational risk division presents the status of control implementation, areas of risk and required actions for various business entities to the internal control committees. BSF has also implemented a robust business continuity plan to ensure the continuity of its critical operations. All new products and services, along with outsourcing contracts are assessed by Operational Risk and associated parties prior to implementation/initiation. Operational risk policies are approved by BSF's board risk management committee. BSF has recently adopted a revised standardised approach for operational risk capital assessment as part of the Basel III enhancements.

Use of Derivatives

In the ordinary course of business, BSF utilises derivative financial instruments for both trading and hedging purposes.

Held for trading purposes

Most of BSF's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers, banks and other financial institutions 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 rates. Arbitrage involves identifying, with the expectation of profiting from, price differentials between markets or products.

Held for hedging purposes

BSF has adopted a comprehensive system for risk measurements and management of derivative exposures risk. Part of the risk management process involves managing BSF's exposure to fluctuations in foreign exchange and commission rates to manage currency and interest rate risks at an acceptable level as determined by the Board of Directors. Positions and interest rate exposures are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has also established the level of interest rate risk by setting interest rate gap limits.

As part of its asset and liability management, BSF uses derivatives for hedging purposes in order to adjust its own exposure to currency and interest rate risks. This is generally achieved by hedging specific transactions (as and when required) against the overall consolidated statement of financial position exposures. Strategic hedging qualifies for cashflow hedge accounting.

BSF uses forward foreign exchange contracts and currency rate swaps to hedge against specifically identified currency risks. In addition, BSF uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified fixed commission rate exposures. BSF also uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instruments are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Related Party Exposure

BSF enters into transactions with major shareholders, directors, executive management and their related persons (referred to as “**Related Parties**” of BSF) in the ordinary course of its business. These consist of both banking and non-banking transactions and are governed by regulations promulgated by SAMA and other regulatory bodies. In terms of the Related Party Transactions Regulations, BSF is required to (i) adhere to certain maximum exposure/transaction limits to bank and non-bank Related Parties, (ii) maintain arm’s-length dealings in all transactions, (iii) obtain approval from its governing bodies for Related Parties transactions and (iv) obtain tangible Collateral covering a minimum of 100 per cent. of the credit limits as defined in Article 9 of the Banking Control Law.

There are multiple divisions within BSF which are involved in the identification, managing and reporting of transactions with Related Parties. BSF’s internal policies and processes are aligned with these regulations, detailing the roles and responsibilities of each stakeholder to ensure that the transactions with Related Parties are conducted in strict compliance with the regulatory requirements. The maximum exposure (depending on type of entity) to a Related Party is defined by SAMA Regulations as a percentage of the Tier 1 capital of BSF.

Business Continuity Plan

With the continuing growth in BSF’s banking activities, BSF recognises its obligation to clients, shareholders and staff to ensure the continuity of its business, in line with its commitment to safety, quality and commercial best practices. BSF’s business continuity management team (“**BCM**”) reports to the CRO. BCM also works closely with other divisions in BSF who are responsible for the technology, business, and control groups.

BCM works to ensure that the internal BSF business groups are able to continue operations through any type of disruption, working across different BSF sites throughout the Kingdom to develop, test, and maintain business continuity.

In addition to its main data centre in Riyadh, BSF has established a disaster recovery data centre in its western region (Jeddah) with an active and live data centre for the main Bank’s critical systems, applications and network infrastructure. BSF has also established business recovery sites in Riyadh, Jeddah and Al Khobar to which BSF’s staff can be relocated in order to ensure the continuity of BSF’s services. BSF’s disaster readiness is tested regularly and results are shared with internal stakeholders for remediation and also reported to SAMA.

Internal Audit

BSF has an independent internal audit group headed by the Chief Audit Executive (“**CAE**”) who is approved by the Board of Directors as well as SAMA. The CAE functionally reports to the Audit Committee and keeps it informed of major audit activities on a quarterly basis. The CAE reports to the CEO.

An updated Audit Committee Charter defining the roles of the Audit Committee was approved by the Audit Committee and the Board of Directors in 2020 and was presented to BSF’s shareholders at the Extraordinary General Assembly meeting held in May 2021. The Internal Audit Charter, which was approved by the Board of Directors in December 2022, defines the role of the internal audit function as well as their interactions with other Board Committees and BSF management. The Internal Audit Charter is updated annually.

BSF’s internal audit group has an updated and comprehensive internal audit Framework which sets out detailed methodology and procedures for executing internal audit responsibilities on a continual basis.

BSF’s internal audit group develops a four-year strategic plan and an annual audit plan that is based on a risk-based audit methodology which is approved by the Audit Committee. The Audit Committee reviews and approves the annual audit plan and monitors its execution and compliance with the Institute of Internal Audit (“**IIA**”) standards as well as SAMA regulatory requirements.

The internal audit group performs cyclical, ad-hoc and special audit assignments with the aim of providing an independent objective opinion on the audited entities within BSF to both the management team and the Audit Committee, in line with the approved internal audit plan. Each audit assignment leads to a detailed report containing an assessment of the objectives and processes and effectiveness of controls as well as recommendations for a stronger and more robust controlled operating environment and enhanced process efficiency. The internal audit group follows up on the implementation of the proposed corrective action plans and the CAE provides Management and the Audit Committee with regular updates on the implementation of the relevant action plan. Internal audit also validates the closure of issues reported by SAMA in thematic, targeted or self-assessment reviews and regular reports are presented to SAMA and the Audit Committee on the implementation status of the agreed action plans.

In line with SAMA's regulatory requirement and best practices, the Internal Audit function has a dedicated Quality Assurance and Improvement Program that covers and evaluates all aspects of the internal audit activities and their conformance with the Internal Auditing standards, code of ethics, code of conduct, and overall assesses the efficiency and effectiveness of the Internal Audit activity through an annual self-assessment process. The CAE also communicates to the Audit Committee all internal audit activities relating to the quality assurance and improvement program, including results of ongoing internal assessments in accordance with SAMA requirements, IIA standards and best practices.

Compliance Group

With regulatory compliance and the combating of financial crimes being an area of focus for many international, regional and local legislative and supervisory bodies, the prominence and pertinence of the compliance function has been recognised by various internal and external stakeholders such as, shareholders, the Board of Directors, senior management, employees as well as customers. The objective of the compliance function is to enhance transparency and reduce non-compliance risks which ultimately benefits customers and protects the reputation of BSF.

The Compliance Group is an independent control function headed by the Chief Compliance Officer. The Compliance Group supports BSF's pursuit of its strategy. The Compliance Group supports all business lines and support and control functions by: (i) communicating and advising on regulatory rules; (ii) monitoring, reviewing, identifying and reporting non-compliance risks; and (iii) developing training and awareness campaigns.

As a second line of defence function, the Compliance Group plays a key role in achieving the strategic mission and objectives of BSF. Significant emphasis has been placed on adopting financial technologies for banking operations and enhancing the overall compliance program (i.e. compliance framework, processes, tools and skill set) in order to give effect to the guidelines, regulations and rules promulgated by relevant regulatory bodies. This is achieved by the close monitoring of BSF's business activities and its adherence to the regulations and internal controls requirements.

Among others, one of the focus areas of the Compliance Group is to continuously develop an effective and efficient internal control framework within BSF. Integrity, accuracy and transparency are fundamental pillars of BSF's framework which aims to not only reduce financial crimes and fraud risks but also to meet and exceed the level of compliance required by the principles and initiatives of SAMA and regulatory bodies in the Kingdom.

Anti-money laundering, terrorist financing and suspicions transactions

BSF has implemented a program to combat money laundering and terrorist financing which aims to prevent the use of BSF's branches, trade finance centres, products in general and its affiliates as channels of illegal activities. The program has been developed to ensure compliance with global requirements (including, but not

limited to the Financial Action Task Force (FATF) recommendations), local laws as well as SAMA and other regulatory requirements which are all aimed at preventing illegal transactions or activities.

Apart from this program, BSF has established other anti-money laundering and anti-terrorism financing policies and procedures grounded on local and global practices in order to combat and prevent criminal activities. Such policies and procedures cover Know Your Customer (KYC) requirements, monitoring customer transactions and suspicious activities, adhering to sanctions requirements, training and awareness of employees, establishing reporting procedures and conducting independent stress-testing.

The Chief Compliance Officer participates in meetings of the Board of Directors, Audit Committee and various management committees and regularly updates the Board of Directors and Audit Committee on the status of compliance in BSF and the measures required to ensure a high level of compliance with applicable laws, rules and regulations.

Legal and Governance Group

The Legal and Governance Group is responsible for providing legal advice and consultation on all general and corporate legal matters and managing all corporate governance affairs. It is also responsible for reviewing, negotiating and drafting facility agreements, for both conventional and Islamic facilities, treasury documents, workouts, trade finance documents, commercial agreements between BSF and third parties and any other agreement that BSF may enter into from time to time. It also provides advice on regulatory matters and manages any litigation to which BSF is a party. BSF also uses external legal advisers where appropriate.

The Corporate Governance Division is responsible for ensuring that governance structures and practices are in accordance with regulatory requirements and best practices.

Decision making

Overview

BSF's governance structure is headed by the Board of Directors, which has overall responsibility for risk management. BSF has a number of board committees and management committees which oversee and monitor day-to-day risk management. These committees are responsible for the overall approval and implementation of BSF's risk management policies, while the formulation, monitoring and reporting of such policies, any exceptions thereto and any required corrective actions is the responsibility of the Risk Management Group (headed by the CRO).

Risk management is undertaken independently from the business units of BSF. BSF aims to enforce a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor, report, mitigate and control risk exposures.

The Board of Directors evaluates risk in co-ordination with BSF's board committees and management committees. For further information regarding BSF's board committees and management committees (see – “*The Executive Committee*”, “*The Board Risk Committee*”, “*The Risk Management Group*”, “*The General Management Forum*” and “*The Asset and Liability Committee*”).

The BRC and the specialised risk management committees (including the general management forum and the ALCO) are responsible for overseeing BSF's risk management procedures. The credit risk division is responsible for drawing up credit policies, establishing limits, credit approval authorities and setting concentration limits.

A brief description of the committees is set out below:

The Executive Committee

The EC is formed by the Board of Directors and includes five members of the Board of Directors. It is presided by a non-executive member of the Board of Directors. The EC's main responsibilities include but are not limited to the following:

- reviewing periodic management reports and reports on the execution and completion of BSF's major projects;
- approving loans and credit facilities to BSF's customers, as per BSF's "Delegation of Authority" manual ("DOA") and in line with SAMA rules and regulations for granting loans and credit facilities;
- reviewing the annual budgets, plans and material differences in the budget and deviations from the approved plans (if any) before submitting its recommendations to the Board of Directors; and
- approving related party transactions as per the DOA.

The EC meets at least 6 times a year. However, for specific matters requiring an urgent decision, the EC will meet on an *ad hoc* basis.

The Board Risk Committee

The BRC represents and assists the Board of Directors in fulfilling its oversight responsibility to ensure that all risks are managed in accordance with the Risk Management Framework, policies, procedures, and regulatory obligations (through the provision of governance oversight and strategic direction).

The CRO is linked to the Board of Directors through the BRC. The BRC raises its recommendations on RMG reports to the Board of Directors.

The committee is formed by the Board of Directors and includes three members of the Board of Directors but may also include members from outside the Board of Directors. It is presided over by an independent member of the Board of Directors.

The key duties and responsibilities of the BRC include but are not limited to the following:

- requiring and reviewing development strategies, objectives and comprehensive risk management policies to ensure that they are consistent with the nature and volume of BSF's activities, risk profile, risk appetite and risk tolerance taking into account cyber and technology risks and ensuring the operation of these policies, and regularly reviewing and updating them based on BSF's internal and external changing factors;
- reviewing the adequacy of (i) BSF's risk management system; and (ii) management's assessment of the effectiveness of the systems and mechanisms used to determine and monitor the risks that threaten BSF, in order to determine areas of inadequacy therein, maintain the risk register and recommend appropriate changes; and
- requiring establishment of bank-wide risk measurement methodologies for quantifying risks.

The General Management Forum

The General Management Forum (the "GMF") consists of the senior executives representing all business lines, control and support functions of BSF. The GMF is chaired by the CEO and meets fortnightly.

The GMF tracks external developments and key internal matters requiring attention and sets appropriate guidance to be implemented by functional areas in BSF. Under BSF's governance framework, management

level committees are responsible for governance and decisions on matters of credit risk, market risk, investments, operational risk, fraud, compliance, cyber security and business continuity.

The Asset and Liability Committee

The ALCO is responsible for reviewing and approving BSF's asset and liability management policy. The responsibilities of the ALCO include identifying, managing, and controlling BSF group's balance sheet risks and capital management in executing its chosen business strategy.

The CEO chairs the ALCO which meets monthly and is facilitated by the CTIO.

The key duties and responsibilities of the ALCO include but are not limited to the following:

- reviewing the risk appetite of individual business lines for financial risks before seeking approval of the BRC and subsequently monitoring exposure against limits i.e. volume against approved budget;
- monitoring market risk approved investment limits, parameters, capital and liquidity;
- exercising overall oversight of the ICAAP and ILAAP which includes preparation and review before submission for Board of Directors' approval as per the DoA;
- monitoring long-term risk-weighted asset trends and overseeing actions to optimise RWA levels;
- overseeing business line performance with respect to their portfolio risk-adjusted return on capital.
- reviewing market risk positions and limiting breaches;
- taking strategic decisions on liquidity e.g. providing incentives to promote products to improve balance sheet structure;
- establishing liquidity risk and setting appropriate business limits (where measurable) and targets; and
- reviewing principle positions and hedging strategies and approving access as required.

Risk Management Group

The risk management activities are carried out by eight main departments, namely the:

- Credit Risk Department;
- Retail Risk Department
- Treasury and Financial Market Risk Department;
- Operational Risk Department;
- Special Assets Management Department;
- Risk Strategy Department;
- Credit Administration and Credit Control Department;
- Corporate Information (Cyber) Security Division; and
- Business Continuity Management Department.

Each department works independently from the business units of BSF to identify, measure and mitigate risks on a pre-emptive basis.

BSF regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

Credit Approval Procedures

Overview

Credit decisions are delegated to various committees depending on the amount of the proposed credit and the risk rating of borrowers. For every credit request, a credit committee is convened before a credit decision is finalised.

BSF requires credit approvals to be in compliance with SAMA regulations and the credit procedures approved by the Board of Directors for both consumer and wholesale products. BSF applies different credit limits and approval criteria depending on the types of products, customers and industry sectors.

Retail credit approval procedures

BSF has developed a comprehensive retail credit policy and procedures manual, which establishes the retail banking segment's overall risk management framework. The manual establishes operating policies and procedures relating to credit approval and verification, collections, risk mitigation, repossession and foreclosure management and fraud. The policy acts as a guideline for the formulation of individual product credit policy and procedures manuals.

For retail loans, the Board of Directors has delegated authority to (i) the credit risk division; and (ii) the retail banking group (who rely on the retail credit risk manager under the risk policy approved by credit risk division). This division applies a tiered hierarchy of delegated approval authorities based on the value of the credit commitment sought. Such authorities are set out in authority matrices that must be approved by appropriate internal committees. Credit parameters for retail lending include the following steps:

- identification of the potential client "Know Your Customer" through access to the Saudi Ministry of Interior individual identification cards database ("Yaqeen");
- verification of the potential client's credit history through the Saudi Credit Bureau ("Simah") which is a database of all Saudi banks retail customers; and
- salary certificate and salary assignment, to ensure that the potential client has a fixed source of income which is credited to that client's BSF account on a monthly basis.

New retail borrowers are sourced through BSF's sales channels, including direct sales agents and BSF's retail branch network. The time required for the approval of consumer credit applications is dependent on the size of the exposure, type of product and the credit profile of the applicant. The performance and the monitoring of the retail loan portfolio is reviewed once every month through the retail credit risk committee which includes the retail credit risk manager, the CRO, the head of retail banking, and the head of collection.

Most retail consumer lending is tied to electronic salary assignments.

Corporate credit approval procedures

BSF has adopted a committee approach to decision-making on credit granting and review. There are four credit committees within BSF that are responsible for credit decisions, namely (i) the EC; (ii) the General Management Forum; (iii) the Head Office Credit Committee; and (iv) the Regional Credit Committee. The committees' decisions are taken either at sitting meetings or through circulation process and the process of submission of credit requests and the quorum for approvals are stipulated in the credit policy of BSF.

Each credit proposal is originated by the relevant business line and submitted to the Credit Risk Department for an independent assessment and risk opinion, after which the proposal is submitted for decision to the respective delegated credit committee, as per the DOA of BSF.

The credit delegations are designed based on certain parameters such as the originating business line, amount, tenor of the facility and the risk rating of the borrower. Every borrowing entity is assigned a risk rating based on BSF's credit policy and rating models.

BSF applies specific standards of review for each category of credit commitment, which enables BSF to examine both the credit risk of the borrower as well as BSF's overall lending exposure per product category. The credit risk department also complies with product specific policy manuals.

New corporate borrowers are sourced through BSF's relationship managers in the corporate banking segment as well as through BSF's local branch network. Once a new corporate customer has been identified, the relationship manager prepares a credit report based on a review of all relevant information, which generally includes: (i) borrower information (including legal constitution, ownership structure, organisational structure and financial strength); (ii) management (including a list of directors, key officers and their qualifications and affiliations); (iii) industry sector and market information; (iv) relationship with other banks; (v) financial analysis of the borrower (turnover and profitability, earnings before interest, taxes, depreciation and amortisation, return on equity and other financial ratios); (vi) sources of repayment; and (vii) appropriateness of certain collateral, terms and covenants to be included in loan documents. BSF also reviews the borrower's payment history with BSF or other banks, competitive strengths, levels of collateral and other factors to reach its credit decision. This due diligence report is then reviewed independently by the credit risk department, which prepares a risk opinion on the request for submission to the relevant deciding credit authority.

The wholesale credit process also uses a risk rating system to assess and monitor the risk profile of new and existing borrowers. In accordance with BSF's ratings matrix, corporate banking clients are assigned risk ratings based on various qualitative and quantitative factors including the financial strength of the borrower, industry risk factors, management quality, operational efficiency and company standing. These risk ratings are one of the factors used to determine the maximum lending limits per single borrower or a group of borrowers as detailed in the DOA. The risk grading system attempts to grade a borrower based solely on the borrower's characteristics, the business model and the financial status and therefore does not take into consideration any security provided by the borrower. In addition to facilitating loan approval decision making, credit scores are also used by BSF to set credit facility limits and to determine whether tangible collateral is to be requested from specific clients. The credit quality of the client and the guarantor, the fair value of security interests and other relevant factors are all considered prior to setting the terms of the facility agreement (including the payment period, processing fee and interest rate).

The portfolio risk unit, under the Risk Strategy Department, reviews the credit limits of its wholesale customers at least once each year.

Collection Procedures

Retail banking collection procedures

If a retail banking loan is in arrears, it is processed in accordance with standard operating procedures whereby the loan is considered to be past due one day after payments under the loan were due to be made.

A loan account becomes non-performing when no payment or instalment is made for 90 days. The collection unit pursues all available avenues, in adherence to collection regulation, to collect the outstanding amount from a debtor including, amongst other methods, filing a claim with the court and starting a court proceeding in

relation to personal and home loans, making claims on order notes and foreclosing on any relevant collateral as per the enforcement law.

A remedial loan is written off after 360 days past-due, however recovery activities remain in action until the dues are collected.

Corporate banking collection procedures

Borrowers who display weaknesses in the timely repayment of their obligations due to financial constraints are managed as per SAMA's guidelines on Managing Problem Loans and Rules on Classification and Provisioning. These borrowing accounts are categorised as Special Mention or Stressed Accounts and periodic discussions are conducted between the Senior Management, Risk Management and the Business Lines to identify the issues involved and find suitable action plans to contain the situation. BSF has implemented the IFRS 9 Provisioning Standards according to which the borrowers are categorised into Stage 1, Stage 2 and Stage 3. The borrowers who are in default for over 90 days are considered 'Non-Performing' unless there is evidence suggesting potential, imminent repayment despite the period of time elapsed.

The SAM manages the non-performing loan portfolio. SAM conducts diagnostic review and analysis for newly transferred cases, discusses and negotiates with clients for their outstanding payments (including using measures for rescheduling or restructuring repayments).

As part of such repayment restructurings, SAM may request additional collateral or modification of the other terms and conditions (including the pricing). Restructuring plans negotiated by SAM are submitted to the relevant Credit Committee within BSF for decision, as per the DOA.

If negotiations are not successful and both parties are unable to reach a settlement, the Recovery Department takes over and provides a more assertive approach by initiating legal proceedings to recover BSF's money through legal channels.

SAM is responsible for the overall management of the non-performing loans including drawing up work-out plans, realising collateral and instituting legal action (where necessary) through BSF's Legal Department.

Technology and Operations Group

Organisation

The Technology and Operations Group (the "TOG") runs technology and operations related decision-making, collaboration, operations and information sharing in formalised committees such as the TOG steering committee, which addresses investments, operations and ICT and is led by the Managing Director and Chief Operation Officer. The TOG also comprises an ICT portfolio committee led by the head of the Demand Division.

Portfolio reviews are conducted every quarter with the heads of business lines.

The TOG has nine sub-divisions, collaborated to provide, manage and support business functions and requirements.

- Technology Operation Division;
- Demand Division;
- Governance and Control;
- Enterprise Transformation Division;
- Enterprise Data Management Division;

- Corporate Operations Division;
- Consumer Asset Collection Division;
- Properties and Services Division; and
- Procurement Division.

Production

The TOG operates two data centres on a 24/7 basis. The main data centre is in Riyadh and the data recovery centre is located in Jeddah.

The TOG also operates three business recovery centres with the necessary number of ready-to-operate workstations covering the main critical functions in case of disaster.

Centres, branches and offices are connected through a high-bandwidth backbone. Every location has a second line using different service providers, to ensure the availability of uninterrupted services. BSF has adopted a multi-vendor policy of communication services to ensure competitiveness in maintaining service levels and to reduce the risk of failure.

Technology Security

Since the introduction of online banking in 2001, BSF has dedicated a considerable amount of investment and effort towards the development and improvement of the security of its systems. TOG works in co-ordination with the Corporate Information Security Division to formulate and regulate information security, following best practice and local and international standards. These efforts were recognised in 2009 when BSF achieved the ISO 27001/2005 certification. ISO represents the only auditable, internationally recognised standard regarding the requirements for information security management systems. BSF is the second bank in the Kingdom and one of the few in the region to have obtained this certification.

BSF has put in place several security controls to ensure that only authorised individuals obtain access to its systems. BSF is the first bank in the Kingdom to have implemented a biometric single sign-on solution that provides both strong authentication and ease of use. BSF is also the first bank in the Kingdom to have set up a password auto repository system to prevent the sharing of administrative passwords. BSF has put in place a users' identity management system to ensure that requests to systems resources undergo an adequate approval process. To ensure that suspicious behaviour is monitored, detected and acted upon in a timely manner, BSF has implemented numerous monitoring and detection controls.

To measure and improve security effectiveness and minimise security breaches, BSF has established a corporate security incident forum. BSF has also laid the foundations for a proactive 24/7 incident management system and established a dedicated security operations centre that takes a proactive approach to security.

BSF has established a dedicated ongoing awareness programme to ensure that its staff remains vigilant when it comes to protecting BSF's information assets.

To ensure continuous and thorough verification of systems security, BSF has advanced security monitoring and protective capabilities, including an application risk assessment system to ensure the early identification and mitigation of system risks. BSF has dedicated considerable efforts towards remaining in compliance with the industry's standards and best practices regarding security, for instance, the deployment of automated firewall rule analysers that enables early detection of security issues.

Core Banking System Implementation

BSF is managing ICT services with the help of over 250 applications including customised third-party applications and in-house applications. In 2019, the Board of Directors approved a multi-year core banking

program to consolidate and modernise the technology landscape. The centralisation and modernisation of its core applications will enhance BSF's time to market and improve overall efficiencies.

SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

Without prejudice to the powers of the General Assembly, the Board of Directors is the ultimate decision-making forum of the Group. The members of the Board of Directors are under a duty to provide effective governance and supervise the senior management on behalf of BSF's shareholders and to balance the interest of its diverse constituencies, including its customers, employees, suppliers and local communities.

The Board of Directors meets at least four times a year and at least once every quarter. The committees of the Board of Directors meet from twice a year to six times a year.

In accordance with the companies law issued pursuant to Royal Decree No. M/132 dated 1/12/1443H (corresponding to 30 June 2022) (the “**Companies Law**”) and BSF's articles of association (the “**Articles of Association**”), the Board of Directors comprises ten members.

The Board of Directors is responsible for taking all the decisions of BSF other than those matters reserved to the shareholders pursuant to the Articles of Association or the law.

Matters reserved to the Board of Directors comprise agreements on strategy and budgets, review and follow up on BSF's financial performance, approval of major capital expenditures, policies covering treasury and finance and acknowledgement of the conclusions rendered by the audit committee.

Members of the Board of Directors are elected for a three-year term.

The table below sets out the current members of the Board of Directors:

Name	Title
Mazin Al Romaih	Chairman of the Board of Directors, Chairman of Executive Committee.
Talal Al Maiman.....	Vice Chairman of the Board of Directors, member of Executive Committee, Nomination & Remuneration Committee, Chairman of Board Strategy Committee.
Abdulrahman Al Rashed	Member of the Board of Directors, Executive Committee and Nomination & Remuneration Committee.
Bader Al Issa	Member of the Board of Directors, ESG Board Committee, Board Strategy Committee and Chairman of Audit Committee.
Abdullatif Al Othman.....	Member of the Board of Directors, Chairman of Board Risk Committee and Chairman of ESG Board Committee.
Ghazi Al Rawi	Member of the Board of Directors, Chairman of Nomination & Remuneration Committee and member of Audit Committee.
Khaled Al Omran	Member of the Board of Directors, Board Risk Committee, Board Strategy Committee and Nomination & Remuneration Committee.

Name	Title
Abdulaziz M. Al Gudaimi	Member of the Board of Directors and member of Board Strategy Committee.
Rayan Fayez	Member of the Board of Directors, member of Executive Committee, member of ESG Board Committee and Board Strategy Committee.
Khalid Al Sharif	Member of the Board of Directors, Executive Committee and Board Risk Committee.

Mazin Al Romaih – Chairman of the Board of Directors

Mazin was elected as a member of the Board of Directors on 2 February 2015. He was appointed as a Chairman of the Board of Directors on 1 January 2022. Mr. Al Romaih currently holds various senior positions outside BSF including the chief executive officer of Future Generation Investment Company, director at Dr. Sulaiman Al Habib Medical Group, director at Sada Company for Investment, director at Local Content & Government Procurement Authority, director at Real Estate Development Fund, director at Saudi Tourism Authority and director at Saudi Arabian Airlines. Mr. Al Romaih graduated from the University of Buckingham with a bachelor's degree in accounting and financial management. Prior to joining BSF, Mr. Al Romaih served on the board of the Capital Market Authority and held the position of chief executive officer at Samba Capital & Investment Group Company.

Talal Al Maiman – Vice Chairman of the Board of Directors

Talal was elected as a member of the Board of Directors on 28 February 2018. He was appointed as Vice Chairman of the Board of Directors on 1 January 2022. Mr. Al Maiman holds the following senior positions outside BSF: chief executive officer and board member of Kingdom Holding Co., chairman at Kingdom Real Estate Development Company, director at Tasnee Company, director at NAS Holding Company, chairman at Trade Centre Company Limited, chairman at Real Estate Investment Company, chairman at Kingdom School Company Limited, chairman at Kingdom Investment and Development Company, director at Jeddah Economic Company and chairman at SFC. Mr. Al Maiman holds a bachelor's degree of science in electrical engineering from the University of Evansville and an MBA from the University of Liverpool. He also completed the executive management programme at Harvard University and holds a diploma in computer science from computer sciences corporation. Previously, Mr. Al Maiman was the director of operations and maintenance at the Ministry of Interior, director of the computer department at Saudi Central Bank and chairman of the board and chief executive officer of Kingdom Real Estate Development.

Abdulrahman Al Rashed

Abdulrahman was elected as a member of the Board of Directors on 1 January 2022. Mr. Al Rashed is also, an executive partner at Rashed Abdul Rahman Al Rashed & Sons Company, chairman of the board of directors of Dammam Hotels Company and chairman of the board of directors of UNICOIL Universal Metal Coating Company. Mr. Al Rashed holds a bachelor's degree in Business Administration, Department of Finance from the University of Seattle.

Bader Al Issa

Bader was elected as a member of the Board of Directors on 1 January 2022. Mr. Al Issa is a board member of Al Marai Company and as chief executive officer at Assila Investment Company. Mr. Al Issa graduated with a bachelor's degree in economics from the University of Virginia and an MBA from Rice University. Prior to joining BSF, Bader served as chief financial officer of Assila Investment Company, an investment portfolio

manager at HSBC Saudi Arabia Limited, a financial and marketing analyst at SABIC America and a financial analyst at JP Morgan-London.

Abdullatif Al Othman

Abdullatif was elected as a member of the Board of Directors on 1 January 2022. He is also the owner and chief executive officer of Al-Othman Engineering Consultants. Mr. Al Othman holds a bachelor's degree of civil engineering from King Fahad University of Petroleum and Minerals and an MBA, Sloan Fellows program from the Massachusetts Institute of Technology (MIT). Prior to joining BSF, Mr. Al Othman spent more than 35 years in the field of planning and managing oil and gas projects, financial management, investment, business and international relations development and served as governor and chairman of the board of directors of the General Authority for Investment.

Ghazi Al Rawi

Ghazi was elected as a member of the Board of Directors on 1 January 2022. In addition to that, Mr. Al Rawi is the founder and chairman of Valuegate Investments Company. Mr. Al Rawi holds a bachelor's degree in electrical engineering, communications from King Abdulaziz University, a master's degree in electrical engineering (EE) – communication, a master's degree in management science and engineering – finance & investment as well as a Ph.D. in electrical engineering from Stanford University. Previously, Mr. Al Rawi held positions of associate at McKinsey & Company, assistant professor at King Abdulaziz University and managing partner of Eastgate Capital Group.

Khaled Al Omran

Khaled was elected as a member of the Board of Directors on 1 January 2022. Mr. Al Omran also holds a position of general manager of Daily Food Company. He graduated from King Fahad University of Petroleum and Minerals with a bachelor's degree in finance and from IESE Business School with a master's degree in business administration. Prior to joining BSF, Mr. Al Omran spent 13 years in retail and two years in management consulting.

Abdulaziz M. Al Gudaimi

Abdulaziz was appointed as a member of the Board of Directors on 31 January 2023. Mr. Al Gudaimi is a well-rounded executive with over 35 years' experience in energy and chemicals industries, managing businesses and member of multiple companies' boards. Prior to joining BSF, Mr. Al Gudaimi served as a vice president of Corporate Development in Saudi Arabian Oil Company (Saudi Aramco). Mr. Al Gudaimi holds a master's degree in business administration, Sloan School of Management Fellow from Massachusetts Institute of Technology CAMBRIDGE, in addition to a bachelor's degree.

Rayan Fayez

Rayan was elected as a member of the Board of Directors on 1 January 2022. From February 2018 to May 2022, Mr. Fayez also served as managing director and CEO of BSF. Prior to assuming the leadership of BSF, Mr. Fayez held the role of chief executive officer of Savola Group from 2016 to 2018. Mr. Fayez was previously the managing director and Saudi Arabia senior regional officer at J.P. Morgan. Prior to that, he held senior positions at Goldman Sachs' Saudi and London offices. Mr. Fayez started his career at J.P. Morgan's natural resources investment banking team in New York. Mr. Fayez is a member of the boards of Gulf Coast Development Company and the Human Resource Development Fund and has previously served on the boards of the Saudi Exchange, Saudi Agricultural and Livestock Investment Company and Almarai. Mr. Fayez is also a member of the World Economic Forum's Young Global Leaders. Mr. Fayez graduated from the Massachusetts Institute of Technology (MIT) with a B.Sc. in mechanical engineering.

Khalid Al Sharif

Khalid was elected as a member of the Board of Directors on 1 January 2022. Mr. Al Sharif is also a member of the boards of directors of Rua Almadinah Holding, Arabian Petroleum Supply and Family Office Investment Company. Prior to joining BSF, Mr. Al Sharif held various leadership positions in the Saudi banking sector for more than 34 years, including serving as senior executive vice president, head of corporate and retail banking group and senior credit officer at the Saudi National Bank. Mr. AL Sharif holds master's and bachelor's degrees in business administration from the College of Notre Dame.

As at the date of this Base Offering Circular, the members of the Board of Directors referred to above have no potential or actual conflicts of interest between their duties to BSF and their private interests or any other duties.

The business address of each of the members of the Board of Directors and the senior management is King Saud Road, AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

Governance

The Board of Directors has six board level committees:

The Executive Committee

For an overview of the Executive Committee, see – “*Decision making – The Executive Committee*”.

The Board Risk Committee

For an overview of the Board Risk Committee, see – “*Decision making – The Board Risk Committee*”.

The Audit Committee

The audit committee of BSF (the “**Audit Committee**”) is appointed upon the recommendation of the Board of Directors and the approval from SAMA and the General Assembly. The Chairman of the Audit Committee is an independent member of the Board of Directors who is joined by four independent members. The CAE is the secretary of the Audit Committee and the Chief Compliance Officer is a permanent guest in the Audit Committee.

The Audit Committee meets at least four times a year and assists the Board of Directors. Some of the key responsibilities of Audit Committee are to:

- review and approve the Internal Audit three-year Strategic Plan and Annual Audit Plan including scope and allocated budget, prepared based on the risk assessment and aligned to BSF's overall strategy and objectives and all major changes to the plan;
- ensure that BSF operates ethically and complies with laws and regulations;
- review the effectiveness of the internal and financial control system and risk management system set-up within BSF;
- review related party transactions and ensure that these are recorded and disclosed appropriately;
- recommend to the Board of Directors annually the appointment or dismissal of external auditors determine their fees and evaluate their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts in line with all applicable regulations and guidelines;
- ensure, through the quarterly compliance activities report, BSF's compliance status with the relevant laws, regulations, policies and instructions including any issues and corrective actions; and

- review external auditor’s reports and comments on the financial statements, and follow-up on the procedures taken in connection therewith.

The Nomination and Remuneration Committee

The nomination and remuneration committee (the “**Nomination & Remuneration Committee**”) is appointed by the Board of Directors and chaired by a non-executive member of the Board of Directors. The duties and responsibilities of this committee include the following:

- providing recommendation to the Board for the nomination or re-nomination of the Board of Directors members, and nominees for serving on the committees of the Board of Directors;
- evaluating the performance of the Board of Directors, the committees of the Board of Directors and top executives;
- reviewing the structure of the Board of Directors and Executive Management and recommend changes as and when required;
- ensuring the independence of the independent members of the Board of Directors and absence of any conflict of interest if a Board member also acts as a member of the board of directors of another company;
- approving the succession plan for executive management; and
- determining an incentives system and approving compensation in accordance with the regulatory requirements and instruction.

The Board Strategy Committee

The board strategy committee (the “**Board Strategy Committee**”) is formed by the Board of Directors and includes five members of the Board of Directors. It is presided over by a non-executive member of the Board of Directors.

The key duties and responsibilities of the Board Strategy Committee include but are not limited to the following:

- reviewing and evaluating all recommendations from the strategy steering committee against the strategic direction of the Board of Directors;
- evaluating these recommendations to ensure they fit with the strategic direction of the Board of Directors;
- reviewing and making recommendations to the Board of Directors with respect to BSF’s overall strategy and business plan and all strategy related matters; and
- monitoring and suggesting remedial action during the implementation of BSF’s 5-year strategy.

The ESG Board Committee

The ESG Board Committee is formed by the Board of Directors and shall include not less than three and not more than five members. The majority of members of the ESG Board Committee shall be non-executive members with one independent member from within or outside of the Board of Directors. The key responsibilities of the ESG Board Committee include:

- review and approval of ESG key performance indicators and targets;
- ensuring the development and maintenance of ESG trackers that feed into the Global Sustainability Index;
- oversight and monitoring of ESG-related risks and opportunities; and

- review of the annual report related to ESG prior to the approval of the same by the Board of Directors and approving any other disclosures made in regard to ESG.

Senior Management

BSF's senior management comprises the following individuals:

Name	Title
Bader Alsallloom.....	Chief Executive Officer
Mohammed Alsheikh	Head of Personal Banking Group
Ramzy Darwish.....	Chief Financial Officer
Sander Ardoom.....	Deputy Chief Financial Officer
Thamer M. Youssef	Chief Operations Officer
May Alhoshan	Chief Human Capital Officer
Mutasim Mufti	Chief Risk Officer
Abdulaziz Al-Molhem.....	Regional General Manager – Eastern Region
Abdallah Alshaikh	Head of Legal & Governance, Corporate Secretary
Abdulmohsen Alrayes	Chief Audit Officer
Yasser Al Ansari	Chief Compliance Officer
Zuhair Mardam.....	Chief Treasury and Investment Officer
Majed Adbulrahman Al Sadhan	Head of Wholesale Banking Group

Bader Alsallloom – Chief Executive Officer

Bader Alsallloom was appointed as Chief Executive Officer of BSF in September 2022. Bader joined BSF in April 2021 and has a diverse experience within the banking sector and a successful track record in wholesale banking in prominent Saudi Banks. After graduating from King Fahad University for Petroleum and Minerals with a Bachelor of Science degree in finance, Bader started his banking career with Saudi British Bank in 2004 where he spent 15 years between corporate banking and global markets with his last role as deputy general manager of commercial banking. In 2019, Bader moved to the Saudi Investment Bank as deputy general manager of corporate banking where he held the post until he took over his position with BSF.

Mohammed Alsheikh – Head of Personal Banking Group

Mohammed Alsheikh joined BSF as Head of Retail Banking Group in July 2018. He is an accomplished banker with a wealth of experience in various well-known banks in Saudi Arabia. Mohammed started his career as an executive trainee in Saudi British Bank and became the Islamic banking specialist, before being appointed corporate banking manager between 2005 to 2008. He moved to ANB as manager of Islamic banking product development and in 2011 became head of the consumer credit administration and then head of branch network, deputy general manager – retail banking. In 2017, he worked as the head of branch banking assistant general manager – retail banking at AlRajhi Bank before joining BSF. Mohammed's experience runs across Kingdom sales, consumer product development, Islamic banking, retail operations/compliance and customer servicing/experience.

Ramzy Darwish – Chief Financial Officer

Ramzy Darwish was appointed Chief Financial Officer of BSF in December 2022. Mr. Darwish held various positions with the Saudi National Bank, including the head of treasury, head of principal strategies and

investment and head of assets and liabilities management. Mr. Darwish graduated from Cornell University with a B.S. in Industrial and Labour Relations.

Sander Ardoom – Deputy Chief Financial Officer

Sander Ardoom was appointed Deputy Chief Financial Officer of BSF in February 2022. Sander is a Dutch national, chartered accountant, with 30 years of experience gained in audit and financial services. Sander started his career with EY where he was trained in auditing and consulting, and then moved to ING Group where he worked in the context of diverse cultural environments and various banking business models. Since 2004 he has held CFO roles at ING's corporate banking units in Czechia and Slovakia, universal bank in Romania, retail bank in Australia and at ING Group in the Netherlands as global CFO for transformation, technology & operations. His last role was CFO and Board Member of a leasing company with operations in the Netherlands and the Central & Eastern European region.

Thamer M. Youssef – Chief Operations Officer

Thamer Youssef is currently Chief Operating Officer & Head-Information Systems at BSF, prior to which he was Chief Information Officer. Mr. Thamer Youssef has a history of working in the banking industry and is experienced in financial risk, banking, portfolio management and ICT management. Before working at BSF, he was head of information systems department at Saudi British Bank. He also worked as information technology manager at Samba Financial Group for ten years. Mr. Thamer Youssef holds a bachelor's degree in computing engineering from King Saud University.

May Alhoshan – Chief Human Capital Officer

May Alhoshan joined BSF in August 2018 as Chief Human Capital Officer. Previously, she was at Alawwal bank as the human resources general manager responsible for leading BSF's HR transformation. With extensive experience in the HR field, she has led various change and transformation tracks covering organisational development, performance management and leadership development. Prior to joining Alawwal bank, May was the head of human capital management at NCB Capital and was part of the founding management team dating back to the inception of NCB's investment arm. Her previous roles include managing leadership development, high potential programmes, and organisational/human capital strategy. May serves as a board and NRC member at Care. May holds a bachelor's degree in business administration and organisational behaviour from Boston University of Management and a master's in engineering management and knowledge management from George Washington University.

Mutasim Mufti – Chief Risk Officer

Mutasim Mufti has twenty-six years of experience in Saudi banking, primarily covering the corporate (wholesale) banking sector. Mutasim joined BSF's risk management group in April 2018 as Deputy Chief Risk Officer where he focused on shaping a sustainable loan portfolio while working closely with the CRO to deliver on the wider mandates under the risk group. Most recently, Mutasim was promoted, in January 2021, to the position of Acting Chief Risk Officer where he oversees a wide risk mandate.

Abdulaziz Al-Molhem – Regional General Manager – Eastern Region

Abdulaziz Al-Molhem has held the position of Regional General Manager in Eastern Region at BSF for more than ten years and has 35 years of diverse experience in the banking industry with a focus on banking operations and management. Abdulaziz started his career in BSF under the professional training programme in the Al Khobar Branch and held various positions in BSF, including retail and commercial credit officer, corporate relations officer, human resources manager-eastern province, branch manager and network manager. In 1995, he worked for Saudi Hollandi Bank/AlAwwal Bank, where he was in charge of marketing and remote delivery channels and held various senior positions and committee memberships, including head of personal banking group, regional manager, chairman of the consumer banking committee, acting in-charge for the marketing

department, member of the new core banking system steering committee, member of the strategic change programme committee, stream leader of the strategic change program and member of the maximum growth strategy committee.

Abdallah Alshaikh – Head of Legal & Governance, Corporate Secretary

Abdallah Alshaikh was appointed Head of Legal & Governance in 2018. With more than 15 years of relevant experience, he has worked in the legal division of BSF's regulators (SAMA and CMA) and has enjoyed international experience through working overseas with both Dentons LLP and NASDAQ OMX Group. Before joining BSF, Abdallah has served as the head of legal & corporate secretary of both Samba Capital and Samba Financial Group. Abdallah holds a bachelor's degree in law from King Saud University, Saudi Arabia, and a master of law from Harvard Law School.

Abdalmohsen Alrayes – Chief Audit Officer

Abdalmohsen Alrayes was appointed Chief Audit Officer in BSF in August 2017. With 34 years of experience in the banking industry, his career has developed from the position of branch Manager to his current position. Abdalmohsen started his career at Saudi British Bank as a branch manager in 1982 and in 1989, he then worked for two years as the senior retail manager of the central region. After that, he moved to the Saudi Industrial Development Fund as the head of international recruitment for five years. He spent nearly 20 years at Arab National Bank, where he held the positions of regional manager of the central region (1998 – 2001), head of retail operations (2001 – 2003) and head of internal audit division. Through these roles, Abdalmohsen developed his expertise in business development and banking operations. He has experience in audit, banking operations, banking regulations, retail banking, risk management, compliance and has extensive knowledge of international standards and best practices of internal auditing.

Yasser Al Ansari – Chief Compliance Officer

Yasser Al Ansari is well-known in the financial industry and has over 20 years of banking experience, in particular, in the international retail banking industry. Yasser specialises in product management and development, with wide knowledge of both conventional and Islamic banking products, technology and services and associated industry regulations. He has an extensive compliance / FCC background in several aspects of banking.

Zuhair Mardam – Chief Treasury and Investment Officer

Zuhair Mardam was appointed as Chief Treasury and Investment Officer of BSF in October 2022. Prior to his current position, Mr. Mardam served as BSF's Head of Global Markets Group and managed BSF's interbank activities, which included trading, funding and investments. He joined BSF in 2004 as a fixed income and derivatives trader. Zuhair has 18 years of markets experience in the Saudi banking sector. Zuhair holds a B.Sc. in finance from Prince Sultan University in Riyadh and has attended several professional development programs including IMD's advanced management program, INSEAD's leadership program, and the University of Michigan's senior executive leadership program.

Majed Abdulrahman Al Sadhan – Head of Wholesale Banking Group

Majed Abdulrahman Al Sadhan was appointed as Head of BSF's Wholesale Banking Group in November 2022. Prior to his current position, Mr. Al Sadhan served as BSF's Head of Corporate Banking and Regional Head for Corporate Banking. Prior to joining BSF, Mr. Al Sadhan was the head of institutional banking of Gulf International Bank and a team leader in corporate and commercial banking division of Saudi British Bank. Mr. Al Sadhan holds a master's degree in accounting and finance from the University of Southampton and a bachelor's degree in accounting from the King Faisal University.

Employees

As at 31 December 2022, BSF had around 3,105 employees. BSF has an increasingly young and diverse workforce, with individuals under the age of 40 comprising 90 per cent. of joiners during 2022.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 19 April 2022 under the name BSF Finance (with registered number 389413). The registered office of the Issuer is at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the telephone number of the registered office is +1 345 949 8066. The issued share capital of the Issuer comprises 1 ordinary share of par value U.S.\$1.00.

Business/Principal Activities

The principal objects of the Issuer are unrestricted and, as set out in its Memorandum of Association, the Issuer has full power and authority to carry out any object not prohibited by law.

The Issuer is organised as a special purpose entity and consequently does not have any employees or own any physical assets.

The Issuer has been established to raise capital for the Guarantor by the issue of debt instruments.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to: (i) its registration as an exempted company; (ii) the authorisation and issue from time to time of the Notes and the execution and completion of other documents and matters related thereto; (iii) the ownership of such interests and other assets in relation to the Notes; (iv) the other matters contemplated in this Base Offering Circular; (v) the authorisation and execution of the other documents referred to in this Base Offering Circular to which it is or will be a party; and (vi) other matters which are incidental or ancillary to those activities.

The Issuer's ongoing activities will principally comprise: (i) the issue of the Notes (or any other financing instruments in accordance with its Memorandum of Association and Articles of Association); (ii) the entering into of any documents related to the issue of the Notes; and (iii) the exercise of related rights and powers and other activities referred to in this Base Offering Circular or reasonably incidental to those activities.

Organisational Structure

The Issuer is a wholly-owned subsidiary of BSF. The Issuer has no subsidiaries, employees or non-executive directors.

Management/Directors

The Directors of the Issuer and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Sander Aardoom	King Saud Road, AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia	BSF, Deputy Chief Financial Officer
Zuhair Mardam	King Saud Road, AlMuraba' District P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia	BSF, Chief Treasury and Investment Officer

There are no potential conflicts of interest between the private interests or other duties of the Directors of the Issuer listed above and their duties to the Issuer.

Independent auditors

The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors. Since the date of its incorporation, no financial statements of the Issuer have been prepared.

Cayman Islands Data Protection

The Issuer has certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the “DPA”) based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Notes and the associated interactions with the Issuer and its affiliates and/or delegates, or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example, directors, officers, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Issuer and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPA. The Issuer shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the Notes, the Noteholders shall be deemed to acknowledge that they have read in detail and understood the privacy notice (a copy of which may be requested from the Issuer by email at dubai@maples.com) and that such privacy notice provides an outline of their data protection rights and obligations as they relate to the investment in the Notes.

Oversight of the DPA is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPA by the Issuer could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Material Contracts

The Issuer will enter, on or subsequent to the issue of any Series of Notes under the Programme, into a loan agreement (the “**Notes Loan Agreement**”) with BSF, pursuant to which the Issuer provides the net proceeds received from the issue of the Notes to BSF. Under the Notes Loan Agreement, BSF agrees to repay the proceeds of the loan made thereunder to the Issuer on the relevant maturity date of the Notes (subject to other relevant terms of that Notes Loan Agreement). In the case of each such issuance, the notes are guaranteed by BSF and the proceeds of each issuance made available to BSF pursuant to one or more Notes Loan Agreements, whereby BSF will be obligated to make payments to the Issuer that match the payment obligations of the Issuer under the Notes.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Notes

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for its share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Overview of the Programme – Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

- (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal and Principal Paying Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes (as defined below), such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

If the applicable Pricing Supplement state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system while they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

3.5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal and Principal Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or

that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this Base Offering Circular, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal and Principal Paying Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Base Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal and Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “**business day**” set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) in the applicable Pricing Supplement.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal and Principal Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent or Transfer Agent set out in the Conditions, in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and any Alternative Clearing System, as applicable, failing which, in the form of the notice available from any Paying Agent and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

4.8 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 (*Events of Default*) by stating in the notice to the Fiscal and Principal Paying Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer and the Guarantor under the terms of an Amended and Restated Deed of Covenant executed as a deed by the Issuer and the Guarantor on 17 March 2021 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such

part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

4.9 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note. The Issuer shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which the Notes are listed and/or admitted to trading.

5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (i) in respect of any resolution proposed by the Issuer or the Guarantor where the terms of the resolution proposed by the Issuer or the Guarantor (as the case may be) have been notified to the Noteholders through the relevant clearing system(s), each of the Issuer and the Guarantor shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an “**Electronic Consent**” as defined in the Agency Agreement). Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Neither the Issuer nor the Guarantor shall be liable or responsible to anyone for such reliance; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the Issuer and the Guarantor shall be entitled to rely on: (a) consents or instructions given in writing directly to the Issuer and/or the Guarantor, as the case may be, by accountholders in the clearing system with entitlements to such Global Note or Global Certificate; and/or (b) where the accountholders hold any such entitlement on behalf of another person, written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Guarantor shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant Alternative Clearing System (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with

the amount of such holding. The Issuer and/or the Guarantor shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A Written Resolution and/or Electronic Consent shall take effect as an Extraordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Noteholders and holders of Coupons and Talons, whether or not they participated in such Written Resolution and/or Electronic Consent.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche will be lent by the Issuer to BSF and applied by BSF for general banking purposes.

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement. See “*Description of the Issuer – Material Contracts*”.

BANKING INDUSTRY IN THE KINGDOM OF SAUDI ARABIA

General

According to SAMA's website, there are 36 commercial banks licensed to operate in the Kingdom, of which 14 are incorporated in the Kingdom with three banks being digital banks (namely STC Bank, D360 Bank and Saudi Digital Bank) that have been recently licensed by SAMA but not yet commenced their operations. Of the remaining 22 licensed foreign banks, six are branches or subsidiaries of banks based in other GCC countries (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, First Abu Dhabi Bank, Bank Muscat and Qatar National Bank), ten are international banks (namely J.P. Morgan Chase, N.A., BNP Paribas, Deutsche Bank, T.C. Ziraat Bankası A.Ş., MUFG Bank, Ltd., National Bank of Pakistan, Industrial and Commercial Bank of China, Credit Suisse Bank, Standard Chartered Bank and National Bank of Iraq) and six have been licensed but are yet to commence operations under their licences (namely Trade Bank of Iraq, Bank of China Limited, Banque Misr, Sohar International Bank, National Bank of Egypt and Bank of Jordan).

All 11 Saudi (non-digital) banks provide a broad range of retail and wholesale banking products and services. Al Rajhi Bank, Bank Albilad, Bank AlJazira and Alinma Bank provide *Shari'a*-compliant products and services only. The remaining seven banks provide a combination of *Shari'a*-compliant and conventional banking products and services. Apart from Gulf International Bank Saudi Arabia, all of the 11 Saudi operating banks are publicly listed with their shares traded on the Saudi Exchange.

In addition to the commercial banks, there are a number of state-run credit institutions, including the Saudi Industrial Development Fund, the Islamic Development Bank, the Real Estate Development Fund, the Saudi Arabian Agricultural Bank, and the Saudi Credit & Saving Bank, which provide funds for targeted sectors. In addition, the Public Investment Fund ("**PIF**"), the investment arm of the Government, and Hassana Investment Company, the investment arm of the General Organisation of Social Insurance, fund and support local projects and companies with their investments in the Kingdom ranging across sectors, geographies and asset classes. SAMA does not regulate any of these entities.

As at 31 March 2023, there were 1,923 bank branches, 16,171 ATMs and 1,557,200 points of sale terminals in the Kingdom (source: SAMA December 2022 Monthly Statistics).

Key highlights of the trends and outlook for the banking industry in the Kingdom are as follows:

- liquidity and funding are expected to remain solid against a backdrop of limited growth;
- a move towards digitisation with the rising sophistication and education of an increasingly young Saudi population, simultaneously driving demand for retail banking services in the Kingdom;
- fee-based services and products for retail markets are proliferating, the focus being turned to non-funded business volumes and cross-selling opportunities; and
- Islamic banking continues to be an area of growth.

History

Prior to 1976, a number of wholly foreign-owned banks operated branches and subsidiaries in the Kingdom.

In 1976, the Government issued a directive requiring all banks operating within the Kingdom to convert to entities incorporated locally with at least 60 per cent. of the shares held by Saudi nationals.

In 2000, the first branch of a foreign bank was authorised to open in the Kingdom in over 40 years, in connection with changes in GCC countries' policies concerning cross-border banking. The new entrant was Gulf Investment Bank ("**GIB**"), an offshore bank based in Bahrain and owned by the six GCC states. GIB had been

active in the Kingdom for many years, but having a branch in the Kingdom allowed it to compete at close hand. SAMA has since granted a number of banking licences to foreign banks. In May 2020, GIB converted its branch into a locally incorporated bank jointly owned by the PIF and GIB. In April 2021, The National Commercial Bank (“NCB”) and Samba National Bank merged, with NCB being the surviving entity. NCB was renamed into The Saudi National Bank. In March 2022, Alawwal Bank and Saudi British Bank (“SABB”) merged, with SABB being the surviving entity.

There are also non-bank competitors in brokerage and personal finance. The Kingdom’s banking sector has seen an accelerating competitive convergence focused on Islamic banking, private and affluent segments and brokerage and investment banking, as well as significant investments in new distribution, marketing and technology.

Following the licence granted to GIB in 2000, SAMA granted licences to the following foreign banks, all of which have set up branches or subsidiaries that are currently operating in the Kingdom: Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Bank Muscat, J.P. Morgan Chase, N.A., BNP Paribas, Deutsche Bank, National Bank of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and Commercial Bank of China, Qatar National Bank, First Abu Dhabi Bank, MUFG Bank, Ltd., Credit Suisse Bank, Standard Chartered Bank and National Bank of Iraq. The Government also developed the capital markets sector in the Kingdom with the enactment of the Capital Market Law (issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31 July 2003), as amended by Royal Decree No. M/16 dated 19/01/1441H (corresponding to 18 September 2019)) which also established the CMA. In line with the Government’s overall desire to develop and boost the capital markets in the Kingdom, the CMA has encouraged the participation of foreign investment banks. According to its website, the CMA has licensed 139 entities to conduct various types of securities business in the Kingdom as at December 2022, although a number of those licensed entities have not yet commenced business.

Corporate Banking Segment

The majority of commercial banking assets in the Kingdom are loans to businesses and, as at 31 March 2023, banks’ claims on the private sector constituted SR 2,355 billion equal to 62.84 per cent. of total commercial banks’ assets (source: SAMA, March 2023 Monthly Statistics). This has been driven by the strong economic growth and increased investment within the Kingdom in various sectors such as electricity, water and health services, building and construction, commercial and Government projects in oil and gas, infrastructure and education. Government stimulus to the economy has contributed to the growth in corporate assets.

Commercial mortgages are a lucrative business in developed countries but have historically faced legal and operational hurdles in the Kingdom. However, with the introduction of the Commercial Mortgage Law in 2018 (issued by Royal Decree No. M/86 dated 08/08/1439H (corresponding to 24 April 2018)), some of these legal hurdles have been addressed, now permitting floating charges and codifying the order of priority of security. Banks in the Kingdom have thus become more active in providing commercial mortgages. However, financing provided for real estate development purposes remains a more common and widespread product.

Investment banking activities have been growing rapidly in the Kingdom. Project finance has also been a strong growth area with several projects being financed in recent years and new investments in infrastructure and industry being planned, in line with the reform and stabilisation programmes being implemented to reduce the dependency of the Kingdom’s economy on oil-related revenues.

Personal Banking Segment

Consumer lending increased from SR 428.4 billion as at 31 December 2021 to SR 448.1 billion as at 31 March 2023 (source: SAMA, March 2023 Monthly Statistics). Historically, growth in consumer finance has been driven by several factors, including:

- economic growth coupled with favourable consumer demographics;
- growth of the credit card market;
- product innovation and a rapidly expanding range of product and service offerings; and
- the creation of SIMAH (as defined below).

The value of the credit card loans market was SR 22.123 billion as at 31 March 2023, up from SR 19.5 billion as at 31 December 2021 (source: SAMA, March 2023 Monthly Statistics). The credit card loan market is expected to grow as a result of the increasing use of electronic forms of payment within the Kingdom. The majority of personal lending is tied to electronic salary assignment, thereby enhancing asset quality and effectively reducing the risk associated with personal lending which, coupled with higher margins than in corporate lending, has made personal finance a particularly attractive segment for banks in the Kingdom.

Residential mortgage lending decreased from SR 152.5 billion as at 31 December 2021 to SR 120.3 billion as at 31 December 2022 and was SR 29.8 billion as at 31 March 2023, according to SAMA's March 2023 Monthly Statistics.

The Saudi Credit Bureau

In 1998, SAMA and the domestic banks operating in the Kingdom conducted a study with regard to establishing a centre or a company to provide credit information. As a result, the Saudi Credit Bureau ("SIMAH") was established in 2002 and began operating in 2004. In 2008, the Council of Ministers issued a decision approving the Credit Information Law (issued pursuant to Royal Decree No. M/37 dated 05/07/1429H (corresponding to 8 July 2008)), which sets out general principles and controls for the collection, exchange and protection of credit information of consumers as further detailed by the Credit Information Implementing Regulations (issued pursuant to Administrative Decision No. AQ/13709 dated 22/09/1432H (corresponding to 22 August 2011)). SIMAH, which is supervised by SAMA, was the first credit information company to be established in the Kingdom and offers consumer credit information services to its members in the Kingdom. SIMAH aggregates credit-related information among participating members to provide credit providers with credit risk information. In 2014, SIMAH was transformed from a limited liability company into a closed joint stock company with the major Saudi domestic banks as shareholders. A number of SIMAH's projects were acknowledged by the G-20 based on an initiative of the Financial Stability Board (of which SAMA is a member), aimed at helping financial institutions to evaluate risks in a systematic and effective manner and put regulatory and operational requirements in place, and develop products and services, to ensure stability and efficiency of the financial sector.

Bayan Credit Bureau

Bayan Credit Bureau was established as a closed joint stock company and began operating in 2015. It is supervised by SAMA, provides banks and other companies in the Kingdom with trade credit information, financial statements, commercial registration information and management information on over one million companies in the Kingdom.

Islamic Finance

Islamic finance has been a growth area for the Saudi financial economy.

In the banking industry in the Kingdom, there is no differentiation between conventional and Islamic banking as all banks generally have to comply with the underlying *Shari'a* law in the Kingdom. Hence, none of the banks is called an 'Islamic bank' and all laws and regulations issued by SAMA apply to all banks licensed in the Kingdom equally. In particular, all banks in the Kingdom are required to have *Shari'a* committees (or external *Shari'a* counsel if outsourced) which provide independent opinions on the extent of compliance with

Shari'a principles. Currently, a wide range of *Shari'a*-compliant products are available in the market for the corporate and personal banking segments covering credit, deposit, investment and treasury offerings.

The personal banking segment has experienced the strongest demand for Islamic banking products and services with consumer Islamic assets forming the bulk of total consumer assets. In addition to deposit products, Islamic financing solutions include personal finance, home finance and Islamic credit cards. With growing business activity in the real estate sector and a growing population, *Shari'a*-compliant home financing is expected to be a major driver of Islamic personal banking asset growth in the future.

Credit demand from the corporate banking segment is rapidly growing following the launch of infrastructure projects and increasing interest in manufacturing. The main product offerings include Ijara and Murabaha and are offered as bilateral facilities, as well as through syndications. To cater to this market segment, domestic banks have also introduced innovative *Shari'a*-compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting the participation from a large number of banks.

The Islamic banking segment is expected to continue to grow with credit demand anticipated from corporate and consumer segments. It is also expected to be accompanied by an increase in innovative Islamic product offerings and growing awareness and demand within the general public for sophisticated *Shari'a*-compliant solutions.

Treasury

The treasury activities of banks in the Kingdom have increased over the past few years as the financial markets have become more sophisticated with the increased use of financial instruments. Capable banks in the Kingdom are able to offer their customers structured products that make use of derivatives and that are also *Shari'a*-compliant.

Investment Banking and Asset Management

Brokerage services activity flourished between 2003 and 2006, when the Saudi Exchange peaked to all-time highs. The level of the Tadawul All Share Index was 8,689 as at 31 December 2020, 11,281.71 as at 31 December 2021, 10,478.46 as at 31 December 2022 and 10,590.10 as at 31 March 2023.

As a response to the Government's drive to develop an efficient capital markets platform, a number of banks, including BSF, embarked on providing corporate finance and equity and debt capital markets advisory services to companies. Since 2003, a number of IPOs have been effected, several of which were Government initiatives.

A number of banks in the Kingdom have established separate subsidiaries that were consequently licensed by the CMA to engage as principal or agent in equity lead arrangements, equity management arrangements and/or advisory and securities custody services.

Foreign financial institutions have been permitted to buy and sell shares directly in companies listed on the Saudi Exchange since 2015. Restrictions for Qualified Foreign Investors (QFIs) have also been relaxed in September 2021 by the Saudi Capital Market Authority which revised the applicable regulations, allowing QFIs to invest in securities and face fewer investment limits. With these improvements, the number of registered QFIs on the Saudi Exchange surged from 118 at the end of 2017 to 3,151 by the end of 2022. As a percentage of trading, QFIs accounted for 19.6 per cent. of the trading value on the Saudi Exchange's Main Market at the end of 2022, up from 10.5 per cent. in 2021.

In March 2019, the Kingdom was included in the FTSE Russel Emerging Index and S&P Dow Jones Market Indices and in August 2020, the Saudi Exchange launched a new derivatives market as part of its strategy to diversify its product offering and provide more investment opportunities for market participants. Investors are able to trade the Saudi Futures 30, based on the MSCI Tadawul 30 Index, from 30 August 2020.

Furthermore, the Saudi Exchange has established formal links with Euroclear and Clearstream, Luxembourg in June 2021, giving investors greater access to trade sukuk and conventional bonds. In 2022, towards the realisation of Vision 2030, the Saudi Exchange implemented the most extensive bundle of post-trade enhancements in its history and a new single stock futures product offering on the derivatives market. The same year, it also saw its first dual listing of Americana Restaurants, with the Abu Dhabi Securities Exchange (“**ADX**”). This followed a 2019 agreement with ADX to encourage cross listings. New agreements have also been signed with the Muscat Stock Exchange to allow companies to list on both markets and, since July 2021, with the Swiss Stock Exchange to collaborate on cross-listings, ESG standards, and other areas of innovation. In addition, in April 2022, sukuk bonds saw their first inclusion in a global index, when the Saudi sukuk market joined the FTSE Russell Emerging Market Government Bond Index.

SAUDI ARABIAN BANKING REGULATION AND SUPERVISION

SAMA

SAMA is the regulator and supervisor of licensed financial institutions, including banks, finance companies (including real estate finance companies), insurance companies, money exchange companies, payment service providers and credit information companies in the Kingdom.

SAMA was established pursuant to Royal Decree No. 30/4/1/1046 dated 25/07/1371H (corresponding to 20 April 1952) and renamed by the Royal Decree No. M/36 dated 11/04/1442H (corresponding to 26 November 2020) to “Saudi Central Bank” while maintaining the acronym “SAMA”. SAMA’s principal functions include:

- issuing the national currency;
- issuing regulations and instructions related to financial institutions;
- managing the Kingdom’s foreign exchange reserves;
- managing monetary policy for maintaining price and exchange rate stability;
- promoting the growth of the financial system and ensuring its soundness;
- supervising commercial banks and exchange dealers;
- supervising co-operative insurance companies and the self-employment professions relating to the insurance industry;
- supervising finance companies (leasing and real estate); and
- supervising credit information companies.

Banking Control Law

The Banking Control Law was issued by Royal Decree No. M/5 dated 22/02/1386H (corresponding to 12 June 1966) (the “**Banking Control Law**”) with the aim of protecting banks, customers’ deposits and shareholders and securing adequate liquidity levels. The Banking Control Law prohibits banks from undertaking certain activities that might cause damage to their shareholders and customers. In addition, the law prohibits individuals and companies from using the word “bank” or its synonyms in their names or conducting any banking business without obtaining a licence from SAMA. The Banking Control Law sets out the framework within which banks must operate in the Kingdom and is supplemented by circulars, directives and guidelines issued by SAMA from time to time. These circulars and directives are generally not made publicly available outside the banking sector.

Consumer Protection

SAMA has been a strong advocate of the protection of consumer interests since the issuance of its charter in 1952 and the Banking Control Law in 1966. Consequently, SAMA has played an important role in ensuring that financial institutions deal with consumers fairly and honestly.

As the Kingdom’s financial sector evolves and grows, SAMA continues to review these developments and decides on appropriate regulatory and organisational changes to provide the level of consumer protection expected from a country that is a member of the world’s main economic and financial organisations. SAMA’s current objective is to ensure that all consumers dealing with licensed financial institutions in the Kingdom receive the expected level of consumer protection including fair treatment, honesty and ease of access to financial products and services at a reasonable cost.

SAMA has set out the conduct expected from such financial institutions through various regulations, policies and issued instructions including the ‘Banking Consumer Protection Principles’ (as amended) (the “**Principles**”), which are based on the ‘G20 High-Level Principles on Financial Consumer Protection’ developed by a special task force of the Organisation for Economic Co-operation and Development (the “**OECD**”) in 2011.

The Principles set out key guidelines to enable licensed banking institutions to deliver the required level of fair treatment, honesty and financial inclusiveness thereby meeting SAMA’s strategic objective for financial consumer protection in the Kingdom. The Principles apply to the activities of banks operating by way of a licence, under the supervision of SAMA and dealing with persons who are, or may become consumers. They also apply to the activities of any third party engaged by such banks to undertake any outsourced activities. The Principles are binding on all such banks, complementary to the instructions and internal regulations issued by any such bank and applicable to all transactions that are made with individual consumers.

The Principles are further underpinned by the Responsible Lending Principles for Individual Consumers (issued by SAMA under Circular No. 46538/99 dated 02/09/1439H (corresponding to 17 May 2018), as amended by SAMA’s Circular No. 40694/1 dated 09/09/1439H (corresponding to 25 February 2019)) which aim to:

- (i) encourage responsible lending that meets the actual needs of consumers, especially those related to owning housing and assets rather than consumer purposes;
- (ii) enhance financial inclusion by providing adequate financing for all segments of society, taking into account reasonable deductible ratios that the consumer can afford; and
- (iii) focus on ensuring fairness and competitiveness among creditors to make sure that their procedures and mechanisms are effective and efficient.

The Responsible Lending Principles for Individual Consumers apply to all creditors and finance activities directed at consumers, encompassing all credit products and programmes designed for individuals, including, among others, personal finance, vehicle finance, credit cards and real estate finance.

In April 2018, SAMA issued the Debt Collection Regulations and Procedures for Individual Consumers applying to banks and finance companies under SAMA’s supervision which set out debt collection procedures in relation to consumers and procedures for dealing with defaulting retail consumers, as well as controls governing the communication with retail consumers and their guarantors in order to enable creditors to follow clear and specific procedures while protecting the rights of all relevant parties.

Further consumer protection legislation which supplements the Principles issued by SAMA (the Regulations for Issuance and Operations of Credit and Charge Cards) relates to the issuance and operation of credit and charge cards issued by banks, finance companies and other card issuers supervised by SAMA.

In September 2022, SAMA published updated Financial Consumer Protection Principles and Rules (“**New Regulations**”). The New Regulations contain a number of provisions relating to the protection of consumer rights, including:

- requiring financial institutions to develop appropriate data protection and information privacy mechanisms or consumer data with, including suitable control systems;
- providing customers with summaries of their financings, which include basic details of the financing and also reference key provisions of the financing;
- prescribing rules and standards in relation to how banks deal with customers; and
- emphasising the principles of transparency and disclosure in consumer finance contracts.

The New Regulations are aimed at ensuring that consumer finance contracts have enhanced levels of disclosure and transparency and are aimed at, among other things, enabling customers to be better informed of their rights and obligations under their financings.

Real Estate Financing and Finance Leasing

In July 2012, the Saudi Council of Ministers issued a package of legislation in relation to the finance industry including real estate financing issued by Royal Decree No. M/50 dated 13/08/1433H (corresponding to 3 July 2012) (the “**Real Estate Finance Law**”), leasing financing issued by Royal Decree No. M/48 dated 13/08/1433H (corresponding to 3 July 2012) (the “**Finance Lease Law**”) and supervision of financial companies issued by Royal Decree No. M/51 dated 13/08/1433H (corresponding to 3 July 2012) (the “**Finance Companies Control Law**”), in each case, as further described below. In February 2013, SAMA issued the implementing regulations of these laws.

In June 2020, SAMA issued guidelines on the provision of real-estate financing products to individuals. These guidelines set out the minimum requirements on the financier providing real-estate financing products to individuals.

Real Estate Finance Law

This law provides the regulatory architecture as well as SAMA’s mandate in relation to the authorisation and licensing of banks and finance companies to enter the real estate financing market. The law is comprised of 15 articles, and the key highlights of the law are:

- banks may own real estate for the purposes of real estate finance – a key feature of Islamic financing products;
- the Government publicises real estate market activity and financiers are granted access to courts and notary registers;
- the Council of Ministers is enabled to grant tax incentives to invest in real estate securities; and
- a credit check must be conducted against borrowers through one of the authorised credit bureaus.

The Implementing Regulations of the Real Estate Finance Law define the role of finance companies, set out the requirements for entering into and registering a real estate finance lease, set out the SAMA’s requirements for licensing re-finance companies and set out the rules governing the activities of re-finance companies.

Finance Lease Law

This law prescribes the rules relating to finance leasing, the finance leasing contract, register, violations and disputes. It specifically provides that:

- the responsibilities of the lessor and lessee must be carried out in a *Sharia*-compliant manner (placing asset risk on the lessor during the lease term but making the lessee responsible for the relevant use);
- the transfer of leased assets is permitted to the lessee upon maturity of the lease term; and
- the lessor is permitted to request payments of future rentals if the lessee is in payment default, provided the number of such payments is not greater than the number of late payments.

Finance Companies Control Law

This law provides a regulatory and supervisory framework for finance companies to provide SAMA approved forms of financing, including real estate financing. It sets out the licensing procedure for finance companies,

permitted activities of finance companies, requirements in relation to its management and the violations and limits of penalties that can be imposed.

However, regulations surrounding items such as capital adequacy, loan to value ratios, transaction costs and consumer rights have yet to be announced.

Implementing Regulations of the Real Estate Finance Law

The Implementing Regulations of the Real Estate Finance Law were issued by H.E. the Minister of Finance's Resolution No. 1229 dated 10/04/1434H (corresponding to 20 February 2013). These implementing regulations define the role of finance companies and set out the requirements for entering into and registering a real estate finance lease. The Implementing Regulations of the Real Estate Finance Law also set out the SAMA's requirements for licensing re-finance companies as well as the rules governing the activities of re-finance companies.

Implementing Regulations of the Finance Lease Law

The Implementing Regulations of the Finance Lease Law were issued by H.E. the Governor of the SAMA (with the agreement of H.E. the Minister of Justice) pursuant to Governor's Resolution No. 1/MCS on 14/04/1434H (corresponding to 24 February 2013). The Implementing Regulations of the Finance Lease Law set out the rights and obligations of the lessor and lessee in a finance lease. These implementing regulations also outline rules relating to assignment of rights, instalment payments and ownership rights of the relevant parties. Furthermore, these implementing regulations specify the requirements for establishing a company that registers finance leases and the requirements for such companies to register finance leases.

Implementing Regulations of the Finance Companies Control Law

The Implementing Regulations of the Finance Companies Control Law were issued by H.E. the Minister of Finance's Resolution No. 2/MCS dated 14/04/1434H (corresponding to 24 February 2013). These implementing regulations set out the SAMA's rules and requirements for licensing finance companies. Furthermore, the Implementing Regulations of the Finance Companies Control Law contain corporate governance requirements, internal auditing requirements and other rules which the finance companies must comply with in order to maintain their licence.

Capital Market Authority

The CMA was established by the Capital Market Law, issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31 July 2003) as amended by Royal Decree No. M/16 dated 19 January 1441H (corresponding to 18 September 2019) (the “CML”). The CMA is a governmental organisation with financial, legal and administrative independence.

The CMA regulates the Kingdom's capital markets. It issues the required rules and regulations for the implementation of the provisions of the CML aimed at creating an appropriate investment environment. Some of the CMA's major objectives are to:

- regulate and develop the capital market;
- protect investors and the general public from unfair and unsound practices involving fraud, deceit, cheating, manipulation and insider trading;
- achieve fairness, efficiency and transparency in securities transactions;
- develop measures to reduce the risks pertaining to securities transactions;
- develop, regulate and monitor the issuance of, and trading in, securities;

- regulate and monitor the activities of entities subject to the control of the CMA;
- regulate and monitor the full disclosure of information related to securities and their issuers; and
- regulate proxy and purchase requests and public share offerings.

The Saudi Exchange (Tadawul)

On 19 March 2007, the Saudi Council of Ministers approved the formation of the Saudi Stock Exchange (Tadawul) Company (now called the Saudi Exchange). This was in accordance with Article 20 of the CML establishing the Saudi Exchange as a joint stock company for the purposes of issuing and managing mechanisms for listing and trading securities and disclosure of information related to it. The Saudi Exchange is responsible for the executive and operational functions in the market. It is the only authorized body to manage the stock market and it aims to provide efficiency and justice in trading as well as transparency in listing requirements, technical trading systems, securities information systems in the market in addition to providing systems with high levels of efficiency for settlements and clearing and applying the professional standards for brokers and their agents in the market.

In the early 1980s, the Government embarked on forming a regulated market for trading. In 1984, a Ministerial Committee composed of the Ministry of Finance and National Economy, the Ministry of Commerce and SAMA was formed to regulate and develop the market. SAMA was the government body charged with regulating and monitoring market activities until the establishment of the CMA in July 2003. As the sole regulator and supervisor of the capital markets, the CMA issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market.

In April 2021, a holding company called Saudi Tadawul Group was established in anticipation of an initial public offering of its shares later that year. Four subsidiaries were established under the holding company: the Saudi Exchange, the Securities Clearing Center Company (Muqassa), the Securities Depository Center Company (Edaa) and Wamid, a new technology services business. The Saudi Exchange was established in March 2021. As the Kingdom's dedicated stock exchange and the largest stock exchange in the Middle East, the Saudi Exchange carries out listing and trading in securities for local and international investors. As the official source of all market information, the Saudi Exchange is instrumental to achieving long-term growth plans for the Saudi Tadawul Group and providing market participants with attractive and diversified investment opportunities.

The Saudi Exchange is the 9th largest stock market among the 67 members of the World Federation of Exchanges and is the dominant market in the GCC. It is the 3rd largest stock market amongst its emerging market peers, an affiliate member of the International Organization of Securities Commissions, the World Federation of Exchanges, and the Arab Federation of Exchanges.

The legal status, duties, and responsibilities of the Saudi Exchange and the Securities Depository Centre are defined in the CML.

Management of Liquidity and Credit Risk

Under the Banking Control Law, each bank shall at all times maintain a liquidity reserve of at least 15 per cent. of its total deposit liabilities. The liquid reserve must comprise cash, gold or assets which can be converted into cash within a period not exceeding 30 days in order to comply with the requirements of the Banking Control Law. In addition, SAMA requires banks to maintain a statutory deposit of no less than 15 per cent. of its deposit liabilities. Moreover, SAMA may modify the statutory deposit for banks if SAMA deems it to be in the public

interest provided that the statutory deposit is at least 10 per cent. and not more than 17.5 per cent. (whereby SAMA may exceed these thresholds with prior approval of the Minister of Finance).

In accordance with SAMA's Rules on Large Exposures for Banks from August 2019, a bank may not grant a loan, extend a credit facility, give a guarantee or incur any other financial liability in respect of any one person in an aggregate amount exceeding:

- in the case of banks, 25 per cent. of its total eligible capital; however; if the lending bank and/or the counter party bank are/is classified as a “Domestically Systematically Important Bank” or a “Globally Systematically Important Bank”, then the sum of all exposures of the lending bank to its counter party bank cannot exceed 15 per cent. of the lending bank's available eligible capital base at all times;
- in the case of companies, 15 per cent. of its total eligible capital;
- in the case of individuals, sole proprietors and partnerships, 5 per cent. of its total eligible capital; and
- in the case of a group of connected parties, 15 per cent. of a bank's eligible capital base at all times.

SAMA also has the power to regulate liquidity and credit risk of a bank by restricting, among other things, the maximum amount of money which may be loaned by a bank, the level of a bank's exposure to single customer and the categories of loans which a bank can make. These restrictions may vary from bank to bank depending on the relevant circumstances and are in addition to the statutory deposit and liquid reserve requirements provided for in the Banking Control Law.

SAMA carries out review of the operations of the banks periodically. SAMA has also intervened to support banks that have found themselves in difficulties. Similarly, it allowed distressed banks to benefit from low cost of funding in the 1980s.

All banks in the Kingdom are now in compliance with IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. The banks also prepare their financial statements to comply with the Banking Control Law, their by-laws and the applicable provisions of the Companies Law.

Reporting Requirements

Banks are required to submit monthly statements of the consolidated financial position of their domestic and foreign branches. Banks also have to submit quarterly, semi-annual and annual reports to SAMA. These reports are comprehensive and deal with matters like the maturity schedule of credit facilities, risk concentrations, large exposures, foreign exchange exposure, analysis of specific loan loss reserves and a calculation of the relevant bank's risk asset-based capital adequacy.

Banks are required to submit their audited consolidated annual financial statements to SAMA within six months of each financial year-end and listed banks are required to report within three months in accordance with the CMA Rules on the Offer of Securities and Continuing Obligations. Annual consolidated financial statements have to be audited by at least two independent joint auditors. The published audited consolidated financial statements of Saudi banks are required to be compliant with IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. The consolidated financial statements are also required to be in compliance with the provisions of the Banking Control Law, the Companies Law and the by-laws of the bank. Listed joint stock companies are required to publish quarterly financial statements as their stocks are listed on Tadawul. However, quarterly financial statements are reviewed by the auditors in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and are limited in terms of the scope of procedures performed.

Since SAMA introduced mandatory disclosure standards, there has been an improvement in the level of disclosure by Saudi banks. Banks now publish a breakdown of loans by sector and geography, in addition to loans to the Government and related parties. Banks also report doubtful loans, loan loss reserves and write-offs.

Anti-Money Laundering and Counter-Terrorist Financing

The Kingdom is a signatory to, and has implemented measures required by, the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the “**1988 Vienna Convention**”), the International Convention for the Suppression of the Financing of Terrorism and various other international conventions and agreements relating to money laundering and terrorist financing.

Money laundering is considered an offence under the Kingdom's laws. Kingdom has put into place a comprehensive legislative and regulatory framework that deals with money laundering and terrorist financing. Since the establishment in 1952, SAMA has been issuing numerous directives to banks relating to establishing customers identity and other information observing necessary due diligence when dealing with customers, record keeping of relevant documents and files as well as reporting of suspicious transactions to the competent authorities.

In April 2003, SAMA issued updated Rules Governing the Opening of Bank Accounts and General Operational Guidelines (SAMA No. 3222/BCI/60: dated 8 April 2003) (the “**Account Opening Rules**”). The Account Opening Rules contain comprehensive requirements governing customer identification, the opening and maintenance and operations of bank accounts. Furthermore, the Account Opening Rules were updated multiple times, and lastly in February 2022. These changes added additional requirements and provided guidelines on dealing with non-resident individuals, entities and multi-lateral organisations, and made certain additions to the list of legal entities subject to KYC requirements and account operating controls and increased the KYC required information for corporate clients, and lastly, amended the requirements to open bank accounts for e-commerce firms and resident companies and introduced new rules on the timeframe for opening bank accounts.

In October 2017, the existing anti-money laundering law and implementing rules were replaced by the Anti-Money Laundering Law and its Implementing Regulations issued pursuant to Royal Decree No. M/20 dated 05/02/1439H (corresponding to 25 October 2017) and the Combating-Terrorism Crimes and its Financing Law issued pursuant to Royal Decree No. M/21 dated 12/02/1439H (corresponding to 1 November 2017) and its Implementing Regulations issued pursuant to Ministerial Decision No.228 dated 02/05/1440H (corresponding to 8 January 2019) (together, the “**AML Law**”) which provides an up-to-date legal framework for money laundering and terrorist financing offences.

In November 2019, SAMA issued the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Guide setting out the requirements of the updated AML Law for financial institutions and requiring all financial institutions operating in the Kingdom and supervised by SAMA to strictly comply with such requirements as well as requesting financial institutions to put in place additional appropriate measures as required by the result of their internal risk assessment.

Similarly, the CMA required capital market institutions to comply with the AML Law under the Capital Market Institutions Regulations issued by the Board of the CMA pursuant to its resolution number 1-83-2005, dated 21/05/1426H (corresponding to 28 June 2005), as last amended by the Board of the CMA pursuant to its resolution number 1-94-2022 dated 24/01/1444H (corresponding to 22 August 2022).

The Kingdom has been a member of the Financial Action Task Force (the “**FATF**”) since June 2019. The Kingdom is also a founding member of the Middle East and North Africa Financial Action Task Force (the “**MENA-FATF**”) which was created in November 2004. As a member of the GCC, the Kingdom has issued

laws and regulations designed to comply with the “Forty Recommendations on Money Laundering” issued by the FATF and is largely compliant with these recommendations.

In September 2003, the FATF carried out, in conjunction with the GCC, the mutual evaluation of the Kingdom and it was approved in February 2004. The Kingdom underwent a joint assessment conducted by the MENA-FATF in participation with FATF in 2010. In 2015, the Kingdom received an invitation from the FATF to join the group as an observer. The invitation was made in recognition of the Kingdom’s international and regional status, its efforts and measures in the field of combating money laundering and financing of terrorism and proliferation, its compliance with international standards and requirements and its commitment to international and bilateral conventions. The Kingdom obtained FATF observer status in June 2015. Moreover, in November 2017, the FATF carried out on-site visit to come with the Mutual Evaluation Report issued in September 2018 and in 2020 FATF issued a follow up report and technical compliance re-rating. In brief, Kingdom’s very recently updated legal framework for international co-operation is comprehensive, and includes all the required elements, though minor gaps remain with respect to building systems and processes for managing cases, and to provide feedback to foreign counterparts.

Independent Auditors

As a measure of prudence, SAMA requires all banks in the Kingdom to be audited jointly by two independent auditors.

Financial Requirements

SAMA has introduced regulations to ensure that banks do not have disproportionate concentrations of risk in any one sector or client and that sufficient liquidity and capitalisation is maintained to support bank activities. The most significant regulations are summarised below:

Doubtful and Past Due Loans/Loan Loss Reserves

In 2004, SAMA issued regulations regarding the classification of assets, as well as provisioning norms. The table below shows the classifications and the reserves required for prudential regulation purposes:

Classification	Defined as	Reserve Required
Current	No problems	1 per cent. of outstandings
IA (Special mention)	Potential weakness	1 per cent. of outstandings
II (Substandard)	Inadequate capacity to pay and/or profit or principal overdue by more than 90 days	25 per cent. of outstandings
III (Doubtful)	Full collection questionable and/or overdue by more than 180 days	50 per cent. of outstandings
IV (Loss)	Uncollectible and/or overdue by more than 360 days	100 per cent. of outstandings

With effect from 1 January 2018, all Saudi banks adopted IFRS 9 “Financial Instruments”. Among other things, IFRS 9 provided a new model for the calculation of impairment provisions which would now be recognised based on a forward-looking “Expected Credit Loss” model. The impairment assessment would be based on forward-looking elements, including an economic forecast covering key macroeconomic factors such as unemployment, GDP growth, inflation, special commission rates and other market related variables, obtained through internal and external sources. This approach was expected to result in an increase in the total level of

impairment allowances over the previously applicable International Account Standard 39 (Financial Instruments: Recognition and Measurement) determined levels, although SAMA has permitted the impact that this would have otherwise immediately on bank's capital ratios to be recognised over a five-year period.

Basel III Framework

In response to the global financial crisis which commenced in 2007, the Basel Committee enhanced its capital measurement and capital standards by issuing a new capital framework (the “**Basel III Framework**”). The Basel III Framework focuses on strengthening the quality of regulatory capital, raising the minimum capital requirements, enhancing risk coverage and reducing cyclicality of regulatory capital. It introduces new leverage and liquidity ratio requirements and capital buffers to promote the build-up of capital.

SAMA has introduced the main elements of the Basel III Framework, including the leverage ratio, the liquidity coverage ratio, the net stable funding ratio and the capital adequacy framework as well as the sound management and operational risk guidelines, the standardized approach for measuring counterparty credit risk exposures and capital requirements for bank exposures to central counterparties. All banks operating in the Kingdom are expected to have implemented the revised Basel III standards from 1 January 2023.

The Basel III Framework requires banks' exposures to be backed by a high-quality capital base. To this end, the predominant form of Tier 1 capital must be common shares and retained earnings. The Basel Committee principles adopted by SAMA ensure that banks hold high-quality Tier 1 capital that represents “Pure Capital” which is highly “Loss Absorbent” through the following measures:

- deductions from capital and prudential filters to be generally applied at the level of common equity or its equivalent;
- subordinated debt of high quality;
- fully discretionary non-cumulative dividends or coupons;
- neither a maturity date nor an incentive to redeem;
- innovative hybrid capital instruments with an incentive to redeem through features such as step-up clauses, currently limited to 15 per cent. of the Tier 1 capital base, will be phased out;

Tier 3 capital instruments to cover market risks are eliminated; and

- to improve market discipline, the transparency of the capital base will be improved, with all elements of capital required to be disclosed along with a detailed reconciliation to the reported accounts.

Following the implementation of Basel III standards related to capital, the minimum requirements for regulatory capital, excluding capital buffers, in the Kingdom are:

- common equity tier 1 must be at least 4.5 per cent. of risk-weighted assets at all times;
- Tier 1 Capital must be at least 6.0 per cent. of risk-weighted assets at all times; and
- Total Capital (Tier 1 Capital plus Tier 2 Capital) must be at least 8.0 per cent. of risk-weighted assets at all times.

SIFI Law

The Law on Treatment of Systematically Important Financial Institutions

The SIFI Law relates to the treatment of systemically important financial institutions. As at the date of this Base Offering Circular, the implementing regulations to the SIFI Law which will contain more detailed provisions have not yet been issued. The SIFI Law gives the relevant regulator (SAMA and the CMA) the authority to determine, from time to time, whether a financial institution should be deemed to be systematically important.

Among other things, the SIFI Law provides that:

- the management of the relevant financial institution shall be required to notify SAMA when the financial institution is distressed or likely to become distressed;
- within 180 days of being requested by SAMA, the relevant financial institution shall submit, for review by SAMA, a recovery plan detailing the steps and procedures to be taken for the restoration of the financial institution's financial position;
- any application for bankruptcy procedures in respect of the relevant financial institution is subject to approval by SAMA, such that SAMA may instead commence a Treatment Plan (as defined below);
- subject to the Treatment Conditions (as defined below) being met, SAMA may prepare a treatment plan ("**Treatment Plan**") for the relevant financial institution group which, subject to (i) review and input from the financial institution, (ii) an assessment by an accredited valuer and (iii) approval by the Council of Economic and Development Affairs, may provide for:
 - (a) the sale of all or part of the shares, stocks, assets and/or liabilities of the Financial Institution to a third party;
 - (b) incorporation of a bridge institution, to which all or part of the shares, stocks, assets and/or liabilities of the financial institution or bridge institution are transferred;
 - (c) establishment of an asset management institution to whom the assets or liabilities of the financial institution are transferred; and/or
 - (d) an amendment of the rights of creditors and/or holders of capital instruments of the financial institution, including, without limitation, the reduction or cancellation thereof or the conversion of the debts of such financial institution into capital instruments (and vice versa).

The SIFI Law also provides that in implementing the relevant Treatment Plan, shareholders and creditors shall not receive less, or shall not incur greater losses, than what is estimated would have been received or lost, had the relevant financial institution been wound up at the time of the Treatment Plan.

The "**Treatment Conditions**" are:

- the financial institution is in distress (as further explained below), or is likely to become in distressed in a way that affects its continuity and ability to fulfil its obligations;
- the financial institution is unable to fulfil its obligations, affecting its ability to continue in due course, if a Treatment Plan is not undertaken;
- the treatment plan achieves any of the objectives of the SIFI Law (such as continuing the necessary activities of the financial institution and minimising future reliance on government support); and
- implementing a Treatment Plan for the financial institution is better than it being wound-up.

Pursuant to the SIFI Law, in this context, "**distress**" includes:

- a lack of financial and administrative resources necessary to achieve the requirements of financial adequacy, liquidity, risk management or institution management in general, and to meet the continuing obligations of licensing which, if not met, justify licensing revocation;
- where the value of the financial institution's assets fall below, or is expected to fall below, the value of its liabilities in near future;
- where the financial institution is unable, or is expected to become unable, to pay its debts when due; and
- a need for exceptional government support.

SAMA support programme and initiatives

As part of SAMA's role in activating monetary policy tools and preserving financial stability, as well as in support of the Government's efforts to mitigate the expected financial and economic effects on the private sector as a result of the COVID-19 pandemic, SAMA decided on 14 March 2020 to inject over SAR 50 billion into the banking sector to enhance banking liquidity and enable banks to continue providing credit facilities for the private sector. Through this support measure, SAMA intended to help banks revise or restructure their private sector loans with no additional charges, support plans to maintain employment levels in the private sector and provide certain e-banking services for free.

SAMA's programme aimed to support and enable the private sector to promote economic growth through a package of measures as set out below.

Supporting SMEs Finance

The purpose of the programme is to mitigate the impacts of precautionary coronavirus measures on the SME sector, specifically by reducing the burden of cash flow fluctuations, supporting working capital, enabling the sector to grow during the coming period and contributing to supporting economic growth, and maintaining employment. The programme consists of four main initiatives as follows:

1. Deferred Payments Programme

Banks and financing companies received funding from SAMA to delay the payment of the dues of the financial sector (banks and finance companies) from SMEs. Since its launch, this programme assisted almost 107,000 contracts while the value of the payments for those contracts amounted to approximately SAR 181 billion (as at December 2021). This programme was completed in March 2022.

2. Funding for Lending Programme

Provided concessional finance of approximately SAR 13.2 billion for SMEs by granting financings from banks and finance companies to the SME sector to support business continuity and sector growth in a way that contributes to supporting economic growth and maintaining employment levels in these enterprises.

3. Financing Guarantee Programme

This programme enables banks and insurance companies to relieve SMEs from the finance costs of the Kafala programme in order to minimise finance costs for eligible entities during the fiscal years of 2020 and 2021 and to support finance expansion. Since its launch, over 13,000 financing contracts valued over SAR 11 billion (as at March 2022) benefited from this programme. The programme was terminated on 14 March 2023.

4. POS and E-Commerce Service Fee Support Programme

This was accomplished via supporting payment fees of all stores and entities in the private sector for a period of 3 months with a total amount exceeding SAR 800 million. SAMA paid these fees to payment service providers participating in the national system. SAMA stated that, since its launch in mid-March to the end of June 2020, the number of stores which benefited from this programme amounted to 130,000 merchants with POS and 3,600 electronic stores. The number of transactions exempted from fees reached 248 million for POS and 25 million for e-commerce. The value of these transactions exceeded SAR 36 billion for POS and SAR 5 billion for e-commerce. The amount of fees supported by SAMA totalled SAR 327 million. This program was extended by SAMA to, and subsequently completed in, September 2020.

Supporting institutions affected by the precautionary measures

As regards institutions affected by the precautionary measures implemented in the cities of Makkah and Medina, SAMA co-ordinated with banks and finance companies to facilitate finance repayments of such institutions.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the amended and restated dealer agreement dated 13 July 2023 (as amended and supplemented from time to time, the “**Dealer Agreement**”) between the Issuer, the Guarantor, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer and the Guarantor have jointly and severally agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and Guarantee have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes and the Guarantee may not be offered or sold within the United States. The Notes are being offered and sold outside of the United States in reliance on Regulation S. Terms used in this paragraph have the meaning given to them by Regulation S.

Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), and regulations thereunder.

Bearer Notes, other than Bearer Notes with an initial maturity of one year or less will be issued in accordance with the provisions of U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”), or in accordance with the provisions of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**D Rules**”), as specified in the Pricing Supplement. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules and the D Rules.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering of such Notes may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell

or otherwise make available any Notes which are the subject of the offering contemplated by this Base Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory provisions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make any offer or invitation (whether directly or indirectly) to the public in the Cayman Islands to subscribe for any Notes and this Base Offering Circular

shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any Notes.

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except:

- (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and
- (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

This Base Offering Circular:

- (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre);
- (ii) is intended for the original recipient only and must not be provided to any other person; and
- (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “**Exempt Offer**” in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the “**DFSA**”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes, except on a private placement basis, to persons in Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more (excluding that person’s principal place of residence);
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or

- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund); or
- (d) any other entity which is an “accredited investor” as defined in the Central Bank of Bahrain Rulebook.

Kingdom of Saudi Arabia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to any investor in the Kingdom of Saudi Arabia or who is a Saudi person will be made in compliance with Article 10 and either (i) Article 8(a)(1) of the Rules on the Offer of Securities and Continuing Obligations or (ii) Article 9 of the Rules on the Offer of Securities and Continuing Obligations.

In this paragraph:

“CMA” means the Saudi Arabian Capital Market Authority; and

“Rules on the Offer of Securities and Continuing Obligations” means the Rules on the Offer of Securities and Continuing Obligations issued by the CMA pursuant to its resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017), as amended by its resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18 January 2023).

The Notes may thus not be advertised, offered or sold to any person in the Kingdom other than to “institutional and qualified clients” under Article 8(a)(1) of the Rules on the Offer of Securities and Continuing Obligations or by way of a limited offer under Article 9 of the Rules on the Offer of Securities and Continuing Obligations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes by it to any investor in the Kingdom of Saudi Arabia or who is a Saudi person will be made in compliance with Articles 10, 11 and 12 and either Article 8(a)(1) or Article 9 of the Rules on the Offer of Securities and Continuing Obligations.

Each offer of Notes shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the Rules on the Offer of Securities and Continuing Obligations, but is subject to the restrictions on secondary market activity under Article 14 of the Rules on the Offer of Securities and Continuing Obligations.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Offering Circular or

any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made thereunder or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of Hong Kong) (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the applicable laws of the PRC.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the applicable Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Base Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Offering Circular, any other offering material or any Pricing Supplement therefore in all cases at its own expense and neither the Issuer, the Guarantor nor any other Dealer shall have responsibility therefor.

If a jurisdiction requires that any offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker in that jurisdiction, the offering shall be deemed to be made by that Dealer or such affiliate on behalf of the Issuer and Guarantor in such jurisdiction.

Other persons into whose hands this Base Offering Circular or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Offering Circular or any Pricing Supplement or any related offering material, in all cases at their own expense.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Guarantor and its subsidiaries in the ordinary course of business for which they have and/or will receive fees and expenses.

TAXATION

The following is a general description of certain Saudi, Cayman Islands and EU tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Offering Circular and is subject to any change in law that may take effect after such date.

Saudi Arabia

There are two types of direct taxes in Saudi Arabia: Zakat, which is based on Islamic concepts and income tax.

Zakat

Zakat is imposed on Saudi/GCC nationals or entities owned by Saudi/GCC nationals carrying out business activities in the Kingdom. Zakat is imposed generally at 2.5 per cent. on the higher of the adjusted Zakatable profit or the Zakat base. The Zakat base, is generally comprised of equity, certain loans, provisions and Zakatable profit reduced by fixed assets and certain deductible investments.

Special Zakat Rules for Financing Activities

Special Zakat rules (issued pursuant to Ministerial Decision No. 2215 dated 07/07/1440H (corresponding to 14 March 2019) (Zakat Calculation for Financing Companies)) (the "**Zakat Regulations**") apply to resident Zakatpayers engaged in financing activities, such as banking and finance lease activities, and which are licenced by SAMA. These Zakat rules are based on the attributable method in computing Zakat, which entails calculating the Zakatable assets and sources of funds subject to Zakat on the basis of the residual maturity profile of all assets and liabilities.

The rules provide for minimum and maximum cap amounts for the Zakat base, depending on the net profit or net loss of the Zakatpayer as per their financial statements:

	If the Zakatpayer has reported net profit ⁽¹⁾	If the Zakatpayer has not reported net profit ⁽²⁾
Minimum cap	4 times net profit	4 times of 10 per cent. of gross profit
Maximum cap	8 times net profit	8 times of 10 per cent. of gross profit

Notes:

(1) Net profit means profit before provision for Zakat

(2) If there is no gross profit, the minimum and maximum caps shall not apply.

Under the Zakat Regulations and current practice of the Zakat, Tax and Customs Authority, investments in non-governmental debt securities, such as investments in bonds, sukuk, notes, currencies, deposits or forward transactions (whether issued inside or outside Saudi Arabia or whether classified as short-term or long-term investments) are not deductible from the Zakat base for the purposes of determining the Zakat base unless the following conditions are met:

- the issuer of such bonds, sukuk and other non-governmental debt securities elects to treat them as capital and does not change this treatment until their maturity; and
- the investor holds such non-governmental debt securities for non-trading purposes.

Income Tax

Income tax is applicable on resident capital companies in respect of (i) the shares owned directly or indirectly by non-Saudi/non-GCC persons; and (ii) the shares directly or indirectly owned by persons working in the production of oil and hydrocarbon excluding shares owned directly or indirectly by persons working in the production of oil and hydrocarbon in resident capital companies listed in the Saudi capital markets and the shares owned directly or indirectly by these companies in the capital companies, whether natural or corporate persons, resident or non-resident.

The standard rate of income tax is 20 per cent. Higher rates on income tax apply to persons involved in oil and hydrocarbon production (ranging from 50 per cent. to 85 per cent.) depending on the level of total capital investment of such entity.

The Zakat and income tax implications of investing in the Notes for different types of Noteholders are set out below.

Noteholders who are GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia

Noteholders who are GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia should not be subject to income tax, but should be subject to Zakat according to wording of the Zakat Regulations 2019. However, currently Zakat is not generally enforced on such persons.

Noteholders who are non-GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia

Noteholders who are non-GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia, should not be subject to either Zakat or income tax on interest received on the Notes or gains made from the disposal or redemption of the Notes.

Noteholders who are Saudi resident companies with only GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment

Noteholders who are Saudi resident companies with only GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment should only be subject to Zakat.

Interest received on the Notes and gains made from the disposal or redemption of the Notes should be included in adjusted Zakatable profits purposes.

Noteholders who are Saudi resident companies with only non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment

Noteholders who are Saudi resident companies with only non-GCC ownership should only be subject to income tax.

Interest received on the Notes and gains made from the disposal or redemption of the Notes unless exempted under Article 10 of the Saudi Arabian Income Tax Law (refer below), should be included in taxable profit.

Noteholders who are Saudi resident companies with both GCC ownership and non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment

Noteholders who are Saudi resident companies with both GCC ownership and non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment are commonly referred to as “mixed” companies. Mixed companies are subject to Zakat and income tax respectively in proportion to their percentage of GCC ownership and percentage of non-GCC ownership.

Noteholders who are not resident in Saudi Arabia and that hold the Notes in connection with a permanent establishment in Saudi Arabia

Noteholders, either natural persons (whether GCC nationals or non-GCC nationals) or legal entities, who are not resident in Saudi Arabia and do not hold the Notes in connection with a permanent establishment in Saudi Arabia, should not be subject to Saudi Arabian Zakat or income tax on interest received on the Notes or gains made from the disposal of the Notes provided the Notes are not secured by movable or immovable property located in Saudi Arabia.

As the Notes will be secured by a guarantee from the Guarantor which owns moveable and immovable property located in Saudi Arabia, there is a risk that the Notes could be considered secured by movable or immovable property located in Saudi Arabia and consequently that interest payments on the Notes and gains made from the disposal of the Notes, would be considered from sources in Saudi Arabia. In this case:

- (i) interest received on the Notes should be subject to withholding tax at 5 per cent., subject to relief under an applicable double tax treaty; and
- (ii) gains made from the disposal of the Notes should be subject to capital gains tax at the rate of 20 per cent. unless exempted under either Article 10 of the Saudi Arabia Income Tax Law (refer below) or an applicable double tax treaty.

However, there is currently no mechanism to collect the withholding tax on Saudi Arabian sourced interest income paid by a non-resident not in relation to a permanent establishment in Saudi Arabia, such as the Issuer, to a non-resident.

If withholding tax is required to be deducted from interest paid on the Notes, under Condition 12 (*Taxation*) of the Notes, the Issuer, or as the case may be the Guarantor, will be obligated to pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of the Notes had no such withholding been required.

Noteholders who are not resident in Saudi Arabia that hold the Notes in connection with a permanent establishment in Saudi Arabia

Noteholders who are not resident in Saudi Arabia but hold the Notes in connection with a permanent establishment in Saudi Arabia, subject to one exception, should include interest received on the Notes and gains made from the disposal or redemption of the Notes, unless exempted under Article 10 of the Saudi Arabian Income Tax Law (refer below), in their taxable profit.

The exception is Noteholders who are non-resident GCC persons with a permanent establishment in Saudi Arabia that meets the requirements to be subject to Zakat (refer below).

Noteholders who are GCC persons not resident in Saudi Arabia with a permanent establishment in Saudi Arabia that meet the requirements to be subject to Zakat

Noteholders who are GCC persons not resident in Saudi Arabia with a permanent establishment in Saudi Arabia are subject to Zakat if at least two of the following requirements are met:

- (i) the board convene/hold their periodic ordinary meetings in Saudi Arabia during which decisions and policies relating to management and operations of the entity are taken/set, regardless of the form of the meeting or the method in which it is convened;
- (ii) chief executive decisions relating to the management of the company's functions (such as decisions of the chief executive officers and their deputies) are made in Saudi Arabia; and
- (iii) the entity's operations/business generating over 50 per cent. of its revenue are based in Saudi Arabia.

If the above case is met, Zakat is calculated on the worldwide activities of the entity. Accordingly, interest received on the Notes and gains made from the disposal or redemption of the Notes should be included in adjusted Zakatable profits purposes.

The investment in the Notes should not be deductible from the Zakat base.

The Article 10 exemption

Article 10 of the Saudi Arabian Income Tax Law provides that capital gains realized from the disposal of securities quoted in a Saudi stock market, or that are quoted in both a stock market outside of Saudi Arabia and in a Saudi stock market are exempt from income tax if:

- (i) the disposal is carried out through a stock market in or outside of Saudi Arabia; or
- (ii) the disposal is done in accordance with the CML.

Transfer Taxes/Stamp Duty

There are no transfer taxes/stamp duty regimes currently applicable in Saudi Arabia.

Indirect Tax

Value Added Tax

Saudi Arabia has introduced value added tax (“VAT”) with an effective date starting from 1 January 2018 pursuant to ratifying a GCC framework agreement between the GCC member states. To this effect, VAT legislations have also been issued in Saudi in line with the GCC framework agreement.

All goods and services traded within or imported into KSA are subject to VAT, unless they are classified as exempt or outside the scope for VAT purposes. Certain supplies have been prescribed to be subject to VAT at zero rate (including qualifying medicines and medical goods, exports, international transportation etc.). From 1 July 2020, the standard rate of VAT has been increased from five per cent to fifteen per cent and is applicable on all the standard-rated taxable supplies made in KSA.

Real Estate Transaction Tax (“RETT”)

Saudi Arabia has introduced RETT with effect from 4 October 2020 whereby the disposal of real estate and related rights is subject to RETT at the rate of 5 per cent. There is no registration or periodic reporting requirement for this tax and it is paid on each transaction separately.

General

For the purposes of this summary:

“GCC” means Gulf Cooperation Council, which consists of the Kingdom of Bahrain, Kuwait, the Sultanate of Oman, the State of Qatar, Saudi Arabia and the United Arab Emirates.

A “GCC Person” means (a) a natural person having the nationality of any of the countries within the GCC and (b) any legal entity owned by GCC nationals and established under the laws of a country in the GCC. A GCC Person will include a company owned by both Saudi/GCC and non-Saudi/(non-GCC) nationals, to the extent it is ultimately owned by Saudi/GCC nationals.

A “non-GCC person” means any legal entity not owned by GCC nationals but established under the laws of a country in the GCC.

“Permanent Establishment” of a non-Resident in Saudi Arabia represents a permanent place for the non-Resident’s activity where they conduct the activity either fully or partly; this also includes the activity conducted

by the non-Resident through an agent. A non-Resident carrying out an activity in Saudi Arabia through a licensed branch is considered to have a Permanent Establishment in Saudi Arabia.

A person is a “**Resident**” in Saudi Arabia (as defined in Article 3 of the Income Tax Law issued under Royal Decree No. M/1 dated 15/01/1425H (the “**Income Tax Law**”)) if it meets the following conditions:

A natural person is considered Resident in Saudi Arabia for a taxable year if they meet either of the two following conditions: (i) they have a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or (ii) they are physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and

A company is considered Resident in Saudi Arabia during a taxable year if it meets either of the following conditions: (i) it is formed in accordance with the Saudi Companies Regulations issued pursuant to Royal Decree No. 17/3 dated 28/1/1437H (corresponding to 10/11/2015G); or (ii) its place of central control and management is located in Saudi Arabia.

Noteholders will not be deemed to be a Resident, domiciled or carrying on business in Saudi Arabia solely by reason of holding any Notes.

The Cayman Islands

Under existing Cayman Islands laws, payments on the Notes will not be subject to taxation in the Cayman Islands, and no withholding will be required on the payments to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. The Issuer has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands that, for a period of 20 years from the date of issue of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profit, income, gains or appreciation shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Notes) of the Issuer or by way of the withholding in whole or in part of any relevant payment (as defined in the Tax Concessions Act (As Revised)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Notes. Notes issued in bearer form are themselves stampable if executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Issuer to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands, and this is subject to change therein.

Automatic Exchange of Financial Account Information and Cayman Islands Anti-Money Laundering Legislation

The Cayman Islands has signed an intergovernmental agreement to improve international tax compliance and the exchange of information. The Cayman Islands has also signed, along with over 80 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (“**CRS**” and together with the US IGA, “**AEOI**”).

Cayman Islands regulations have been issued to give effect to the US IGA and CRS (collectively, the “**AEOI Regulations**”). Pursuant to the AEOI Regulations, the Cayman Islands Tax Information Authority (the “**TIA**”) has published guidance notes on the application of the US IGA and CRS.

All Cayman Islands “Financial Institutions” (including the Issuer) are required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, unless the Issuer is able to rely on an exemption that permits it to be treated as a “Non-Reporting Financial Institution” (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes, in which case only the registration requirement would apply under CRS. The Issuer does not propose to rely on any Non-Reporting Financial Institution exemption and therefore intends to comply with all of the requirements of the AEOI Regulations as a “Reporting Financial Institution”.

The AEOI Regulations require the Issuer to, amongst other things, (i) register with the IRS to obtain a Global Intermediary Identification Number (in the context of the US IGA only); (ii) register with the TIA, and thereby notify the TIA of its status as a “Reporting Financial Institution”; (iii) adopt and implement written policies and procedures setting out how it will address its obligations under CRS; (iv) conduct due diligence on its accounts to identify whether any such accounts are considered “Reportable Accounts”; and (v) report information on such Reportable Accounts to the TIA. The TIA will transmit such information to the applicable overseas fiscal authorities.

Under the terms of the US IGA, withholding will not be imposed on payments made to the Issuer unless the IRS has specifically listed the Issuer as a non-participating financial institution, or on payments made by the Issuer to the Noteholders unless the Issuer has otherwise assumed responsibility for withholding under United States tax law.

The Issuer is subject to the Anti-Money Laundering Regulations (As Revised) of the Cayman Islands (together with The Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands (or equivalent legislation and guidance, as applicable), and each as amended and revised from time to time, “**Cayman AML Regulations**”). The Cayman AML Regulations apply to anyone conducting “relevant financial business” in or from the Cayman Islands intending to form a business relationship or carry out a one-off transaction. The Cayman AML Regulations require a financial service provider to maintain certain anti-money laundering procedures including those for the purposes of verifying the identity and source of funds of an “applicant for business”; e.g. an investor, as well as the identity of the beneficial owner/controller of the investor, where applicable. Except in certain circumstances, including where an entity is regulated by a recognised overseas regulatory authority and/or listed on a recognised stock exchange in an approved jurisdiction, the Issuer, or its agents will likely be required to verify each investor’s identity and may be required to verify the source of the payment used by such investor in a manner similar to the obligations imposed under the laws of other major financial centres. Application of an identity verification exemption at the time of purchase of the Notes may nevertheless require verification of identity prior to payment of proceeds from the Notes. In addition, if any person in the Cayman Islands knows or suspects, or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering, or is involved with terrorism or terrorist financing and property, and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands (“**FRA**”), pursuant to the Proceeds of Crime Act (As Revised) of the Cayman Islands (“**PCL**”), if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (As Revised) of the Cayman Islands (“**Terrorism Act**”), if the disclosure relates to involvement with terrorism or terrorist financing and property. If the Issuer were determined by the Cayman Islands authorities to be in violation of the PCL, the Terrorism Act or the Cayman AML Regulations, the Issuer could be subject to substantial criminal penalties and/or

administrative fines. The Issuer may be subject to similar restrictions in other jurisdictions. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the holders of the Notes.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign pass thru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, proposed regulations have been issued that provide that including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign pass thru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign pass thru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under “*Terms and Conditions of the Notes— Condition 13 (Further Issues)*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

GENERAL INFORMATION

- (1) The Issuer's legal entity identifier (LEI) code is 549300FJCGREO1P1UL36.
- (2) The Guarantor's legal entity identifier (LEI) code is 558600N07EDF4ATYR106.
- (3) Application has been made to the London Stock Exchange for Notes issued under the Programme during the 12 months from the date of this Base Offering Circular to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of UK MiFIR. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of this Base Offering Circular.
- (4) Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by any competent or listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further competent or listing authorities, stock exchanges and/or quotation systems as the Issuer, the Guarantor and the relevant Dealer(s) may agree.
- (5) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the Guarantee. The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer and passed on 21 June 2023. The giving of the Guarantee by the Guarantor was authorised by a resolution of the board of directors of the Guarantor and passed on 31 May 2022.
- (6) There has been no significant change in the financial performance or financial position of the Guarantor or of the Group since 31 March 2023 and there has been no material adverse change in the prospects of the Guarantor or of the Group since 31 December 2022. There has been no significant change in the financial performance or financial position of the Issuer since 19 April 2022 (being the date of incorporation of the Issuer) and there has been no material adverse change in the prospects of the Issuer since 19 April 2022.
- (7) There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) during the 12 months preceding the date of this Base Offering Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Guarantor or the Group.
- (8) Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- (9) The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.
- (10) The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (11) There are no material contracts entered into other than in the ordinary course of the Issuer's or the Guarantor's business, which could result in any member of the Group being under an obligation or

entitlement that is material to the Issuer's or the Guarantor's ability to meet its obligations to Noteholders in respect of the Notes being issued.

- (12) Where information in this Base Offering Circular has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.
- (13) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (14) The website of the Guarantor is <https://www.alfransi.com.sa/english/home>. The information on <https://www.alfransi.com.sa/english/home> does not form part of this Base Offering Circular, except where that information has been incorporated by reference into this Base Offering Circular. Except where such information has been incorporated by reference into this Base Offering Circular, the contents of the Guarantor's website, any website mentioned in this Base Offering Circular or any website directly or indirectly linked to these websites have not been verified and do not form part of this Base Offering Circular and investors should not rely on such information.
- (15) For so long as Notes may be issued pursuant to this Base Offering Circular, the following documents may, when published, be (i) inspected and/or collected during normal business hours at the registered offices of the Issuer and the Specified Office of the Fiscal Agent; or (ii) at the option of the Fiscal Agent, emailed to any Noteholder, at its request (subject to provision of proof of holding satisfactory to the Fiscal Agent and the Guarantor):
 - (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
 - (ii) the Deed of Covenant;
 - (iii) the Deed of Guarantee;
 - (iv) the Memorandum and Articles of Association of the Issuer and the Guarantor (with an English translation thereof);
 - (v) the 2022 Financial Statements and the 2021 Financial Statements;
 - (vi) the Interim Financial Statements;
 - (vii) each relevant Pricing Supplement; and
 - (viii) a copy of this Base Offering Circular together with any supplement to this Base Offering Circular or further Offering Circular.
- (16) In the ordinary course of their business activities, the Arrangers and Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Guarantor and their respective affiliates. Certain of the Arrangers and Dealers or their respective affiliates that have a lending relationship with the Issuer and/or Guarantor routinely hedge their credit exposure to the Issuer and/or Guarantor consistent with their customary risk management policies. Typically, such Arrangers and Dealers and their respective affiliates would hedge

such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Arrangers and Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

- (17) The independent auditors of the Guarantor are KPMG and EY.

KPMG and EY are registered with SOCPA and were appointed as auditors of the Guarantor on 12 December 2019.

The 2022 Financial Statements and the 2021 Financial Statements have been jointly audited by KPMG and EY in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia. The Interim Financial Statements have been jointly reviewed by KPMG and EY in accordance with International Standard on Review Engagements 2410, *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”* as endorsed in the Kingdom of Saudi Arabia.

- (18) With respect to the Interim Financial Statements, KPMG and EY have reported that they have applied limited procedures in accordance with International Standard on Review Engagements 2410, *“Review of Interim Financial Information Performed by the Auditor of the Entity”* as endorsed in the Kingdom of Saudi Arabia. Their review report dated 14 May 2023, incorporated by reference herein, states that they did not audit and they do not express any audit opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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