IMPORTANT NOTICE

THIS OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following notice before continuing. The following notice applies to the attached Offering Circular following this page (the “Offering Circular”), whether received by e-mail, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Circular. In reading, accessing or making any other use of the Offering Circular, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Offering Circular, including any modifications made to them from time to time, each time you receive any information from SNB Funding Limited (the “Issuer”) and The Saudi National Bank (the “Bank”) as a result of such access.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY NOTES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR, THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

WITHIN THE UNITED KINGDOM, THIS OFFERING CIRCULAR IS DIRECTED ONLY AT (A) 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 (THE “FP ORDER”) OR (B) WHO ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) OF THE FP ORDER OR (C) TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE FP ORDER (ALL SUCH PERSONS IN (A), (B) AND (C) ABOVE TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFERING CIRCULAR MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING CIRCULAR RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.


FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE “SUBSCRIPTION AND SALE”.

The Offering Circular must not be acted on or relied on (i) in the UK, by persons who are not Relevant Persons, and (ii) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or
investment activity to which the Offering Circular relates is available only to (i) in the UK, Relevant Persons, and (ii) in any member state of the EEA, Qualified Investors, and will be engaged in only with such persons.

CONFORMATION OF YOUR REPRESENTATION: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes 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 and (2) each prospective investor in respect of the securities being offered in the UK must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the Offering Circular, you shall be deemed to have represented to the Dealers (as defined in the Offering Circular) that (1) you have understood and agree to the terms set out herein, (2) the electronic mail (or e-mail) address to which, pursuant to your request, the attached Offering Circular has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Notes being offered in the UK, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Dealers and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised, to deliver or disclose the contents of the Offering Circular, electronically or otherwise, to any other person and in particular to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received the Offering Circular by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive the Offering Circular by e-mail, your use of this e-mail 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.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and a Dealer or any affiliate of the relevant Dealer is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Issuer and the Bank in such jurisdiction.

Under no circumstances shall the Offering Circular 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. Recipients of the attached Offering Circular who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the final offering circular.

None of the Arrangers, the Dealers or any of their respective affiliates accepts any responsibility whatsoever for the contents of the Offering Circular or for any statement made or purported to be made by any of them, or on their behalf, in connection with the Issuer, the Guarantor or any offer of Notes.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers, the Dealers, the Issuer, the Bank nor any person who controls or is a director, officer, employee or agent of any Arranger, Dealer, the Issuer, the Bank nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from each Dealer.
The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by the Dealers, the Issuer and the Bank, to inform themselves about, and to observe, any such restrictions.
SNB FUNDING LIMITED
(incorporated as an exempted company with limited liability in the Cayman Islands)

U.S.$5,000,000,000
Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by
THE SAUDI NATIONAL BANK
(a Saudi joint stock company incorporated with registration number 4030001588)

Under this U.S.$5,000,000,000 Euro Medium Term Note Programme (the “Programme”), SNB Funding Limited (the “Issuer”) may from time to time issue notes (the “Notes”) denominated in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s) (as defined below). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by The Saudi National Bank (the “Bank” or the “Guarantor”) on an unsubordinated basis.

Notes may be issued in bearer or registered form (respectively “Bearer Notes” and “Registered Notes”). The maximum aggregate nominal amount of all Notes from time to time outstanding and guaranteed under the Programme will not exceed U.S.$5,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement (defined herein), subject to any increase as described in the Dealer Agreement).

Notes may be issued on a continuing basis to one or more of the Dealers specified under “Overview” and any additional Dealer(s) appointed under the Programme from time to time by the Issuer and the Guarantor (each a “Dealer” and together, the “Dealers”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular (“Offering Circular”) to the “relevant Dealer(s)” shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers who have agreed to subscribe for such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes see “Risk Factors” below.

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 Offering Circular to be admitted to the London Stock Exchange’s International Securities Market (the “ISM”). This 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 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 Offering Circular.

References in this 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 Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the United Kingdom (“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, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019.

This 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 Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Neither the Notes nor the Guarantee of the Notes (as defined in the Conditions) have been, or will be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable state securities laws. Accordingly, the Notes may be offered or sold solely to...
persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of Notes is hereby notified that the offer and sale of Notes to it is being made in reliance on Regulation S.

The Guarantor has been assigned long term ratings of “A-” with a stable outlook by S&P Global Ratings Europe Limited (“S&P”), “A-” with a stable outlook by Fitch Ratings Ltd (“Fitch”), “A1” with a stable outlook by Moody’s Investors Service Cyprus Ltd. (“Moody’s”) and “As” with a negative outlook by Capital Intelligence Ratings Ltd (“Capital Intelligence”). 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 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 on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). Each of S&P, Moody’s and Capital Intelligence is established in the EEA and is registered under the EU CRA Regulation. As such, each of S&P, Moody’s and Capital Intelligence is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). Each of S&P, Moody’s and Capital Intelligence is established in the EEA and is registered under the EU CRA Regulation. As such, each of S&P, Moody’s and Capital Intelligence is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). Each of S&P, Moody’s and Capital Intelligence is established in the EEA and is registered under the EU CRA Regulation. As such, each of S&P, Moody’s and Capital Intelligence is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).

The Programme is expected to be rated by each of Fitch and S&P. Notes issued under the Programme may be rated or unrated. Where a Series (as defined in the Conditions) of Notes is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in the Pricing Supplement. Fitch is established in the UK and is registered in accordance with the UK CRA Regulation. Fitch is not established in the EEA and has not applied for registration under the EU CRA Regulation. The rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited in accordance 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 on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). S&P is established in the UK and has not applied for registration under the UK CRA Regulation. The rating issued by S&P has been endorsed by S&P Global Ratings UK Limited and has not been withdrawn. S&P Global Ratings UK Limited is established in the UK and is registered in accordance with the UK CRA Regulation. As such, the ratings of S&P may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. Moody’s is not established in the UK and has not applied for registration under the UK CRA Regulation. The rating issued by Moody’s has been endorsed by Moody’s Investors Service Limited and has not been withdrawn. Moody’s Investors Service Limited is established in the UK and registered under the UK CRA Regulation. As such, the ratings of Moody’s may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. The rating issued by Capital Intelligence is not certified under the UK CRA Regulation and the rating it has given to the Guarantor is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.

A 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.

Arrangers
HSBC
SNB Capital

Dealers
HSBC
SNB Capital
Emirates NBD Capital
Mizuho Securities
Citigroup
Goldman Sachs International

The date of this Offering Circular is 15 November 2021
IMPORTANT NOTICES

This Offering Circular comprises admission particulars for the purpose of the ISM Rulebook. This 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 the FCA.

Each of the Issuer and the Guarantor, accepts responsibility for the information contained in this Offering Circular and the relevant Pricing Supplement for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the headings “Risk Factors”, “The Kingdom’s Banking Sector and Regulation” and “Business Description of the Bank” has been extracted from information provided by: (i) the Saudi Central Bank (“SAMA”) and the Organization of Petroleum Exporting Countries (“OPEC”), in the case of “Risk Factors”; (ii) SAMA, in the case of “The Kingdom’s Banking Sector and Regulation”; and (iii) SAMA, Saudi Credit Bureau (“SIMAH”) in the case of “Business Description of the Bank”, 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.

Each Tranche (as defined herein) of Notes will be issued on the terms and conditions set out herein under “Terms and Conditions of the Notes” (the “Conditions”) as completed by the Pricing Supplement. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

Subject as provided in the relevant Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the relevant Pricing Supplement as the relevant Dealer or the Managers, as the case may be.

The Issuer and the Guarantor have confirmed to the Dealers named under “Subscription and Sale” below that this Offering Circular contains all information which is (in the context of the Programme or the issue, offering and sale of the Notes and the Guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed in the Offering Circular are honestly held or made; that the Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme or the issue, offering and sale of the Notes) not misleading in any material respect. Reasonable enquiries have been made to ascertain or verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme or the Notes or any information supplied by the Issuer or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer or any other person.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular or independently verified the information contained herein and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in
this Offering Circular or any responsibility for any acts or omissions of the Issuer, the Guarantor or any other person in connection with this Offering Circular or the issue and offering of the Notes under the Programme. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor at any point, including during the life of the Programme, or to advise any investor in the Notes of any information coming to their attention.

Neither this Offering Circular nor any Pricing Supplement or any other information supplied in connection with the Programme or any Notes is: (i) intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer, the Guarantor or the Dealers that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement and each investor contemplating purchasing any Notes should make its own independent investigation and appraisal of the condition (financial or otherwise), affairs and creditworthiness of the Issuer and the Guarantor.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

Suitability of Investments

The Notes of any Series may not be a suitable investment for all investors. Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisors, whether it:

(a) has 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 in this Offering Circular or any applicable supplement hereto;

(b) has 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 the relevant Notes will have on its overall investment portfolio;

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency of payment is different from the potential investor’s home currency;

(d) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(e) is 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.

Legal investment considerations may restrict the ability of certain investors to make investments in Notes. 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) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes by the investor. The Notes may not satisfy an investor’s requirements or any future legal or industry standards for investment in assets with sustainability characteristics. Investors should conduct their own assessment of the Notes from a sustainability perspective. 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 and regulations.

No comment is made or advice given by the Issuer, the Guarantor or the Dealers in respect of taxation matters relating to any Notes or the legality of the purchase of Notes by an investor under any applicable laws.

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

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Issuer, the Guarantor or the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes or Pricing Supplement may come are required by the Issuer, the Guarantor and the Dealers to inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, the Cayman Islands, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Saudi Arabia, the Kingdom of Bahrain and the State of Qatar (“Qatar”) (including the Qatar Financial Centre). For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular or any Pricing Supplement and other offering material relating to the Notes, see “Subscription and Sale”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “Securities Act”) and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Bearer Notes, delivered, directly or indirectly, in or into the United States or to U.S. persons.

None of the Issuer, the Guarantor or the Dealers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable 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.
PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

Historical financial statements
On 1 April 2021, The National Commercial Bank (“NCB”) and Samba Financial Group (“Samba”) merged. Reflecting this fact, the financial statements relating to NCB, Samba and the Group and incorporated by reference in this Offering Circular are:

For NCB:
- the unaudited interim condensed consolidated financial statements as at and for the three-month period ended 31 March 2021 (the “NCB March 2021 Interim Financial Statements”); and
- the audited consolidated financial statements as at and for the years ended 31 December 2020 and 31 December 2019 (the “NCB Annual Financial Statements”).

For Samba:
The audited consolidated financial statements as at and for the years ended 31 December 2020 and 31 December 2019 (the “Samba Annual Financial Statements”).

As a result of the merger, Samba was not required to, and therefore did not, publish any interim financial information for the three-month period ended 31 March 2021.

For the Group:
The unaudited interim condensed consolidated financial statements as at and for the nine-month period ended 30 September 2021 (the “SNB September 2021 Interim Financial Statements”).

The NCB March 2021 Interim Financial Statements were prepared (i) in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and (ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in Saudi Arabia and bylaws of NCB.

The NCB Annual Financial Statements were prepared (i) in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in Saudi Arabia and other standards and pronouncements issued by SOCPA (collectively referred to as “IFRSs that are endorsed in Saudi Arabia”) and (ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in Saudi Arabia and the by-laws of NCB.

The Samba Annual Financial Statements were prepared (i) in accordance with IFRSs that are endorsed in Saudi Arabia and (ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in Saudi Arabia and the Articles of Association of Samba.

The SNB September 2021 Interim Financial Statements have been prepared in accordance with (i) IAS 34 as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and (ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in Saudi Arabia and bylaws of the Bank.

Auditors and unaudited information
The NCB March 2021 Interim Financial Statements were reviewed by Ernst and Young & Co Public Accountant (Professional Limited Liability Company) (“E&Y”) and KPMG Professional Services (“KPMG”) in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial

The NCB Annual Financial Statements were audited by E&Y and KPMG in accordance with International Standards on Auditing (“ISAs”) that are endorsed in Saudi Arabia. E&Y and KPMG issued an unqualified audit report on the NCB Annual Financial Statements.

The Samba Annual Financial Statements were audited by E&Y and KPMG, in accordance with ISAs that are endorsed in Saudi Arabia. E&Y and KPMG issued an unqualified audit report on the Samba Annual Financial Statements.

The SNB September 2021 Interim Financial Statements have been reviewed by E&Y and KPMG in accordance with International Standard on Review Engagements 2410. E&Y and KPMG issued an unqualified report on the SNB September 2021 Interim Financial Statements.

All information in this Offering Circular as at 31 March 2021 and 30 September 2021 or for the three month periods ended 31 March 2021 and 31 March 2020 and the nine-month periods ended 30 September 2021 and 30 September 2020 is unaudited.

Certain non-IFRS financial information
This 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”). None of this financial information is subject to any audit or review by independent auditors. See “Selected financial information—Selected consolidated ratios”.

Comparability of financial information
Although the SNB September 2021 Interim Financial Statements include nine months income statement and cash flow information, the first three of those months relate only to NCB which makes the information provided difficult to assess in relation to the Group and which also cannot be meaningfully compared against the comparative information for the nine-month period ended 30 September 2020 as that relates to NCB only.

Presentation Of Other Information
Currencies
Unless otherwise indicated, in this Offering Circular, all references to:

- “riyal” and “SAR” are to the lawful currency of Saudi Arabia;
- “PKR” is to the lawful currency of Pakistan;
- “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.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in riyal. The Group’s functional currency is the riyal and the Group prepares its financial statements in riyal.

Translations of amounts from riyal to U.S. dollars in this 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 SAR 3.75 = US$1.00 and, unless otherwise stated, all conversions of riyal amounts to U.S. dollar amounts in this Offering Circular have been converted at this rate.
Third party and market share data

This 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 Capital Market Authority (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 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 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 Bank 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 Bank cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Saudi Arabia included in this Offering Circular has been derived from official public sources, including the General Authority for Statistics (“GASTAT”), SAMA, the Ministry of Finance, the Ministry of Economy and Planning and the International Monetary Fund (the “IMF”) and the Organisation for Petroleum Exporting Countries (“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 Notes issued under the Programme.

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

No incorporation of website information

The Bank’s website is https://www.alahli.com/en-us/Pages/RB-NCB-Home-New.aspx. The information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

Definitions

In this 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 Saudi Arabia;
- the “MENA region” are to the Middle East and North Africa region;
- “Saudi Arabia” or “the Kingdom” are to the Kingdom of Saudi Arabia; and
- the “UAE” are to the United Arab Emirates.

In this 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 Offering Circular has been expressed in millions 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 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 Offering Circular has been rounded to one decimal place, with 0.050 being rounded up and 0.049 being rounded down.

**Dates**

Certain dates in this 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 Offering Circular may be deemed to be “forward-looking statements”. Forward-looking statements include statements concerning the Guarantor’s plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this 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”, “Description of the Issuer” and “Business Description of the Bank” and other sections of this 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 Offering Circular, or if any of the Guarantor’s underlying assumptions prove to be incomplete or inaccurate, the Guarantor’s actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections “Risk Factors”, “Description of the Issuer”, and “The Kingdom’s Banking Sector and Regulations”, which include a more detailed description of the factors that might have an impact on the Guarantor’s business development and on the industry sector in which the Guarantor 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 Guarantor’s business activities;
- removal or adjustment of the peg between the U.S. dollar and the Saudi riyal; (ii)
- liquidity risks, including the inability of the Guarantor 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 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 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.

**CAYMAN ISLANDS NOTICE**

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

**NOTICE TO RESIDENTS OF SAUDI ARABIA**

This Offering Circular may not be distributed in Saudi Arabia except to such persons as are permitted under the rules and regulations issued by the CMA. Any offer of Notes to any investor in Saudi Arabia or who is a Saudi person must be made in compliance with (a) in relation to issuances occurring prior to 1 January 2022, Article 9 or Article 10 of the Rules on the Offer of Securities and Continuing Obligations as issued by the board of the CMA pursuant to resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017) (the “Offer of Securities Rules”), as amended by the board of the CMA resolution number 1-104-2019 dated 1/2/1441H (corresponding to 30 September 2019) (the “KSA Regulations”) and Article 10 of the Offer of Securities Rules, as amended by the board of the CMA resolution number 1-7-2021 dated 1/6/1442H (corresponding to 14 January 2021) (the “2021 KSA Regulations”) and (b) in relation to issuances occurring on or after 1 January 2022, Article 8(a)(1) (including the definitions in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority) or Article 9 of the 2021 KSA Regulations and Article 10 of the 2021 KSA Regulations.

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

SAMA does not make any representation as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. 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 Offering Circular, you should consult an authorised financial adviser.

**NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

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

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006).

This 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 Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase the Notes, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors, as such term is defined by the CBB.

The CBB has not reviewed, approved or registered this 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 the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this 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 Offering Circular. No offer of Notes will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

Any offering of Notes under the programme will comply with Legislative Decree No.(4) of 2001 with respect to the Prevention and Prohibition of the Laundering of Money and the Ministerial Orders issued thereunder, including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Obligations Governing Institutions Concerning the Prohibition and Combating of Money Laundering and the Anti-Money Laundering and Combating Financial Crime Rules contained in the Central Bank of Bahrain Rulebook, Volume 6.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Notes will not be offered, sold or delivered, at any time, directly or indirectly, in Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular does not and is not intended to constitute an offer, sale or delivery of bonds, notes or other debt financing instruments under the laws of Qatar and the rules and regulations applicable in the Qatar Financial Centre and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Stock Exchange or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar and the Qatar Financial Centre. 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 Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of Qatar.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE “SFA”)

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “CMP Regulations 2018”), unless otherwise specified in the relevant Pricing Supplement, 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).
EU MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” outlining 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 Directive 2014/65/EU (as amended, “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 “EU 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” outlining 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 issue 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 the respective affiliates will be a manufacturer for the purposes of the UK MiFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled “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 MiFID II); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), 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 (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.

IMPORTANT – UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled “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 in the UK by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, 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 in the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2914, as amended, as it forms part of domestic law in the UK 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 retail investors in the UK may be unlawful under the UK PRIIPs Regulation.

BENCHMARKS REGULATION

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/2011 (the “Benchmarks Regulation”) or the Benchmarks Regulation as it forms part of domestic law by virtue of the EUWA (the “UK Benchmarks Regulation”). If any such reference rate does constitute such a benchmark, the Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation or the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation. Administrators of certain benchmarks are not required to be registered by virtue of Article 2 of each of the Benchmarks Regulation and the UK Benchmarks Regulation and transitional provisions in the Benchmarks Regulation and the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Pricing Supplement. The registration status of any administrator under the Benchmarks Regulation and/or the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Pricing Supplement to reflect any change in the registration status of the administrator.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in the relevant 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 stabilisation 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 stabilisation 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.
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RISK FACTORS

Any investment in Notes issued under the Programme is subject to a number of risks and uncertainties. Before making any investment decision, prospective investors should consider carefully the risks and uncertainties associated with an investment in any Notes, the Group’s business and the countries and markets in which it operates, together with all of the other information that is included in this Offering Circular. Prospective investors should also consult their own financial and legal advisers about the risks associated with an investment in Notes issued under the Programme and the suitability of investing in those Notes in light of their particular circumstances, without relying on the Issuer or the Guarantor. Should one or more of the events or circumstances described as risks below occur at the same time or separately, this could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects, could cause the value of Notes issued under the Programme to decline and could result in an investor losing part or all of its investment.

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme and the Guarantee given in respect of those Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer and the Guarantor may be unable to pay amounts due in connection with any Notes for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

The order in which the risks are presented below does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer or the Group.

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

Factors That May Affect The Issuer’s Ability To Fulfil Its Obligations Under The Programme

The Issuer has no operating history and no material assets and will depend on receipt of payments from the Bank to make payments to Noteholders

The Issuer was incorporated under the laws of the Cayman Islands on 19 June 2019 as an exempted company with limited liability and has no operating history. The Issuer has not engaged, and will not engage, in any business activity other than the issue of Notes under the Programme, the lending of the monies raised to the Bank and other related activities.

The Issuer’s only material assets will be its right to receive payments under the loans which it makes to the Bank. The ability of the Issuer to pay amounts due on the Notes of each Series will primarily be dependent upon receipt by the Issuer of all amounts due from the Bank under those loans. Therefore the Issuer is subject to all the risks to which the Bank is subject to the extent that such risks could limit the Bank’s ability to satisfy in full and on a timely basis its obligations under the loans. See “—Risks Relating to the Bank and its Ability to Fulfil its Obligations Under the Transactions Documents”.
Risks Relating to the Bank and its Ability to Fulfil its Obligations Under the Transactions Documents

The Group’s operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in Saudi Arabia

The majority of the Bank’s assets, operations and interests are located in the Kingdom. Accordingly, its business is, and will continue to be, affected by the general economic conditions prevailing from time to time in the Kingdom and the Middle East generally as well as by global economic conditions that affect the Kingdom’s economy generally.

The Government continues to pursue a policy of diversification, including the Saudi Vision 2030 (a strategic framework to reduce the Kingdom’s dependence on oil, diversify its economy and develop public service sectors) and the National Transformation Program 2020 (an economic action plan implemented as part of the Saudi Vision 2030), to enhance the contribution of the non-oil sector to its real gross domestic product ("GDP"). Nevertheless, oil income will continue to play a pivotal role in economic planning and development in the Kingdom. According to The General Authority for Statistics ("GASTAT"), the oil sector accounted for 40.4 per cent., 41.5 per cent. and 43.2 per cent. of the Kingdom’s real GDP and 23.2 per cent., 31.2 per cent. and 33.4 per cent. of the Kingdom’s nominal GDP in each of 2020, 2019 and 2018, respectively. In addition, oil exports accounted for 68.7 per cent., 76.6 per cent. and 78.7 per cent. of the Kingdom’s total exports by value in 2020, 2019 and 2018, respectively and oil revenues accounted for 52.8 per cent., 64.1 per cent. and 67.5 per cent. of total Government revenue in 2020, 2019 and 2018, respectively.

International oil prices have fluctuated significantly over the past two decades, and may remain volatile in the future. For example, in 2018 and 2019 the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the Organisation of the Petroleum Exporting Countries ("OPEC") countries) was U.S.$69.78 and U.S.$64.04, respectively. In 2020, the yearly average OPEC Reference Basket price was U.S.$41.47, reflecting a sharp drop in April 2020 (driven by OPEC actions and significantly reduced demand as a result of coronavirus disease 2019 ("COVID-19") and a slow recovery throughout the remainder of the year. In 2021, the monthly average OPEC Reference Basket price has generally trended upwards, increasing from U.S.$64.56 in January 2021 to U.S.$73.53 in July 2021. The price per barrel of Arabian Light Crude Oil (which is produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also generally moved in line with these trends.

In 2020, both NCB and Samba increased their net impairment charges for expected credit losses, principally reflecting the impact of, and ongoing uncertainty associated with, COVID-19. For example, the aggregate impact of various COVID-19 related adjustments made by NCB contributed an additional expected credit loss ("ECL") of SAR 884 million during the year 2020. In Samba’s case, in 2020 it charged an amount of SAR 1,400 million to the statement of consolidated income on account of provision for credit impairment which was net of recoveries of amounts previously provided and net of direct write-offs. This charge was 26.8 per cent. higher than the SAR 1,103 million charged in 2019.

The impact of COVID-19 on the Kingdom’s economy has had, and may continue to have, an adverse effect on the Group’s credit risk profile. The Group conducts regular stress tests of its customer financing portfolio under scenarios of differing severity in order to identify key vulnerabilities and to measure resultant impacts on asset quality and performance. However, these stress-testing activities do not provide assurance against impacts that may be realised through external shocks and customer defaults may nevertheless occur. The occurrence of these events and a material increase in loan losses could have a material adverse effect on the Group, in particular through increases in the Group’s non-performing financing and advances ("NPFAs"), increased loan loss provisions, which could negatively impact the Group’s profitability, and reduced demand for loans and other banking services.
In addition, any sustained downturn in oil prices in the future could substantially slow down or disrupt the Kingdom’s economy, and the banking sector in particular, which could in turn have an adverse impact on the Group and the market price of the Notes (see “—The Kingdom’s economy remains dependent on its oil revenue”).

**COVID-19 adversely impacted the two banks that merged to form the Group and may continue to adversely impact the Group**

COVID-19 was first identified in China at the end of 2019. COVID-19 spread rapidly and was declared by the World Health Organisation to be a global pandemic in March 2020.

In response to COVID-19, governments around the world (including in the Kingdom) imposed restrictions on travel and on the freedom of movement of people. These measures significantly reduced economic activity in many countries in 2020 and into 2021. Restrictive measures continue to different degrees in different countries and the ongoing and longer-term social, economic and political consequences of COVID-19 on global and regional economies are still largely uncertain. In addition, while the Kingdom has administered enough vaccinations to fully vaccinate 66.7 per cent. of the population according to Reuters on 2 November 2021, how the vaccination drive will continue to progress in the Kingdom is unclear and difficult to predict.

In its April 2021 World Economic Outlook Growth Projections, the International Monetary Fund (the “IMF”) estimated that global real GDP had declined by 3.3 per cent. in 2020 and that real GDP in the Kingdom had declined by 4.1 per cent.

Principally in response to the impact of COVID-19, NCB increased its net impairment charge for expected credit losses by SAR 531 million, or 37.4 per cent., in 2020 compared to 2019 and Samba increased its provision for credit impairment, net of recoveries, by SAR 297 million, or 26.9 per cent., in 2020 compared to 2019. In the three months ended 31 March 2021, NCB reduced its net impairment charge for expected credit losses by SAR 116 million, or 29.4 per cent., compared to the corresponding period in 2020.

Given the inability to predict the duration of the current precautionary and preventive measures undertaken by Kingdom authorities to prevent the spread of the COVID-19 pandemic, it is difficult for the Group to determine the size and extent of the overall financial impact at this stage. The Group is cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This includes reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating the restructuring of loans, where required. The Group has also revised certain inputs and assumptions used for the determination of ECLs. In addition, the Group has conducted additional stress tests, considered additional risk management practices and commenced a review of credit exposure concentrations to manage potential business disruption due to the COVID-19 pandemic.

However, the COVID-19 pandemic and its effects may last for an extended period of time, and could 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 among other outcomes. 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 in 2021, there could be an adverse impact on the Group’s financial assets. There could also be an 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 addition, lower interest rates globally could negatively impact the Group’s net interest income.

The Group operates in a region that is subject to ongoing political and security concerns

The MENA region is subject to a number of geopolitical and security risks. Since 2011 there has been significant political and social unrest in a number of countries in the MENA region, including Tunisia, Algeria, Egypt, Libya, Bahrain, Kuwait, Lebanon, Jordan, Iraq, Yemen and Syria. This unrest has ranged from public demonstrations to armed conflict, civil war, foreign military intervention and the overthrow of existing leadership.

In addition, in March 2015, a coalition of countries, led by the Kingdom and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. The conflict in Yemen has not yet been fully resolved and military operations continue at a reduced scale. The Kingdom has been targeted on several occasions by ballistic missiles fired by the Al-Houthi rebels in Yemen since 2017, and, while the majority of these missile attacks were successfully intercepted by the Kingdom’s defence systems, there can be no assurance that the conflict in Yemen will not continue or re-escalate. Additionally, in September 2019, the Abqaiq processing facility and the Khurais oil field in the Kingdom were damaged in a major act of sabotage which resulted in the temporary interruption of the Kingdom’s oil and gas production. The Al-Houthi rebels claimed responsibility for the act of sabotage, although this claim has not been verified and has been disputed.

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, apparent drone attacks on the Abqaiq processing facility and the Khurais oil field in September 2019, an explosion caused by a projectile which resulted in a fire in a fuel tank at a Saudi Aramco petroleum products distribution terminal in the north of Jeddah in November 2020 and, in March 2021, a drone attack on a Saudi Aramco refinery in Riyadh.

In May 2018, the United States announced its withdrawal from the Joint Comprehensive Plan of Action between the United Nations Security Council’s five permanent members plus Germany and Iran that was reached in July 2015, reinstating primary U.S. sanctions on the Iranian regime. In January 2020, the United States carried out a military strike which killed a senior Iranian military commander, leading to retaliatory Iranian strikes at a US base in Iraq. Any continuation of or increase in international or regional tensions regarding Iran, including further attacks on or seizures of oil tankers which disrupt international trade, any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including the Kingdom and its ability to export oil.

These situations have caused significant disruption to the economies of the affected countries, have given rise to increased political uncertainty across the MENA region and have had a destabilising effect on oil and gas prices. There is no certainty that extremists or terrorist groups will not escalate violent activities in the MENA region, or that any currently stable governments in the MENA region will be successful in maintaining the prevailing levels of domestic order and stability. As it is not generally possible to predict the occurrence or impact of events or circumstances, such as war, hostilities or diplomatic rifts, no assurance can be given that the Bank would be able to sustain the profitable operation of its business if adverse political events or circumstances impacting the MENA region were to occur.

Investors should also note that the Group’s business and financial performance could be adversely affected by political, economic or related developments outside the MENA region because of inter-relationships within the global financial markets. Moreover, there is no certainty that the governments of the countries to which the
Group is particularly exposed will not implement restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates and new legal interpretations of existing regulations, any of which could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

The Group also has significant operations in Turkey, through its 67.03 per cent. shareholding in Türkiye Finans Katılım Bankası A.Ş. (“TFKB”) as at 30 September 2021, and in Pakistan through its 84.51 per cent. shareholding in Samba Bank Limited (“SBL”) as at 30 September 2021 (see “Business Description of the Bank—International”). As a result, the Group’s operating results and growth are and will continue to be affected to a certain extent by financial, political and economic developments in or affecting Turkey and Pakistan. Both countries have from time to time experienced volatile political, economic and social conditions in the past and may continue to do so in the future. Any prolonged or deepened political instability or worsening of economic conditions may adversely affect Turkey’s or Pakistan’s economy which in turn could adversely affect the Group’s business, results of operations, financial condition or prospects.

The Group may incur higher than expected costs related to the merger and the anticipated revenue and cost synergies may not be as high as expected

On 1 April 2021, NCB and Samba merged. The Group has incurred and expects to continue to incur legal, accounting, financing and transaction fees and other costs (including integration costs that were anticipated to be approximately SAR 1.1 billion at the time of the merger) related to the merger. Some of these costs may be higher than anticipated, for example if the steps required to integrate the two banks prove to be more complex than expected.

The Bank believes that the merger will achieve significant cost savings for the Group. While the Bank believes that the synergies of the merger have been reasonably estimated, unanticipated events, integration challenges, liabilities, tax impacts or unknown pre-existing issues may arise or become apparent which could result in the merger being more complex, time-consuming and/or costly than anticipated, the costs of integration being higher than the realisable benefits and/or the synergies being lower than expected.

Although the Bank believes that the elimination of duplicative costs, as well as the realisation of other efficiencies related to the integration of the businesses, will more than offset these integration costs (as well as the other costs related to the merger), this net benefit may not be achieved within the expected timetable or at all. In addition, some of these costs could be higher than anticipated, which could reduce the net benefits of the merger and adversely affect the Group’s business, results of operations, financial condition and prospects.

In addition, other risks associated with the merger include the fact that some of Samba’s agreements (for example, agreements related to loans, debt instruments, IT systems and electronic payments) provide its counterparties with the right to terminate the agreements, demand prepayment or claim monetary amounts as a result of the merger. To the extent any such agreements are terminated, this may have an adverse effect on the Bank. In addition, the ongoing integration process is likely to lead to an enhanced level of operational risk, including in relation to fraud, operational errors and clerical and record-keeping errors and any increase in staff turnover as a result of the merger is likely to lead to higher end of service payments, which may also adversely affect the Bank and its results of operations.

The Group has only six months’ operating history in its current form

On 25 October 2021, the Group published its unaudited interim condensed consolidated financial statements as at, and for the nine-month period ended, 30 September 2021. Although the SNB September 2021 Interim Financial Statements include nine months’ income statement and cash flow information, the first three of those months relate only to NCB which makes the information provided difficult to assess in relation to the Group and which also cannot be meaningfully compared against the comparative information for the nine-month period ended 30 September 2020 as that related entirely to NCB.
Reflecting the fact that the merger was effective on 1 April 2021, the SNB September 2021 Interim Financial Statements are the only available source of financial information in relation to the Group, which means that it is also not possible to provide meaningful historical comparisons for financial data relating to the Group that has been included in this Offering Circular as at, and for the nine or three months ended 30 September 2021. Although past performance is not necessarily an accurate indicator of future performance, the absence of historical financial data relating to the Group makes it more difficult to assess the Group’s future 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

Credit risk 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 risk could also arise from a general deterioration in local or global economic conditions, or from systemic risks within the financial systems in which the Group operates. In particular, the Group is exposed to the risk that its counterparties 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
- require an increase in the Group’s provisions for the impairment of loans, securities and other credit exposures.

As at 30 September 2021, the Group’s total financing and advances to customers (its “customer financing portfolio”) amounted to SAR 503,696 million, its NPFAs amounted to SAR 8,084 million and its ECL in respect of its financing and advances (its “ECL allowance”) amounted to SAR 10,871 million.

The Group’s non-performing financing and advances coverage ratio (calculated by dividing its ECL allowance by its NPFAs) was 134 per cent. as at 30 September 2021. The Group’s non-performing financing and advances ratio (calculated by dividing its NPFAs by its customer financing portfolio) was 1.58 per cent. as at 30 September 2021.

The Group calculates its ECL in accordance with IFRS 9 rules and guidelines to cover bad and doubtful debts and impaired investments and the Group’s portfolio and credit exposures are managed in accordance with the relevant credit policy and customer lending classifications set by the Saudi Central Bank (“SAMA”). However, as a result of adverse economic and political developments in recent years (including the impact of COVID-19 since early 2020), adverse changes in consumer confidence levels, reduced consumer spending, volatile liquidity levels and increased bankruptcy rates, among other factors, the ability of certain of the Group’s customers and counterparties to repay their loans or other obligations has been, and may continue to be, adversely affected.

If the Group experiences a higher level of customer defaults and its provisions prove to be inadequate for any reason, including because of a further economic downturn or a significant failure of its credit risk management policies and procedures, this could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

In addition, the merger has increased the level of the Group’s credit risk and its enlarged customer financing portfolio will require regular monitoring by management. Any failure by the Group to maintain the quality of its financing and advances through effective risk management policies could lead to higher loan loss provisioning and higher levels of defaults and write-offs which, in turn, would be likely to reduce the Group’s profitability.
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 customer financing portfolio, investment securities portfolio and customers’ deposits are concentrated in Saudi Arabia

The Group’s customer financing portfolio and investment securities portfolio are geographically concentrated in the Kingdom. Based on management financial information, these portfolios together aggregated SAR 739,479 million, or 82.0 per cent. of the Group’s total assets, as at 30 September 2021. As at 30 September 2021, a significant portion of the Group’s customer financing portfolio and 73.0 per cent. of its investment securities portfolio were based in Saudi Arabia.

The Group’s customer deposits aggregated SAR 589,190 million, or 79.4 per cent. of its total liabilities, as at 30 September 2021. These deposits are principally sourced in Saudi Arabia.

Accordingly, any deterioration in general economic conditions in the Kingdom or any failure by the Group to effectively manage its geographic 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’s operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in the Saudi Arabia” and “—The Group operates in a region that is subject to ongoing political and security concerns”.

The Group has significant customer and sector concentrations

The Group’s customer financing portfolio is concentrated in a small number of industry sectors, including financing and advances to the manufacturing sector, the commerce sector, the building and construction sector, the electricity, water and gas sector, and the health services sector. In addition, consumer loans and credit card advances accounted for a significant portion of the Group’s customer financing portfolio as at the same date.

Within its customer financing and investment securities portfolios, the Group’s exposure to the Government and quasi-Government entities accounts for a certain portion of the customer financing portfolio. The financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. The Group is therefore exposed to shifts in Government spending and policy and the impact of such shifts on the level of economic activity in the Kingdom and in turn, on the Group’s Government-related customers, over which it has no control. The Group’s failure to adequately foresee and assess any such shifts may have an adverse effect on its business, results of operations, financial condition and prospects.

As a result, a material weakening in the credit quality of, or a default by, any one or more of the Group’s large financing counterparties or issuers of debt securities, or any factors which negatively impact any of the sectors to which the Group has significant exposure, could result in the Group having to make significant additional ECL provisions and experiencing reduced special commission income. Sector specific factors might include:

- a significant decline in real estate values or a sustained downturn in the construction industry, which could weaken the credit quality of the Group’s building and construction borrowers and could also reduce the value of the real estate collateral which the Group holds;
falling oil and gas prices which could reduce the liquidity of the Group’s Government and quasi-Government borrowers, particularly those that operate in the oil and gas sector or provide products and services to that sector; and

- low levels of economic growth or a recession in Saudi Arabia which, particularly if coupled with increased levels of unemployment or other factors constraining consumer income, could materially adversely impact the ability of the Group’s retail customers to repay their financing.

The Group also has a high concentration of customers’ deposits from large institutional depositors. The withdrawal or non-renewal of the Group’s customers’ deposits by any one or more of its material depositors (including Government-related depositors) could require the Group to obtain replacement funding from other sources 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. See “The Group is subject to the risk that liquidity may not always be readily available.”

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 accounted for off 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 30 September 2021, the Group had SAR 92,765 million in contingent liabilities and commitments outstanding, equal to 15.6 per cent. of its combined customer financing portfolio and contingent liabilities.

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 needing 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 the soundness or the perceived soundness of other financial institutions and counterparties

Given the high level of interdependence between financial institutions that became most evident during the global financial crisis of 2008 to 2010, the Group is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Group or other institutions. This risk, often referred to as “systemic risk”, may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Group interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on the Group’s ability to raise new funding and on its business generally.

The Group is subject to the risk that liquidity may not always be readily available

The Group is exposed to the risk that it will be unable to meet its obligations, including funding commitments, as they become due as a result of 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 perception of counterparty risk between banks has also increased significantly since the final quarter of 2008, which has led at times to reductions in certain traditional sources of liquidity, such as the fixed income securities markets, asset sales and redemption of investments. The Group’s access to these traditional sources of liquidity may be restricted or available only at a higher cost and there can be no assurance that the Government will provide any support to the Saudi Arabian banking sector in the future. See “—There are no third-party guarantees or other assurances of Government support.”

In addition, uncertainty or volatility in the capital and credit markets may limit the Group’s ability to refinance maturing liabilities with long-term funding or may increase the cost to the Group of such funding. The Group’s access to any additional financing it may need will depend on a variety of factors, including market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and the Group’s financial condition, credit ratings and credit capacity.

The Group meets a significant portion of its funding requirements through short-term funding sources, primarily in the form of customers’ deposits. In the past, such customers’ deposits have been a stable source of funding; however, the availability of customers’ deposits is subject to fluctuation due to factors outside the Group’s control, including possible loss of consumer confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause the Group to increase the return paid on its deposits to ensure that it retains sufficient deposits. As at 30 September 2021, 79.5 per cent. of the Group’s deposits did not have a fixed maturity although, as is typical in the Saudi Arabian banking industry, these deposits have generally proved to be sticky in nature and a stable source of funding based on historical behaviour analysis. Nevertheless, they are effectively repayable on demand. The Group may experience outflows of deposits at times when liquidity is constrained generally in Saudi Arabia or when its major depositors experience short- or longer-term liquidity requirements. Particularly if international oil and gas prices fall significantly, the Group’s large depositors (including the Government and quasi-Governmental depositors) may start to withdraw part or even all of their deposits with it.

In addition, the Group’s deposits are geographically concentrated and the Group is reliant on certain large deposits from a limited group of customers. See “—The Group’s customer financing portfolio, investment securities portfolio and customers’ deposits are concentrated in Saudi Arabia” and “—The Group has significant customer and sector concentrations”.

If a substantial portion of the Group’s depositors, or any of its largest depositors, fail to roll over short-term time deposits upon maturity or withdraw their demand deposits, the Group’s liquidity and financial position could be adversely affected and it may be required to seek other sources of funding from more expensive sources or may have to sell, or enter into sale and repurchase or securitisation transactions over, certain of its assets to meet its funding requirements. No assurance can be given that the Group will be able to obtain additional funding as and when required or at prices that will not affect its ability to compete effectively and, if the Group is forced to sell assets to meet its funding requirements, it may suffer material losses as a result.
In extreme cases, if the Group is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets or through asset sales, this could have a material adverse effect on its business generally and could, potentially, result in its insolvency.

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 profit income. In particular, the Group provides personal financing and real estate financing on a fixed profit rate basis over the term of the advance (which, as at 30 September 2021, was for an average of 55 months for personal finance and 240 months for real estate finance). The Group’s funding, particularly its short-term funding (see “—The Group is subject to the risk that liquidity may not always be readily available.”) 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.

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.

The Group enters into derivative transactions, such as commission rate and currency swaps, forward and future contracts and options, as part of its ordinary customer business, in order to enable them to manage, modify or reduce current and future risks and to take advantage of price differentials or anticipated market movements. As at 30 September 2021, these derivative contracts had a notional amount of SAR 648,332 million and a net negative fair value of SAR 276 million. There is no assurance that the Group’s derivative contracts will be successful in mitigating its interest rate and foreign exchange rate exposures or that the Group will not experience significant losses on its derivatives contracts from time to time.

Adverse movements in interest and foreign exchange rates may also adversely impact the revenues and financial condition of the Group’s depositors, borrowers and other counterparties which, in turn, may impact the Group’s deposit base and the quality of its credit exposures to certain borrowers and other counterparties. Ultimately,
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’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. This risk may be enhanced during the integration period following the merger as the two merged banks’ different risk management systems are aligned. 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 exposed to operational risk which could result in damage to its reputation as well as financial losses**

The Group is exposed to a wide range of operational risks, including those arising from external events and natural disasters or from process error (including failure to document transactions properly or to obtain proper internal authorisation), fraud, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failure (including in particular information technology ("IT") related failures), inadequate customer services protocols, inadequate employee skills and performance, poor product development and maintenance, unauthorised activities and inadequate security and physical protection. Although the Group has implemented risk controls and loss mitigation strategies, and has devoted (and continues to devote) substantial resources to developing efficient procedures and to employee training, it is not possible to eliminate entirely each of the potential operational risks that the Group faces. Any losses arising from the materialisation of such risks may have a material adverse effect on the Group’s business, results of operations, financial condition or prospects.

The Group’s employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients’ funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. There can be no assurance that measures
undertaken to combat these types of misconduct will be successful. Any such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients, co-investors or other business partners who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group’s reputation.

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

The Group depends on its IT systems to process a large number of 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 IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group’s business and ability to compete effectively. The Group’s business activities would be materially disrupted if there is a partial or complete failure of any of the IT systems or communications networks. Such failures can be caused by a variety of factors some of which are outside the Group’s control, including natural disasters, extended power outages, computer viruses and other external electronic attacks as discussed under “—The Group’s business is dependent on its IT systems which are subject to potential cyber-attack”. The proper functioning of the Group’s IT 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. There can be no assurance that the Group’s IT safeguards will be fully effective in the event of a disaster or that they will protect the Group from all losses that could occur.

**The Group’s business is dependent on its IT systems which are subject to potential cyber-attack**

In particular, in common with other financial institutions based in Saudi Arabia, the wider GCC and globally, the threat to the security of the Group’s information and customer data from security breaches and cyber-attacks presents a real and growing risk to the Group’s business. Activists, rogue states and cyber criminals are amongst those targeting IT systems around the world. Risks to technology and cyber-security evolve and change rapidly and require continued focus, monitoring and investment in preventative measures. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. A failure to adequately manage cyber-security risk and continually monitor, review and update current processes in response to new threats could have a number of adverse effects on the Group, including disruption to its business, unauthorised disclosure of confidential information, significant financial and/or legal exposure and damage to its reputation.

**The Group may face difficulties raising capital**

As at 30 September 2021, the Group’s tier 1 capital adequacy ratio (calculated according to Basel III standards for Pillar 1) was 18.2 per cent. and its total capital adequacy ratio was 19.1 per cent. The Group has been designated as a domestically systemic important bank (“D-SIB”) with an additional common equity tier 1 D-SIB surcharge of 1.5 per cent. Accordingly, the Group’s total minimum Pillar 1-based capital requirement as at 30 September 2021 was 12.26 per cent., which also included a capital conservation buffer of 2.5 per cent. and a countercyclical capital buffer of 0.26 per cent.

The Group is subject to the risk of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under Basel III, 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 2021 and beyond would be likely to reduce the Group’s capital adequacy ratios and any losses experienced by it in future periods would likely 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 on Banking Supervision. 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 this capital on favourable terms, in a timely manner or at all. Moreover, should its 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, results of operations, financial condition or prospects.

The Group is a highly regulated entity 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

Each of the Bank and its subsidiaries (including SNB Capital Company (“SNB Capital”), TFKB and SBL) 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 on 11 December 2020 which came into effect in June 2021 (the “SIFI Law”) provides for the relevant regulator to determine whether a financial institution such as the Bank should be deemed to be systemically important. As such, the Bank has been determined by SAMA to be a systemically important financial institution. 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. The SIFI Law gives the relevant regulator 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, which include Saudi Arabian, Turkish and Pakistani laws and regulations, as applicable, may limit the activities of the Bank and its subsidiaries and increase their cost of doing business. Changes in these laws and regulations (such as those pursuant to Basel III) 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 addition, a breach of regulatory guidelines could expose the Bank and/or its subsidiaries to potential liabilities, sanctions and reputational damage. Although the Group works closely with its regulators and, in particular, continually monitors compliance with SAMA and the CMA regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

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, Turkey and Pakistan, 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 Bank’s ability to comply with all such applicable laws and rules is driven by the robustness of its IT, 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 Bank or any of its subsidiaries 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 Bank faces increasing competition which may negatively impact its results of operations
All sectors of the market for financial and banking services in Saudi Arabia are highly competitive. Based on SAMA’s website, there are 26 commercial banks operating in Saudi Arabia, of which 11 are local banks incorporated in Saudi Arabia. The remaining 15 are branches of foreign banks licenced to operate in the Saudi Arabia.

The Bank faces intensifying competition in the Kingdom both from new entrants to the market and from existing competitors, which may increase pressure on the Bank to improve the range and sophistication of its products and services currently offered. Competition in its key areas of operation, among other things, may limit the Bank’s ability to grow its business, increase its client base and expand its operations and/or reduce or reverse its asset growth rate and profit margins on the services it provides. If the Bank experiences increasing margin pressure and rising operating expenses as the banking sector in the Kingdom develops and/or the Bank is not able to compete effectively against its competitors and/or the Bank incurs significant additional costs as it seeks to compete effectively, these factors could have a material adverse effect on the Group’s business, results of operations, financial condition or prospects.

There are no third-party guarantees or other assurances of Government support
Although the Government indirectly owned 50.44 per cent. of the Bank’s shares as at 30 September 2021 through the Public Investment Fund (the “PIF”) (the sovereign wealth fund of Saudi Arabia) and the General Organisation for Social Insurance (the “GOSI”), investors should be aware that no guarantee (implicit or explicit) has been given in relation to the financial obligations of the Bank (including in respect of the Notes) by the Government, the shareholders of the Bank or any other person. Further, despite the significant Government shareholding in the Bank and notwithstanding the Bank’s status as a D-SIB, there can be no assurance that Government support will be available to the Bank in the event of any future crisis or economic disruption in the Kingdom’s banking sector. Neither the Government nor any of its related entities are under any obligation to continue to invest in, make customers’ deposits with, do business with or otherwise support the Bank.

The Bank is controlled by certain principal shareholders whose interests may not be aligned with the interests of Noteholders
The Bank’s principal shareholders, the PIF and the GOSI, together held 50.44 per cent. of the Bank’s shares as at 30 September 2021, giving the Government an indirect majority shareholding in the Bank. As a result, the Bank’s principal shareholders, acting together or with other shareholders, have the ability to significantly influence the Bank’s business through their ability to control decisions and actions that require shareholder approval. Accordingly, the Government could cause the Bank to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement the policy of the
Government. If circumstances were to arise where the interests of the Bank’s principal shareholders conflict with the interests of the Bank’s creditors (including the Noteholders), the Noteholders may be disadvantaged by any such conflict.

**The Group’s accounting principles and policies are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain**

Accounting principles and policies are fundamental to how the Group records and reports its financial position and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies so that they comply with IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) endorsed in the Kingdom and with the other standards and pronouncements that are endorsed by SOCPA.

Management has identified certain accounting policies in the notes to its financial statements as being significant because they require management’s judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. These are described in note 3 to the audited annual financial statements of NCB for the year ended 31 December 2020. See also note 2.5 to the unaudited interim condensed consolidated financial statements of SNB for the nine-month period ended 31 September 2021.

A variety of factors could affect the ultimate value that is obtained either when recognising income or expenses, recovering an asset or reducing a liability. The Group has established policies and control procedures that are intended to ensure that its accounting judgments and estimates are monitored and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Group’s judgments and the estimates pertaining to these matters, no assurance can be given that the Group will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

The merger has been accounted for using the acquisition method under IFRS 3 “Business Combinations” with SNB being the acquirer and Samba being the acquiree. As required by IFRS 3, the Group is in the process of allocating the purchase consideration to the identifiable assets and liabilities. A provisional purchase price allocation has been included in the SNB September 2021 Interim Financial Statements. Subsequent adjustments during the measurement period will occur as the Group completes its estimation of fair values of assets acquired and liabilities assumed. The accounting for the fair value of the acquired Samba financial assets and liabilities is provisional due to the inherent complexity and judgement associated with identifying intangible assets, and determining the fair value of identified intangible assets and on-balance sheet items. Any adjustments to the provisional purchase price allocation will be finalised within 12 months of the date of the merger, as allowed by IFRS 3.

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

The Group’s continued success will depend, in part, on its ability to continue to attract, retain and motivate suitably qualified and experienced personnel. 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.

Furthermore, the Government has introduced a number of initiatives, which require private sector entities to employ a certain proportion of Kingdom nationals among their employees. As at 30 September 2021, the Bank’s Saudisation level was 98.8 per cent., and the Bank strives to encourage and increase the employment of young Kingdom nationals. However, if further changes are implemented to the Government’s Saudisation policies (for example, through the Fiscal Balance Program 2020), such changes may adversely affect the Bank’s ability to recruit foreign employees in the future.

Any failure by the Group to manage its personnel needs successfully, including retaining key members of its senior management team and/or recruiting new qualified personnel at a pace consistent with its growth, could impede the implementation of the Group’s strategy, hinder the growth of its business and have a material adverse effect on its business, results of operations, financial condition or prospects.

The Group is exposed to reputational risks related to its operations and industry and its reputation may also 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 the Bank’s independent Shariah Supervisory Board (the “Shariah Board”). In doing so, each member of the Shariah Board 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 Shari’a compliance of Shariah 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, results of operations, financial condition or prospects.

A negative change in the Bank’s credit ratings could adversely affect the Group’s ability to access the debt capital markets and may increase its borrowing costs

The Bank’s credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining the Group’s cost of borrowings.

The Bank’s long-term corporate ratings were assessed “A-” with a stable outlook by Standard & Poor’s on 30 September 2021, “A-” with a stable outlook by Fitch on 30 September 2021, “A1” with a stable outlook by Moody’s on 9 November 2021 and “A+” with a negative outlook by Capital Intelligence on 30 September 2021. A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.
There can be no assurance that any of the Bank’s ratings will remain the same in the future. Any actual or anticipated changes in the Bank’s credit ratings may affect the market value of the Notes. A downgrade of the Bank’s credit ratings (or a negative change of outlook) may increase the Group’s cost of borrowing and may also limit the Bank’s or any of its subsidiaries’ ability to raise capital and funding, each of which could adversely affect the Group’s business, results of operations, financial condition and prospects.

According to each of Moody’s and Capital Intelligence, the Bank’s ratings depend on Saudi Arabia’s sovereign ratings and the potential weakening of Saudi Arabia’s capacity to provide support to the Bank.

For example, Standard & Poor’s notes that a downgrade of the Bank’s rating could occur if Standard & Poor’s were to lower its Saudi Arabia rating and this was coupled with a significant decline in the Bank’s capitalisation or asset quality. Moody’s and Fitch also note that a sovereign downgrade could result in downward pressure on the Bank’s rating. Saudi Arabia has been assigned the following credit ratings: A1 (stable outlook) by Moody’s, A (stable outlook) by Fitch and A- (stable outlook) by Standard & Poor’s. As a result, if any of the Bank’s rating agents were to reduce their ratings, or change the outlook of their ratings, on Saudi Arabia, this could also result in the relevant rating agent lowering its rating, or changing the outlook of its rating, on the Bank. Any event that causes these or any other applicable rating agency in the future to adjust this view would be likely to result in a negative change in the Bank’s rating. See “—There are no third-party guarantees or other assurances of Government support”.

Risks Relating To The Economic, Political And Regulatory Environment In The Kingdom

The Kingdom’s economy remains dependent on its oil revenue

Saudi Arabia’s economy remains dependent upon oil revenue. According to OPEC data, global proven crude oil reserves stood at 1,549 billion barrels at the end of 2020, compared to 1,546 billion barrels recorded at the end of 2019 and 1,495 billion barrels recorded at the end of 2018. Proven crude oil reserves in OPEC member countries was 1,237 billion barrels at the end of 2020 compared to 1,233 billion barrels at the end of 2019 and 1,183 billion barrels at the end of 2018. At the end of 2020, global proven natural gas reserves were 206.7 billion standard cubic metres compared to 207.6 billion standard cubic metres at the end of 2019 and 203.0 billion standard cubic metres at the end of 2018. Proven natural gas reserves in OPEC member countries stood at 73.7 billion standard cubic metres at the end of 2020 compared to 74.8 billion standard cubic metres at the end of 2019 and 72.7 billion standard cubic metres at the end of 2018.

As oil is the Kingdom’s main 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 fluctuated significantly over the past two decades. During the second half of 2008, world oil prices fell approximately 76 per cent., as the OPEC Reference Basket price collapsed from its peak level of U.S.$140 that it had reached in July 2008 to approximately U.S.$33 on 24 December 2008. In the following years, oil prices gradually rose and by 2013, the price of the OPEC Reference Basket recorded an annual average of U.S.$105.87 per barrel. Thereafter, international oil prices witnessed a significant decline from mid-2014, with the OPEC Reference Basket price declining from a monthly average of U.S.$107.89 in June 2014 to a monthly average of U.S.$26.50 in January 2016, before partially recovering to a monthly average of U.S.$77.18 per barrel in September 2018. Oil prices have continued to be volatile in recent years, with the annual OPEC Reference Basket price averaging U.S.$64.04 for 2019 and U.S.$41.47 for 2020 (when it was significantly impacted by COVID-19 as discussed below). 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 generally moved in line with these trends.

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.

On 6 March 2020, OPEC members and certain non-OPEC oil producing countries participating in the Declaration of Cooperation, including Russia, failed to reach an agreement to extend the voluntary crude oil production adjustments due to expire on 31 March 2020. Subsequently, the Kingdom adjusted its crude oil export prices and increased its crude oil sale allocations for April 2020. The Government also instructed Saudi Aramco to evaluate its requirements and increase its maximum sustained daily production capacity from 12 million barrels to 13 million barrels.

These events, combined with the global challenges posed by the COVID-19 pandemic, caused a sharp drop in oil prices. The OPEC Reference Basket price reached U.S.$34.71 per barrel on 9 March 2020 and had further fallen to U.S.$16.85 per barrel by 1 April 2020, compared to a monthly average of U.S.$66.48 per barrel in December 2019. In mid-April 2021, the countries participating in the Declaration of Cooperation agreed to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. These measures, together with the gradual easing of restrictions on travel imposed around the world to combat the COVID-19 pandemic, helped prices to generally recover in 2020 and into 2021, with the monthly average OPEC Reference Basket price being U.S.$73.89 in September 2021. Factors that may affect the price of oil include, but are not limited to:

(i) economic and political developments in oil-producing regions, particularly in the Middle East;

(ii) global and regional supply and demand, and expectations regarding future supply and demand, for oil products;

(iii) the ability of members of OPEC and other crude oil-producing nations to agree upon and maintain specified global production levels and prices;

(iv) the impact of international environmental regulations designed to reduce carbon emissions;

(v) other actions taken by major crude oil-producing or consuming countries;

(vi) prices and availability of alternative fuels and new technologies using alternative fuels;

(vii) the impact of COVID-19 or other pandemic diseases; and

(viii) 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 give rise to significant budget deficits and a reduction 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 and results of operations.

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

In recent years the Government has invested heavily in diversifying the Kingdom’s economy to reduce its reliance on oil revenues. Measures taken include the National Transformation Program 2020 and Saudi Vision
Through the 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 the 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. The implementation of these and other similar measures, in whole or in part, may have a disruptive effect and consequently may have an adverse effect on the Kingdom’s economic and financial condition.

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 Programmes (a series of programmes which aim to achieve the strategic objectives of the 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. Any failure to diversify the Kingdom’s economy may result in its 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.

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 Saudi Arabia’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.

The Kingdom’s 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 “Kingdom 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 Kingdom Courts, decisions of the Kingdom 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 Kingdom 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 other GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in the Kingdom and the other GCC countries 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, results of operations, financial condition or prospects.

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

The Bank falls under the supervision of SAMA, which regulates the banking sector in the Kingdom. The Bank 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 Bank can engage in specific businesses, as well as changes to other governmental policies. The Bank cannot provide any assurance that such changes will not adversely affect the Group’s business, results of operations, financial condition 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, results of operations, financial condition or prospects.

The Bank is subject to labour force regulations in the Kingdom and any failure to comply with those regulations could have a material adverse effect on the Group

Companies in the Kingdom are in general required by the Ministry of Human Resources and Social Development to ensure that a certain percentage of their staff are Saudi nationals. The Bank aims to recruit, train and retain Saudi nationals to comply with the relevant regulations, although, in common with other corporate entities in the Kingdom, the Bank experiences competition for, and may occasionally find it difficult to recruit and retain, qualified Saudi nationals. Failing to achieve the stipulated percentage could cause the Bank to be questioned by the Ministry of Human Resources and Social Development for non-compliance with these requirements which could, in turn, have an adverse effect on the Bank’s reputation.

In addition, in recent years, the Kingdom has tightened controls on the employment of foreign workers, required increased localisation of the operations of foreign investors in the Kingdom and introduced amendments to labour laws. There is no guarantee that those changes will not have an impact on the Bank’s customers in general, or customers in a particular segment of business, including, in particular, the construction and contracting business, which comprises a significant proportion of the Group’s credit exposure. If any changes in the Kingdom’s labour laws negatively affect the Group’s borrowers, this could reduce the ability of those borrowers to meet their payment obligations to the Group. The occurrence of any such effect with respect to a major borrower, or a group of borrowers, could have a substantial negative effect on the Group.

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. In addition to the potential impact due to COVID-19, lower oil
prices in 2020 have 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 customers’ deposits, and 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 in the Kingdom will have an adverse impact on the Group’s own growth and, in turn, on its business, results of operations, financial condition 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 riyal. The Saudi riyal has been pegged to the U.S. dollar since 1986. In addition, the following oil-producing GCC countries have their currencies pegged to the U.S. dollar: 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 U.S. dollar peg against the Azerbaijani manat.

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 following the 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 de-pegging or re-evaluation to the current exchange rate either in the Kingdom or across the wider region, particularly if the 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, results of operations, financial condition or prospects.

The statistical data contained in this 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 Offering Circular and actual results, and between statistics included in this Offering Circular and corresponding data previously published by or on behalf of the bodies listed above. Consequently, the statistical data contained in this Offering Circular should be treated with caution by prospective investors.
**Risks Relating to the Notes**

**There is no active trading market for the Notes**

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). There is no assurance that a secondary market for any Notes will develop or, if it does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of those Notes. A Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. Additionally, if the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the relevant Notes and the financial and other risks associated with an investment in the relevant Notes. An investor in Notes must be prepared to hold the relevant Notes for an indefinite period of time or until their maturity. 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 any such admission will enhance the liquidity of the Notes of the relevant Tranche. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

**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 would be obliged to increase the amounts payable in respect of any Notes due to any 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 Cayman Islands or Saudi Arabia 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. 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 a time 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. Potential investors should consider re-investment risk in light of other investments available at that time.

**Fixed/Floating Rate Notes**

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market and the market value of such Notes as the change of interest basis may produce a lower interest rate for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on these Notes and could affect the market value of an investment in the relevant Notes.

**Notes issued at a substantial discount or premium**

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for
more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Modification
The Conditions contain provisions for calling meetings (including by way of conference call or by use of a telephony or electronic platform or facility) of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting, Noteholders who did not sign the written resolution, Noteholders who do not participate in any electronic consent sought by the Issuer and including Noteholders who voted in a manner contrary to the majority.

Risks Relating to the Market Generally

Interest rate risks
Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks
The Issuer’s credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Notes. One or more independent credit rating agencies may assign credit ratings to the Guarantor, the Programme or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Offering Circular, and other factors that may affect the value of the Notes. In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. In each case, this is subject to (i) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (ii) transitional provisions that apply in certain circumstances. Furthermore, in the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.
If the status of the rating agency rating the Notes changes for the purpose of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

Limited information with respect to the credit rating agencies and ratings will be disclosed in the relevant Pricing Supplement. Certain information with respect to the credit rating agencies and ratings is set out on the cover page of this Offering Circular. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning credit rating agency at any time. Each rating should be evaluated independently of any other rating.

**Change of law**

The Conditions are based on English law in effect as at the date of this Offering Circular. 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 issuance of the relevant Notes nor whether any such change could adversely affect the ability of the Issuer or the Guarantor to make payments under the Notes.

**Investors in the Notes must rely on Euroclear and Clearstream, Luxembourg procedures**

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 Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes. Whilst 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 and their respective participants.

Whilst 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 and their respective participants to receive payments under the relevant Notes. The Issuer 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.

**The Notes may be subject to fluctuations in currency exchange rates**

The Issuer will pay principal and interest on the Notes in the relevant 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 government and monetary authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls, which could adversely affect an applicable exchange rate. The Issuer and the Guarantor have no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable
currencies. In recent years, exchange rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. However, fluctuations between currencies in the past are not necessarily indicative of fluctuations that may occur in the future. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease: (i) the Investor’s Currency-equivalent yield on the Notes; (ii) the Investor’s Currency-equivalent value of the principal payable on the Notes; and (iii) 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 well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. 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 such Note’s maturity.

**Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade**

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination 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 in respect of such holding (should definitive Notes be printed) and would need to purchase a face 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 such Notes in definitive form 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.

**The use of proceeds of any issue of Notes identified as Sustainable Notes in the relevant Pricing Supplement may not meet investor expectations or requirements or be suitable for an investor's investment criteria**

The Bank intends to use an amount at least equal to the net proceeds from each issue of Notes identified as Sustainable Notes in the relevant Pricing Supplement (the "equivalent amount") in achieving objectives set out in the Sustainable Finance Framework (as defined in "Use of proceeds" below). See "Use of proceeds".

The Bank will exercise its judgement and sole discretion in determining the businesses and projects that will be financed by the equivalent amount. If the use of the proceeds of Sustainable Notes is a factor in any potential investor's decision to invest in Sustainable Notes, that investor should carefully consider the disclosure in "Use of proceeds" and consult with its legal or other advisers before making an investment in Sustainable Notes. In particular, no assurance is given by the Bank, the Issuer, the Arrangers, the Dealers or any other person that the use of the equivalent amount for any Eligible Sustainable Projects (as defined in "Use of proceeds" below) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. In addition, the Sustainable Finance Framework is subject to change at any time without notice.
Furthermore, notwithstanding the Bank’s intention stated above, potential investors should be aware that the Bank has no contractual obligation to use the equivalent amount as stated in, or to provide the reports described in, “Use of proceeds”. Any failure by the Bank to use the equivalent amount as stated or to provide the reports will not constitute a dissolution event under Condition 13 (Dissolution Events) of the Notes with respect to Sustainable Notes but may affect the value and/or the trading price of Sustainable Notes and/or have adverse consequences for certain investors with portfolio mandates to invest in green assets.

The EU’s regulation on the establishment of a framework to facilitate sustainable investment (the "EU Taxonomy"), which is subject to a phased implementation, may provide some definition for such topics in the European Union. However, the full scope and applicability of the EU Taxonomy, as well as exactly when it will take effect, remains uncertain. Accordingly, no assurance is or can be given (whether by the Bank, the Issuer, the Arrangers, the Dealers or any other person) to investors that: (a) any projects or uses the subject of, or related to, any Eligible Sustainable Projects will meet any or all investor expectations regarding such "green" or other equivalently labelled performance objectives; (b) any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Sustainable Projects; or (c) the Sustainable Finance Framework will be aligned with the EU Taxonomy or any other present or future sustainability framework or guidelines.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green" or such other equivalent label and no assurance can be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not change significantly.

The Sustainable Finance Framework is intended to be aligned with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by the International Capital Markets Association from time to time (the "ICMA Principles"), which as at the date of this Offering Circular are the Green Bond Principles 2021 (https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/), the Social Bond Principles 2021 (https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf) and the Sustainability Bond Guidelines 2021 (https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf). The Bank has appointed S&P Global to assess its Sustainable Finance Framework and its alignment with the ICMA Principles, and to issue an opinion in respect thereof. This opinion will be published on the Bank’s website. None of the Bank, the Issuer, the Arrangers, the Dealers or any other person makes any representation or gives any assurance as to the Sustainable Finance Framework’s compliance or alignment with the ICMA Principles. Furthermore, none of the Sustainable Finance Framework, the ICMA Principles or any associated reports, verification assessments or the contents of the above websites are incorporated in or form part of this Offering Circular.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Bank) which may be made available in connection with the issue of Sustainable Notes (including, for the avoidance of doubt, the entry of the details of Eligible Sustainable Projects into the Sustainable Financing Register) and in particular with any of the businesses and projects funded with the equivalent amount to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Offering Circular. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Bank, the Issuer, the Arrangers or any other person to buy, sell or hold Sustainable Notes. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the
purpose of any investment in Sustainable Notes. The providers of such opinions and certifications are not currently subject to any specific regulatory or other regime or oversight.

If Sustainable Notes are at any time listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Issuer, the Arrangers, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from any Sustainable Notes. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Issuer, the Arrangers, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any Sustainable Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainable Notes concerned.

While it is the Bank's intention to apply the equivalent amount and obtain and publish the relevant reports and opinions in, or substantially in, the manner described in "Use of proceeds", there can be no assurance (whether by the Bank, the Issuer, the Arrangers, the Dealers or any other person) that the Bank will be able to do this. Nor can there be any assurance that any Eligible Sustainable Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Bank.

Any such event as described in the last sentence of the preceding paragraph or failure by the Bank to apply the equivalent amount for any Eligible Sustainable Projects or to obtain and publish any such reports and opinions, will not give rise to any claim in contract of a holder of Sustainable Notes against the Bank, the Issuer, any Manager or any other person. The withdrawal of any such report or opinion, or any report, assessment, opinion or certification attesting that the Bank is not complying in whole or in part with any matters for which that report, assessment, opinion or certification is reporting, assessing, opining or certifying, and/or Sustainable Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of Sustainable Notes concerned and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

The net proceeds of the issue of Sustainable Notes which, from time to time, are not earmarked towards Eligible Sustainable Projects are intended by the Bank to be invested in cash, cash equivalents and/or marketable securities, in accordance with the Group's cash management policies and excluding investments covered by the exclusions referenced in "Use of proceeds" below. While the Bank intends to place the net proceeds of the issue of any Sustainable Notes in a segregated account, there can be no assurance that the Sustainable Notes or the proceeds therefrom will not be used to absorb any and all losses of the Bank, regardless of whether or not such losses stem from green, sustainable or other assets, in the same way as the Bank's other instruments not classified as Sustainable Notes which may be called upon to cover all losses on the balance sheet.

No Arranger or Dealer makes any representation as to (i) the suitability of any Sustainable Notes to fulfil any environmental, social and/or sustainability criteria required by prospective investors, (ii) whether the net proceeds of the issuance of any such Notes will be used to finance and/or refinance relevant Eligible Sustainable Projects, including their green, social and/or sustainability criteria, as applicable or (iii) the characteristics of relevant Eligible Sustainable Projects or businesses to whom the proceeds of such Notes are lent, including their green, social and/or sustainability characteristics, as applicable. No Dealer involved in the issue of a
specific Tranche of such Notes has undertaken, nor is responsible for, any assessment of or due diligence in respect of the Sustainable Finance Framework, the Eligible Projects or the eligibility criteria, any verification of whether the Eligible Sustainable Projects meet the eligibility criteria, or the monitoring of the use of proceeds. Investors should refer to the Bank’s website, annual report and second-party opinion for information and should determine for themselves the relevance of the information contained in this Offering Circular regarding the use of proceeds and its investment in any Sustainable Notes should be based upon such investigation as it deems necessary.

Risks related to Notes which are linked to “benchmarks”

The regulation and reform of benchmarks may adversely affect the value of Notes referencing such benchmarks

Reference rates and indices, including interest rate benchmarks, which are used to determine the amounts payable under financial instruments or the value of such financial instruments (“Benchmarks”), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. 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.

Investors should be aware that, if a benchmark were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference such benchmark will be determined for the relevant period by the fallback provisions applicable to such Notes set out in the Conditions. Where Screen Rate Determination not Referencing SOFR or SONIA 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 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.

Where the relevant Pricing Supplement specifies that Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) is applicable, the Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an original Reference Rate and/or any page on which an original Reference Rate may be published, becomes unavailable, or if the Bank, the Calculation Agent, any Paying Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the relevant Pricing Supplement) is no longer permitted lawfully to calculate interest on any Notes by reference to such an original Reference Rate.

Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Reference Rate, with or without the application of an Adjustment Spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser, acting in good faith and following consultation with the Bank, or the Bank (acting in good faith and in a commercially reasonable manner), as applicable. 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. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Reference Rate to determine the Rate of Interest is also likely to result in any Notes linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original Reference Rate were to continue to apply in its current form.

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

In addition, the market (if any) for Notes linked to any such Successor Rate or Alternative Reference Rate may be less liquid than the market for Notes linked to the original Reference Rate. Prospective investors should note that neither the Bank nor any Independent Adviser appointed pursuant to the Conditions shall, in the absence of bad faith, wilful default or fraud have any liability whatsoever to the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to the Conditions.

The choice of replacement benchmark is uncertain and could result in the use of risk free rates such as SOFR (see “—The market continues to develop in relation to risk free rates (including SONIA and SOFR) as reference rates for Floating Rate Notes” below) and/or in the replacement Benchmark being unavailable or indeterminable.

In the case of Floating Rate Notes which reference SOFR where Condition 7(g) (Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)) is specified as applicable in the relevant Pricing Supplement where the Bank determines that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred, a Benchmark Replacement (as determined in accordance with Condition 7(g) (Floating Rate Note Provisions – Benchmark Discontinuation (SOFR))) will replace the then-current Benchmark for all purposes relating to such Notes in respect of all determinations on such date and for all determinations on all subsequent dates. 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. 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.

**The Bank may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Reference Rate in accordance with the Conditions**

Where the Bank is unable to appoint an Independent Adviser in accordance with Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), or the Independent Adviser appointed by the Bank fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and (in either case) the applicable Adjustment Spread, prior to the relevant IA Determination Cut-off Date, the Bank (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which an Alternative Reference Rate and, in either case, an Adjustment Spread, by no later than five Business Days prior to the Interest
Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the original Reference Rate.

Where the Bank has been unable to appoint an Independent Adviser or, the Independent Adviser has failed, to determine a Successor Rate or Alternative Reference 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 Reference Rate to apply to the next succeeding and any subsequent Interest Periods, as necessary.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Rate of Interest for the relevant immediately following Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may 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 Reference Rate could be determined. If the Bank is unable to appoint an Independent Adviser or, the Independent Adviser (or the Bank) fails to determine a Successor Rate or Alternative Reference Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest for the last preceding Interest Period, will continue to apply to maturity. This will result in the Floating Rate Notes, in effect, becoming fixed rate Notes. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

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

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Sterling Overnight Index Average (“SONIA”) and the Secured Overnight Financing Rate (“SOFR”), as reference rates in the capital markets for sterling or U.S. dollar bonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market’s forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. 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.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Notes that reference such risk-free rates issued under this Programme. The Issuer may in the future also issue Notes referencing SONIA or SOFR that differ materially in terms of interest determination when compared with any SONIA or SOFR referenced Notes issued by it under this Programme. The development of risk-free rates for the international debt capital 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.

In addition, the manner of adoption or application of risk-free rates in the international debt capital markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.
The use of risk-free rates as reference rates in the international debt capital markets is nascent, and may be subject to change and development in terms of the methodology used to calculate such rates, the development of rates based on risk-free rates and the development and adoption of market infrastructure for the issuance and trading of bonds referencing risk-free rates. In particular, investors should be aware that several different methodologies have been used in notes linked to such risk-free rates issued to date and no assurance can be given that any particular methodology, including the compounding formula in the Conditions, will gain widespread market acceptance. In addition, the methodology for determining any overnight rate index used to determine the Rate of Interest in respect of certain Notes could change during the life of such Notes.

Notes referencing risk-free rates may also 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 referencing such risk-free rates, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Notes may be lower than those of later-issued indexed debt securities as a result. Further, if the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing 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.

Certain administrators of risk-free rates have published hypothetical and actual historical performance data. Hypothetical data inherently includes assumptions, estimates and approximations and actual historical performance data may be limited in the case of certain risk-free rates. Investors should not rely on hypothetical or actual historical performance data as an indicator of the future performance of such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SONIA or SOFR.

Risk-free rates differ from interbank offered rates in a number of material respects

Risk-free rates may differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes.

SONIA and SOFR are, in the case of SONIA, recently reformed and in the case of SOFR, newly established risk-free rates. Therefore, such risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. For example, since publication of SOFR began, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Furthermore, interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates to reliably estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking SONIA or SOFR become due and payable 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 be determined by reference to a shortened period ending immediately prior to the
date on which the Notes become due and payable or are scheduled for redemption.

Any of the administrators of SONIA or SOFR may make changes that could change the value of SONIA or
SOFR or discontinue SONIA or SOFR, respectively

As SONIA and SOFR are published and calculated by third parties based on data received from other sources,
the Issuer and the Guarantor have no control over their determination, calculation or publication. There can be
no guarantee that SONIA and/or SOFR 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 SONIA or
SOFR (or that any applicable benchmark fallback provisions provided for in the Conditions will provide a rate
which is economically equivalent for Noteholders). The Bank of England or the Federal Reserve Bank of New
York (or their successors) as administrators of SONIA or SOFR, respectively, may make methodological or
other changes that could change the value of these risk-free rates and/or indices, including changes related to
the method by which such rates and/or indices are calculated, eligibility criteria applicable to the transactions
used to calculate such rates and/or indices, or timing related to the publication of SONIA or SOFR. In addition,
an administrator may alter, discontinue or suspend calculation or dissemination of SONIA or SOFR, in which
case a fallback method of determining the interest rate on the Notes will apply in accordance with the Conditions
(see “The regulation and reform of benchmarks may adversely affect the value of Notes referencing such
benchmarks”). An administrator has no obligation to consider the interests of Noteholders when calculating,
adjusting, converting, revising or discontinuing any such risk-free rate. If the manner in which such 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.

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. The Bank is a Saudi
Arabian company and is incorporated in and has its operations and the majority of its assets located in Saudi
Arabia.

Saudi Arabia 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 Saudi Arabia 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, Saudi Arabia 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 courts find that the
subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the
public policy of Saudi Arabia. In addition, the Enforcement Departments of the General Courts (which have
jurisdiction over commercial disputes) 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 policy in Saudi Arabia; (b) there is reciprocity in the enforcement of arbitral awards between
the courts of Saudi Arabia and the country in which the award was made; (c) the courts of Saudi Arabia do not have jurisdiction over the dispute and the 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 is not conflicting with any ruling or order issued by a court of competent jurisdiction on the same matter in Saudi Arabia. There can therefore be no assurance that the Saudi courts will enforce a foreign arbitral award in accordance with the terms of the New York Convention (or any other multilateral or bilateral enforcement convention). 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*, they would not be enforced by the Enforcement Departments of the General Courts.

The courts and judicial committees of Saudi Arabia may not recognise the choice of English law or the submission to arbitration in the Notes and agreements and may elect to apply the laws of Saudi Arabia 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 Saudi Arabia 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 Saudi Arabia 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 Saudi Arabia (including *Shari’a* law and principles), or to any mandatory law of, or applicable in, Saudi Arabia, are unlikely to be enforceable in Saudi Arabia.

Saudi Arabian government authorities and state-owned companies are required to work to select Saudi Arabia as the seat of arbitration at the Saudi Centre of Commercial Arbitration in contracts entered into by them with foreign investors pursuant to the High Order No. 28004 dated 22/5/1440H (corresponding to 25/1/2019) ("High Order 28004"). While the High Order 28004 appears to be advisory in nature and does not impose a hard obligation on such authorities and companies to so comply, Saudi Arabian courts might take a contrary view and in turn deem the selection of a seat of arbitration outside Saudi Arabia as void. It is noteworthy that the High Order 28004 does not clarify whether it would apply to wholly or partially owned state-owned companies.

**The choice of forum clause may not be upheld by a Saudi Arabian judicial body**

The choice of forum clause in relation to the Notes may not be upheld by a Saudi Arabian court. Under Saudi Arabian law, only a court will finally determine the appropriate adjudicating forum for the dispute, notwithstanding the contractual election of the parties to the agreement. 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**

Under the laws of Saudi Arabia, the charging and payment of interest, which is deemed to constitute unlawful gain (*riba*), are prohibited. Accordingly, 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”) is not enforceable under the laws of Saudi Arabia. In the event such a provision were held to be unenforceable, the unenforceability of such a provision does not, however, affect the validity and enforceability of any obligation to pay the principal. 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.

**Enforcement of the Guarantee in respect of the Notes**

In the event any guaranteed obligation 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 illegal or unenforceable obligations, also be unenforceable before the courts and judicial committees of Saudi Arabia. The obligations on the Guarantor cannot be stricter than the obligations of the Issuer being guaranteed. Furthermore, any payment made by the Issuer in respect of its obligations under the Notes may automatically be deemed to discharge the corresponding guaranteed obligations and to reduce the Guarantor’s liability in respect of such amounts, notwithstanding any provision to the contrary.

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, we understand that 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.

**Risks Relating to Notes Denominated in Renminbi**

Set out below is a description of the principal risks which may be relevant to an investor in Notes denominated in Renminbi:

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

Renminbi is not completely 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 by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, 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 into the PRC for settlement of capital account items are developing gradually.

Although on 1 October 2016, Renminbi was added to the Special Drawing Rights basket created by the IMF and policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were issued, 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 and the Guarantor to source Renminbi to finance their 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 and the Guarantor’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 People’s Bank of China (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 in a number of financial centres and cities (each, a “Renminbi Clearing Bank”), 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. The Renminbi Clearing Banks only have 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, 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. Except in the limited circumstances stipulated in Condition 10(l) (Renminbi Currency Event) and 11(h) (Renminbi Currency Event) (as set out in the Renminbi provisions below), 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 Temporary Global Note, a Permanent Global Note or 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 gains derived by such non-PRC resident enterprise or individual Noteholder from the transfer of Notes denominated in Renminbi but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or 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 the 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.
DOCUMENTS INCORPORATED BY REFERENCE

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

a) the unaudited interim condensed consolidated financial information for the nine month period ended 30 September 2021 of the Group together with the review report thereon (an electronic copy of which is available at: https://www.alahli.com/en-us/Investor_Relation/Documents/SNB-3Q-2021-Financial-Statements-English.pdf);

b) the consolidated financial statements for the year ended 31 December 2020 of NCB together with the audit report thereon (an electronic copy of which is available at: https://www.alahli.com/ar-sa/personal-banking/credit-cards/Documents/YE-2020-Financials-Eng.pdf);

c) the consolidated financial statements for the year ended 31 December 2020 of Samba together with the audit report thereon (an electronic copy of which is available at: https://www.samba.com/en/Images/Financial_Statements_2020.pdf);

d) the consolidated financial statements for the year ended 31 December 2019 of NCB together with the audit report thereon (an electronic copy of which is available at: https://www.alahli.com/ar-sa/Investor_Relation/Documents/YE_2019_NCB_Financials-English.pdf); and


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

The Documents Incorporated by Reference shall be incorporated in, and form part of, this 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 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 Offering Circular. Those parts of the documents incorporated by reference in this Offering Circular which are not specifically incorporated by reference in this 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 Offering Circular. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.


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OVERVIEW

The following is an overview of the principal features of the Programme. This overview must be read as an introduction to this Offering Circular and any decision by any investor to invest in any Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. This overview does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of this Offering Circular and, in relation to the terms and conditions of each Tranche of Notes, the relevant Pricing Supplement. Each investor should read the entire Offering Circular and the relevant Pricing Supplement carefully, especially the risks of investing in Notes issued under the Programme discussed under “Risk Factors”. The Issuer, the Guarantor and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.

This Overview constitutes a general description of the Programme.

Words and expressions defined in the “Terms and Conditions of the Notes” and “Forms of the Notes” below or elsewhere in this Offering Circular have the same meanings in this Overview.

“Issuer” ................................................... SNB Funding Limited, an exempted company with limited liability incorporated in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number WC-352725 and its registered office at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

“Issuer Legal Entity Identifier (LEI)”.. 549300PT73WJRNMAKE44.

“Guarantor”............................. The Saudi National Bank.

“Guarantor LEI”……………….. 5586006ZEFQ542K7CY16

“Description”……………………… Euro Medium Term Note Programme.

“Risk Factors”.......................... Investing in Notes issued under the Programme involves certain risks. There are certain factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes issued under the Programme (and, in the case of the Guarantor only, the Guarantee of the Notes), which are discussed under “Risk Factors” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “Risk Factors” and include certain risks relating to the structure of particular Series of Notes and certain market risks.


“Dealers”................................. Citigroup Global Markets Limited, Emirates NBD Bank PJSC, Goldman Sachs International, HSBC Bank plc, Mizuho International plc, SNB Capital Company, and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
| “Certain Restrictions” | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”). |
| “Notes having a maturity of less than one year” | Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “Subscription and Sale”. |
| “Fiscal Agent, Transfer Agent and Paying Agent” | Citibank, N.A., London Branch. |
| “Registrar” | Citibank Europe Plc. |
| “Programme Size” | The maximum aggregate nominal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.$5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate nominal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased by the Issuer and the Guarantor from time to time, subject to compliance with the relevant provisions of the Dealer Agreement. |
| “Listing and Admission to Trading” | Application has been made to the London Stock Exchange for Notes issued under the Programme to be admitted to trading on the ISM during the period of 12 months after the date hereof. 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. |
| “Distribution” | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. |
| “Clearing Systems” | Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking, S.A. (“Clearstream, Luxembourg”) and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Pricing Supplement. |
| “Issuance in Series” | Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Notes of each
Series will have the same terms and conditions which are the same in all respects, except that the Issue Date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

“Fixed Rate Notes” .............................

Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).

“Floating Rate Notes”

Floating Rate Notes will bear interest at a rate determined:

(a) 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 the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of the relevant Reference Rate as adjusted for any applicable Margin.

The Margin (if any) relating to such floating rate will be agreed between the Issuer, the Guarantor and the relevant Dealer(s) for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum rate of interest, a minimum rate of interest or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Guarantor and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).

“Zero Coupon Notes” ..........................

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

“Forms of Notes”..............................

Notes may be issued in bearer form or in registered form. See “Forms of the Notes”.

“Currencies”.................................

Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer, the Guarantor and relevant Dealer(s).

“Status of the Notes”...........................

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (Negative Pledge)) unsecured obligations of the Issuer and will rank pari passu amongst themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations.
The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The Guarantee of the Notes constitutes direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (Negative Pledge)) unsecured obligations of the Guarantor and will rank pari passu and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

Notes may be issued at any price on a fully paid basis. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

The Notes will have such maturities as may be agreed between the Issuer, the Guarantor and relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer, the Guarantor or the relevant Specified Currency.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “Certain Restrictions” and “Notes having a maturity of less than one year” above.

In the event that a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the relevant Pricing Supplement, then the Bank may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) for further information.

In the event that a SOFR Benchmark Event occurs, such that the relevant benchmark (or any component part thereof) cannot be determined by reference to the original benchmark specified in the relevant Pricing Supplement, then the Bank may (subject to certain conditions) be permitted to substitute such benchmark with an alternative benchmark (with consequent amendment to the terms of such Series of Notes). See Condition 7(g) (Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)) for further information.
“Redemption” ........................ Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Pricing Supplement.

“Optional Redemption” .................. Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.

“Tax Redemption” ...................... In addition to “Optional Redemption” above, early redemption will be permitted for tax reasons as described in Condition 9(b) (Redemption for tax reasons).

“Interest” ............................... Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. The rate of interest (if any) and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series.

“Denominations of Notes” .......... The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see “Certain Restrictions” and “Notes having a maturity of less than one year” above), and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). If a Global Note is exchanged for a Definitive Note at the option of the Noteholders, the Notes shall be tradeable only in principal amounts of at least €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.

“Negative Pledge” ....................... The Notes will have the benefit of a negative pledge as described in Condition 5 (Negative Pledge).

“Cross Default” .......................... The Notes will have the benefit of a cross default as described in Condition 13 (Events of Default).

“Taxation” .............................. All payments in respect of Notes will be made free and clear of withholding taxes of the Cayman Islands and Saudi Arabia, unless the withholding is required by law. If such withholding is required, the Issuer or, as the case may be, the Guarantor will (subject as provided in Condition 12 (Taxation)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

“Governing Law” ........................ The Dealer Agreement, the Agency Agreement, the Deed of Covenant, the Guarantee of the Notes (each as defined in the Conditions) and the Notes and any non-contractual obligations arising out of or in connection therewith shall be governed by, and shall be construed in accordance with, English law.
The Registered Office Terms are governed by the law of the Cayman Islands.

“Enforcement of Notes in Global Form” ..........................................................
In the case of Global Notes, individual investors’ rights against the Issuer will be governed by a Deed of Covenant dated 15 November 2021, a copy of which will be available for inspection at the Specified Office of the Fiscal Agent.

“Ratings” ........................................
The Programme is expected to be rated by each of Fitch and S&P. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in the relevant Pricing Supplement. 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 credit rating agency.

“Selling Restrictions” ........................
For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the Cayman Islands, Qatar (including the Qatar Financial Centre), Japan, Saudi Arabia, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre and the Kingdom of Bahrain, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “Subscription and Sale” below.

“United States Selling Restrictions” ..... Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the relevant Pricing Supplement.
FORMS OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Notes will be issued outside the United States in reliance on Regulation S under the Securities Act.

Bearer Notes

Each Tranche of Notes in bearer form (“Bearer Notes”) will initially be in the form of either a temporary global note in bearer form (the “Temporary Global Note”), without interest coupons, or a permanent global note in bearer form (the “Permanent Global Note”), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “Global Note”) will be deposited on or around the Issue Date of the relevant Tranche of the Notes with a common depositary for Euroclear and/or Clearstream, Luxembourg.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the “TEFRA C Rules”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the “TEFRA D Rules”) are applicable in relation to the Notes or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership in accordance with U.S. Treasury Regulations. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.
If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then from 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) holders of interests in such Temporary Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be (each a “TGN Accountholder”), will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “Deed of Covenant”) dated 15 November 2021 and executed by the Issuer. Each TGN Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Temporary Global Note and the Deed of Covenant. Notwithstanding such right that each TGN Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Temporary Global Note shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form (“Definitive Notes”):

(a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or

(b) at any time, if so specified in the Pricing Supplement; or

(c) if the Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:

(i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(ii) any of the circumstances described in Condition 13 (Events of Default) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and TGN Accountholders become entitled to proceed directly against the Issuer; or

c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then from 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) holders of interests in such Permanent Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be (each a “PGN Accountholder”), will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of the Deed of Covenant. Each PGN Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Temporary Global Note and the Deed of Covenant.

Notwithstanding such right that each PGN Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Temporary Global Note shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership in accordance with U.S. Treasury Regulations. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then from 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) TGN Accountholders will become entitled to proceed directly against
the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “Deed of Covenant”) dated 15 November 2021 and executed by the Issuer. Each TGN Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Temporary Global Note and the Deed of Covenant. Notwithstanding such right that each TGN Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Temporary Global Note shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

Permanent Global Note exchangeable for Definitive Notes
If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
(b) at any time, if so specified in the relevant Pricing Supplement; or
(c) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:

(i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
(ii) any of the circumstances described in Condition 13 (Events of Default) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange. If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then from 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) PGN Accountholders will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of the Deed of Covenant. Each PGN Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Temporary Global Note and the Deed of Covenant. Notwithstanding such right that each PGN Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Temporary Global Note shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.
Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out in the Conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes whilst in Global Form” below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days and to which the TEFRA D’Rules are applicable, the Notes in permanent global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear the following legend:

“All 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.”

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form (“Individual Note Certificates”) or global Notes in registered form (a “Global Certificate”), in each case, as specified in the relevant Pricing Supplement.

Each Global Certificate will be deposited on or around the relevant Issue Date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Pricing Supplement specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Pricing Supplement specifies the form of Notes as being “Global Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be in the form of a Global Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Global Certificate”, then if either of the following events occurs:

(i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(ii) any of the circumstances described in Condition 13 (Events of Default) occurs.

Whenever the Global Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the
Individual Note Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Certificate at the Specified Office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Certificate; or

(b) any of the Notes represented by a Global Certificate (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Certificate in accordance with the terms of the Global Certificate on the due date for payment,

then, at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) each person shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interest in the Notes (each an “Accountholder”) shall acquire the right under the Deed of Covenant to enforce against the Issuer, the Issuer’s obligations to the holder in respect of the Notes represented by the Global Certificate, including the obligation of the Issuer to make all payments when due at any time in respect of such Notes as if such Notes had been duly presented and (where required by the Conditions) surrendered on the due date in accordance with the Conditions. Each Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Global Certificate and the Deed of Covenant. Notwithstanding such right that each Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Global Certificate shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out in the Conditions.

The terms and conditions applicable to any Global Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes whilst in Global Form” below.
TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes whilst in Global Form” below.

1 Introduction

(a) Programme: SNB Funding Limited (the “Issuer”) has established a Euro Medium Term Note Programme (the “Programme”) for the issuance of up to U.S.$5,000,000,000 in aggregate principal amount of notes (the “Notes”). Notes issued under the Programme are guaranteed by The Saudi National Bank (the “Guarantor”).

(b) Pricing Supplement: Notes issued under the Programme are issued in series (each a “Series”) and each Series may comprise one or more tranches (each a “Tranche”) of Notes. Each Tranche is the subject of a pricing supplement (the “Pricing Supplement”) which completes these terms and conditions (the “Conditions”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Pricing Supplement.

(c) Agency Agreement: The Notes are the subject of an issue and paying agency agreement dated 15 November 2021 (the “Agency Agreement”) between the Issuer, the Guarantor, Citibank, N.A., London Branch as fiscal agent (the “Fiscal Agent”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citibank Europe Plc as registrar (the “Registrar”, which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), and the transfer agents named therein (the “Transfer Agents”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the “Agents” are to the Paying Agents, the Registrar and the Transfer Agents and any reference to an “Agent” is to any one of them.

(d) Deed of Guarantee: The Notes are the subject of a deed of guarantee dated 15 November 2021 (the “Deed of Guarantee”) entered into by the Guarantor.

(e) Deed of Covenant: The Notes may be issued in bearer form (“Bearer Notes”), or in registered form (“Registered Notes”). Registered Notes are constituted by a deed of covenant dated 15 November 2021 (the “Deed of Covenant”) entered into by the Issuer.

(f) The Notes: All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing at the registered offices of the Guarantor and the Fiscal Agent and copies may be obtained from such offices.

(g) Summaries: Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the “Couponholders” and the “Coupons”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out in the Agency Agreement.
2 Interpretation

(a) Definitions: In these Conditions the following expressions have the following meanings:

“Accrual Yield” has the meaning given in the relevant Pricing Supplement;

“Additional Business Centre(s)” means the city or cities specified as such in the relevant Pricing Supplement;

“Additional Financial Centre(s)” means the city or cities specified as such in the relevant Pricing Supplement;

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

“Business Day” means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(ii) in relation to any sum payable in Renminbi, a day in which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong;

(iii) in relation to any sum payable in a currency other than euro or Renminbi, and unless the relevant Pricing Supplement specifies that the Floating Rate Note Provisions apply and the Reference Rate is SOFR or SONIA, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

(iv) if the relevant Pricing Supplement specifies that the Floating Rate Note Provisions apply and the Reference Rate is SOFR, any day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed; and/or

(v) if the relevant Pricing Supplement specifies that the Floating Rate Note Provisions apply and the Reference Rate is SONIA, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“Business Day Convention”, in relation to any specified date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) “Following Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) “Modified Following Business DayConvention” or “Modified Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) “Preceding Business Day Convention” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
“FRN Convention”, “Floating Rate Convention” or “Eurodollar Convention” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding occurrence of the specified date occurred on the last day in a calendar month which was a Business Day as a result of adjustment in accordance with paragraph (A) above, then all subsequent occurrences of the specified dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding occurrence of the specified date occurred; and

(v) “No Adjustment” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

“Calculation Amount” has the meaning given in the relevant Pricing Supplement;

“Clearstream” means Clearstream Banking, S.A.;

“Coupon Sheet” means, in respect of a Note, a coupon sheet relating to the Note;

“Day Count Fraction” means, in respect of the calculation of an amount for any period of time (the “Calculation Period”), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(i) if “Actual/Actual (ICMA)” is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year;
(ii) if “Actual/365” or “Actual/Actual (ISDA)” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the 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);

(iii) if “Actual/365 (Fixed)” is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if “Actual/360” is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if “30/360” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(vi) if “30/360E” or “Eurobond Basis” is so specified means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month), provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“Early Redemption Amount (Tax)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“Early Termination Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

“Euroclear” means Euroclear Bank SA/NV;

“Extraordinary Resolution” has the meaning given in the Agency Agreement;

“Final Redemption Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“First Interest Payment Date” means the date specified in the relevant Pricing Supplement;

“Fixed Coupon Amount” has the meaning given in the relevant Pricing Supplement;

“ 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):

(i) any obligation to purchase such Indebtedness or Sukuk Obligation;
(ii) 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;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness or Sukuk Obligation; and

(iv) any other agreement to be responsible for such Indebtedness or Sukuk Obligation;

“Holder”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (Title to Bearer Notes) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (Title to Registered Notes);

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

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) 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

(v) 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;

“Interest Amount” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

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

“Interest Payment Date” means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each 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 hereon;

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon;

“ISDA Definitions” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series as published by the International Swaps and Derivatives Association, Inc.);

“Issue Date” has the meaning given in the relevant Pricing Supplement;

“Margin” has the meaning given in the relevant Pricing Supplement;

“Material Subsidiary” means, at any relevant time, a Subsidiary of the Issuer or the Guarantor:

(i) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues, as the case may be) represents not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of the Issuer and its Subsidiaries or, as the case may be, the Guarantor and its Subsidiaries, all as calculated by reference to the then latest audited financial statements (or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited or reviewed consolidated financial statements of the Issuer or the Guarantor; or

(ii) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

“Maturity Date” has the meaning given in the relevant Pricing Supplement;

“Maximum Redemption Amount” has the meaning given in the relevant Pricing Supplement;

“Minimum Redemption Amount” has the meaning given in the relevant Pricing Supplement;

“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 Material 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 Material Subsidiary of the Issuer or the Guarantor in respect of any default by any Person under the securitisation or financing;

“Noteholder”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (Title to Bearer Notes) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (Title to Registered Notes);

“Optional Redemption Amount (Call)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“Optional Redemption Amount (Put)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“Optional Redemption Date (Call)” has the meaning given in the relevant Pricing Supplement;

“Optional Redemption Date (Put)” has the meaning given in the relevant Pricing Supplement;

“Payment Business Day” means:

(i) if the currency of payment is euro, any day which is:

(A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is Renminbi, a day in which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong; or

(iii) if the currency of payment is not euro or Renminbi, any day which is:

(A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Permitted Reorganisation” means:

(i) any disposal by any Subsidiary of the whole or a substantial part of its business, undertaking or assets to the Issuer or the Guarantor or any wholly owned Subsidiary of the Issuer or the Guarantor;

(ii) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of the Issuer or the Guarantor; or

(iii) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution of Noteholders;
“Permitted Security Interest” means any Security Interest:

(i) created or outstanding with the approval of an Extraordinary Resolution;

(ii) 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 Material Subsidiary of the Issuer or the Guarantor and has not been enforced against the assets to which it attaches;

(iii) on assets or property existing at the time the Issuer, the Guarantor or, as the case may be, a Material 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;

(iv) 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 Material 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 Material Subsidiary of the Issuer or the Guarantor; or

(v) created in connection with any Non-recourse Project, Securitisation or Asset Financing;

“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 Financial Centre” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(i) in relation to euro, it means the principal financial centre of such member state of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Put Option Notice” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Put Option Receipt” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the
Early Termination Amount or such other amount in the nature of a redemption amount as may be
specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

“Reference Banks” has the meaning given in the relevant Pricing Supplement;

“Reference Price” has the meaning given in the relevant Pricing Supplement;

“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) Euro-Zone interbank offered rate (EURIBOR);
(ii) Karachi interbank offered rate (KIBOR);
(iii) Shanghai interbank offered rate (SHIBOR);
(iv) Hong Kong interbank offered rate (HIBOR);
(v) CNH Hong Kong interbank offered rate (CNH HIBOR);
(vi) Kuala Lumpur interbank offered rate (KLIBOR);
(vii) Turkish Lira interbank offered rate (TRLIBOR or TRYLIBOR);
(viii) Singapore interbank offered rate (SIBOR);
(ix) Emirates interbank offered rate (EIBOR);
(x) Tokyo interbank offered rate (TIBOR);
(xi) Saudi Arabia interbank offered rate (SAIBOR);
(xii) Australia Bank Bill Swap (BBSW);
(xiii) Mumbai interbank offered rate (MIBOR);
(xiv) Prague interbank offered rate (PRIBOR);
(xv) New Zealand bank bill benchmark (BKBM);
(xvi) Sterling Overnight Index Average (SONIA); or
(xvii) Secured Overnight Financing Rate (SOFR).

“Regular Period” means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments,
each period from and including the Interest Commencement Date to but excluding the first
Interest Payment Date, prior to adjustment in accordance with any Day Count Fraction, and each
successive period from and including one Interest Payment Date to but excluding the next Interest
Payment Date, prior to adjustment in accordance with any Day Count Fraction;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid
only by means of regular payments, each period from and including a Regular Date falling in any
year to but excluding the next Regular Date, where “Regular Date” means the day and month
(but not the year) on which any Interest Payment Date is scheduled to fall; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period,
interest is scheduled to be paid only by means of regular payments, each period from and
including a Regular Date falling in any year to but excluding the next Regular Date, where
“Regular Date” means the day and month (but not the year) on which any Interest Payment Date is scheduled to fall, prior to adjustment in accordance with any Day Count Fraction, other than the Interest Payment Date falling at the end of the irregular Interest Period;

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“Relevant Financial Centre” has the meaning given in the relevant Pricing Supplement provided that, in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected by the Bank;

“Relevant Indebtedness” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, sukuk certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“Relevant Screen Page” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Sukuk Obligation” means any present or future undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other securities issued in compliance with (or intended to be in compliance with) the principles of Shari’a, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“Relevant Time” has the meaning given in the relevant Pricing Supplement;

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

“Reserved Matter” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate formed or to be formed, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend the terms of the Deed of Guarantee or this definition;

“Security Interest” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“Specified Currency” has the meaning given in the relevant Pricing Supplement;

“Specified Denomination(s)” has the meaning given in the relevant Pricing Supplement;

“Specified Office” has the meaning given in the Agency Agreement;
“Specified Period” has the meaning given in the relevant Pricing Supplement;

“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 USD$OFR=; 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 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 Benchmark Replacement Date have occurred, the provisions set forth in Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) shall apply.

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York (currently, being https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index), or any successor source;

“SOFR Benchmark Transition Event” means the occurrence of a SOFR 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 Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified hereon;

“Subsidiary” means, in relation to any Person (the “first Person”) at any particular time, any other Person (the “second Person”): (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, 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;

“Talon” means a talon for further Coupons;

“TARGET2” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“TARGET Settlement Day” means any day on which TARGET2 is open for the settlement of payments in euro;

“Treaty” means the Treaty establishing the European Communities, as amended;
“Zero Coupon Note” means a Note specified as such in the relevant Pricing Supplement; and

“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.

(b) Interpretation

In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (Definitions) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement or the Deed of Guarantee shall be construed as a reference to the Agency Agreement or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 Form, Denomination, Title and Transfer

(a) Bearer Notes

Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) Title to Bearer Notes

Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “Holder” means the holder of such Bearer Note and “Noteholder” and “Couponholder” shall be construed accordingly.

(c) Registered Notes
Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) **Title to Registered Notes**

The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a “Note Certificate”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “Holder” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “Noteholder” shall be construed accordingly.

(e) **Ownership**

The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) **Transfers of Registered Notes**

Subject to paragraphs (i) (Closed Periods) and (j) (Regulations Concerning Transfers and Registration) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer;

provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) **Registration and Delivery of Note Certificates**

Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (Transfers of Registered Notes) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Registrar or any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “business day” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) **No Charge**

The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such
Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) **Closed Periods**

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) **Regulations Concerning Transfers and Registration**

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4 **Status and Guarantee**

(a) **Status of the Notes**

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (**Negative Pledge**)) unsecured obligations of the Issuer and rank *pari passu* amongst themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

(b) **Status of the Deed of Guarantee**

The obligations of the Guarantor under the Deed of Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (**Negative Pledge**)) unsecured obligations of the Guarantor and rank *pari passu* amongst themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

5 **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor shall, and each of the Issuer and the Guarantor shall procure that none of their Material Subsidiaries will, create or permit to subsist any Security Interest other than a Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation or any Guarantee of Relevant Indebtedness or Relevant Sukuk Obligation without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution.

6 **Fixed Rate Note Provisions**

(a) **Application**

This Condition 6 (**Fixed Rate Note Provisions**) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) **Accrual of Interest**

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (**Payments – Bearer Notes**), provided
that if the Specified Currency is Renminbi or Hong Kong dollars 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. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (Fixed Rate Note Provisions) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Fixed Coupon Amount

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) Calculation of Interest Amount

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7 Floating Rate Note Provisions

(a) Application

This Condition 7 (Floating Rate Note Provisions) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) Accrual of Interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (Payments – Bearer Notes). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Screen Rate Determination

(i) If Screen Rate Determination not Referencing SOFR or SONIA is specified hereon as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
(A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(C) subject to Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(I) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(II) determine the arithmetic mean of such quotations; and

(D) if fewer than two such quotations are provided as requested, and subject to Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, and provided further that such failure is not due to the occurrence of a Benchmark Event, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event, the Rate of Interest shall be calculated in accordance with the terms of Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation).

(ii) If Screen Rate Determination Referencing SOFR is specified hereon as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(A) the Rate of Interest for each Interest Period will, subject to Condition 7(g) (Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)) and as provided below, be equal to the relevant SOFR Benchmark plus or minus (if any) (as indicated in the relevant 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 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation)):

(I) If Simple SOFR Average (“Simple SOFR Average”) is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark specified hereon for each Interest Period shall be the arithmetic mean of the SOFR reference rates for each day during the Interest Period, as calculated by the Calculation Agent, and where, if applicable and as specified hereon, 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.

(II) If Compounded SOFR Average (“Compounded SOFR Average”) is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest 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 hereon to determine Compounded SOFR Average, the relevant Interest Period or (y) where SOFR Observation Shift is specified as applicable hereon to determine Compounded SOFR Average, the SOFR Observation Period, in each case as calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable hereon:

(i) SOFR Observation Lag:

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

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-xUSBD}” for any U.S. Government Securities Business Day “i” in the relevant Interest 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 hereon;

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

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

“n” for any U.S. Government Securities Business Day “i” in the relevant Interest 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 which SOFR_{i-xUSBD} applies.
(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 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 Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Period;

“SOFR Observation Shift Days” means the number of U.S. Government Securities Business Days as specified hereon;

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

“d\(_o\)” for any SOFR Observation Period, 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; and

“n\(_i\)” for any U.S. Government Securities Business Day “\(i\)” in the relevant SOFR Observation 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 which SOFR\(_i\) applies.

(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 Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “\(i\)”;

68
“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 Period will be the Maturity Date or the relevant Optional Redemption Date;

“Interest Payment Delay Days” means the number of Business Days as specified hereon;

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

“d₀” for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

“i” means a series of whole numbers ascending from one to d₀, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

“nᵢ” for any U.S. Government Securities Business Day “i” in the relevant Interest 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 which SOFRᵢ applies.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Period where SOFR Payment Delay is specified hereon, 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:

\[
\left( \prod_{i=1}^{d_0} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}
\]

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:

“SOFRᵢ” for any U.S. Government Securities Business Day “i” in the relevant Interest 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 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 Period;

“d₀” for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;
“i” means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

“ni” for any U.S. Government Securities Business Day “i” in the relevant Interest 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 which SOFR applies.

(III) If SOFR Index Average (“SOFR Index Average”) is specified as applicable hereon, the SOFR Benchmark for each Interest Period shall be equal to the value of the SOFR reference rates for each day during the relevant Interest Period as calculated by the Calculation Agent as follows:

\[
\left( \frac{SOFR\text{ Index}_\text{End}}{SOFR\text{ Index}_\text{Start}} - 1 \right) \times \left( \frac{360}{d_c} \right)
\]

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”, with respect to any U.S. Government Securities Business Day, means 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 Benchmark Replacement Date have not occurred, the “SOFR Index Average” shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded SOFR Average formula described above in paragraph (ii)(A)(II) of Condition 7(c) (Floating Rate Note Provisions – Screen Rate Determination) “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 Benchmark Replacement Date have occurred, the provisions set forth in Condition 7(g) Floating Rate Note Provisions – Benchmark Discontinuation (SOFR) shall apply as specified hereon;

“SOFR IndexEnd” means the SOFR Index value on the date that is the number of SOFR IndexEnd Days specified hereon prior to the Interest Period Date for such Interest Period (or in the final Interest Period, the Maturity Date);

“SOFR IndexStart” means the SOFR Index value on the date that is the number of SOFR IndexStart Days specified hereon prior to the first day of the relevant Interest 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 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 Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Period;

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

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

(iii) If Screen Rate Determination Referencing SONIA is specified hereon as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(A) SONIA Compounded Index Rate

If SONIA Compounded Index Rate is specified hereon as being applicable, the Rate of Interest for each Interest Period will, subject to Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), be the SONIA Compounded Index Rate as follows, plus or minus (as indicated hereon) the Margin.

For the purposes of this paragraph (iii)(A) of Condition 7(c) (Floating Rate Note Provisions – Screen Rate Determination):

“SONIA Compounded Index Rate” means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest 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 nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards)

\[
\left( \frac{\text{SONIA Compounded Index}_{\text{END}}}{\text{SONIA Compounded Index}_{\text{START}}} - 1 \right) \times \frac{365}{d}
\]

provided, however, that and subject to Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), if the SONIA Compounded Index Value is not available in relation to any Interest 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 Period on the basis of the SONIA Compounded Daily Reference Rate as set out in paragraph (iii)(B) of Condition 7(c) (Floating Rate Note Provisions – Screen Rate Determination) as if SONIA Compounded Daily Reference Rate with Observation Shift had been specified hereon and the “Relevant Screen Page” shall be deemed to be the “Relevant Fallback Screen Page” as specified hereon,

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 Period, the period from (and including) the date falling “p” London Business Days prior to the first day of such Interest 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 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 Period the whole number specified hereon (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 Start” means, in respect of an Interest Period, the SONIA Compounded Index Value on the date falling “p” London Business Days prior to (i) the first day of such Interest Period, or (ii) in the case of the first Interest Period, the Issue Date;

“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 Period, the Interest Payment Date for such Interest Period, or (ii) if the Notes become due and payable prior to the end of an Interest Period, the date on which the Notes become so due and payable; 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/boeapps/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.

(B) SONIA Compounded Daily Reference Rate

If SONIA Compounded Daily Reference Rate is specified hereon as being applicable, the Rate of Interest for each Interest Period will, subject to Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), be equal to the SONIA Compounded Daily Reference Rate as follows, plus or minus (if any) (as indicated in the relevant Pricing Supplement) the Margin.

“SONIA Compounded Daily Reference Rate” means, in respect of an Interest 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 nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. 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 paragraph (iii)(A) of Condition 7(c) (Floating Rate Note Provisions – Screen Rate Determination);

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

(i) Observation Period where Observation Shift is specified hereon; or
(ii) Interest Period where Lag is specified hereon;

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

(i) Observation Period where Observation Shift is specified hereon; or
(ii) Interest Period where Lag is specified hereon;

“i” is a series of whole numbers from one to d_o, 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 hereon; or
(ii) Interest Period where Lag is specified hereon;

“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” 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 hereon; 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 hereon; and the “SONIA reference rate”, in respect of any London Business Day, is a reference rate equal to the daily 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)

Subject to Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), where SONIA is specified as the Reference Rate hereon and either (i) SONIA Compounded Daily Reference Rate is specified hereon, or (ii) the SONIA Compounded
Index Rate is specified hereon and paragraph (iii)(B) of Condition 7(c) (Floating Rate Note Provisions – Screen Rate Determination) 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:

1. 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

2. 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, SONIAi shall be interpreted accordingly.

(D) If the Rate of Interest cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), 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 Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest 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 Period had the Notes been in issue for a period equal in duration to the scheduled first Interest 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 Period).

If the relevant Series of Notes become due and payable in accordance with Condition 10 (Payments – Bearer Notes), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified hereon, 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.

(d) ISDA Determination

If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is the day specified in the relevant Pricing Supplement.

The definition of “Fallback Observation Day” in the ISDA Definitions shall be deemed deleted in its entirety and replaced with the following: “‘Fallback Observation Day’ means, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date.”

(e) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Period, the Rate of Interest for such Interest 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 hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon 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 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 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 it determines 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.

(f) Benchmark Discontinuation

This Condition 7(f) Floating Rate Note Provisions – Benchmark Discontinuation) shall apply unless “Condition 7(g) (Benchmark Discontinuation (SOFR))” is specified as applicable hereon.

Notwithstanding the other provisions of this Condition 7 (Floating Rate Note Provisions), if the Bank, following consultation with the Calculation Agent, determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(i) the Bank shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the “IA Determination Cut-Off Date”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with paragraph (v) of Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation)) for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if (A) the Bank is unable to appoint an Independent Adviser in accordance with this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation); or (B) the Independent
Adviser appointed by the Bank fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and, in either case, an Adjustment Spread in accordance with this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) prior to the relevant IA Determination Cut-Off Date, then the Bank (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and, in either case, an Adjustment Spread itself for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) applying mutatis mutandis to allow such determinations to be made by the Bank without consultation with the Independent Adviser, by no later than five Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the original Reference Rate. 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 paragraph (i) above;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods in respect of such Notes (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation));

(iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be); if the Independent Adviser (following consultation with the Bank) or the Bank, as applicable, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;

(v) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) and the Independent Adviser (following consultation with the Bank) or the Bank, as applicable, determines in good faith: (A) that amendments to these Conditions (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Interest Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the “Benchmark Amendments”); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Bank and subject to delivery of a notice in accordance with paragraph (vii) of Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation): (x) the Bank shall vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Agents shall (at the Bank’s expense), without any requirement for the consent or sanction of Noteholders, be obliged to concur with the Bank in effecting such Benchmark Amendments.

For the avoidance of doubt, no Agent shall be liable to the Noteholders or any other person for so acting or relying on such notice, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Noteholder or person;
the Bank shall promptly, following the determination of any Successor Rate, Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Agents and, in accordance with Condition 19 (Notices), the Noteholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any). Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Noteholders of the same, the Bank shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Bank:

(A) confirming: (1) that a Benchmark Event has occurred; (2) the Successor Rate or, as the case may be, the Alternative Reference Rate; (3) the applicable Adjustment Spread and (4) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation); and

(B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate and (in either case) the applicable Adjustment Spread.

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

(vii) if, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or the relevant component thereof) on the immediately following Interest Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Rate of Interest (or the relevant component part thereof) shall be 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 Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period). If there has not been a first Interest Payment Date, the Rate of Interest shall be determined using the Reference Rate last displayed on the relevant Screen Page prior to the relevant Interest Determination Date. For the avoidance of doubt, this paragraph (vii) of Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) shall apply to the relevant immediately following Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation);

(viii) the Independent Adviser appointed pursuant to this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) shall act and make all determinations pursuant to this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation) in good faith and in a commercially reasonable manner and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Bank shall have any liability whatsoever to the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Bank in connection with any determination made by the Bank pursuant to this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation); and
without prejudice to the obligations of the Bank under paragraphs (i), (ii), (iii), (iv) and (v) of Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), the original Reference Rate and the fallback provisions provided for in paragraph (i) of Condition 7(c) (Screen Rate Determination) will continue to apply unless and until a Benchmark Event has occurred.

For the purposes of this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation):

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

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Bank) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Reference Rate; or

(iii) (if the Independent Adviser (following consultation with the Bank) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Bank) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or

(iv) (if the Independent Adviser (following consultation with the Bank) determines that there is no such industry standard) the Independent Adviser (following consultation with the Bank) or the Bank (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iv) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders;

“Alternative Reference Rate” means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Bank) determines, in accordance with this Condition 7(f) (Floating Rate Note Provisions – Benchmark Discontinuation), 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 or, if the Independent Adviser or the Bank (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Bank (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

“Benchmark Event” means the occurrence of one or more of the following events with respect to the then-current Reference Rate (including any daily published component used in the calculation thereof): (i) the relevant Reference Rate (or such component) ceasing to be published as a result of such benchmark ceasing to be calculated or administered for a period of at least 5 Business Days or ceasing to exist; or (ii) a public statement or publication of information by the
administrator of the relevant Reference Rate (or such component) that it has ceased or that it will cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement or publication of information by the supervisor of the administrator of the relevant Reference Rate (or such component), that the relevant Reference Rate (or such component) has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate (or such component) as a consequence of which the relevant Reference Rate (or such component) will be prohibited from being used either generally, or in respect of the Notes or that its use will be subject to restrictions or adverse consequences; or (v) a public statement by the supervisor of the administrator of the relevant Reference Rate (or such component) that the relevant Reference Rate (or such component) is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market or the methodology to calculate such Reference Rate has materially changed; or (vi) it has become unlawful for the Bank, the Issuer, the Calculation Agent or any Paying Agent or any other party to calculate any payments due to be made to any Noteholder using the relevant Reference Rate; provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the relevant Reference Rate (or such component) or the discontinuation of the relevant Reference Rate (or such component), as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the relevant Reference Rate (or such component) and (c) in the case of sub-paragraph (v) above, on the date with effect from which the relevant Reference Rate (or such component) 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;

“Financial Stability Board” means the organisation established by the Group of Twenty (G20) in April 2009;

“Independent Adviser” means an independent financial institution of international repute or an independent adviser with appropriate expertise appointed by the Bank at the Bank’s expense;

“Relevant Nominating Body” means, in respect of a Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; 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 Reference Rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and

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

(g) Benchmark Discontinuation (SOFR)

This Condition 7(g) (Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)) shall only apply where “Condition 7(g) Benchmark Discontinuation (SOFR)” is specified as applicable hereon.

(i) Benchmark Replacement
If the Bank determines on or prior to the relevant Reference Time that a SOFR 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 Bank 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 Bank, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this paragraph (ii) of Condition 7(g) (Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)). 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 Registrar or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Bank 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 Bank pursuant to this Condition 7(g) (Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)), 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 Bank, 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) Definitions

The following defined terms shall have the meanings set out below for the purpose of this Condition 7(g) (Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)):

“Benchmark” means, initially, the relevant SOFR Benchmark specified hereon; provided that if the Bank determines on or prior to the Reference Time that a SOFR 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 Replacement” means the first alternative set forth in the order below that can be determined by the Bank as of the Benchmark Replacement Date:

(a) 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;

(b) the sum of:
(i) the ISDA Fallback Rate; and

(ii) the Benchmark Replacement Adjustment; or

(c) the sum of:

(i) the alternate reference rate that has been selected by the Bank 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 Bank as of the Benchmark Replacement Date:

(a) 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;

(b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Bank 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 Bank decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Bank decide that adoption of any portion of such market practice is not administratively feasible or if the Bank determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Bank determines 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):

(a) in the case of sub-paragraph (a) or (b) of the definition of “SOFR 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

(b) in the case of sub-paragraph (c) of the definition of “SOFR 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 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 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 hereon) or SOFR Index Determination Time (where SOFR Index Average is specified as applicable hereon), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Bank 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

“SOFR 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):

(a) 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

(b) 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

(c) 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; and

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

Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of
any Benchmark Replacement Conforming Changes, determined under this Condition 7(g)
(Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)) will be notified promptly
by the Bank to the Agents and, in accordance with Condition 19 (Notices), the Noteholders. Such
notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Noteholders of the same, the Bank shall deliver to the Fiscal Agent a
certificate signed by two authorised signatories of the Bank:

(A) confirming (x) that a SOFR Benchmark Event has occurred, (y) the relevant Benchmark
Replacement and, (z) where applicable, any Benchmark Replacement Adjustment
and/or the specific terms of any relevant Benchmark Replacement Conforming Changes,
in each case as determined in accordance with the provisions of this Condition 7(g)
(Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)); and

(B) certifying that the relevant Benchmark Replacement Conforming Changes are necessary
to ensure the proper operation of such Benchmark Replacement and/or Benchmark
Replacement Adjustment.

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

(h) Maximum or Minimum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing
Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the
minimum so specified.

(i) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be
determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each
Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest
for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count
Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit
being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified
Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit”
means, in the case of any currency other than euro, the lowest amount of such currency that is available
as legal tender in the country of such currency and, in the case of euro, means one cent.

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(j) **Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and in the case of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, upon request of the Issuer, as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(k) **Notifications, etc.:**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8 **Zero Coupon Note Provisions**

(a) **Application**

This Condition 8 (Zero Coupon Note Provisions) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) **Late Payment on Zero Coupon Notes**

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

(iii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9 **Redemption and Purchase**

(a) **Scheduled Redemption**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (Payments – Bearer
Notes). In the case of Fixed Rate Notes where the Specified Currency is Renminbi or Hong Kong dollars, 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) **Redemption for Tax Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being not applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

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 (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or 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 (including a holding by a court of competent jurisdiction), which change or amendment becomes effective (or, in the case of a change in the application or official interpretation, is announced) on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (2) the Guarantor has or (if a demand was made under the Deed of Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 12 (Taxation) or in the Deed of Guarantee or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 12 (Taxation) or in the Deed of Guarantee from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Saudi Arabia or 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 (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Deed of Guarantee were then made; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts.
or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Deed of Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent to make available at its Specified Office to the Noteholders (1) a certificate signed by two directors of the Issuer or (as the case may be) of the Guarantor 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 (2) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b) (Redemption for tax reasons), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b) (Redemption for tax reasons).

(c) Redemption at the Option of the Issuer

If a call option is specified as being applicable in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) Partial Redemption

If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (Redemption at the option of the Issuer), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (Redemption at the Option of the Issuer) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) Redemption at the Option of Noteholders

If the Put Option is specified as being applicable in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e) (Redemption at the Option of Noteholders), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option
Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so
deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once
deposited with a duly completed Put Option Notice in accordance with this Condition 9(e) \textit{(Redemption
at the Option of Noteholders)}, may be withdrawn; \textit{provided, however, that} if, prior to the relevant
Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due
presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the
redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification
thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the
relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the
depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any
outstanding Note is held by a Paying Agent in accordance with this Condition 9(e) \textit{(Redemption at the
Option of Noteholders)}, the depositor of such Note and not such Paying Agent shall be deemed to be the
Holder of such Note for all purposes.

(f) \textbf{No Other Redemption}

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e)
above.

(g) \textbf{Early Redemption of Zero Coupon Notes}

Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on
redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the
sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price
from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the
case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation
in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as
may be specified in the Pricing Supplement for the purposes of this Condition 9(g) \textit{(Early redemption of
Zero Coupon Notes)} or, if none is so specified, a Day Count Fraction of 30E/360.

(h) \textbf{Purchase}

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the
open market or otherwise and at any price, and such Notes may be held, reissued, resold or, at the option
of the Issuer, the Guarantor or any of their respective Subsidiaries, as the case may be, surrendered to
any Paying Agent or the Registrar for cancellation.

(i) \textbf{Cancellation}

All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries
and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be
reissued or resold.

\textbf{10 Payments – Bearer Notes}

This Condition 10 \textit{(Payments – Bearer Notes)} is only applicable to Bearer Notes.

(a) \textbf{Principal}
Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States of America (which expression, as used herein, means the United States of America and its dependent territories):

(i) in respect of payments other than Renminbi, by cheque drawn in the currency in which the payment is due, on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency; or

(ii) in respect of payments in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Holder with a bank in Hong Kong.

(b) Interest

Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) Payments in New York City

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents located outside the United States and its possessions with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) Payments Subject to Fiscal Laws

All payments in respect of the Bearer Notes 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 12 (Taxation), 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, as amended (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 12 (Taxation)) law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) Deductions for Unmatured Coupons

If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “Relevant Coupons”) being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(f) Unmatured Coupons Void

If the relevant Pricing Supplement specifies that this Condition 10(f) (Unmatured Coupons Void) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (Redemption for tax reasons), Condition 9(e) (Redemption at the Option of Noteholders), Condition 9(c) (Redemption at the Option of the Issuer) or Condition 13 (Events of Default), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) Payments on Business Days

If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) Payments other than in respect of matured Coupons

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) Partial Payments

If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) Exchange of Talons

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (Prescription)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.
(k) **Renminbi Account**

All payments in respect of any Note or Coupon or the Deed of Guarantee in Renminbi will be made solely by credit to a registered Renminbi account maintained by or on behalf of the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

(l) **Renminbi Currency Event**

If the Specified Currency of the Notes is Renminbi and a Renminbi Currency Event, as determined by the Issuer or (if applicable) the Guarantor acting in good faith, exists on a date for payment of any principal or interest (in whole or in part) in respect of any Note or Coupon or the Deed of Guarantee, the Issuer’s obligation to make a payment in Renminbi under the terms of the Notes or (if applicable) the Guarantor’s obligation to make a payment in Renminbi under the terms of the Deed of Guarantee may be replaced by an obligation to pay such amount (in whole or in part) in the Relevant Currency and converted using the Spot Rate for the relevant Determination Date as promptly notified to the Issuer, the Guarantor and the Paying Agents.

Upon the occurrence of a Renminbi Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 19 (Notices) stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

In such event, any payment of U.S. dollars will be made by transfer to a U.S. dollar-denominated account maintained by the payee with, or by a U.S. dollar-denominated cheque drawn on, a bank in New York City; and the definition of “Payment Business Day” shall mean any day which (subject to Condition 14 (Prescription)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; and (B) London and New York City.

For the purpose of this Condition 10 (Payments – Bearer Notes) and Condition 11 (Payments – Registered Notes):

“Determination Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in the Principal Financial Centre of the country of the relevant Specified Currency;

“Determination Date” means the day which is two Determination Business Days before the due date of the relevant payment under the Notes, other than where the Issuer or (if applicable) the Guarantor properly determines that a Renminbi Currency Event has occurred at any time during the period from and including 10:01 a.m. (Hong Kong time) on the second Determination Business Day preceding the original due date to and including 11:59 p.m. (Hong Kong time) on the original due date, in which case the “Determination Date” will be the Determination Business Day immediately following the date on which the determination of the occurrence of a Renminbi Currency Event has been made;

“Governmental Authority” means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Relevant Currency” means United States dollars;
“Renminbi Currency Events” means any one of Renminbi Illiquidity, Renminbi Non-Transferability and Renminbi Inconvertibility;

“Renminbi Illiquidity” means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which it is impossible for the Issuer or (if applicable) the Guarantor to obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Notes or the Deed of Guarantee (as applicable), as determined by the Issuer or (if applicable) the Guarantor acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the Renminbi exchange market in Hong Kong selected by the Issuer or (if applicable) the Guarantor;

“Renminbi Inconvertibility” means the occurrence of any event that makes it impossible for the Issuer or (if applicable) the Guarantor to convert any amount due in respect of the Notes or the Deed of Guarantee (as applicable) into Renminbi on any payment date in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or (if applicable) the Guarantor to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer or (if applicable) the Guarantor, due to an event beyond its control, to comply with such law, rule or regulation);

“Renminbi Non-Transferability” means the occurrence of any event that makes it impossible for the Issuer or (if applicable) the Guarantor to transfer Renminbi (a) between accounts inside Hong Kong, (b) from an account inside Hong Kong to an account outside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended) or (c) from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or (if applicable) the Guarantor to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer or (if applicable) the Guarantor, due to an event beyond its control, to comply with such law, rule or regulation); and

“Spot Rate” means the spot CNY/U.S.$ exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11:00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the Spot Rate at or around 11:00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by the State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 10 (Payments – Bearer Notes) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agents and all Noteholders.
11 Payments – Registered Notes

This Condition 11 (Payments – Registered Notes) is only applicable to Registered Notes.

(a) Principal

Payments of principal shall be made:

(i) in respect of payments other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); or

(ii) in respect of payments in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Holder with a bank in Hong Kong, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) Interest

Payments of interest shall be made:

(i) in respect of payments other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); or

(ii) in respect of payments in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Holder with a bank in Hong Kong,

and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) Payments Subject to Fiscal Laws

All payments in respect of the Registered Notes 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 12 (Taxation), and (ii) any withholding or deduction 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, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 12 (Taxation)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) Payments on Business Days

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of
payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 (Payments – Registered Notes) arriving after the due date for payment or being lost in the mail.

(e) **Partial Payments**

If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) **Record Date**

Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “Record Date”). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

(g) **Renminbi Account**

All payments in respect of any Note or the Deed of Guarantee in Renminbi will be made solely by credit to a registered Renminbi account maintained by or on behalf of the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

(h) **Renminbi Currency Event**

If the Specified Currency of the Notes is Renminbi and a Renminbi Currency Event, as determined by the Issuer or (if applicable) the Guarantor, acting in good faith, exists on a date for payment of any principal or interest (in whole or in part) in respect of any Note or the Deed of Guarantee, the Issuer’s obligation to make a payment in Renminbi under the terms of the Notes or (if applicable) the Guarantor’s obligation to make a payment in Renminbi under the terms of the Deed of Guarantee may be replaced by an obligation to pay such amount (in whole or in part) in the Relevant Currency and converted using the Spot Rate for the relevant Determination Date as promptly notified to the Issuer, the Guarantor and the Paying Agents.

Upon the occurrence of a Renminbi Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 19 (Notices) stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

In such event, any payment of U.S. dollars will be made by transfer to a U.S. dollar-denominated account maintained by the payee with, or by a U.S. dollar-denominated cheque drawn on, a bank in New York City; and the definition of “Payment Business Day” shall mean any day which (subject to Condition 14 (Prescription)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; and (B) London and New York City.

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All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 11 (Payments – Registered Notes) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agents and all Noteholders.

12 Taxation

(a) Gross Up

All payments of principal and interest in respect of the Notes and the Coupons by the Issuer and all payments under the Deed of Guarantee by the Guarantor shall be made free and clear of, and without 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 Cayman Islands or Saudi Arabia or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction 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 in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

(b) FATCA

Notwithstanding any other provision of these Conditions, in no event will the Issuer or Guarantor be required to pay any additional amounts in respect of the Notes or Coupons or under the Deed of Guarantee for, or on account of, any withholding or deduction 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, any regulations or agreements thereunder, or any official interpretations thereof.

13 Events of Default

If any one or more of the following events occurs (each an “Event of Default”):

(a) default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of at least seven days in the case of principal or at least 14 days in the case of interest; or

(b) the Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of the Notes 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 and the Guarantor of written notice requiring the same to be remedied; or
(c) (i) any Indebtedness or Sukuk Obligation of the Issuer, the Guarantor or any of their respective Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Indebtedness or Sukuk Obligation becomes due and payable prior to its stated maturity by reason of default, event of default or the like (however described) or (iii) the Issuer, the Guarantor or any of their Material Subsidiaries fails to pay when due 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 (i) and/or (ii) above and/or the amount payable under any Guarantee referred to in (iii) above individually or in the aggregate exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Material Subsidiaries, save in connection with a Permitted Reorganisation; or

(e) the Issuer, the Guarantor or any of their respective Material 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 Material 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

(f) court or other formal proceedings are initiated against the Issuer, the Guarantor or any of their respective Material 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 administrator 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 Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking, assets or revenues of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking, assets or revenues 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, assets or revenues of any of them and in any case (other than the appointment of an administrator) is not discharged within 30 days; or

(g) the Issuer, the Guarantor or any of their respective Material Subsidiaries (i) declares a moratorium in respect of any of its Indebtedness or Sukuk Obligations or any Guarantee of any Indebtedness or Sukuk Obligation 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 all cases, in connection with a Permitted Reorganisation; or

(h) any event occurs which under the laws of the Cayman Islands or Saudi Arabia or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or

(i) at any time it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of its material obligations under or in respect of the Notes, the Deed of Guarantee or any of the material obligations of the Issuer or the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable;
(j) the Deed of Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or

(k) if the Issuer ceases to be a Subsidiary wholly owned and controlled, directly or indirectly, by the Guarantor;

then any Noteholder may give written notice to the Issuer and the Guarantor at the Specified Office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Note is due and payable, whereupon the same shall become forthwith due and payable at its principal amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind. For the purposes of this Condition 13 (Events of Default), “substantial part” means 15 per cent. of the total assets of the Guarantor and its subsidiaries, taken as a whole.

14 Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15 Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16 Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. If any additional Agents are appointed in connection with any services, the names of such Agents will be specified in Part B of the relevant Pricing Supplement. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; provided, however, that:

(a) the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar; and

(b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
there will at all times by a Paying Agent in a jurisdiction other than the Cayman Islands or Saudi Arabia; and

if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

17 Meetings of Noteholders; Modification

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings (including by way of telephony or electronic platform or facility) of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes for the time being remaining outstanding. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes for the time being remaining outstanding or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than 75 per cent. or, at any adjourned meeting, 25 per cent., of the aggregate principal amount of the outstanding Notes for the time being remaining outstanding form a quorum. An Extraordinary Resolution may also be passed by consent being given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of the outstanding Notes. Any Extraordinary Resolution duly passed at any such meeting or by way of electronic consent through the relevant clearing system(s) shall be binding on all the Noteholders and Couponholders (whether or not present at the relevant meeting and whether or not they voted on the resolution, including through the clearing system(s)).

In addition, a resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. in principal amount of the Notes who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. 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.

(b) Modification

The Fiscal Agent and the Issuer (on the written instruction of the Guarantor) may agree, without the consent of the Noteholders or Couponholders, to:

(i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Guarantee or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
(ii) any modification of the Notes, the Coupons, the Deed of Guarantee or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 19 (Notices) as soon as practicable thereafter.

18 Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

19 Notices

(a) Bearer Notes

Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) Registered Notes

Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require such notice will be (i) published in a daily newspaper having general circulation in the place or places required by those rules, or (ii) published on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

(c) Notices from Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent. Whilst any of the Notes are represented by a global bearer note or global registered note certificate, such notice may be given by any holder of a Note to the Fiscal Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

20 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “first currency”) in which the same is payable under these Conditions or such order or judgment into another currency (the “second currency”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any
court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.000001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22 Governing Law and Jurisdiction

(a) Governing Law

The Notes, the Coupons 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) Arbitration

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 22(b) (Arbitration) (a “Dispute”) shall be resolved by arbitration with seat (or legal place) in London, England conducted in the English language by three arbitrators pursuant to the rules of the London Court of International Arbitration (“LCIA”) (such arbitration to also be administered by the LCIA in accordance with those rules) save that, unless the parties agree otherwise, the third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of 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.

(c) Consolidation

Where disputes arise out of or in connection with the Notes and the Coupons which, in the absolute discretion of the first arbitral tribunal to be appointed in any of the disputes, are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitral tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have yet been instituted), provided that no date for the final hearing of the first arbitration has been fixed. If that arbitral
tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to that dispute being finally decided:

(i) by the arbitral tribunal that ordered the consolidation unless the LCIA decides that that arbitral tribunal would not be suitable or impartial; and

(ii) in accordance with the procedure, at the seat and in the language specified in the relevant agreement under which the arbitral tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of any such agreement, ordered by the arbitral tribunal in the consolidated proceedings.

This paragraph shall apply even where powers to consolidate proceedings exist under any applicable arbitration rules (including those of an arbitral institution) and, in such circumstances, the provisions of paragraph (c) above shall apply in addition to those powers.

(d) Service of process

Without prejudice to any other mode of service allowed under any relevant law, each of the Issuer and the Guarantor has irrevocably appointed Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD as its authorised agent for service of process in England. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

(e) Waiver of Immunity

Each of the Issuer and the Guarantor has in the Deed of Covenant, Deed of Guarantee and Agency Agreement explicitly acknowledged that its execution of such documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes (rather than an act in its or any other sovereign capacity) and has irrevocably and unconditionally waived with respect to any proceedings arising under these Conditions or any of such documents any sovereign or other immunity that it or its property, assets or revenues may have (without limitation) from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or defence and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any of its property, assets or revenues whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings or disputes.
USE OF PROCEEDS

The net proceeds from each issue of Notes will be lent by the Issuer to the Guarantor and, save in respect of Sustainable Notes, will be used by the Guarantor for its general corporate purposes or as otherwise described in the relevant Pricing Supplement.

In respect of Sustainable Notes, an amount at least equal to the equivalent amount will be applied by the Bank to finance and/or refinance, in whole or in part, Eligible Sustainable Projects as set out in the Bank’s Sustainable Finance Framework summarised under “Business Description of the Bank—Sustainable Finance Framework” and to be published on its website.

See further “Risk Factors—Risks Relating to the Notes—The use of proceeds of any issue of Notes identified as Sustainable Notes in the relevant Pricing Supplement may not meet investor expectations or requirements or be suitable for an investor’s investment criteria”. 
FORM OF PRICING SUPPLEMENT

[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 Directive 2014/65/EU (as amended, “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 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 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 (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA (“UK MiFIR”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer’s 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 manufacturer’s target market assessment) and determining appropriate distribution channels].

[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”)][MiFID II]; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), 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 in the UK by virtue of the European Union (Withdrawal) Act 2018, as amended (the “EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU)...

1 Legend to be included following completion of the target market assessment in respect of the Notes.
2 Legend to be included following completion of the target market assessment in respect of the Notes.
3 Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

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No 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the UK 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.\(^4\)

**Notification under Section 309b(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”)**

In connection with Section 309B of 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 capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and are 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 Recommendation on Investment Products).\(^5\)

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.*

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\(^4\) Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

\(^5\) Notice to be included if classification of the Notes is not “prescribed capital markets products” and not “Excluded Investment Products”.
Pricing Supplement dated [●]

SNB Funding Limited
Legal entity identifier (LEI): 549300PT73WJRNM4E44

Issue of [Aggregate Nominal Amount of Tranche] Euro Medium Term Note Programme
Guaranteed by The Saudi National Bank
under the U.S.$5,000,000,000

Euro 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 of the Notes (the “Conditions”) set forth in the Offering Circular dated 15 November 2021 [and the supplemental Offering Circular[s] dated [●] which [together] constitute[s] an Offering Circular (the “Offering Circular”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular in order to obtain all the relevant information.

The Offering Circular and this Pricing Supplement are available for viewing and 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 the Fiscal Agent (at Citigroup Centre, 6th Floor, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom) and copies may be obtained from such offices.

1. (i) Issuer: SNB Funding Limited
   (ii) Guarantor: The Saudi National Bank

2. (i) Series Number: [●]
   (ii) Tranche Number: [●]
   [(iii) Date on which the Notes will be consolidated and form a single Series:
   [The Notes will be consolidated and form a single Series with [identify earlier Tranche] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Notes, as referred to in paragraph [23] below, which is expected to occur on or about [date]/[Not Applicable]]]

3. Specified Currency or Currencies: [●]

4. Aggregate Nominal Amount: [●]
   (i) Series: [●]
   (ii) Tranche: [●]

5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●] (if applicable)]

6. (i) Specified Denominations: [●] excess thereof.
   (in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)
   (ii) Calculation Amount: [●]

7. (i) Issue Date: [●]
(ii) Interest Commencement Date: [[●]/Issue Date/Not Applicable]

8. Maturity Date: [[●]]

9. Interest Basis: [[●] per cent. Fixed Rate]

[[EURIBOR/KIBOR/SHIBOR/HIBOR / CNH HIBOR/KLIBOR/TRLIBOR or TRYLIBOR/SIBOR/EIBOR/TIBOR/SAIBOR/ BBSW/BKBM/MIBOR/PRIBOR /SOFR/SONIA/ CAD LIBOR/ NZD LIBOR/DKK LIBOR/SEK LIBOR/AUD LIBOR/MIBOR/PRIBOR]+/- [●] per cent. Floating Rate]

[Zero Coupon]

(see paragraphs [15], [16] and [17] below)

10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount]

11. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable]

12.: Put/Call Options [Investor Put]

[Issuer Call]

13. [Date of [Board] approval for issuance of Notes [and Guarantee] obtained:] [●] [and [●], respectively]

14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]

(i) Rate[(s)] of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Interest Payment Date

(ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with Following Business Day Convention/ Modified Following Business Day Convention/ Modified Business Day Convention/ Preceding Business Day Convention/ FRN Convention/ Floating Rate Convention/ Eurodollar Convention/ not adjusted] up to and including the maturity date

(iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount

(iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]

(v) Day Count Fraction: [Actual/Actual (ICMA)/ Actual/365/ Actual/ Actual (ISDA)/ Actual/365 (Fixed)/ Actual/360/ 30/360/ 30/360E/ Eurobond Basis]

(vi) Determination Dates: [●] in each year [Not Applicable]
16. Floating Rate Note Provisions:

(i) Specified Period: [Applicable/Not Applicable]
   [Not Applicable/[●]] subject to adjustment in accordance with the Business Day Convention

(ii) Interest Period: [●]  
     [The end date of each Interest Period shall be subject to adjustment in accordance with the Business Day Convention specified in paragraph 16(v) below/ Not subject to any adjustment]

(iii) First Interest Payment Date: [●], subject to adjustment in accordance with the Business Day Convention specified in paragraph 16(v) below/, not subject to any adjustment


(v) Additional Business Centre(s): [Not Applicable/[●]]

(vi) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/[●]]

(vii) Party responsible for calculating the Rate of Interest and/or Interest Amount (if not the Fiscal Agent): [[●] shall be the Calculation Agent]

(viii) Screen Rate Determination not Referencing SOFR or SONIA: [Applicable /Not Applicable]

   - Reference Rate: [EURIBOR/SHIBOR/HIBOR/CNH HIBOR/KLIBOR/TRLIBOR or TRYLIBOR/ SIBOR/EIBOR/TIBOR/SAIBOR/BBSW/CAD LIBOR/NZD LIBOR/ DKK LIBOR/SEK LIBOR/AUD LIBOR/BKBM/ MIBOR/PRIBOR]

   - Interest Determination Date(s): [●]
   - Relevant Screen Page: [●]
   - Relevant Time: [●]
   - Relevant Financial Centre: [●]

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6 Interest Periods should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay.

7 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.
• Reference Banks: [●]

(ix) Screen Rate Determination Referencing SOFR:

• Reference Rate: SOFR

• Interest Determination Date(s):
  [[●] U.S. Government Securities Business Days prior to each Interest Period Date][8] 
  [The Interest Period Date at the end of each Interest Period; except in respect of the final Interest Period, for which the Interest Determination Date will be the SOFR Rate Cut-off Date][9]

• SOFR Benchmark:
  [Not Applicable/Simple SOFR Average/Compounded SOFR Average/SOFR Index Average][10]

• Compounded SOFR Average:
  [Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout][11]

• Lookback Days:

• SOFR Observation Shift Days:

• Interest Payment Delay Days:
  [Not Applicable/[●] U.S. Government Securities Business Day(s)][14]

• 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 Period][15]

• SOFR Index Start Days:

• SOFR Index End Days:

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8 To be included where the Reference Rate is SOFR 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.

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

10 Only applicable where the Reference Rate is SOFR.

11 Only applicable in the case of Compounded SOFR Average.

12 Only applicable in the case of SOFR Observation Lag.

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

14 Only applicable in the case of SOFR Payment Delay.

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

16 Only applicable in the case of SOFR Index Average.

17 Only applicable in the case of SOFR Index Average.
• D: \[365/360/[●]\]^{18}

• Fallback Provisions: [Condition 7(f) Benchmark Discontinuation]/[Condition 7(g) Benchmark Discontinuation (SOFR)]

(x) Screen Rate Determination Referencing SONIA:

• Reference Rate: [SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate [with Observation Shift] / [with Lag] where “p” is: [specify number] London Business Days [being no less than [5] London Business Days]]

• Interest Determination Date(s): The date which is ["p"] London Business Days prior to each Interest Payment Date^{20}

• Relevant Screen Page: [[Bloomberg Screen Page : SONCINDX] / see pages of authorised distributors for SONIA Compounded Index Rate] or [Bloomberg Screen Page : SONIO/N Index]^{21} / SONIA Compounded Daily Reference Rate as applicable [•]

• Relevant Fallback Screen Page: [[Bloomberg Screen Page : SONIO/N Index] / see pages of authorised distributors for SONIA Compounded Daily Reference Rate as applicable] [•]^23

(xii) ISDA Determination:

• Floating Rate Option: [●]

• Designated Maturity: [●]

• Reset Date: [●]

(xii) Linear Interpolation

[Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

(xiii) Margin(s): [+/−][●] per cent. per annum

(xiv) Minimum Rate of Interest: [●] per cent. per annum

(xv) Maximum Rate of Interest: [●] per cent. per annum

^{18} “D” will normally be 360.

^{19} To be included in all cases except where the parties have agreed, in respect of an issuance where the Reference Rate is SOFR, to the inclusion of the Benchmark Discontinuation (SOFR) fallback provisions instead.

^{20} The Interest Determination Date should match the last day of the Observation Period.

^{21} Where SONIA Compounded Index Rate applies.

^{22} Where SONIA Compounded Daily Reference Rate applies.

^{23} Only applicable in the case of SONIA Compounded Index Rate.
17. Zero Coupon Note Provisions:
   (i) Accrual Yield: [●] per cent. per annum
   (ii) Reference Price: [●]

18. Call Option:
   (i) Optional Redemption Date(s): [●]
   (ii) Optional Redemption Amount(s) of [●] per Calculation Amount each Note:
   (iii) If redeemable in part:
      (a) Minimum Redemption Amount: [●] per Calculation Amount
      (b) Maximum Redemption Amount: [●] per Calculation Amount

19. Put Option:
   (i) Optional Redemption Date(s): [●]
   (ii) Optional Redemption Amount(s) of [●] per Calculation Amount each Note:
   (iii) Notice periods: [●]

20. Final Redemption Amount of each Note: [●] per Calculation Amount

21. Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [Not Applicable/[●]]

22. Form of Notes:
   [Bearer Notes:
      [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days’ notice/at any time/in the limited circumstances specified in the Permanent Global Note]
      [Temporary Global Note exchangeable for Definitive Notes on [●] days’ notice]
      [Permanent Global Note exchangeable for Definitive Notes on [●] days’ notice/at any time/in the limited circumstances specified in the Permanent Global Note]]
   [Registered Notes:
      Registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg]
Global Certificate exchangeable for Individual Note Certificates on [●] days’ notice/at any time/in the limited circumstances described in the Global Certificate

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]”. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)

23. Additional Financial Centre(s):
   [Not Applicable/[●]]

24. Talons for future Coupons to be attached to Definitive Notes:
   [Not Applicable/[●]]

25. [Consolidation provisions:
   Not Applicable/The provisions [in Condition 18 (Further Issues)] apply]

THIRD PARTY INFORMATION

[(Relevant third party information) has been extracted from (specify source). 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 (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **SNB Funding Limited**:

By: .................................................................
   **Duly authorised**

Signed on behalf of **The Saudi National Bank**:

By: .................................................................
   **Duly authorised**

Signed on behalf of **The Saudi National Bank**:

By: .................................................................
   **Duly authorised**

Signed on behalf of **The Saudi National Bank**:

By: .................................................................
   **Duly authorised**

Signed on behalf of **The Saudi National Bank**:

By: .................................................................
   **Duly authorised**

Signed on behalf of **The Saudi National Bank**:

By: .................................................................
   **Duly authorised**
PART B – OTHER INFORMATION

1. LISTING

(i) Listing and 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.]

(ii) Estimate of total expenses related to listing and admission to trading: [●]

2. RATINGS

Ratings:

[The Notes to be issued [have been] [are expected to be] rated by:

[Fitch: [●]]

[S&P: [●]]

[Each of [●] and][●] is established in the European Economic Area and registered under Regulation (EC) No 1060/2009, as amended (the “EU CRA Regulation”)

[Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the “EU CRA Regulation”). The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and registered under the EU CRA Regulation.

[Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the “EU CRA Regulation”), but it is certified in accordance with the EU CRA Regulation.

[Each of [●] and][●] is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “UK CRA Regulation”).] [The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and is registered under the EU CRA Regulation.

[Each of [●] and][●] is not established in the UK and has applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “UK CRA Regulation”).]
Regulation”), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.

[Each of [●] and][●] is not established in the UK and has not applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “UK CRA Regulation”) but is certified in accordance with the UK CRA Regulation.]

[●]

3. [RELEVANT BENCHMARK]

[specify benchmark] is provided by [administrator legal name]. As at the date hereof, [[administrator legal name][appears]|does not appear]] 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 (the “EU Benchmark Regulation”).]

[As far as the Company is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011 (the “EU Benchmark Regulation”).] [Not Applicable]

[specify benchmark] is provided by [administrator legal name]. As at the date hereof, [[administrator legal name][appears]|does not appear]] in the register of administrators and benchmarks established and maintained by the Financial Conduct Authority pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the “UK Benchmarks Regulation”).]

[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the “UK Benchmarks Regulation”)/the transitional provisions in Article 51 of the UK Benchmarks Regulation apply such that [administrator legal name] [is/are] not currently required to obtain authorisation or registration (or, if located outside the UK, recognition, endorsement or equivalence).]

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions...]

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with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business – Amend as appropriate if there are other interests]

5. [Fixed Rate Notes only – YIELD

Indication of yield: [●] per cent. per annum on a [quarterly/semi-annual] basis

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

6. [Floating Rate Notes only – HISTORIC INTEREST RATES

Details of historic [EURIBOR/KIBOR/SHIBOR/HIBOR/CNH HIBOR/KLIBOR/ TRLIBOR or TRYLIBOR/SIBOR/EIBOR/ TIBOR/SAIBOR/BBSW/BKBM/ / CAD LIBOR/NZD LIBOR/DKK LIBOR/SEK LIBOR/AUD LIBOR/ MIBOR/ PRIBOR /SOFR/SONIA] rates can be obtained from [Reuters].]

7. OPERATIONAL INFORMATION

(i) ISIN Code: [●]

(ii) Common Code: [●]

(iii) CFI: [[See/include code]24, as updated, as set out on] the website of the Association of National Numbering Agencies (“ANNA”) or alternatively sourced from the responsible national numbering agency that assigned the ISIN/Not Applicable/Not Available]

(iv) FISN: [[See/include code]25, as updated, as set out on] the website of ANNA or alternatively sourced from the responsible national numbering agency that assigned the ISIN/Not Applicable/Not Available]

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

(vi) Delivery: Delivery [against/free of] payment

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

8. DISTRIBUTION

(i) If syndicated, names of Managers: [Not Applicable/●]

(ii) Date of Subscription Agreement: [●]

(iii) Stabilisation Manager(s) (if any): [Not Applicable/give name]

(iv) If non-syndicated, name and address of Dealer: [Not Applicable/●]

24 The actual code should only be included where the issuer is comfortable that it is correct.

25 The actual code should only be included where the issuer is comfortable that it is correct.
(v) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes potentially constitute “packaged” products and no key information document will be prepared, or the Issuer and the Guarantor wish to prohibit offers to EEA retail investors for any other reason, the selling restriction should be specified to be “Applicable”)

(v) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes potentially constitute “packaged” products and no key information document will be prepared, or the Issuer and the Guarantor wish to prohibit offers to UK retail investors for any other reason, the selling restriction should be specified to be “Applicable”)

(v) U.S. Selling Restrictions: Reg. S Compliance Category 2 [TEFRA C/TEFRA D/TEFRA not applicable]
SUMMARY OF PROVISIONS RELATING TO THE NOTES
WHILST IN GLOBAL FORM

Clearing System Accountholders

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Conditions applicable to Global Notes

Each Global Note and Global Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Payment Business Day: In the case of a Global Note, or a Global Certificate, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “Record Date”) where “Clearing System Business Day” means a day on which each clearing system for which the Global Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 9(e) (Redemption at the Option of Noteholders), the bearer of the Permanent Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(c) (Redemption at the Option of the Issuer) in relation to some only of the Notes, the Permanent Global Note or
Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

**Notices**: Notwithstanding Condition 19 (**Notices**), whilst all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Certificate is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (**Notices**) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

**Exchange**

The option for Global Notes to be exchangeable for Definitive Notes by giving notice should not be expressed to be applicable under paragraph 22 (**Form of Notes**) in Part A of the relevant Pricing Supplement if the relevant Notes have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

In the event that a Global Note is exchanged for Definitive Notes, 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.
SELECTED FINANCIAL INFORMATION

National Commercial Bank (NCB)

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the NCB March 2021 Interim Financial Statements and the NCB Annual Financial Statements.

Consolidated statement of financial position

The table below shows NCB’s interim condensed consolidated statement of financial position as at 31 March 2021 and consolidated statement of financial position as at 31 December in each of 2020 and 2019.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 March</th>
<th>2021</th>
<th>As at 31 December</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td>SAR million</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with SAMA</td>
<td>48,343</td>
<td>56,824</td>
<td>45,382</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from banks and other financial institutions, net</td>
<td>14,030</td>
<td>13,637</td>
<td>16,565</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments, net</td>
<td>149,662</td>
<td>144,853</td>
<td>134,077</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing and advances, net</td>
<td>356,720</td>
<td>346,708</td>
<td>281,843</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive fair value of derivatives, net</td>
<td>6,280</td>
<td>7,898</td>
<td>5,276</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in associates, net</td>
<td>442</td>
<td>442</td>
<td>439</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, equipment and software, net</td>
<td>5,870</td>
<td>5,842</td>
<td>5,497</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right of use assets, net</td>
<td>1,491</td>
<td>1,525</td>
<td>1,670</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>16,733</td>
<td>21,717</td>
<td>16,070</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>599,571</td>
<td>599,446</td>
<td>506,819</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td>SAR million</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>72,372</td>
<td>75,028</td>
<td>62,186</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers’ deposits</td>
<td>419,430</td>
<td>416,419</td>
<td>353,389</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>2,101</td>
<td>1,773</td>
<td>1,016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative fair value of derivatives, net</td>
<td>6,748</td>
<td>9,744</td>
<td>6,082</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>14,734</td>
<td>16,267</td>
<td>14,803</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>515,385</td>
<td>519,231</td>
<td>437,476</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity holders of the Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(275)</td>
<td>(371)</td>
<td>(358)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>28,370</td>
<td>28,370</td>
<td>25,650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other reserves (cumulative changes in fair value)</td>
<td>619</td>
<td>1,676</td>
<td>867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees’ share based payments reserve</td>
<td>152</td>
<td>243</td>
<td>203</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>17,699</td>
<td>14,401</td>
<td>6,176</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed dividend</td>
<td>—</td>
<td>—</td>
<td>3,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(5,292)</td>
<td>(5,109)</td>
<td>(4,695)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity attributable to shareholders of the Bank</strong></td>
<td>71,273</td>
<td>69,210</td>
<td>61,443</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 sukuk</td>
<td>12,188</td>
<td>10,200</td>
<td>7,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity attributable to equity holders of the Bank</strong></td>
<td>83,461</td>
<td>79,410</td>
<td>68,443</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>725</td>
<td>805</td>
<td>900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>84,186</td>
<td>80,215</td>
<td>69,343</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>599,571</td>
<td>599,446</td>
<td>506,819</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Interim condensed consolidated statement of income**

The table below shows NCB’s interim condensed consolidated statement of income for each of the three-month periods ended 31 March 2021 and 31 March 2020.

<table>
<thead>
<tr>
<th>Three months ended 31 March</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(SAR million)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special commission income</td>
<td>4,901</td>
<td>5,042</td>
</tr>
<tr>
<td>Special commission expense</td>
<td>(722)</td>
<td>(884)</td>
</tr>
<tr>
<td><strong>Net special commission income</strong></td>
<td>4,179</td>
<td>4,158</td>
</tr>
<tr>
<td>Fee income from banking services, net</td>
<td>621</td>
<td>480</td>
</tr>
<tr>
<td>Exchange income, net</td>
<td>326</td>
<td>314</td>
</tr>
<tr>
<td>Income/(loss) from fair value through income statement (FVIS) financial instruments, net</td>
<td>254</td>
<td>(23)</td>
</tr>
<tr>
<td>Gains/income on non-FVIS financial instruments, net</td>
<td>610</td>
<td>513</td>
</tr>
<tr>
<td>Other operating expenses, net</td>
<td>(218)</td>
<td>(136)</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>5,772</td>
<td>5,306</td>
</tr>
<tr>
<td>Salaries and employee-related expenses</td>
<td>(866)</td>
<td>(908)</td>
</tr>
<tr>
<td>Rent and premises related expenses</td>
<td>(89)</td>
<td>(83)</td>
</tr>
<tr>
<td>Depreciation/amortisation of property, equipment, software, right of use assets</td>
<td>(230)</td>
<td>(226)</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>(436)</td>
<td>(475)</td>
</tr>
<tr>
<td><strong>Total operating expenses before expected credit losses</strong></td>
<td>(1,621)</td>
<td>(1,692)</td>
</tr>
<tr>
<td>Net impairment charge for expected credit losses</td>
<td>(280)</td>
<td>(396)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(1,901)</td>
<td>(2,088)</td>
</tr>
<tr>
<td>Income from operations, net</td>
<td>3,871</td>
<td>3,218</td>
</tr>
<tr>
<td>Other non-operating (expenses), net</td>
<td>(55)</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Net income for the period before zakat and income tax</strong></td>
<td>3,816</td>
<td>3,211</td>
</tr>
<tr>
<td>Zakat and income tax expense</td>
<td>(391)</td>
<td>(340)</td>
</tr>
<tr>
<td><strong>Net income for the period</strong></td>
<td>3,425</td>
<td>2,871</td>
</tr>
</tbody>
</table>

**Net income for the period attributable to:**

| Equity holders of the Bank | 3,408 | 2,834 |
| Non-controlling interests | 17 | 37 |
| **Net income for the period** | 3,425 | 2,871 |
## Consolidated statement of income

The table below shows NCB’s consolidated statement of income for each of the years ended 31 December 2020 and 31 December 2019.

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR million)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special commission income</td>
<td>19,441</td>
<td>21,117</td>
</tr>
<tr>
<td>Special commission expense</td>
<td>(2,754)</td>
<td>(4,735)</td>
</tr>
<tr>
<td><strong>Net special commission income</strong></td>
<td>16,687</td>
<td>16,382</td>
</tr>
<tr>
<td>Fee income from banking services, net</td>
<td>2,260</td>
<td>1,920</td>
</tr>
<tr>
<td>Exchange income, net</td>
<td>1,205</td>
<td>1,062</td>
</tr>
<tr>
<td>Income from fair value through income statement (FVIS) financial instruments, net</td>
<td>816</td>
<td>940</td>
</tr>
<tr>
<td>Gains/income on non-FVIS financial instruments, net</td>
<td>973</td>
<td>471</td>
</tr>
<tr>
<td>Other operating (expenses), net</td>
<td>(483)</td>
<td>(200)</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>21,458</td>
<td>20,575</td>
</tr>
<tr>
<td>Salaries and employee-related expenses</td>
<td>(3,550)</td>
<td>(3,550)</td>
</tr>
<tr>
<td>Rent and premises related expenses</td>
<td>(341)</td>
<td>(355)</td>
</tr>
<tr>
<td>Depreciation/amortisation of property, equipment, software, right of use assets</td>
<td>(900)</td>
<td>(866)</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>(1,706)</td>
<td>(1,527)</td>
</tr>
<tr>
<td><strong>Total operating expenses before expected credit losses</strong></td>
<td>(6,497)</td>
<td>(6,298)</td>
</tr>
<tr>
<td>Net impairment charge for expected credit losses</td>
<td>(1,951)</td>
<td>(1,420)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(8,448)</td>
<td>(7,718)</td>
</tr>
<tr>
<td>Income from operations, net</td>
<td>13,010</td>
<td>12,857</td>
</tr>
<tr>
<td>Other non-operating (expenses) income, net</td>
<td>(77)</td>
<td>62</td>
</tr>
<tr>
<td><strong>Net income for the year before zakat and income tax</strong></td>
<td>12,933</td>
<td>12,919</td>
</tr>
<tr>
<td>Zakat and income tax expense</td>
<td>(1,373)</td>
<td>(1,435)</td>
</tr>
<tr>
<td><strong>Net income for the year</strong></td>
<td>11,560</td>
<td>11,484</td>
</tr>
<tr>
<td>Net income for the year attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Bank</td>
<td>11,440</td>
<td>11,401</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>120</td>
<td>83</td>
</tr>
<tr>
<td><strong>Net income for the year</strong></td>
<td>11,560</td>
<td>11,484</td>
</tr>
</tbody>
</table>
Interim condensed consolidated statement of comprehensive income

The table below shows NCB’s interim condensed consolidated statement of comprehensive income for each of the three-month periods ended 31 March 2021 and 31 March 2020.

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td><strong>Net income for the period</strong></td>
<td>3,425</td>
</tr>
<tr>
<td><strong>Other comprehensive income/(loss)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Items that cannot be reclassified to the consolidated statement of income in subsequent periods:</strong></td>
<td></td>
</tr>
<tr>
<td>Net movement in fair value through other comprehensive income in equity instruments</td>
<td>336</td>
</tr>
<tr>
<td><strong>Items that are or may be reclassified to the consolidated statement of income in subsequent periods:</strong></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation reserve (loss)</td>
<td>(273)</td>
</tr>
<tr>
<td><strong>FVOCI debt instruments:</strong></td>
<td></td>
</tr>
<tr>
<td>Net change in fair values</td>
<td>(847)</td>
</tr>
<tr>
<td>Transfers to the consolidated statement of income</td>
<td>(489)</td>
</tr>
<tr>
<td><strong>Cash flow hedges:</strong></td>
<td></td>
</tr>
<tr>
<td>Effective portion of changes in fair values</td>
<td>(59)</td>
</tr>
<tr>
<td>Transfers to the consolidated statement of income</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Total other comprehensive income/(loss)</strong></td>
<td>(1,336)</td>
</tr>
<tr>
<td><strong>Total comprehensive income/(loss) for the period</strong></td>
<td>2,089</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Bank</td>
<td>2,169</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(80)</td>
</tr>
<tr>
<td><strong>Total comprehensive income/(loss) for the period</strong></td>
<td>2,089</td>
</tr>
</tbody>
</table>
### Consolidated statement of comprehensive income

The table below shows NCB’s consolidated statement of comprehensive income for each of the years ended 31 December 2020 and 31 December 2019.

<table>
<thead>
<tr>
<th>Years ended 31 December</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income for the year</strong></td>
<td>11,560</td>
<td>11,484</td>
</tr>
</tbody>
</table>

#### Other comprehensive income

**Items that cannot be reclassified to the consolidated statement of income in subsequent years:**

- Net movement in fair value through other comprehensive income in equity instruments and actuarial valuation (losses): (46) (239)

**Items that are or may be reclassified to the consolidated statement of income in subsequent periods**

- Net movement in foreign currency translation reserve (losses): (630) (348)

**FVOCI debt instruments:**

- Net change in fair values: 1,364 1,931
- Net amounts transferred to the consolidated statement of income: (492) (218)

**Cash flow hedges:**

- Effective portion of changes in fair values: 17 92
- Net amounts transferred to the consolidated statement of income: (32) (61)

**Total other comprehensive income** | 181 | 1,157 |

**Total comprehensive income for the year** | 11,741 | 12,641 |

**Attributable to:**

- Equity holders of the Bank: 11,836 12,633
- Non-controlling interests: (94) 8

**Total comprehensive income for the year** | 11,742 | 12,641 |
**Interim condensed consolidated statement of cash flows**

The table below summarises NCB’s interim condensed consolidated statement of cash flows for each of the three-month periods ended 31 March 2021 and 31 March 2020 (extracts).

<table>
<thead>
<tr>
<th>Three months ended 31 March</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(SAR million)</td>
<td></td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(8,493)</td>
<td>(5,569)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(4,520)</td>
<td>(2,029)</td>
</tr>
<tr>
<td>Net cash from/(used in) financing activities</td>
<td>2,326</td>
<td>(449)</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>41,892</td>
<td>32,675</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 March</td>
<td>31,158</td>
<td>24,329</td>
</tr>
</tbody>
</table>
Consolidated statement of cash flows

The table below summarises NCB’s consolidated statement of cash flows for each of the years ended 31 December 2020 and 31 December 2019 (extracts).

<table>
<thead>
<tr>
<th>Years ended 31 December</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR million)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>20,555</td>
<td>40,072</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(10,664)</td>
<td>(11,652)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(42)</td>
<td>(15,079)</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>32,675</td>
<td>19,792</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 December</td>
<td>41,892</td>
<td>32,675</td>
</tr>
</tbody>
</table>
Samba Financial Group (Samba)

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Samba Annual Financial Statements. As a result of the merger, Samba was not required to, and did not, prepare or publish any interim condensed consolidated financial statements for the three-month period ended 31 March 2021.

Consolidated statement of financial position

The table below shows Samba’s consolidated statement of financial position as at 31 December in each of 2020 and 2019.

<table>
<thead>
<tr>
<th>As at 31 December</th>
<th>2020 (SAR million)</th>
<th>2019 (SAR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with Central Banks</td>
<td>22,854</td>
<td>18,138</td>
</tr>
<tr>
<td>Due from banks and other financial institutions, net</td>
<td>3,664</td>
<td>3,628</td>
</tr>
<tr>
<td>Investments, net</td>
<td>101,225</td>
<td>85,013</td>
</tr>
<tr>
<td>Derivatives</td>
<td>6,890</td>
<td>4,752</td>
</tr>
<tr>
<td>Loans and advances, net</td>
<td>156,024</td>
<td>141,595</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>3,412</td>
<td>3,067</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,876</td>
<td>3,335</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>296,945</td>
<td>259,528</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>21,549</td>
<td>15,647</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>207,706</td>
<td>180,166</td>
</tr>
<tr>
<td>Term loan</td>
<td>2,160</td>
<td>2,168</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>5,589</td>
<td>3,746</td>
</tr>
<tr>
<td>Derivatives</td>
<td>4,423</td>
<td>3,457</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>7,468</td>
<td>8,895</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>248,895</td>
<td>214,079</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity holders of the Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>19,399</td>
<td>18,348</td>
</tr>
<tr>
<td>General reserve</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Fair value and other reserves</td>
<td>2,421</td>
<td>2,752</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>6,927</td>
<td>3,697</td>
</tr>
<tr>
<td>Proposed dividend</td>
<td>—</td>
<td>1,394</td>
</tr>
</tbody>
</table>
Treasury stocks ............................................................. \( (919) \) \( (962) \)

**Total equity attributable to equity holders of the Bank** ................. \( 47,958 \) \( 45,359 \)

Non-controlling interests .......................................................... 92 \( 90 \)

**Total equity** ........................................................................... \( 48,050 \) \( 45,449 \)

**Total liabilities and equity** .......................................................... \( 296,945 \) \( 259,528 \)

---

**Consolidated statement of income**

The table below shows Samba’s consolidated statement of income for each of the years ended 31 December 2020 and 31 December 2019.

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(SAR million)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special commission income</td>
<td>7,445</td>
<td>8,427</td>
</tr>
<tr>
<td>Special commission expense</td>
<td>(1,773)</td>
<td>(2,050)</td>
</tr>
<tr>
<td><strong>Net special commission income</strong></td>
<td>5,672</td>
<td>6,377</td>
</tr>
<tr>
<td>Fee and commission income, net</td>
<td>1,252</td>
<td>1,268</td>
</tr>
<tr>
<td>Exchange income, net</td>
<td>329</td>
<td>307</td>
</tr>
<tr>
<td>Income from investments held at FVIS, net</td>
<td>385</td>
<td>204</td>
</tr>
<tr>
<td>Trading income net</td>
<td>249</td>
<td>170</td>
</tr>
<tr>
<td>Gains on FVOVI debt, net</td>
<td>1,373</td>
<td>78</td>
</tr>
<tr>
<td>Other operating income, net</td>
<td>165</td>
<td>196</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>9,425</td>
<td>8,600</td>
</tr>
<tr>
<td>Salaries and employee-related expenses</td>
<td>(1,562)</td>
<td>(1,488)</td>
</tr>
<tr>
<td>Rent and premises related expenses</td>
<td>(311)</td>
<td>(334)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(229)</td>
<td>(204)</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>(1,006)</td>
<td>(852)</td>
</tr>
<tr>
<td><strong>Total operating expenses before credit impairment provision</strong></td>
<td>(3,108)</td>
<td>(2,878)</td>
</tr>
<tr>
<td>Provision for credit impairment, net of recoveries</td>
<td>(1,400)</td>
<td>(1,103)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(4,508)</td>
<td>(3,981)</td>
</tr>
<tr>
<td>Net income for the year before zakat and income tax</td>
<td>4,917</td>
<td>4,619</td>
</tr>
<tr>
<td>Zakat for the year</td>
<td>(611)</td>
<td>(577)</td>
</tr>
<tr>
<td>Current and deferred tax for the year</td>
<td>(102)</td>
<td>(52)</td>
</tr>
<tr>
<td><strong>Net income for the year</strong></td>
<td>4,204</td>
<td>3,990</td>
</tr>
</tbody>
</table>

**Net income for the year attributable to:**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of the Bank</td>
<td>4,201</td>
<td>3,984</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td><strong>Net income for the year</strong></td>
<td>4,204</td>
<td>3,990</td>
</tr>
</tbody>
</table>
### Consolidated statement of comprehensive income

The table below shows Samba’s consolidated statement of comprehensive income for each of the years ended 31 December 2020 and 31 December 2019.

<table>
<thead>
<tr>
<th>Years ended 31 December</th>
<th>2020 (SAR million)</th>
<th>2019 (SAR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income for the years after zakat and taxation</strong></td>
<td>4,204</td>
<td>3,990</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the years - items that will not be reclassified subsequently to the statement of consolidated income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FVOCI financial assets – Equities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in fair values</td>
<td>(685)</td>
<td>544</td>
</tr>
<tr>
<td>Changes due to remeasurements of defined employee benefit obligation</td>
<td>(109)</td>
<td>(115)</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the years - items that will be reclassified subsequently to the statement of consolidated income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(7)</td>
<td>(48)</td>
</tr>
<tr>
<td><strong>FVOCI debt financial assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair values</td>
<td>1,721</td>
<td>2,083</td>
</tr>
<tr>
<td>Transfers to the statement of consolidated income</td>
<td>(1,373)</td>
<td>(78)</td>
</tr>
<tr>
<td>Changes in allowance for expected credit losses</td>
<td>26</td>
<td>33</td>
</tr>
<tr>
<td><strong>Cash flow hedges:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes in fair values</td>
<td>335</td>
<td>122</td>
</tr>
<tr>
<td>Transfers to the statement of consolidated income</td>
<td>(180)</td>
<td>(34)</td>
</tr>
<tr>
<td><strong>Other comprehensive (loss)/income for the years</strong></td>
<td>(272)</td>
<td>2,507</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the years</strong></td>
<td>3,932</td>
<td>6,497</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Bank</td>
<td>3,929</td>
<td>6,500</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,932</td>
<td>6,497</td>
</tr>
</tbody>
</table>
Consolidated statement of cash flows

The table below summarises Samba’s consolidated statement of cash flows for each of the years ended 31 December 2020 and 31 December 2019 (extract).

<table>
<thead>
<tr>
<th>Years ended 31 December</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR million)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>17,610</td>
<td>1,660</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(14,387)</td>
<td>(16,557)</td>
</tr>
<tr>
<td>Net cash from financing activities</td>
<td>343</td>
<td>2,536</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>11,555</td>
<td>23,916</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 December</td>
<td>15,121</td>
<td>11,555</td>
</tr>
</tbody>
</table>
The Group

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Group’s unaudited interim condensed consolidated financial statements for the nine month period ended 30 September 2021.

Interim condensed consolidated statement of financial position

The table below shows the Group’s interim condensed consolidated statement of financial position as at 30 September 2021.

<table>
<thead>
<tr>
<th>Assets</th>
<th>As at 30 September 2021 (SAR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with SAMA</td>
<td>51,721</td>
</tr>
<tr>
<td>Due from banks and other financial institutions, net</td>
<td>29,903</td>
</tr>
<tr>
<td>Investments, net</td>
<td>235,783</td>
</tr>
<tr>
<td>Financing and advances, net</td>
<td>503,696</td>
</tr>
<tr>
<td>Positive fair value of derivatives, net</td>
<td>10,254</td>
</tr>
<tr>
<td>Investments in associates, net</td>
<td>438</td>
</tr>
<tr>
<td>Property, equipment and software, net</td>
<td>9,306</td>
</tr>
<tr>
<td>Goodwill</td>
<td>28,524</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>11,121</td>
</tr>
<tr>
<td>Right of use assets, net</td>
<td>1,771</td>
</tr>
<tr>
<td>Other assets</td>
<td>20,203</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>902,720</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>104,105</td>
</tr>
<tr>
<td>Customers’ deposits</td>
<td>589,190</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>7,093</td>
</tr>
<tr>
<td>Negative fair value of derivatives, net</td>
<td>10,530</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>31,280</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>742,198</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Equity</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity attributable to equity holders of the Bank</strong></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>44,780</td>
</tr>
<tr>
<td>Share premium</td>
<td>63,702</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(2,140)</td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>-----------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Equity attributable to shareholders of the Bank</td>
<td>147,518</td>
</tr>
<tr>
<td>Tier 1 sukuk</td>
<td>12,188</td>
</tr>
<tr>
<td>Equity attributable to shareholders of the Bank</td>
<td>159,706</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>816</td>
</tr>
<tr>
<td>Total equity</td>
<td>160,522</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>902,720</td>
</tr>
</tbody>
</table>
Interim condensed consolidated statement of income

The table below shows the Group’s interim condensed consolidated statement of income for each of (i) the nine-month period ended 30 September 2021 (being the period from the date of the merger on 1 April 2021) and (ii) the comparative period in 2020 (which shows the statement of income for NCB only).

<table>
<thead>
<tr>
<th></th>
<th>Nine months ended 30 September</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021 (SAR million)</td>
</tr>
<tr>
<td>Special commission income</td>
<td>18,486</td>
</tr>
<tr>
<td>Special commission expense</td>
<td>(2,442)</td>
</tr>
<tr>
<td><strong>Net special commission income</strong></td>
<td><strong>16,044</strong></td>
</tr>
<tr>
<td>Fee income from banking services, net</td>
<td>2,241</td>
</tr>
<tr>
<td>Exchange income, net</td>
<td>1,045</td>
</tr>
<tr>
<td>Gain from fair value through income statement (FVIS) financial instruments, net</td>
<td>1,443</td>
</tr>
<tr>
<td>Gains/income on non-FVIS financial instruments, net</td>
<td>887</td>
</tr>
<tr>
<td>Other operating expenses, net</td>
<td>(587)</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td><strong>21,073</strong></td>
</tr>
<tr>
<td>Salaries and employee-related expenses</td>
<td>(3,202)</td>
</tr>
<tr>
<td>Rent and premises related expenses</td>
<td>(373)</td>
</tr>
<tr>
<td>Depreciation/amortisation of property, equipment, software, right of use assets</td>
<td>(836)</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>(586)</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>(2,055)</td>
</tr>
<tr>
<td><strong>Total operating expenses before expected credit losses</strong></td>
<td><strong>(7,052)</strong></td>
</tr>
<tr>
<td>Net impairment charge for expected credit losses</td>
<td>(3,412)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>(10,464)</strong></td>
</tr>
<tr>
<td>Income from operations, net</td>
<td>10,610</td>
</tr>
<tr>
<td>Other non-operating income/(expenses), net</td>
<td>(68)</td>
</tr>
<tr>
<td><strong>Net income for the period before zakat and income tax</strong></td>
<td><strong>10,541</strong></td>
</tr>
<tr>
<td>Zakat and income tax expense</td>
<td>(1,153)</td>
</tr>
<tr>
<td><strong>Net income for the period</strong></td>
<td><strong>9,388</strong></td>
</tr>
<tr>
<td><strong>Net income for the period attributable to:</strong></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Bank</td>
<td>9,311</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>77</td>
</tr>
<tr>
<td><strong>Net income for the period</strong></td>
<td><strong>9,388</strong></td>
</tr>
</tbody>
</table>
Interim condensed consolidated statement of comprehensive income

The table below shows the Group’s interim condensed consolidated statement of comprehensive income for each of (i) the nine-month period ended 30 September 2021 (being the period from the date of the merger on 1 April 2021) and (ii) the comparative period in 2020 (which shows the interim condensed statement of comprehensive income for NCB only).

<table>
<thead>
<tr>
<th>Nine months ended 30 September</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income for the period</td>
<td>9,388</td>
<td>8,189</td>
</tr>
<tr>
<td><strong>Other comprehensive income/(loss)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that cannot be reclassified to the consolidated statement of income in subsequent periods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net movement in fair value through other comprehensive income in equity instruments</td>
<td>986</td>
<td>2</td>
</tr>
<tr>
<td>Items that are or may be reclassified to the consolidated statement of income in subsequent periods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation reserve (loss)</td>
<td>(499)</td>
<td>(733)</td>
</tr>
<tr>
<td><strong>FVOCI debt instruments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair values</td>
<td>(818)</td>
<td>476</td>
</tr>
<tr>
<td>Transfers to the consolidated statement of income</td>
<td>(576)</td>
<td>(279)</td>
</tr>
<tr>
<td><strong>Cash flow hedges:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective portion of changes in fair values</td>
<td>(163)</td>
<td>13</td>
</tr>
<tr>
<td>Transfers to the consolidated statement of income</td>
<td>(28)</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Total other comprehensive loss</strong></td>
<td>(1,098)</td>
<td>(544)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>8,290</td>
<td>7,645</td>
</tr>
</tbody>
</table>

Attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of the Bank</td>
<td>8,369</td>
<td>7,797</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(79)</td>
<td>(152)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>8,290</td>
<td>7,645</td>
</tr>
</tbody>
</table>
**Interim condensed consolidated statement of cash flows**

The table below summarises the Group’s interim condensed consolidated statement of cash flows for each of (i) the nine-month period ended 30 September 2021 (which, for the period from 1 January 2021 to 31 March 2021, only comprises the cash flows of NCB) and (ii) the comparative period in 2020 (which shows only the cash flows of NCB for the entire period) (extracts).

<table>
<thead>
<tr>
<th>Nine months ended 30 September</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR million)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash (used in)/from operating activities</td>
<td>(4,278)</td>
<td>3,433</td>
</tr>
<tr>
<td>Net cash from/(used in) investing activities</td>
<td>8,731</td>
<td>(7,921)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(5,145)</td>
<td>(459)</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January 2021</td>
<td>41,892</td>
<td>32,675</td>
</tr>
<tr>
<td>Cash and cash equivalents at 30 September 2021</td>
<td>40,887</td>
<td>26,989</td>
</tr>
</tbody>
</table>
Selected Consolidated Ratios

The table below shows selected consolidated ratios for the Group as at and for the nine-month period ended 30 September 2021 (being the period from the date of the merger on 1 April 2021).

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>As at/nine months ended 30 September 2021 (per cent.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on average assets$^{(1)}$</td>
<td>1.65</td>
</tr>
<tr>
<td>Return on average equity$^{(2)}$</td>
<td>10.93</td>
</tr>
<tr>
<td>Cost to income ratio$^{(3)}$</td>
<td>33.46</td>
</tr>
</tbody>
</table>

**Financial ratios**

<table>
<thead>
<tr>
<th>Financial ratios</th>
<th>As at/nine months ended 30 September 2021 (per cent.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net special commission income margin$^{(4)}$</td>
<td>3.3</td>
</tr>
<tr>
<td>Commission yield$^{(5)}$</td>
<td>3.8</td>
</tr>
</tbody>
</table>

**Asset quality**

<table>
<thead>
<tr>
<th>Asset quality</th>
<th>As at/nine months ended 30 September 2021 (per cent.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPFA ratio$^{(6)}$</td>
<td>1.58</td>
</tr>
<tr>
<td>NPFA coverage ratio$^{(7)}$</td>
<td>134.48</td>
</tr>
<tr>
<td>Liquidity coverage ratio$^{(8)}$</td>
<td>252.8</td>
</tr>
<tr>
<td>Loans to deposits ratio$^{(9)}$</td>
<td>80.50</td>
</tr>
</tbody>
</table>

**Other ratios**

<table>
<thead>
<tr>
<th>Other ratios</th>
<th>As at/nine months ended 30 September 2021 (per cent.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core equity tier 1 capital adequacy ratio$^{(10)}$</td>
<td>16.41</td>
</tr>
<tr>
<td>Tier 1 capital adequacy ratio$^{(10)}$</td>
<td>18.2</td>
</tr>
<tr>
<td>Total capital adequacy ratio$^{(10)}$</td>
<td>19.1</td>
</tr>
<tr>
<td>Leverage ratio$^{(11)}$</td>
<td>12.89</td>
</tr>
</tbody>
</table>

Notes:

1. Net income for the nine-month period ended 30 September 2021 attributable to equity holders of the Bank (annualised) divided by average total assets calculated as the sum of total assets as at 31 December 2020 and 30 September 2021 divided by two.
2. Net income for the nine-month period ended 30 September 2021 attributable to equity holders of the Bank (annualised) less cost of perpetual sukuk divided by average equity attributable to equity holders of the Bank as at 30 September 2021 with average equity attributable to equity holders of the Bank calculated as the sum of equity attributable to equity holders of the Bank as at 31 December 2020 and 30 September 2021 divided by two.
3. Total operating expenses before expected credit loss divided by total operating income.
4. Net special commission income for the nine-month period ended 30 September 2021 (annualised) divided by average special commission earning assets for the year, with average special commission earning assets calculated as the sum of special commission earning assets as at 31 December 2020 and 30 September 2021 divided by two. Interest earning assets comprise reverse repo, due from banks, financing and advances and investments.
5. Special commission income for the nine-month period ended 30 September 2021 (annualised) divided by average special commission earning assets for the year, with average special commission earning assets calculated as the sum of
special commission earning assets as at 30 December 2020 and 30 September 2021 divided by two. Interest earning assets comprise reverse repo, due from banks, financing and advances and investments.

(6) Non-performing financing and advances as a percentage of total financing and advances as at 30 September 2021.

(7) ECLs in respect of financing and advances as a percentage of non-performing financing and advances as at 30 September 2021.

(8) High liquid asset divided by net cash outflow.

(9) Financing and advances, net divided by total customers’ deposits, debt securities issued, perpetual sukus, SAMA free deposits and term loan.

(10) Calculated in accordance with the requirements of Basel III as adopted by SAMA.

(11) Calculated in accordance with the requirements of Basel III as adopted by SAMA.

For the purposes of these Notes, “annualised” means dividing it by nine months and multiplied by twelve months.
FUNDING, LENDING, INVESTMENT SECURITIES, CAPITAL ADEQUACY AND RELATED PARTIES

Funding

Sources of funding

The Group’s principal source of funding is its customers’ deposits. In addition, the Group’s funding comprises its debt securities issued and the interbank deposits accepted by it.

The Group also has access to a pool of unencumbered and liquid securities in the form of fixed income debt securities, mutual fund and equity securities that it can access to meet liquidity needs, in addition to its cash balances and placements with central banks and other financial institutions.

The Group’s customers’ deposits were SAR 589 billion, or 79.4 per cent. of its total liabilities, as at 30 September 2021. The Group continues to diversify its long-term deposit base. The issue of the Notes is also intended to diversify the Group’s sources of funding.

The table below shows the Group’s funding in the form of amounts due to banks and other financial institutions, debt securities issued and customers’ deposits as at 30 September 2021.

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>Amount (SAR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to banks and other financial institutions</td>
<td>104,105</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>7,093</td>
</tr>
<tr>
<td>Customers’ deposits</td>
<td>589,190</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>440,167</td>
</tr>
<tr>
<td>Time</td>
<td>120,959</td>
</tr>
<tr>
<td>Other</td>
<td>28,064</td>
</tr>
<tr>
<td><strong>Total funding</strong></td>
<td><strong>700,388</strong></td>
</tr>
</tbody>
</table>

Maturity profile of funding

The maturity profile of the Group’s funding is only published in its annual financial statements.

A significant proportion of the Group’s funding is short term in nature. See “Risk Factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Group is subject to the risk that liquidity may not always be readily available”. The issue of the Notes is intended to help the Group diversify its sources of funding and to extend the average maturity of its funding base.

Given the state-run and oil-driven nature of the domestic economy, the Group’s deposit base is, at least in the near future, expected to remain concentrated by depositor type, namely cash-rich Government and quasi-Government entities. See “Risk Factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Group has significant customer and sector concentrations”.

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Customers’ Deposits
The Group’s customers’ deposits principally comprise current account deposits which amounted to 74.7 per cent. of its total customers’ deposits as at 30 September 2021.

The Group’s current accounts typically do not pay special commission and amounts may be withdrawn from these accounts at any time without notice. The Group’s time accounts do pay special commission and amounts can be withdrawn from these accounts at their maturity.

The Group believes that its current accounts are diversified and sticky in nature, and constitute a stable and secure source of low cost funding.

The Group accepts deposits in both riyal and a range of other currencies.

Geographical Breakdown of Customers’ Deposits
The geographical split of Group’s customers’ deposits is only published in its annual financial statements, although the Group’s customers’ deposits are geographically concentrated in Saudi Arabia.

See “Risk Factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Group’s customer financing portfolio, investment securities portfolio and customers’ deposits are concentrated in the Kingdom” and “Risk Factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Group is subject to the risk that liquidity may not always be readily available”.

Lending
Financing and advances
The Group’s financing and advances, net was SAR 504 billion as at 30 September 2021. The table below shows the breakdown of the Group’s financing and advances, net as at 30 September 2021.

<table>
<thead>
<tr>
<th></th>
<th>Retail (SAR million)</th>
<th>Corporate (SAR million)</th>
<th>International (SAR million)</th>
<th>Others (SAR million)</th>
<th>Total (SAR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing</td>
<td>245,679</td>
<td>222,813</td>
<td>20,660</td>
<td>14,487</td>
<td>503,639</td>
</tr>
<tr>
<td>Non-performing</td>
<td>810</td>
<td>6,136</td>
<td>1,137</td>
<td>—</td>
<td>8,083</td>
</tr>
<tr>
<td>Total</td>
<td>246,489</td>
<td>228,949</td>
<td>21,797</td>
<td>14,487</td>
<td>511,722</td>
</tr>
<tr>
<td>Allowance for financing losses</td>
<td>(1,770)</td>
<td>(7,955)</td>
<td>(1,104)</td>
<td>(41)</td>
<td>(10,870)</td>
</tr>
<tr>
<td>Purchased or originated credit impaired</td>
<td>10</td>
<td>2,834</td>
<td>—</td>
<td>—</td>
<td>2,844</td>
</tr>
<tr>
<td>Financing and advances, net</td>
<td>244,729</td>
<td>223,828</td>
<td>20,693</td>
<td>14,446</td>
<td>503,696</td>
</tr>
</tbody>
</table>

The Group’s financing and advances are principally denominated in riyal. The Group believes that there is only limited structural cross-currency exposure as the majority of its assets and liabilities are match-funded in currency terms. In addition, the Group hedges a part of its currency exposure through the use of derivative contracts.

The majority of the loans within the Group’s financing and advances contain terms permitting it to adjust the special commission rate payable by the customer upon any change in the relevant interbank benchmark rate.

Distribution of financing and advances by maturity
A distribution of the Group’s financing and advances by maturity is only published in its annual financial statements.
Sectoral and geographical breakdowns of financing and advances

The sectoral breakdown of the Group’s financing and advances is only published in its annual financial statements, although the Group’s financing and advances are concentrated on the retail sectors, which together comprised 48.6 per cent. of its financing and advances as at 30 September 2021.

The geographical breakdown of the Group’s financing and advances is only published in its annual financial statements, although the Group’s financing and advances are geographically concentrated in Saudi Arabia. See “Risk Factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Group’s customer financing portfolio, investment securities portfolio and customers’ deposits are concentrated in the Kingdom”.

See also “Risk Management—Credit Risk” for a discussion of the Group’s loan origination and monitoring procedures, its loan classification system, collateral policy and an analysis of its non-performing loans and provisioning and write-off policies.

Investment Securities Portfolio

The Group’s investment securities portfolio, which is reflected in its statement of financial position as investments, net, comprises fixed rate securities, floating rate securities, equity and other securities which are held either as FVIS, FVOCI or at amortised cost. The securities are issued by both domestic and international issuers. The Group invests in these securities both to generate returns (as interest, dividend and capital gains) and to provide an additional source of liquidity when needed.

As at 30 September 2021, the Group’s investment securities portfolio amounted to SAR 236 billion and included a large portfolio of Saudi government bonds, sukuk and treasury bills, a significant portfolio of other investment grade fixed income securities, and small portfolios of non-investment grade fixed income securities and funds and equity securities.

The Group’s investment securities portfolio is geographically concentrated in Saudi Arabia, which comprised 73.0 per cent. of the Group’s investment securities portfolio as at 30 September 2021.

See “Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Group’s customer financing portfolio, investment securities portfolio and customers’ deposits are concentrated in the Kingdom”.

Capital Adequacy

Capital adequacy, financial leverage and the use of various levels of regulatory capital are monitored regularly by the Group’s management and are also governed by guidelines of the Basel Committee on Banking Supervision (the “Basel Committee”) as adopted by SAMA.

The SAMA Basel III framework consists of three pillars:

- pillar 1, which provides a framework for measuring capital requirements for credit, operational and market risks;
- pillar 2, which relates to the supervisory review process and emphasises the importance of the internal capital adequacy assessment process (“ICAAP”) performed by banks; and
- pillar 3, which aims to complement the pillar 1 and pillar 2 capital adequacy requirements by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in Saudi Arabia.
Under the Basel III framework, the minimum requirements for capital are underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. There are also buffer requirements in the form of a capital conservation buffer, a counter-cyclical capital buffer and an additional surcharge for banks designated as D-SIBs.

A key objective for the Group is to maximise shareholders’ value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally imposed capital requirements. The Group adheres to SAMA’s requirements by monitoring its capital adequacy and adopting both a capital forecasting process that ensures that pro-active action is taken where necessary and a strategy that ensures that a sufficient capital buffer above minimum required levels is maintained at all times.

As at 30 September 2021, the Group’s tier 1 capital adequacy ratio (calculated according to Basel III standards for pillar 1) was 18.2 per cent. and its total capital adequacy ratio was 19.1 per cent. The Group has been designated as a D-SIB with an additional common equity tier 1 D-SIB surcharge of 1.5 per cent. Accordingly, the Group’s total minimum pillar 1-based capital requirement as at 30 September 2021 is 12.26 per cent., which also includes a capital conservation buffer of 2.5 per cent. and a countercyclical capital buffer of 0.3 per cent.

The table below shows the composition of the Group’s regulatory capital and its capital ratios as at 30 September 2021 determined in accordance with Basel III as implemented in Saudi Arabia.

<table>
<thead>
<tr>
<th>Risk-weighted assets</th>
<th>As at 30 September 2021 (SAR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit risk</td>
<td>592,986</td>
</tr>
<tr>
<td>Operational risk</td>
<td>55,418</td>
</tr>
<tr>
<td>Market risk</td>
<td>23,531</td>
</tr>
<tr>
<td><strong>Total pillar-1 risk-weighted assets</strong></td>
<td><strong>671,935</strong></td>
</tr>
<tr>
<td>Core capital (tier 1)</td>
<td>122,425</td>
</tr>
<tr>
<td>Supplementary capital (tier 2)</td>
<td>5,904</td>
</tr>
<tr>
<td><strong>Core and supplementary capital (tier 1 and tier 2)</strong></td>
<td><strong>128,329</strong></td>
</tr>
</tbody>
</table>

**Capital adequacy ratio (pillar 1) (per cent.)**

| Core capital (tier 1 ratio)               | 18.2                                  |
| Core and supplementary capital (tier 1 and tier 2 ratios) | 19.1                                  |

The Bank is also required by SAMA to maintain a leverage ratio (calculated in accordance with the Basel III leverage ratio and disclosure requirements) of at least 3.0 per cent. The Bank’s leverage ratio was 12.89 per cent. as at 30 June 2021.
BUSINESS DESCRIPTION OF THE BANK

Overview

The Bank is the bank resulting from the merger between NCB and Samba. The merger was effective on 1 April 2021 when all of the assets and liabilities of Samba were transferred to NCB, Samba was liquidated and NCB was renamed The Saudi National Bank.

The strategic rationale for the merger had four key elements:

- **New Saudi banking champion and regional powerhouse**: The Bank is the largest bank in the Kingdom and one of the largest banks in the Middle East based on total assets, net financing and advances and total customers’ deposits as at 30 September 2021, with the anticipated scale and efficiency gains of the merger being expected to enable improved returns and productivity;

- **Best in class complementary proposition and reach**: NCB and Samba were largely aligned across sectors and products, meaning that the Bank will (i) be one of the leading retail, treasury and global markets banking franchises in the Kingdom, (ii) benefit from a superior corporate banking proposition, and (iii) be one of the largest asset managers and brokerage and investment banks in the Kingdom in terms of assets under management. As a result, the Bank’s competitive position will benefit from multi-channel distribution (an increased number of branches, automated teller machines (“ATMs”) and point of sale (“POS”) terminals) and enhanced reach in the Kingdom, as well as internationally;

- **Well-diversified franchise and robust balance sheet to pursue accelerated growth**: The Bank is expected to benefit from a balanced business model (with accelerated income growth anticipated across the retail, corporate, treasury, capital markets and international segments), improved liquidity and solid capital position. This is expected to enable the Bank to (i) increase its ability to drive the Kingdom’s Vision 2030 agenda by accelerating growth in the retail and SME banking markets, (ii) strengthen its leadership in the wholesale banking market, (iii) invest in digital innovation and analytics, (iv) become a prominent talent hub by attracting, retaining and developing high-calibre, professional and highly skilled employees and offering world-class training and development programmes and rewarding career opportunities, and (v) drive international growth; and

- **Significant value creation potential**: The Bank is incurring one-time cash integration costs, but expects to benefit from substantial cost and revenue synergies by leveraging best practices from both NCB and Samba. This will be achieved by natural attrition of human capital as well as by decommissioning legacy technology, utilising economies of scale, enhancing productivity, increased cross-selling across retail and wholesale operating segments and improving the Bank’s operating model.

The Bank and its subsidiaries (together, the “Group”) provide both conventional and Shari’a-compliant banking services. The Group also provides non-special commission-based banking products in compliance with Shari’a rules, which are approved and supervised by the Shariah Board. The principal business groups through which the Group conducts its operations are Retail Banking, Wholesale Banking (which includes corporate, treasury and global markets), SNB Capital, and International (see “—Business”). Conventional products offered by the Bank include (among others) deposits, term loans, trade financing, structured solutions, cash management, foreign exchange and money remittance. The Bank’s Islamic financing products span all business groups, including most wholesale banking products and most of the retail products offered by its branch network. The primary Islamic modes used include tawarruq, murabaha, ijara, istisna and wakala. These products are supervised by the Shariah Board (see “—Business—Islamic Banking—Shariah Board.”)
As at 30 September 2021, the Bank operated through 502 domestic branches, which is the largest banking sector branch network in the Kingdom, five overseas branches (in Abu Dhabi, Bahrain, Dubai, Qatar and Singapore), as well as two representative offices overseas (in Seoul and Shanghai). It also has two majority-owned banking subsidiaries: TFKB, a Turkish participation bank which provides Shari’a-compliant banking services in Turkey and SBL, Pakistan, which provides Shari’a-compliant banking services in Pakistan. The Bank’s other principal subsidiary is SNB Capital which provides corporate finance, investment banking, asset management and brokerage services in the Kingdom. On 1 July 2021, the former investment banking subsidiaries of NCB and Samba merged to create SNB Capital.

The Bank’s domestic branch network is supported by one of the Kingdom’s largest networks of ATMs, POS terminals and QuickPay remittance centres with 3,111 ATMs, 181,260 POS terminals and 131 QuickPay remittance centres, in each case as at 30 September 2021.

As at 30 September 2021, the Bank had 10,197 employees throughout the Kingdom.

As at 30 September 2021, the principal shareholder of the Bank was the Government through the PIF, which owns 37.2 per cent. of the Bank’s shares and the GOSI, which owns 13.2 per cent. of the Bank’s shares.

As at 30 September 2021, the Group had total assets of SAR 903 billion, total customer deposits of SAR 589 billion and total equity of SAR 161. As at 30 September 2021, the Group’s tier 1 and total capital adequacy ratios, calculated in accordance with Basel III as implemented in Saudi Arabia, were 18.2 per cent. and 19.1 per cent., respectively. In the nine months ended 30 September 2021, the Group had total operating income of SAR 21,074 million and net income for the period after Zakat and income tax of SAR 9,388 million.

As at the date of this Offering Circular, the Bank’s long-term corporate ratings were “A-” with a stable outlook from Standard & Poor’s, “A-” with a stable outlook from Fitch, “A1” with a stable outlook from Moody’s and “A+” with a negative outlook from Capital Intelligence.

History
The Bank is a Saudi Joint Stock Company formed pursuant to Cabinet Resolution No. 186 on 30 March 1997 and Royal Decree No. M/19 on 31 March 1997. The Bank’s head office and registered office is The Saudi National Bank, The Saudi National Bank Tower, King Fahd Road, 3208 Al Aqeeq District, Unit No. 778, Riyadh 13519 – Additional No. 6676, Saudi Arabia and the switchboard telephone number is +966 9 2000 1000.

The National Commercial Bank
NCB was originally founded in 1938 as the “Saleh and Abdulaziz Kaki and Salem Bin Mahfouz Company” and commenced business as a general partnership under a registration certificate authenticated by Royal Decree on 15 May 1950. By Royal Decree No. 3737 on 26 December 1953, the Saleh and Abdulaziz Kaki and Salem Bin Mahfouz Company changed its name to “The National Commercial Bank” and became the first officially recognised bank in the Kingdom. At that time, NCB had only nine domestic retail branches and two overseas branches.

As a result of the Gulf crisis in 1990, NCB embarked upon a major rationalisation programme, which involved an increase in capital, a reduction of the workforce and a reorganisation of its core banking businesses. In addition, a major upgrade of NCB’s information technology (“IT”) infrastructure took place with the opening of a new computer centre in Jeddah and a new dealing room for its treasury, which was the largest in the Middle East at the time.

On 1 July 1997, pursuant to Cabinet Resolution No. 186 of 30 March 1997 and Royal Decree No. M/19 of 31 March 1997, NCB converted from a general partnership into a Saudi Joint Stock Company. In May 1999, the
Government, through the PIF, acquired a 50.00 per cent. stake in NCB together with management control from the Bin Mahfouz family (which had previously owned 98.00 per cent. of NCB).

In late 2001, the remaining shares of NCB still owned by the Bin Mahfouz family were purchased by the Government (through the PIF) and other nationals and companies in the Kingdom, which increased the Government’s ownership stake in NCB at the time to 79.29 per cent., consisting of 69.29 per cent. owned by the PIF and 10.00 per cent. owned by the GOSI.

In 2004, NCB announced that it would make its entire branch network in the Kingdom Shari’a-compliant and, since 2006, only Shari’a-compliant products and services have been offered through its branches in the Kingdom.

In line with regulations of the CMA, in April 2007, NCB transferred its wealth management, asset management, brokerage and investment banking activities to NCBC, a then newly-formed subsidiary.

In March 2008, NCB acquired a 60 per cent. controlling interest in the Turkish participation bank TFKB. This equity stake has since been increased to 67.03 per cent. (as at 30 September 2021) through additional capital subscriptions.

Following an initial public offering ("IPO") in late 2014, NCB’s shares have been traded on the Tadawul since 12 November 2014.

**Samba Financial Group**

Samba was established in February 1980. It was formed under the name “Saudi American Bank” for the purpose of taking over the existing branches of Citibank, N.A. ("Citibank") in Riyadh and Jeddah following the issue of a directive by the Government in 1976 that required all foreign banks operating in Saudi Arabia to sell majority equity interests to Saudi nationals.

Pursuant to the directive, 44.5 per cent. of Samba’s shares were sold to the Saudi public for cash and an additional 15.5 per cent. of the equity was sold for cash to a selected group of 60 Saudi nationals, including the original Saudi members of Samba’s board of directors. The remaining 40 per cent. was retained by Citibank, which over time, reduced its holding in the Bank to nil.

In 1999, Samba merged with United Saudi Bank, creating one of the largest financial institutions in the Middle East. In 2007, in compliance with CMA regulations, Samba established Samba Capital and transferred its investment banking, asset management and brokerage activities to it. In 2008, Samba acquired a majority shareholding in Crescent Commercial Bank in Pakistan, now branded as Samba Bank Limited.

**The Merger**

The merger became effective on 1 April 2021 with the transfer of all of the assets and liabilities of Samba to NCB and the subsequent liquidation of Samba. Following the merger, the Bank has embarked on an integration programme, which is being led by a specially formed Integration Management Office (“IMO”). The IMO, which was established on 18 October 2020, is responsible for master planning, synergy management overseeing communications, branding, marketing and culture change and management. The IMO meets weekly with the work stream leads to oversee the planning and execution of the merger across the organisation and ensure that the merger is working seamlessly across all work streams. The integration work streams are retail, wholesale and seven control and support functions. Additionally, there is a monthly meeting with SAMA to share the latest updates on the merger and ask for any additional support.

As at 30 September 2021, the following key milestones had been achieved:
the Bank’s Board of Directors (the “Board”), its senior management and the members of all Board and senior management committees have been appointed;

- all 72 Samba branches were made interoperable with those of NCB by April 2021, ahead of the targeted date which was June 2021;
- all finance and risk modules were consolidated within the first month of the IMO being established;
- the key risk, governance and procurement policies of the two banks had been harmonised;
- human resource systems migration to the Bank’s systems had been achieved;
- all customer applications and systems had been rebranded and the integration of the enterprise systems of the two banks had been completed;
- Samba’s QuickPay customers were migrated in three weeks;
- accounts had been opened for approximately 639 thousand of Samba’s 1.29 million retail customers;
- 92 per cent. of Samba’s wholesale customers had been migrated; and
- Samba’s financial institutions and trade finance businesses had been migrated.

The integration process is expected to be completed before the end of 2021. The principal ongoing activities include rebranding all customer touchpoints to the SNB brand, optimising the operating model and the physical footprint, integrating the remaining business and support IT systems and completing customer data migration. On 1 July 2021, the investment banking subsidiaries of both banks merged.

The Bank’s target is to achieve or exceed approximately SAR 800 million in cost synergies by 2023, principally through natural human capital attrition, optimisation of technology and operational efficiencies from combined control and support functions. As at 30 September 2020, 39 per cent. of its targeted cost synergies had been realised. SNB is still assessing the potential revenue synergies resulting from a larger balance sheet and enhanced market position. The Bank’s estimate of the total costs of the integration exercise is approximately SAR 1.1 billion to be spent in 2021 and 2022.

**Competition And Competitive Strengths**

**Competition**

Based on the Saudi Central bank’s website, there are 26 commercial banks operating in the Kingdom, of which 11 are local banks incorporated in the Kingdom. Of the remaining 15 operating banks, six are branches of banks based in countries of the GCC other than the Kingdom and seven are international banks. Four other international banks have been licensed but are yet to commence operations under their licences and two other banks have been licensed to provide digital banking services but are yet to commence operations under their licences. All 11 Saudi banks provide a broad range of retail and wholesale banking products and services. Four banks provide Shari’ah-compliant products and services only. The remaining seven banks provide a combination of Shari’ah-compliant and conventional banking products and services.

All segments of the financial services markets in the Kingdom are highly competitive. Both consumer and corporate banking markets in the Kingdom consist of a range of local and international participant banks. The Bank is a major participant in all segments and competition arises across all products and services. The Bank’s primary competitors are Al Rajhi Bank, Arab National Bank, Banque Saudi Fransi, Riyad Bank and Saudi British Bank.

The merger of NCB and Samba resulted in the Bank having the largest corporate lending book, the largest investment portfolio, the most assets and the most customer deposits in the Kingdom as at 30 September 2021.
based on the published financial statements of 10 of the 11 local banks in the Kingdom. As at 30 September 2021, the Bank has:

- a 26.6 per cent. market share in performing financing with its closest competitor at 22.5 per cent.;
- a 22.4 per cent. market share in performing commercial financing with its closest competitor at 13.9 per cent.;
- a 36.9 per cent. market share in investment portfolios with its closest competitor at 12.9 per cent.;
- a 30.6 per cent. market share of total assets with its closest competitor at 19.8 per cent.; and
- a 28.6 per cent. market share in total customer deposits with its closest competitor at 23.2 per cent.

**Competitive Strengths**

Management believes that the Bank’s competitive strengths are:

**Regional leadership in product innovation**: the Bank considers itself to be a regional market leader in product design and innovation, particularly in relation to its Islamic product design capabilities. It has previously launched innovative Islamic products, including the world’s first Islamic automobile leasing product. Its Shari’a division acts as a catalyst for Shari’a-compliant product development in each of its businesses, including advising on the development of hedging products for the Treasury Group and new residential financing products for the Retail Bank and working with the Wholesale Bank to provide advice on the financing of Madinah Airport in 2012, the world’s first Shari’a-compliant airport financing. Additionally, the Bank has recently approved the first Islamic double wa’ad repurchase transaction, in which corporate clients will be offered collateralised lending options and the Bank will be able to capitalise on its position as a Saudi government bond primary dealer.

**Broad distribution**: the Bank has the second largest banking sector branch network in the Kingdom (with 502 branches as at 30 September 2021 and has strong alternative distribution channels, such as ATMs, telephone and internet banking, mobile phone systems, smart phone and tablet applications and SMS messaging, which enable it to service its existing customer base and attract new customers.

**Government ownership and support**: the Government, indirectly through the PIF and the GOSI, owns 50.44 per cent. of the Bank’s shares as at 30 September 2021, and a significant proportion of the Bank’s deposits are made by the Government and/or its departments or agencies. The Bank’s management believes that the Government’s interests in the Bank enhance the Bank’s reputation as a stable and secure institution with which to do business, for both retail depositors and corporate customers, as well as other counterparties.

**Experienced Saudi management team**: the Bank has a strong management team with extensive knowledge of the banking sector in the Kingdom and the wider Middle East and North Africa (“MENA”) region and significant experience in leading international financial institutions.

**Large, stable customer base**: the Bank has an existing customer base of approximately 10 million customers as at 30 September 2021, which provides the Bank with access to a large and stable deposit base with a variety of maturity and re-pricing profiles. The Bank is able to capitalise on this strong customer base to cross-sell products and services across its financing, investment and takaful businesses.

**Strong capitalisation**: The Group’s tier 1 capital adequacy ratio and total capital adequacy ratio are strong, at 18.2 per cent. and 19.1 per cent., respectively, as at 30 September 2021, which exceeds the minimum Pillar 1-based capital ratio requirement of 12.3 per cent. as at the same date. The Bank believes that the Group’s capital buffers are sufficiently solid to withstand possible credit-related losses, even under an adverse scenario. The Bank conducts regular stress tests in line with its internal policies and in compliance with applicable regulatory...
requirements. These tests are performed in relation to all quantified risks and are designed to evaluate the Group’s ability to withstand the effects of a range of both improbable but plausible scenarios. In all stress tests performed, the Group has maintained its capital adequacy and liquidity ratios at levels above the regulatory minimum. The Bank believes that the strength of its balance sheet and its robust capital and liquidity position give it operational and financial flexibility and enable it to optimise its return on equity.

**Solid funding and liquidity position:** The Group has a solid funding and liquidity profile, supported by a well-established local deposit franchise. The Group has consistently maintained low loans to deposit ratios (in the range of 76.4 per cent. to 80.5 per cent. in the last five years). As at 30 September 2021, 52 per cent. of the Group’s funding (total equity, customers’ deposits and interbank borrowing and debt securities issued) was from relatively low cost and stable call and current customers’ deposits. The proportion of its low cost deposits was 80.0 per cent. of its total deposits as at 30 September 2021. The Group benefits from a stable and substantial balance of non-interest bearing deposits. These deposits are primarily sourced from retail, public institutions, large corporates, and key strategic account holders with long relationships with the Group. These strengths are, however, moderated by relatively high deposit concentrations, a feature common to all Saudi banks. The bulk of such concentrations relate to Government and quasi-Government institutions, but historically have been stable. See “Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Group’s customer financing portfolio, investment securities portfolio and customers’ deposits are concentrated in the Kingdom” and “Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Group has significant customer and sector concentrations”. The Group also has limited reliance on market funding.

The Bank also believes that the Group’s robust liquidity profile positions it to withstand short-term deposit volatility. The Group’s net loans/customers’ deposits (including perpetual sukuk as permitted by SAMA) ratio was 80.5 per cent. as at 30 September 2021, which provides it with scope to further expand its loan book before it reaches the regulatory maximum loans to deposits ratio of 90.0 per cent.

**Brand Equity:** the Bank believes that its new brand will benefit from the fact that both NCB and Samba had strong franchises. NCB was a pervasive and strong Saudi Arabian brand with a 70-year heritage in banking, which was bolstered by a strong corporate social responsibility presence in the Kingdom. Samba had a strong overall domestic franchise and a leading brand name in domestic high-net-worth consumer/private banking as well as strong positions in both the ladies and salaried customer segments.

**Strong domestic corporate business:** Following the merger, the Bank benefits from Samba’s well-established corporate banking business, with particular strengths in corporate lending, cash management and treasury products. In addition, corporate clients are offered specialised corporate finance products, including syndications, project finance and structured finance. This corporate banking business is complemented by a wide range of products and services offered by SNB Capital, which include investment banking (advising on and arranging transactions across equity and debt capital markets and mergers and acquisitions), asset management (comprising public funds, private funds and discretionary portfolio management) and brokerage. The strength of the corporate banking business and the SNB Capital franchise have enabled the development of long-lasting and deep relationships with corporate clients across the Kingdom.

The addition of Samba’s wholesale business has resulted in a more balanced portfolio, with the Group’s wholesale corporate banking reporting segment generating 52.8 per cent. of its net income before zakat and income tax in the nine months ended 30 September 2021.

The Group’s retail, capital market, international and other reporting segments contributed 42.0 per cent., 8.0 per cent., 3.3 per cent. and minus 6.0 per cent., respectively, in the same period.
Strategy

The Bank is committed to fulfilling its vision to be the premier financial services group in the region. Its strategy aspires to achieve and maintain the leading position in revenue and profit, to be the best digital bank, to provide the best customer service, and to be the employer of choice. The Bank’s overall strategy revolves around the retail banking and wholesale banking businesses with well laid-down strategies to drive the overall strategic aspirations.

For the retail banking business, the strategy is to:

- grow current accounts with a key focus on improving the product and coverage value proposition of the high net worth segment;
- continue to grow residential financing by strengthening channel partnerships and digitising the customer journey;
- grow the business banking business by expanding the Bank’s coverage and digitising service and product journeys;
- expand the branch network in a lean manner by increasing the mix of small and lean branches over the next three to five years;
- digitise all sales journeys and underpin with advanced analytics and digital marketing;
- continue to improve customer experience, with a focus on upskilling staff and the application of technologies such as artificial intelligence, robo-advisory and robotics process automation; and
- optimise operating costs through digitalisation and by commissioning targeted cost reduction projects.

For the wholesale banking business, the strategy is to:

- continue optimising the cost of funds by tapping a diversified investor base and international markets;
- maintain its leading position as a market maker of SAR-based derivatives;
- achieve the leading position in global transaction banking in the Kingdom and compete with regional institutions such as First Abu Dhabi Bank PJSC and Emirates NBD Bank PJSC;
- generate greater value out of the Bank’s loan book through optimal pricing, capturing ancillary revenue and maximising return on capital;
- maintain the liquidity and yields of the Bank’s investment book;
- foster a “One SNB” culture where the focus is on cross-selling the Bank’s products to corporate clients in order to achieve higher quality ancillary revenues; and
- leverage the Bank’s international branches in serving new segments of wholesale clients, such as non-bank financial institutions and Saudi corporates with overseas operations.

Sustainable Finance Framework

From time to time and pursuant to the Programme, the Bank may procure the Issuer to issue Sustainable Notes in respect of which it will apply the equivalent amount to fund and/or refinance, in whole or in part, a portfolio of Eligible Sustainable Projects as set out in the Bank's Sustainable Finance Framework.
The Sustainable Finance Framework envisages that the Sustainable Notes may comprise Notes where the equivalent amount is used either to finance either eligible green projects or eligible social projects as described below.

Eligible green projects comprise (i) loans related to the development, construction and installation of wind and solar energy generation facilities and/or in energy transmission, distribution projects and smart metering systems, with the purpose of connecting wind and solar energy production units or (ii) loans related to tree planting, management, operation, maintenance and research and development in connection with FSC/PEFC certified afforestation activities. Eligible social projects comprise (i) financing to the MSMEs, women-owned SMEs, and/or to new businesses and start-ups with the objective of reducing unemployment and (ii) investments in the provision of affordable housing and shelter to disadvantaged populations, the renovation, maintenance and improvements of existing social housing projects and eligible governing housing programmes (such as the Developing Housing program and the Defaulters Support Program). The equivalent amount in relation to Sustainable Notes will not be used in cases where the main purpose of the financing is related to fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping and/or tobacco.

To ensure that the equivalent amount of each issue of Sustainable Certificates is allocated to eligible green projects and/or eligible social projects, the details of these projects will be entered into the Sustainable Financing Register. If, during the term of any Sustainable Certificates, any relevant eligible green project and/or eligible social project is found to no longer be eligible for entry on the Sustainable Financing Register, the details of the relevant project will be removed. The proceeds allocated to projects which are no longer eligible will be re-allocated to another eligible green project or eligible social project.

In the event that the equivalent amount of any issue of Sustainable Notes cannot be immediately and fully allocated, or in the event of any early repayment, any unallocated amount will be held in cash or short-term marketable securities until allocation to Eligible Sustainable Projects.

The Bank intends to allocate the equivalent amount of each issue of Sustainable Notes to Eligible Sustainable Projects originated no more than three years prior to the issuance. The equivalent amount will be allocated within two years from the date of issue of the relevant Sustainable Notes.

On an annual basis, the Bank will publish on its website an allocation report and an impact report on its Sustainable Notes and any other sustainable funding obtained. The first report will be published within one year from the date on which the first such funding is received. These reports will be subject to external verification by an external reviewer and will be updated annually until no such funding is outstanding. The external reviewer’s reports will also be published on SNB’s website.

The Bank has appointed S&P Global to provide an external review on its Sustainable Finance Framework and confirm its alignment with the ICMA Green Bond Principles published by the International Capital Markets Association from time to time (which, as at the date of this Offering Circular, are the Green Bond Principles 2021 and other relevant benchmarks. This opinion will also be made available on the Bank’s website.

None of the Sustainable Finance Framework or the ICMA Green Bond Principles or any of the above reports, verification assessments or the contents of any of the above websites are incorporated in or form part of this Offering Circular.

See also “Risk Factors—Risks Relating to the Notes—The use of proceeds of any issue of Notes identified as Sustainable Notes in the relevant Pricing Supplement may not meet investor expectations or requirements or be suitable for an investor’s investment criteria”.
Group Structure

The chart below sets out details of the Bank and certain of its subsidiaries described elsewhere in this document as at the date of this Offering Circular. Percentage figures refer to the Bank’s or relevant subsidiary’s effective ownership share.

In addition, the Bank has one significant associate, AlAhli Takaful Company P.J.S.C. (“ATC”), five overseas branches (in Abu Dhabi, Bahrain, Dubai, Qatar and Singapore) and two representative offices overseas (in Seoul and Shanghai). ATC recently announced its entry into a binding agreement to merge with Arabian Shield Cooperative Insurance Company. Upon completion of the merger, ATC’s assets and liabilities will be transferred to Arabian Shield.

Shareholders

The table below shows the shareholders which owned more than 5.0 per cent. of the Bank’s share capital as at 30 September 2021.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>Percentage of issued share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIF</td>
<td>1,667,159,400</td>
<td>37.23</td>
</tr>
<tr>
<td>GOSI</td>
<td>591,543,800</td>
<td>13.21</td>
</tr>
<tr>
<td>Remaining shareholders</td>
<td>2,219,296,800</td>
<td>49.56</td>
</tr>
<tr>
<td></td>
<td>4,478,000,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Each of the PIF and the GOSI is a Government-controlled entity, giving the Government an indirect holding of 50.44 per cent. of the Bank’s shares as at 30 September 2021.

Business

Overview

The Group has four principal reporting segments which correspond to its core businesses. These are:

- **Retail**: The retail business provides banking services, including lending, deposit taking and remittance services, in addition to products in compliance with Shari’a rules which are supervised by the Shariah...
Board, to individuals and high net worth customers in the Kingdom. The retail business also provides business banking services to clients owning micro and small business.

- **Wholesale**: The wholesale business provides banking services including both conventional and Shari’a-compliant credit-related and financing products and deposit taking to corporate clients in the Kingdom. In addition, the Bank’s international branches in Singapore and the UAE also serve its corporate clients and contribute to the Bank’s liability base by attracting international depositors. The wholesale business also includes the Group’s global markets function which provides a full range of treasury and correspondent banking products and services, including money market and foreign exchange, to the Group’s clients, and its transaction banking function which offers clients cash management and trade finance products both digitally and physically. The wholesale business also carries out investment and trading activities (local and international) and manages the Bank’s interest-bearing liabilities, liquidity risk, market risk and credit risk (related to investments).

- **Capital Markets**: The capital markets business, which comprises SNB Capital, provides wealth management, asset management, investment banking and shares brokerage services (local, regional and international).

- **International**: The international business comprises banking services provided outside the Kingdom, including TFKB and SBL.

The table below shows certain income statement and statement of financial position financial data for each of the Group’s reporting segments as at, and for the nine months ended, 30 September 2021.

<table>
<thead>
<tr>
<th></th>
<th>Retail</th>
<th>Wholesale</th>
<th>Capital Markets</th>
<th>International</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating income</td>
<td>44.3</td>
<td>46.0</td>
<td>6.0</td>
<td>4.3</td>
<td>—</td>
<td>100.0</td>
</tr>
<tr>
<td>Net income(1)</td>
<td>42.0</td>
<td>52.8</td>
<td>8.0</td>
<td>3.3</td>
<td>(6.0)</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note:
(1) Net income for the period before zakat and income tax.

**Retail**

**Overview**

NCB’s retail banking business focused on the provision of private, affluent banking and mass consumer banking services and also catered to the needs of the Kingdom’s large expatriate labour market through its growing remittance business which is offered via standalone branded centres called “QuickPay”.

Samba’s retail banking business offered a wide spectrum of personal banking products to individuals and private banking services to high net worth clients. It also offered remittance services.

Following the merger, the Bank’s retail banking business, which is headed by the CEO of Retail Banking and accounted for 44.3 per cent. of the Group’s total operating income and 42.0 per cent. of its net income before zakat and income tax in the nine months ended 30 September 2021, comprises:

- consumer banking, which delivers sales and service through the branch network, manages the complete product suite of liabilities, residential finance, personal finance, cards and auto lease, and delivers banking services to business banking customers;

- high net worth banking, which delivers sales, service and advice to private banking and affluent banking customers; and
QuickPay, which delivers remittance banking services largely targeting the expatriate market.

These operational businesses are supported by a retail operations unit that manages the delivery of product fulfilment, customer care, collections and operational administration and a retail strategy and analytics unit that enables all retail businesses with strategy development, marketing services, sales analytics and customer analytics.

The integration of the two retail banks is currently being progressed by a dedicated team. A sequential migration of Samba customers and accounts to SNB is being pursued, as opposed to a one-off single process integration. Migration is well underway with over 50 per cent. of Samba retail customers migrated as at 24 October 2021 and the migration of the entire Samba customer base is expected to be completed towards the end of 2021.

Personal banking is highly competitive in the Kingdom, with the Bank’s main competitors being Al Rajhi Bank, Bank Albilad, Saudi British Bank and Riyadh Bank. The Bank distinguishes itself from its competitors through its reach, product development expertise, solid balance sheet, brand value, customer loyalty and holistic approach to providing banking services across all client segments and businesses. As at 30 September 2021, the Bank was the second largest local bank in the Kingdom in terms of consumer financing and had a 28.4 per cent. market share of total performing consumer financing among local banks in the Kingdom (source: published financial statements of 10 of the 11 local banks in the Kingdom).

Consumer and business banking

The Bank’s consumer and business banking customers are served through its branch network and alternative channels. As at 30 September 2021, the Bank had the second largest banking branch network in the Kingdom at 502 branches. Since 2006, the former NCB branches have offered only Shari’a-compliant products and services while the former Samba branches all offered both conventional and Shari’a-compliant products. Following the merger, the Bank aims to achieve a fully Islamic retail bank with its integration approach focusing on migrating conventional products to Islamic alternatives. The Bank anticipates that overlapping branches will be replaced by new branches in high transaction zones and, in accordance with the Bank’s lean branch strategy, these new branches will be smaller with a lower head count and lower operating expenses.

In the three months to 30 September 2021, the Bank conducted approximately 99 per cent. of its financial transactions with its retail customers through the following alternative distribution channels: ATMs, telephone and internet banking, mobile phone systems, smartphone and tablet applications. These channels enable the Bank to deliver many of its products in a more secure, cost-effective and user-friendly manner, often using the customer’s own hardware.

The Bank offers a broad suite of consumer banking products to customers through both its branches and partnership channels. The key products offered are:

- personal loans, principally payroll loans which are loans that are secured by an assignment of the borrower’s salary, with loan repayments being deducted directly from periodic salary payments;
- deposit solutions, including savings accounts, time deposits and structured deposits;
- credit and pre-pay cards, which comprise both conventional and Shari’a-compliant cards, with loyalty features designed to attract and retain customers (including air-miles rewards and cash-back rewards). The cards offered include Mastercard as well as the full range of classic, gold, titanium and platinum cards. Customers can also take advantage of pre-pay cards (to which users can credit funds and which can then be used at ATMs or POS terminals without the need for an account with the Bank);
• residential finance, which is offered through mortgage specialists at the Bank’s branches. A full range of product solutions is offered, which includes murabaha, ijarah, equity release, multi-family dwelling, near-completion projects, construction finance, off-plan finance and “land loan” finance. The Bank aims to grow its market share in real estate financing through an emphasis on customer-focused mortgage planning (which involves guiding customers through the mortgage and lending process) and partnerships with property brokers and developers; and

• leasing, which is an Ijarah-based facility provided to individuals buying passenger vehicles. This involves the Bank, at the request of the customer, acquiring a car of the customer’s choice and leasing it to the customer for a maximum period of five years. The Bank has representatives in the showrooms of all leading automobile dealers in the Kingdom, and works collaboratively with automobile dealers on joint marketing initiatives.

The Bank offers business banking services to clients owning micro and small business with turnovers up to SAR 40 million per year (“SMEs”). These clients are served by relationship managers operating within the branch network providing a full suite of products, including current accounts, digital banking, Saudi government-backed financing for SMEs under the Kafalah programme, cash management and trade finance, to assist them in running their businesses.

The Bank also offers card-acquiring facilities to a significant number of merchants.

**High net worth banking**

The Bank’s high net worth customers include both private banking customers (those with personal financial assets of greater than SAR 5 million) and affluent banking customers (those with personal financial assets of between SAR 100,000 and SAR 5 million or with a salary of SAR 20,000 or greater per month).

The Bank’s private banking offering was strengthened by the merger as Samba was the first bank to introduce private banking in the Kingdom in the early 1970s and, until the merger, had remained a leader in the private banking industry (for example, it was awarded Best Private Bank in Saudi Arabia 2019 by Global Finance) and a premier provider of personalised banking and wealth management services. The private banking service leverages the expertise of the Group in order to develop a strategy tailored to the clients’ specific requirements and banking needs.

The Bank offers its private banking clients borrowing solutions against their investments, specialised treasury products, time deposit account options, an exclusive debit card, credit facilities, professional trading facilities for local shares and sophisticated deposit and hedging solutions. All private banking customers are also provided with a dedicated relationship manager and a wealth manager.

The Bank also utilises its strong relationships with private banking customers to cross-sell other Group products, in particular treasury and SNB Capital products. Through SNB Capital, wealth managers provide clients with a range of services such as financial planning, investment advice, asset allocation, comprehensive portfolio management and retirement planning. In addition, personal relationship managers are assigned to private banking customers in order to manage individual portfolios and provide clients with one-to-one support.

The Bank’s affluent banking programme provides qualifying retail customers with priority services in the “Wessam Lounges”, an exclusive lounge within the majority of the Bank’s branches. The “Wessam Program” provides affluent banking customers with a personalised service and offers exclusive privileges to its members, who are classified as either platinum or gold status. These include the service of dedicated tellers, merchant offerings or the waiver of banking transaction fees (100 per cent. for platinum members and 50 per cent. for gold members), an exclusive fees-free credit card and, in the case of platinum and gold members, a dedicated relationship manager who can also be reached through the Bank’s digital channels and wealth manager.
Products targeted to affluent banking customers include credit cards, takaful insurance, mutual funds, residential mortgage financing and auto leasing. These products and services are provided by a dedicated relationship manager, who caters to the customer’s overall personal banking and investment needs.

QuickPay
QuickPay serves the remittance needs of the Kingdom’s large expatriate labour market. As at 30 September 2021, the Bank had 131 QuickPay remittance centres, which represented a market share of 19.2 per cent. of the distribution market in the Kingdom, which served a total of over 2.4 million active customers. These remittance centres are a vital channel for the Bank through which customers, particularly expatriate workers, can remit funds overseas, thereby providing financial services to a previously under-served segment.

Wholesale
Overview
NCB’s corporate banking business focused on the provision of a wide range of corporate banking services to companies with a turnover in excess of SAR 40 million as well as specialised finance to high value clients and trade finance and treasury services. It serviced more than 6,600 customers and it had the largest portfolio of corporate loans in the Kingdom at the time of the merger.

Samba’s corporate banking business offered Islamic banking, investment banking, loan syndication, project finance, cash management, trade, electronic banking and risk management solutions to all types of corporate clients, ranging from Government and public sector organisations, financial institutions, leading private sector companies and global corporations to mid-sized enterprises. It serviced more than 6,600 customers at the time of the merger.

As part of the integration effort, operating models have been aligned across all divisions in the Bank’s wholesale business with data migration expected to be completed before the end of 2021.

Following the merger, the Bank’s wholesale business, which is headed by the CEO of Wholesale Banking and accounted for 46.0 per cent. of the Group’s total operating income and 53.0 per cent. of its net income before zakat and income tax in the nine months ended 30 September 2021, comprises three coverage areas: global and large corporates, corporate and commercial banking, and institutional and international, and three product areas: Group treasury, global markets, and global transaction banking, each of which is described further below. These coverage and product areas are supported by (i) a wholesale operations unit that encompasses all operational functions across the wholesale business including corporate operations, lending operations, trade operations and treasury operations and also provides customer service and support to all areas within the wholesale business, and (ii) a wholesale strategy and analytics unit that is responsible for strategy development, strategy execution and customer analytics and assists with portfolio attribution and performance management across all coverage and product areas.

The wholesale business services more than 10,000 corporate customers across various sectors and has seven dedicated corporate service centres in Jeddah, Riyadh and Dammam, which are designed as “one-stop” service centres and aim to provide a superior quality of service to the Bank’s corporate customers across the Kingdom. The Bank’s wholesale banking portfolio is the largest among all banks in the Kingdom in terms of assets and it has around 90 per cent. penetration of the top 100 Saudi companies.

The Bank’s wholesale business aims to be the preferred provider of financial solutions to its clients. Its strategy for expansion is to provide its corporate clients with the full range of financial products and services and to attract and develop new customer relationships from targeted market segments, as well as enhancing relationships with existing customers. The strategy aims to increase market share by focusing on all the three
major regions (central, western and eastern) of the Kingdom. Target customers are determined by the type of company, industry in which it operates, potential fee income and perceived risk.

**Global and large corporates**

The global and large corporates coverage business services clients that generate sales turnover of SAR 1.2 billion and above. Reflecting the Bank’s value focused strategy, a global corporates division has been established to service the Bank’s top 50 to 70 clients with the objective of being closer to the customer through relationship managers dedicated to each customer. The remaining clients are serviced by the large corporates division. A third division, corporate finance, is also part of the global and large corporates coverage business and offers clients specialised financing products.

The global and large corporates coverage business offers a wide range of corporate banking services, as well as trade finance and global market services (both conventional and *Shari’a*-compliant solutions). Through its corporate finance division, the global and large corporates coverage business is also active in domestic project finance, participates in Government oil, petrochemical, power, mining and water-related projects and actively leads and arranges large corporate and contractor financing transactions in the Kingdom with other banks.

The Bank offers a comprehensive suite of products to its global and large corporate customers, including deposit taking, overdraft facilities, term loans, participation loans, securitised loans, bills discounting, commodity sales, cash management and risk management solutions. It also offers a range of *Shari’a*-compliant products and has enlisted the services of product development specialists to focus specifically on *Shari’a*-compliant product development.

**Corporate and commercial banking**

The corporate and commercial banking coverage area is divided into a corporate division, which services medium and large corporate clients that generate an annual sales turnover between SAR 200 million and SAR 1.2 billion, and a commercial division, which provides coverage to clients that generate sales turnover between SAR 40 million and SAR 200 million. The corporate and commercial banking coverage area also manages the Bank’s existing and prospective impaired corporate loans and works closely with corporate customers that have financial, operational or other business difficulties to find solutions that best protect the Bank’s exposure while helping the client overcome financial difficulties.

The corporate division principally offers *Shari’a*-compliant products and services (including *Shari’a*-compliant business banking, *murabaha*, musharaka, *ijara* and *tawarruq*), cash management, structured finance and trade finance solutions to its customers. It also offers dividend distribution, business-to-business solutions, escrow and cash collection services and a payroll and card service. The division currently services over 1,500 customers, including both borrowing and non-borrowing relationships.

The commercial division currently services approximately 1,500 customers. Its financing options include funded and non-funded facilities as well as cash management and treasury products. Tayseer AlAhli is the funding product used to finance working capital and capital expenditure needs. A variety of trade products are also offered to customers in this segment, such as standby LCs, documentary LCs and all types of letters of guarantee. Cash management (point of sale, dividend distribution and SwiftNet services), and global markets (hedging of interest rate and currency exposures and structured deposits) products are also available when needed.

The Bank is a leading lender through the Government’s Kafala loan guarantee programme, a collaboration between the Ministry of Finance, represented by the Saudi Industrial Development Fund (the “SIDF”), and banks in the Kingdom, which aims to promote financing to SMEs within the Kingdom (the “Kafala Programme”). Through the Kafala Programme, banks offering finance to customers of up to SAR 15 million
will receive a guarantee from the Kafala Programme, covering up to 90 per cent. of the financing amount. As at 30 September 2021, the Bank had provided approximately 27 per cent. of the total Kafala funds outstanding.

The Bank also has a commercial real estate finance programme which supports SME clients by enabling them to purchase constructed commercial properties within urbanised areas through a Shari’a-compliant finance product. Business activities for which this finance is available include various industries, construction and contracting, transportation, services and medical facilities.

**Institutional and international**

The institutional and international coverage area provides coverage to approximately 518 bank and non-bank financial institutions and to more than 3,000 public sector entities, including Government and quasi-Governmental entities. It also manages the Bank’s international branches and representative offices and is responsible for delivering the Bank’s strategy of servicing its clients overseas and exposing the Bank to international depositors to strengthen its liability base. Additionally, the institutional and international coverage area is also responsible for:

- establishing and maintaining the Bank’s relationships with a wide network of regional and global banks, offering a full range of products and services including payments, trade finance and treasury activities; and
- managing the Bank’s international branches in Abu Dhabi, Bahrain, Dubai, Qatar and Singapore and its representative offices in Seoul and Shanghai.

**Group treasury**

The Bank’s Group treasury product area is responsible for:

- managing the Bank’s liquidity and ensuring that the Bank is able to meet its financial obligations at all times. This includes overseeing all short-term funding sources, pricing and managing all short-term and long-term loans, monitoring the liquidity of the Group and ensuring its compliance with regulatory ratios; and
- managing the Bank’s fixed income and equity investments portfolios. In so doing, it provides superior asset allocation, balance sheet optimisation and direct investment management expertise and seeks to protect the Bank’s balance sheet from abnormal profit rate moves, enhance yields/income and contribute to the maintenance of adequate liquidity coverage within defined risk limits.

Treasury manages the Bank’s liquidity and funding operations in accordance with pre-determined limits set by the asset and liability committee (the “ALCO”) in relation to net outflows, stress scenarios, projected cash flows, and regulatory liquidity ratios. The stability and behaviour of the Bank’s deposit base is analysed by its Risk Group (see further “Risk Management”) using historical and simulated data and statistical interval analysis. The results of such analyses, the Bank’s funding limits, potential funding issues and pricing history and mechanics are discussed by the ALCO. Any changes to pricing strategy and environment are communicated to the ALCO through the head of the Treasury Group.

The Bank’s excess liquidity is deployed in investment portfolios primarily in high quality liquid assets and in other asset classes in line with the overall risk appetite with an objective to achieve the targeted risk-adjusted return while complying with risk management requirements approved by the Board. The Bank’s risk group closely monitors the investment portfolios to ensure they remain well within the risk limits. For a breakdown of the Bank’s funding, see “—Funding, lending, investment securities, capital adequacy and related parties—Funding”.

Treasury has an established limit structure, which includes sophisticated risk management and measurement tools such as Murex and Moody’s systems, which consolidate credit, price and liquidity risk limit information.
and manage the data in real-time across all instrument types, thereby enabling Treasury risk managers to exercise real-time oversight and control of credit and market risk exposures.

*Global markets*

The global markets trading team provides solutions, pricing and execution of commission rate derivative products at the request of clients, providing competitive market quotes for banks and financial institutions within defined profit and risk parameters, analysing the client’s commission rate exposure and providing case-by-case solutions and managing the commission rate trading book by trading on a proprietary basis while applying rigorous risk management techniques to efficiently absorb the flow and generate the required profitability. The team also provides solutions, pricing and execution of vanilla commodities products, including spot, swaps and forwards and manages all market risk associated with commodities transactions, executes clients’ orders, analyses clients’ requirements in relation to physical commodities and ensures that clients’ needs are met.

Global markets also designs standard and customised Shari’a-compliant structured products (including approved Islamic alternatives) for the Bank’s client base. Any risks to which the Bank may be exposed in connection with offering these products are hedged by Group treasury.

Global markets also aims to execute its foreign exchange trading business in a profitable and efficient manner by adding value to the execution service through proprietary trading that is accompanied by strict controls. It also manages the Bank’s foreign exchange exposures by ensuring sufficient banknotes are available to meet client demands.

*Global transaction banking*

The global transaction banking product area provides the Bank’s wholesale customers with tailored products and services, which include (a) payments, collections and cash management solutions, mainly through electronic channels, (b) trade finance responsibilities that look after clients’ overall trade utilisation, and (c) trade and cash management product development. The department also offers these services through the Bank’s corporate service centres. The product area is also responsible for digital innovation for corporate and public sector clients.

**SNB Capital**

On 9 July 2021, NCBC and Samba capital merged to form SNB Capital. SNB Capital is the Kingdom’s largest investment bank in terms of revenue and the region’s largest asset manager in terms of assets under management.

SNB Capital is licensed by the CMA to carry out dealing, as principal and agent, as well as underwriting, managing, arranging, advising and custody services, with respect to securities. Its head office is located in Riyadh.

SNB Capital’s paid-up capital is SAR 1 billion and it is a wholly-owned subsidiary of the Bank.

SNB Capital operates five business lines: Asset Management, Wealth Management, Investment Banking, Securities and Principal Investments.

**Asset Management**

The Asset Management business is responsible for launching and managing Shari’a-compliant and conventional mutual funds, closed-ended funds and separately managed accounts across the following asset classes: money market and fixed income, local and international equities, multi-asset, and alternatives (including private equity, real estate and private credit). As at 30 September 2021, SNB Capital’s client assets
under management stood at SAR 248.8 billion of assets, positioning SNB Capital as the Kingdom’s largest asset manager.

**Wealth Management**

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

**Investment Banking**

The Investment Banking business offers public and private sector clients the full range of investment banking services, including: equity capital markets (such as IPOs, rights issues and private placements), debt capital markets, mergers and acquisitions and debt advisory services. In the first nine months of 2021, SNB Capital successfully closed the following transactions: Saudi Arabia’s U.S.$5 billion sovereign bond, NCB’s U.S.$1.25 billion Tier 1 perpetual sukuk, Standard Chartered Bank’s U.S.$1 billion sukuk and First Abu Dhabi Bank’s U.S.$500 million sukuk.

**Securities**

The Securities business offers local and international cash and margin brokerage services through multiple trading channels to SNB Capital’s institutional, high net worth, affluent and retail clients. In addition, the Securities business also offers on-the-ground equity research coverage of a broad range of sectors, local and global custody and other market-leading securities services, including employee share plan programmes. As at 30 September 2021, SNBC was the Kingdom’s leading broker with a market share of 20.9 per cent. according to based on Tadawul’s data.

**Principal Investments**

The Principal Investments business is responsible for managing SNB Capital’s liquidity (in line with its business requirements and applicable regulations) and investments (across a broad range of asset classes). In addition to delivering appropriate risk-adjusted returns, the Principal Investments business is also responsible for providing for the funding requirements of SNB Capital’s different business lines as needed.

**International**

The international business principally comprises the Bank’s majority investments in two banks: TFKB in Turkey and SBL in Pakistan. The Bank’s international business accounted for 4.3 per cent. of the Group’s total operating income and 3.3 per cent. of its net income before zakat and income tax in the nine months ended 30 September 2021.

**Türkiye Finans Katılım Bankası A.Ş., Turkey**

The Bank has a 67.03 per cent. shareholding in TFKB, a Turkish participation (or Shari’a-compliant) bank, which operates by attracting current accounts and profit-sharing investment accounts. It provides those funds to retail and corporate clients in the form of Shari’a-compliant finance, lease and profit/loss sharing partnerships.

TFKB’s key strategic objective is to improve productivity, grow Turkish lira deposits, increase the share of retail banking in its total loan book and expedite its digital transformation programme, which includes the expansion and improvement of digital capabilities and digital channels to meet customer needs, strengthen the bank’s liquidity profile, diversify its funding structure, strengthen underwriting, improve collections and increase automation. TFKB had 316 branches in Turkey as at 30 September 2021 and its alternative distribution channels include ATMs, POS, telephone banking and online banking.
TFKB is the second largest participation bank in Turkey and the twelfth largest bank in Turkey.

TFKB is well capitalised, with a total capital adequacy ratio of 17.2 per cent. as at 30 September 2021. As at 30 September 2021, TFKB’s total assets amounted to TRY 84 billion (SAR 35.3 billion) and its net income for the year ended 31 December 2020 was TRY 676 million (SAR 364 million). As at the same date, its total capital adequacy ratio was 16.64 per cent., which was 2.48 per cent. higher due to certain forbearances adopted by the Turkish regulator in light of the COVID-19 pandemic which will expire at the end of September 2021.

Samba Bank Limited, Pakistan

The Bank has an 84.51 per cent. shareholding in SBL. SBL principally offers its customers corporate and investment banking, retail banking and commercial banking services from its network of 41 branches across Pakistan and through a range of electronic channels. Products offered include a range of financing and deposits, cash management and investment banking solutions. SBL also undertakes treasury operations, such as foreign exchange, fixed income and equities trading.

SBL is well capitalised, with a common equity tier 1 ratio of 17.4 per cent. and a total capital adequacy ratio of 18.2 per cent. as at 31 December 2020. As at the same date, SBL’s total assets amounted to PKR 158,996 million (SAR 3,720 million) and its net income after tax for the year ended 31 December 2020 was PKR 1,012 million (SAR 23.7 million).

Subsidiaries and Associates

In addition to TFKB, SBL and SNB Capital, the Bank also has a number of other subsidiaries and associates, including:

REDCO

Real Estate Development Company (“REDCO”) is a wholly-owned subsidiary of the Bank. Its objectives primarily include (i) maintaining and managing asset and real estate transfers to the Bank and third parties as guarantees; (ii) purchasing, accepting and transferring properties; (iii) purchasing land and properties and investing in their development by selling and leasing on cash or instalment terms; (iv) real estate management and development; (v) accepting, discharging, effecting and executing mortgages and applying for discharge and acceptance of the mortgages; and (vi) purchasing and selling off-plan housing units and operating through residential financing.

ATC

ATC, in which the Bank owns 30.0 per cent. of the issued share capital, is listed on the Tadawul and provides takaful insurance products within the Kingdom. The remaining shares in ATC are held by prominent local investors and global leading insurance and technical specialists, including FWU AG Germany, VHV Germany and the International Financial Corporation. ATC recently announced its entry into a binding agreement to merge with Arabian Shield Cooperative Insurance Company. Upon completion of the merger, ATC’s assets and liabilities will be transferred to Arabian Shield.

Islamic Banking

Shariah Board

The Shariah Board functions as an independent body carrying out its duties under a mandate from the Board. The Shariah Board is responsible for reviewing and approving each Islamic product and service presented to the Bank’s customers in accordance with the Shariah Board Charter. The Shariah Board comprises prominent scholars in the fields of Shari’ah, Islamic economics and applied aspects of modern Islamic banking and finance. See “Management and employees”.

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Shariah Division

The Shari’a division supports the Bank’s objectives and plans to expand and increase the Islamic services and products provided to the Bank’s customers. The Shari’a division also supervises and controls the Bank’s Islamic banking business and aims to ensure full compliance with Islamic law, including by verifying the implementation of all of the Shariah Board’s resolutions and requirements in all of the Bank’s policies and procedures, product programmes, electronic systems and training programmes.

The Shari’a division supports working groups across the Bank which aim to create innovative Islamic products that satisfy the growing needs of the money market for new Islamic solutions. In addition, the Shari’a division supervises the issuance of Shari’a-compliant sukuk by reviewing and approving their structures, executing documents and the related policy and procedures and conducting periodic auditing to ensure the sukuk remain compatible with the Shari’a approvals.

Internationally, the Shari’a division co-operates with reputable legislative bodies and international organisations (including the Islamic Financial Services Board, the Accounting and Auditing Organisation for Islamic Financial Institutions and the International Islamic Financial Market and the General Council for Islamic Banks and Financial Institutions) interested in developing an appropriate Islamic banking environment by assisting with the development of (i) the legislative environment (ii) Islamic standards and (iii) liquidity and risk management products.

The Bank offers a programme for qualifying new scholars to join Shari’a committees in financial institutions. To date, seven Islamic banking experts have graduated from the programme, with new candidates joining. The Bank also hosts an international Islamic finance programme sponsored by King Abdulaziz University in cooperation with the Islamic Development Bank and the Saudi-Spanish Centre for Islamic Finance and Economy. In addition, the Bank organises an annual symposium that discusses the future of Islamic banking with the participation of a group of Shari’a scholars, economists and Islamic banking experts as part of the Bank’s strategy to develop and grow the Islamic banking industry.

Internal Audit

The Bank has an independent internal audit function (the “Internal Audit Group”), which reports directly to the audit committee of the Board (the “Audit Committee”). Its main role is to deliver independent, objective and value-added assurance and advisory services to enhance and protect the Bank’s values.

The Internal Audit Group helps the Bank to accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The nature of the internal audit work encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Bank’s corporate governance framework, risk management and system of internal controls as well as the quality of management actions and performance in carrying out their assigned responsibilities to achieve the Bank’s stated goals and objectives. It also assesses and makes appropriate recommendations for improving the governance process and seeks to:

- promote appropriate ethics and values within the Bank;
- ensure effective organisational performance management and accountability;
- communicate risk and control information to appropriate areas of the Bank; and
- co-ordinate the activities of, and communicate information among, the Board, external and internal auditors and management.

The internal audit, subject to risk assessments, takes into account the need to provide the widest possible coverage of the Bank over a cycle of four years so as to ensure that a culture of organisational ethics, good
governance, risk management and control is promoted and practised throughout the Bank. The internal audits cover all activities, departments and legal entities in the Bank and are risk-assessed periodically to determine the frequency and priority of the audits. The results of the audits, with detailed recommendations for improvements, are tracked to ensure full resolution. All significant and material findings from the Internal Audit Group audits and corrective actions are reported to senior executive management and the Audit Committee.

The Internal Audit Group comprises a number of specialised divisions: Wholesale Banking Audit, Retail Banking Audit, Control and Support Services Audit, Technology Audit and Audit Quality Assurance. In order to ensure that the internal audit services are provided in a professional manner and in accordance with best international practices, the Internal Audit Group has adopted the International Professional Practices Framework (IPPF), issued by the Institute of Internal Auditors (the “IIA”).

The Internal Audit Group maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme includes both internal and external assessments. The external quality assessment is performed by an external independent body every five years. The Internal Audit Group was awarded ratings of “General Conformance” following an external assessment conducted by IIA Quality Services during 2019. This is the top rating and means the assessor or assessment team has concluded that the relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the IIA Code of Ethics in all material respects.

Compliance

The Bank defines compliance risks as the risks that result in or lead to the application of regulatory, legal or administrative penalties, or incurring serious financial losses or damage to its reputation, as a result of its non-compliance with the rules and regulations and regulatory and ethical standards applicable to its banking activities.

The Bank’s Compliance Group is an independent function at the first managerial level of executive management reporting directly to the Managing Director and Group CEO. The role of the Compliance Group is to identify, evaluate, advise, monitor, train and report on the risks of non-compliance in the Bank related to its exposure to regulatory, legal or administrative penalties or financial losses or damage to its reputation as a result of its failure to comply with applicable rules, regulations and standards.

The Compliance Group manages the Bank’s responsibilities towards combating money laundering and terrorist financing. It organises anti-money laundering and anti-terrorist financing training within the Bank, monitors and reports transactions, receives internal reports on suspicious activities and makes official reports on suspicious activities to SAMA and relevant law enforcement agencies.

The Bank has stringent customer identification policies which apply to all new customers and on an ongoing basis to existing customers. The Bank is also using reliable and independent sources to verify its customers’ information.

The Bank screens its new and existing customers against international sanctions lists, including those of the United Nations and the U.S. Office of Foreign Assets Control, and local sanctions lists provided by SAMA. The Bank’s sanctions compliance programme governs and informs all facets of the Bank's operations to ensure robust controlling measures. The programme creates a sanctions compliance framework to ensure compliance and effectively manage risk and it also addresses sanctions-related components of the Bank’s policies and procedures.

In case of on-boarding and maintaining the relationship with local and foreign politically exposed persons or persons otherwise indicated as high risk, the Bank requires an approval from the Group CEO or another authorised officer.
The Compliance Group manages the Bank’s responsibilities towards financial fraud through fraud prevention and risk assessment and fraud detection policies and procedures, investigating and prosecuting fraud and social engineering cases, bribery and corruption cases and insider information cases, investigating personal account dealing, designating whistle blowing channels to receive reports from employees, customers, vendors and the public in relation to fraud and malpractice and organising anti-fraud awareness campaigns for both employees and customers.

The Compliance Group reports directly to the Group CEO and has the right to directly reach the Board of Directors, its chairman and/or the Audit Committee, as and when necessary.

**Information Technology**

Following the merger, the Bank’s IT division begin to deploy the IT integration delivery model. Since July 2020, both NCB and Samba had collaborated on the target IT stack for the merged bank and begun high-level planning for IT migration, in addition to conducting cross IT due diligence for each bank.

The Bank owns and operates two data centres in the Jeddah metropolitan area which contain operating equipment and systems in a climatically controlled environment. The two data centres are constantly monitored to ensure service availability and delivery according to the agreed service levels of the Bank.

The Bank has recently completed a comprehensive plan intended to further modernise its technology platform and data centres. It has introduced a new core banking information system that replaces many of the Bank’s existing software systems and provides a new foundation for the Bank’s core banking needs. The new system allows for accelerated system growth and change and supports the Bank’s entire core banking operations across all channels including branches, ATMs and digital channels.

The Bank places particular emphasis on data protection. For example, it encrypts data both at rest and during transmission while regulating data traffic using multi-layers of controls including firewalls to prevent system breaches. It employs dedicated controls against malicious activities, and ethical hacking is conducted on all new internet-based business applications and for subsequent changes. The Bank’s IT infrastructure is backed up by its data centres. In addition, the Bank has built redundancy interruption and protection and recovery into its primary IT infrastructure with the use of automatic backup and mirroring facilities.
RISK MANAGEMENT

Risk Governance

In line with Basel guidance, the Bank believes that effective risk management involves the strategic implementation of three lines of defence as the first principle of the risk management framework. The first line of defence is the business units which have primary responsibility for day-to-day risk management and internal controls. The second line of defence is the risk group, which partners with the business units to formulate the Bank’s risk appetite and provides oversight support, monitoring and reporting (the “Risk Group”). The third line of defence is the internal audit function which provides independent and objective assurance on the overall effectiveness of the Bank’s risk governance framework.

Risk at the Bank is governed through the Board and its delegated committees, namely the Executive, Risk and Audit committees (see “Management and Employees—Corporate Governance—Board Committees”). At the management level, the Risk Group is an independent control group headed by the Group Chief Risk Officer (the “GCRO”). The GCRO reports directly to the Managing Director and Group Chief Executive Officer (the “GCEO”) and has direct engagement and interaction with the Board and its committees throughout the year. Further, the GCRO is the chairman of the management-level Operational Risk Committee and a member of the following management-level committees: Higher Management Committee, ALCO, Credit and Remedial Management Committee, Information Security Committee, Business Continuity Committee and Micro, Small and Medium Enterprises Committee (see “Management and Employees—Corporate Governance—Management Committees”). The GCRO also acts as the Secretary to the Risk committee of the Board.

Risk Organisational Structure

The organisational structure of the Bank’s Risk Group is built around its responsibilities of managing different types of risks, including credit, market, liquidity and operational risks. Each risk management activity is governed by a specific policy in order to assess and control the risks. The Risk Group comprises five departments: retail risk, wholesale risk, enterprise risk management, operational risk and information security.

Retail risk management

Retail risk management is responsible for:

- consumer credit risk management and developing and maintaining the Bank’s retail credit policies. Each consumer finance product has risk managers responsible for the credit risk management of the respective products;
- leading and guiding the development of risk analysis and portfolio monitoring to facilitate the accurate assessment of potential risks to enable the development and/or amendments of appropriate credit policies and standards; and
- providing recommendations and support that drive the collections to meet and exceed credit costs and NPL targets and at the same time ensuring that the collections operation is within the approved governance.

Wholesale risk management

Wholesale risk management is responsible for:

- managing credit exposure relating to the Bank’s wholesale financing and investment activities by monitoring credit limits, entering into collateral arrangements with customers and counterparties in appropriate circumstances and managing duration and exposure limits;
managing, monitoring, measuring, analysing and reporting market risks related to proprietary investments and trading book positions covering interest rate, foreign exchange, equities and commodities related instruments, in addition to monitoring private markets, hedge funds and the Bank’s collective investment portfolios. The risks arising from these instruments are managed and mitigated by adherence to the investment portfolio and risk limits and guidelines approved by the Board in line with the Bank’s risk appetite;

- ensuring compliance with both internal and regulatory requirements with respect to market and liquidity risks and related reporting requirements;

- ensuring that appropriate credit policies are maintained at a high level of standards and applied consistently across the Group, working closely with business units on amendments to, and adoption of new, credit policies and ensuring the full understanding and proper implementation of these policies; and

- enhancing the existing monitoring and reporting activities carried out by business and risk units by providing the business and risk personnel managing an account with insights generated from early warning signals in relation to potential or emerging credit deterioration.

Enterprise risk management
Enterprise risk management is responsible for the Bank-wide independent risk management practice and has an integral role in the financial planning and budgeting process concerning key risk metrics and is instrumental in setting the risk appetite statement for the Group and business groups. Its key functions include risk capital management and analytics, regulatory analytics and credit portfolio management and it also develops and manages all credit rating models and scorecards that are essential for credit risk management in the Bank.

Operational risk management
Operational risk management seeks to ensure that operational losses do not cause material damage to the Bank. Operational risk exposures are managed through a consistent management process that drives risk identification, assessment, control, and monitoring.

Information security risk management
Information security risk management is responsible for the establishment and ongoing management of the Bank’s information security policies, which set out how the Bank protects its information technology assets from attack and misuse. It manages the education and mentoring of the Bank’s staff to train them in safe information security practices and also manages the external partners engaged by the Bank to monitor global information security threats.

There are four main risk categories to which the Bank is exposed: credit risk, market risk, liquidity risk and operational risk. The Bank is also exposed to a range of other risks, including strategic risk, reputational risk, Shari’a product-related risks and remuneration governance risk.

Credit Risk
Credit risk is the risk that a customer or counterparty of the Bank fails to meet its obligations in accordance with the relevant agreed terms causing the Bank to incur a financial loss. The Bank manages credit exposure relating to its financing and limited trading activities by monitoring credit limits, entering into collateral arrangements with customers and counterparties in appropriate circumstances and by managing the duration and exposure limits.
Credit risk governance
Credit risk is managed through a Board-approved framework of policies and procedures covering the approval, measurement and management of credit risk. All credit limits are approved within a defined credit approval authority framework. The Bank manages its credit exposures following the principle of diversification across products, country limits, industries, client and customer segments, and through continuous assessment of the counterparties’ creditworthiness.

- Wholesale credit - The wholesale credit risk function principally comprises (i) undertaking independent reviews and approval of corporate credit proposals and (ii) developing and maintaining the Bank’s credit policy. The wholesale credit risk function, led by the Head of Wholesale Credit Risk, includes senior credit officers based regionally with broad industry specialisations. These senior officers fulfil an essential role in the risk approval and control process given their expertise and independence from business line management. They objectively scrutinise and approve credit proposals within limits set by the Bank’s credit policy. The approval of the Executive Committee and/or the Board is required to extend facilities to customers above certain risk-based thresholds and to fulfil certain governance requirements.

- Retail credit - The retail credit risk function manages the overall risk profile of the retail finance business. It has overall responsibility for establishing retail credit policies and managing the quality of the retail credit portfolios. It utilises a set of sophisticated analytical tools to measure and quantify the credit risks contained within the portfolios, which thereafter serve as one of the key pillars in making credit risk decisions. It also develops collections strategies and tools and provides support to the collections services function regarding the management of past due accounts and recovery of written-off accounts.

Credit risk policy standards
The Bank has two main credit risk management policies:

Wholesale credit policy manual
The wholesale credit policy manual covers core credit policies for identifying, measuring, approving, managing and reporting wholesale credit risk. In addition, the manual covers (i) credit programmes used to approve a series of credit proposals where the facility type and associated risks are homogenous in character or for transaction types that require a specific set of carefully screened target markets or an appropriate set of risk acceptance criteria, such as real estate financing, project finance and SME finance and (ii) credit procedures which are mainly addressed through credit bulletins and appendices approved by the Head of Wholesale Credit Risk and, when the process are substantially controlled by whole risk management, the Head of Wholesale Risk. Procedures that are substantially controlled by other business or support units are written by those units and reviewed by other stakeholders, including Corporate Risk Management.

Under the wholesale credit policy manual, the financial institutions credit policy is a specialised policy designed to be consistent with sound and prudent bank lending practices in use elsewhere in the world. The manual’s purpose is to provide all personnel with a comprehensive understanding of how credit to financial institutions and countries’ respective government entities/sovereign exposure is to be extended by the Bank.

Retail credit policies
The retail credit policies comprise the following:

- the retail credit policy is the core credit policy for identifying, measuring, approving and reporting credit risk for the retail financing portfolio. It defines the processes covered by policy documents and contains broad process descriptions and responsibilities, the definition of risk measurement and credit
decision-making approaches (for example, scoring). It also includes the discretionary credit authorities granted to senior risk officers for credit decision making;

- the credit policy manual defines detailed credit policies for auto leases, credit cards, personal finance and residential finance at the product level, including authorities at the operational level, product level portfolio management and processes and score cut-offs; and

- the retail finance collections policy defines the collections policies and strategies covering both the collections and recovery functions. It also includes the discretionary authorities afforded to the collections management team to maximise recoverability. Collections and recoveries functions are essential to retail financing operations because of the key contribution they play in preserving the quality of the retail asset portfolio, controlling past due bucket inventories and minimising credit losses.

**Credit Risk Assessment and Monitoring Tools**

The Bank strives to maintain the credit quality of its financing assets through effective risk management practices to manage loss provisioning, defaults and write-offs which, in turn, would help the Bank to achieve its financial targets within the overall strategy. The Bank has distinct risk assessment and monitoring tools both for corporate and retail risk management. The key features of the credit risk assessment and monitoring tools are:

- **target market and risk acceptance criteria**: When originating a credit relationship and during regular reviews of the relationship, the Bank sets a carefully screened target market (“TM”) and an appropriate set of risk acceptance criteria (“RAC”) to determine the type of client/segment and type of exposure. The RAC include (i) macroeconomic risk (which is carefully assessed through the annual review of industry trends and short and medium terms impact assessments are also conducted by the Bank’s economics department) and (ii) concentration risk, which is relevant in the corporate credit portfolio and is managed through specific guidelines that focus on maintaining a diversified portfolio to avoid excessive concentration of risk implemented through customer and sector limit structures). Further, all interrelated companies controlled by the same management and/or ownership structure are treated as one entity/group;

- **monitoring and early warning**: The Bank’s exposures are continuously monitored through a set of triggers and early-warning signals aimed at detecting adverse symptoms that could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with market intelligence to enable timely corrective action by management;

- **risk assessment tools**: These are used to measure and manage the risk in all of the Bank’s portfolios. Exposures to both corporate and retail customers are subject to risk rating models and scorecards which have been developed by the Bank independently. Corporate relationships are assessed by using the obligor risk rating models and scorecards, while retail customers are assessed by employing both application and behavioural scorecards. For investments and financial institutions, the Bank employs external ratings provided by rating agencies. In addition to the rating models and scorecards, the Bank has also implemented loss given default (“LGD”) models both for corporate and retail; and

- **risk-based pricing**: The Bank has implemented risk-adjusted return on capital (“RAROC”) as an important assessment tool. Particularly for corporate financing, the relationship RAROC is estimated at origination and forms a part of the credit evaluation. In addition, on the ex-post basis, the relationship RAROC is measured and communicated to all relationship managers to help them assess their respective clients on an ongoing basis.
Credit risk mitigation

The Bank’s policy is to lend against the cash flow of an operating commercial entity as the first and primary source of repayment. Collateral and guarantees provided by the customer are considered only as a secondary source for repayment.

The Bank ensures that its collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depend on the nature of the collateral involved. The types of collateral that are acceptable to the Bank include time and other cash deposits, financial guarantees, equities, real estate, other fixed assets and salary assignment in case of individuals.

The Bank’s collateral is held mainly against commercial and individual financings and is managed against relevant exposures at its net realisable values. The Bank monitors the market value of its collateral and requests additional collateral in accordance with the underlying agreements. Whenever possible, financings are secured by acceptable forms of collateral in order to mitigate credit risk.

Classification of financings and advances

Credit classifications are standard categories that indicate the degree of risk in individual credit exposures. The purpose of the classification process is to establish a consistent approach to problem recognition, labelling, remediation, and the setting of provisions for credit exposures that are managed on a judgmental basis. This process is designed to:

- highlight potential and actual problem credits for attention and action;
- categorise problems by severity of actual and potential risk of loss;
- enable the reporting of problem credits to senior management for review and approval at intervals that are set according to severity of the classification; and
- provide a common language and methodology across all divisions and regions for identifying and managing problem credits.

All of the Bank’s obligors are classified into five categories. Each category implies a certain level of severity of the credit position and the risk to the Bank’s capital.

The first two categories, which are Standard and Special Mention, are for performing assets and the remaining three categories, which are Substandard, Doubtful and Loss, are for non-performing exposures.

Management of restructured exposures

As part of its ongoing credit risk management, the Bank has adopted restructuring as a remedial management tool to manage clients that are experiencing difficulties in meeting their financial commitments.

A restructuring occurs on a transitional basis when:

- a counterparty is experiencing financial difficulties in meeting its financial commitments; and
- the Bank grants a concession that it would not otherwise consider.

Concessions are special contractual terms and conditions provided by the Bank to a counterparty facing financial difficulties. The main characteristic of these concessions is that the Bank would not extend loans or grant commitments to the counterparty on such terms and conditions under normal market conditions.
Market Risk

Market risk is the risk that changes in market prices, such as special commission rate, credit spreads (not relating to changes in the obligor’s/trustee’s credit standing), equity and commodity prices and foreign exchange rates, will affect the Bank’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Bank’s exposure to market risk is governed by various risk management policies, which define the various limits which the Bank should maintain for its investment and trading portfolios.

In particular, in relation to special commission rate risk, the Board directs and oversees the ALM activities including special commission rate risk to maximise shareholder value and protect the Bank from significant financial losses. The Board Risk Committee provides oversight to the ALCO, which has overall responsibility for special commission rate risk monitoring and management to optimise the Bank’s earnings and net asset values and sets the interest rate gap limit and the dollar value of a basis point (DV01) limit.

The Group Treasury is responsible for the day-to-day execution of special commission rate strategy. The Group Treasury’s task is to protect the Bank’s earnings from adverse movements in special commission rates and to enhance net special commission income through appropriate action and anticipation of the extent of directional shifts in interest rates. The Group Treasury manages special commission rate risk through:

- clear definition of authorised investments, permissible hedging and position-taking strategies with the Group Treasury appointed as the execution body;
- identification of the frequency and methodology for measuring special commission rate risk; and
- setting quantitative limits in line with the risk appetite.

Special commission rate risk is calculated and reported to the ALCO on a monthly basis. This is further discussed and monitored through the ALCO process. The measures and methodologies used to manage special commission rate risk include measuring the current or prospective risk to the Bank’s capital and earnings and economic value arising from an adverse movement in special commission rates that affect the Bank’s banking book position, measuring maturity mismatches and conducting sensitivity analyses, reporting to ALCO on a range of defined measures and using hedging where considered appropriate.

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its funding requirements under normal and stressed circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available.

Liquidity management policy

The Bank’s liquidity risk is managed through an approved policy to ensure that the Bank maintains a strong liquidity position, making it more resilient to short-term and long-lasting funding shocks within the approved risk appetite. The policy defines the Bank’s objectives for managing liquidity risk and sets conditions for the calculation of the minimum size of the liquidity buffer and the funding needed to support an adequate liquidity buffer. The policy’s objective is to strike a balance between liquidity and profitability for all currencies to maintain a strong liquidity position, which would sustain the confidence of investors, regulators and rating agencies and improve both funding costs and availability. The policy has the following objectives:
• ensure the Bank’s ability to generate or obtain cash or cash equivalent (collateral) in a timely and cost-efficient manner so that obligations can be met as they become due in both normal and stressed periods;

• recognise the Bank’s financial position at any point in time, by currency and by maturity, to replace maturing obligations when they fall due, fund assets at appropriate maturities and rates, and support credit ratings and the Bank’s profitability; and

• ensure that profitable business opportunities can be pursued in all market environments for an extended period without liquidating assets at undesirable terms or raising additional unsecured funding on an unreasonable scale.

Asset liability management (“ALM”) policy

The purpose of the ALM policy is to set out the governance and management of the asset-liability structure and the critical components of ALM as they are relevant to the Bank. The ALM policy is designed to assist in optimising the balance sheet structure and ensure that banking operations are conducted in line with the Bank’s strategy, risk appetite, prudential controls and limits as defined within the budget process. The primary objectives underpinning the ALM policy are:

• linking liquidity, funding, and capital strategy to short-term and long-term liquidity needs and cash flow requirements, including considering the impact of financial distress, disturbance or significant financial loss situations; and

• considering interest rate risk/hedging/return strategy for the Bank to ensure an optimal balance sheet structure within the Bank.

A vital component of the ALM policy is liquidity management, which focuses on the prudent management of the asset-liability structure from a solvency standpoint and ensuring the continued viability and funding of the Bank in a time of crisis.

Liquidity management practices within the Bank

The Bank manages its liquidity risks through well-established policies, processes and tools that meet the necessary regulatory requirements and industry best practices. Liquidity risk management at the Bank involves forecasting funding requirements and maintaining sufficient capacity to meet the Bank’s needs and accommodate fluctuations in asset and liability levels due to changes in business operations or unanticipated events. The major liquidity risk assessment and monitoring tools employed at the Bank are:

• balance sheet analysis by currency: comprehensive analysis is conducted on all major currencies in which the Bank is active to ensure adequate coverage. The main ratios considered are FX position and the liquidity coverage ratio;

• liquidity cushion: in addition to diversifying the Bank’s asset book, the investment portfolio provides an avenue to allocate the Bank’s assets towards a high proportion of readily marketable securities (including Government bonds and Government and other investment grade securities);

• funding concentration: the ALCO monitors funding concentrations (including both current and time deposits) to ensure there is no excessive reliance on a particular product or a few customers without proper safeguards. Liability diversification is also examined through the nature of the fund provider (that is, individuals, corporations and financial institutions), funding instruments (secured and unsecured), maturity and currency;

• intraday liquidity: intraday liquidity is managed through ongoing cash flow and position monitoring. The Bank’s limit is built into the SAMA electronic funds transfer system to include a maximum short
position that is sufficient to accommodate intraday movements. This is done to safeguard the Bank from mismatches occurring during the clearing time when receipts and payments are staggered over several hours. The system includes all interbank, customer and SAMA-specific SAR credits and debits to provide a clear picture of the Bank’s position on a real-time basis;

- **maximum cumulative outflow**: maximum cumulative outflow (“MCO”) analyses the Bank’s balance sheet maturities and estimates cumulative net cash outflows. The Bank makes MCO assumptions by different time buckets and by currency, taking into account the current market depth and its ability to tap the market through various instruments. These assumptions are intended to control the absolute level of liquidity shortfalls at different periods of time for each significant individual currency in which the Bank operates;

- **collateral management**: the Bank manages its collateral positions through active margining and overall margin maintenance in compliance with Basel recommendations;

- **monitoring of liquidity positions**: a Bank-wide liquidity risk management framework is in place to monitor and manage the liquidity position across various horizons. The Group Treasury monitors the liquidity position through daily cash flow reports, taking into account all known cash flows resulting from all known commitments. The report is prepared for all major currencies to assess the adequacy of the liquidity position by ensuring future cash flows are only mismatched to the extent that it would not interrupt normal business operations; and

- **funds transfer pricing**: funds transfer pricing (“FTP”) is an internal measurement and allocation process that assigns a profit contribution value to funds raised and lent or invested by the Bank. The Bank’s FTP framework ensures effective balance sheet management and optimisation of profitability by accurately incorporating an appropriate market access premium into pricing that aligns with the Bank’s strategic goals through the annual review budgetary process. The main objective of the FTP is to compute the total cost of liquidity consumed by all business activities for given maturities.

**Liquidity risk management**

To mitigate the risk of, and effectively prepare for, a funding crisis, a contingency funding plan (“CFP”) has been established by the Bank. The CFP is the compilation of policies, procedures and action plans for assessing and responding to severe disruptions to the Bank’s ability to fund some or all of its activities on time and at a reasonable cost. In essence, it combines early warning procedures and preparation for potential high severity/low probability liquidity risk.

The ALCO sets the broad framework for the Group Treasury in seeking to ensure that the Bank is constantly able to meet its financial commitments. An ALCO meeting is held every month to handle, consider and address any issues relating to maturity mismatches, commission rate risk/sensitivity and yield/cost analysis. Key features of the Bank’s ongoing liquidity risk mitigation plan are as below:

- the Bank maintains a minimum of liquid assets to manage unforeseen conditions;
- the Bank manages its liquidity and cash flow dynamically through various money market instruments such as interbank placements, repo and long-term debt products, and hybrid structures;
- ALCO is informed of any significant changes made to the pricing strategy and environment;
- diversification of the depositor base is achieved by reducing dependence on large depositors and maintaining a mix of deposits; and
- a periodic review of the investment book liquidity profile under different market conditions is undertaken.
Operational Risk

Operational risk is identified as the risk of loss (direct, indirect and near misses) resulting from inadequate or failed internal processes, human behaviour, systems or external events.

Operational risk governance

The Board approves, monitors and reviews the operational risk appetite, framework, policies and practices, ensuring proper development, implementation and maintenance of a fully integrated framework into the Bank’s overall risk management processes.

Business group heads are actively involved in evaluating exposure to operational risks associated with their business through the Operational Risk Committee (“ORC”). A network of divisional operational risk managers within business units assists management with the monitoring and mitigation of operational risks. Material operational risks are addressed to the senior management of the individual business units, escalated to the operational risk department and to the ORC when necessary.

Operational risk policy standards

The operational risk policy describes the proposed governance structure, rules and responsibilities for managing operational risk as a distinct category at the Bank level and across its divisions and business units. The policy provides a consistent approach to managing operational risk across the organisation and a high-level overview of roles and responsibilities related to operational risk management to ensure that gaps and overlaps in activities are avoided and that key tasks are performed and undertaken most efficiently.

Operational risk assessment and monitoring tools

The principal operational risk assessment and monitoring tools used by the Bank are:

- **system and loss data collection** - the SAS Operational Risk Monitor is used to collect operational risk losses within the Bank. The tool is considered to be the industry’s prime tool for operational risk losses collection. From this system, the Bank is able to record and consider major operational risks and incidents and effectively determine the appropriate measures to mitigate and manage the exposure to these risks. Recorded events are rigorously monitored and analysed for further escalation. As a result, a comprehensive loss data collection for managing, tracking and reporting risk information is effectively in place;

- **risk and control self-assessment** (“RCSA”) - a qualitative and quantitative risk assessment is conducted within the Bank using an identified universe of operational risks in the RCSA framework. The assessment is conducted at the business unit level and is subject to treatment and escalation to group heads, which set out the operational risk exposure that the Bank is willing to tolerate; and

- **key risk indicators** - to ensure that the Bank is compliant with Basel III requirements, the operational risk department uses its risk management and control system to provide a reliable and effective reporting mechanism. Key risk indicators (“KRI”) are used as a monitoring tool to provide early warnings of operational problems or highlight failures. KRI reports generated by businesses are reviewed quarterly and monitored by the operational risk department for effective management.

Disaster Recovery And Business Continuity Plan

The Bank’s business continuity management (“BCM”) plan is compliant with SAMA’s guidelines, Basel principles of business continuity and ISO-22301 (a business continuity standard from the International Organization for Standardization).
The BCM plan has been implemented and maintained Bank-wide, focusing on Jeddah, Riyadh and Dammam, where most of the essential business functions are conducted. In the event of a service disruption at any branch, a cluster of branches in the disrupted branch’s vicinity become its contingency branches. An offline process has also been put in place for the continuity of branch operations in case of computer system failure, where selected transactions such as cash deposits, cash withdrawals and cheque clearances are processed manually within defined limits. The BCM process at the Bank involves:

- conducting business impact analysis and risk assessment;
- developing, testing and maintaining business continuity plans, incident management plans and incident response plans;
- establishing and maintaining business continuity centres for businesses to continue with their work during any disruptions;
- training and educating staff on their roles and responsibilities to ensure business continuity;
- conducting business continuity awareness campaigns to embed BCM practices within the Bank’s culture; and
- developing and implementing preventive and corrective action plans for continuous improvement.
MANAGEMENT AND EMPLOYEES

The Board is the ultimate decision-making forum of the Group. The members of the Board are under a duty to provide effective governance and supervise the Senior Management on behalf of SNB’s shareholders and to balance the interest of its diverse constituencies, including its customers, employees, suppliers and local communities.

The Board, directly and through its committees, and the Chairman of the Board, provide direction to the Group’s management, generally through the GCEO, to pursue the best interests of the Group. The Board has the highest authority in managing the affairs of the Group. The Board can delegate some of its decision-making authority and responsibilities to the GCEO, other executive members, or one or more of its committees. The Board or its committees meet at least every quarter.

The members of the Board and the Bank’s senior management team have extensive knowledge of the banking sector in the Kingdom and the wider MENA region and many have significant experience in leading financial institutions.

In accordance with the Companies Law and the Bank’s Articles of Association, the Board comprises 11 members (the “Directors”), including the Chairman and the GCEO.

All decisions taken by the Board are in accordance with the authority delegated to it by the shareholders. The Board is responsible for taking all the decisions of the Bank other than those matters reserved to the shareholders pursuant to the Articles of Association of the Bank or the law. Any resolution that requires clearance from the General Assembly of Shareholders must be approved in accordance with certain prescribed procedures including obtaining clearance from the Saudi Ministry of Commerce and SAMA. Accordingly, the shareholders do not independently influence the Board except through voting during a General Assembly meeting. Board members are appointed for three-year terms, which are staggered, and all Board members nominated by the shareholders must be approved by SAMA.

The Board exercises control and oversight over the Bank’s subsidiaries both by having members of its senior management team on the boards and in board-level committees of the subsidiaries and by institutionalising a governance arrangement with the Group’s control functions. Board members of the subsidiaries receive regular reports to enable them to exercise effective oversight. In addition, a quarterly risk report is presented to the Bank’s Board Risk committee.

Board of Directors

The table below shows the members of the Bank’s first Board, all of whom were appointed on 1 April 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Ammar Abdulawahed Al Khudairy</td>
<td>Chairman</td>
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<tr>
<td>Yazeed Abdulrahman Al Humaid</td>
<td>Vice Chairman</td>
</tr>
<tr>
<td>Saeed Bin Mohammed Al Ghamdi</td>
<td>Managing Director and Group Chief Executive Officer</td>
</tr>
<tr>
<td>Rashid Ibrahim Sharif</td>
<td>Board Member</td>
</tr>
<tr>
<td>Ibrahim Saad Al Mojel</td>
<td>Board Member</td>
</tr>
<tr>
<td>Abdulrahman Alodan</td>
<td>Board Member</td>
</tr>
<tr>
<td>Sheila Alrowaili</td>
<td>Board Member</td>
</tr>
<tr>
<td>Saud Bin Sulaiman Aljuhani</td>
<td>Board Member</td>
</tr>
</tbody>
</table>
The business address of each of the directors is The Saudi National Bank, The Saudi National Bank Tower, King Fahd Road, 3208 Al Aqeeq District, Unit No. 778, Riyadh 13519 – Additional No. 6676, Saudi Arabia. There are no potential conflicts of interest between the duties owed to the Bank by the persons listed above and their private interests or other duties.

**Ammar Abdulawahed Al-Khudairy Chairman**

Eng. Al-Khudairy was appointed the Chairman of the Bank in April 2021, after the merger. Previously, he was the Chairman of Samba Financial Group, a position he held since January 2019. Prior to Samba, he held leadership roles in Riyadh Bank, United Saudi Bank and Banque Saudi Fransi. In addition, Eng. Al Khudairy served as a board member from 2015 to 2018, as Chairman of the audit committee from 2015 to 2018 and as the interim managing director/CEO from October 2017 to March 2018 at Banque Saudi Fransi.

Eng. Al Khudairy’s expertise, which spans over 30 years in the financial sector, is focused on corporate banking, project finance, corporate finance, M&A and asset management. Eng. Al Khudairy has also served in various public and private board memberships, including: Chairman of Goldman Sachs Saudi Arabia, Chairman of Morgan Stanley Saudi Arabia, SAVOLA, Kingdom Holdings, Herfy, Al Tayyar and Allianz Saudi Arabia, Deputy Chairman of SPIMACO and board member of Almarai. He founded and chairs Amwal AlKhaleej and Amwal Capital Partners, an alternative assets’ management business based in Riyadh and in DIFC. He has also served as a director in government related entities, including the Economic Cities Authority and Real Estate Development Fund.

Eng. Al-Khudairy has a master’s degree in engineering administration and a bachelor’s degree in civil engineering from George Washington University, United States.

**Yazeed Abdulrahman Al Humaid Vice Chairman**

Mr. Al-Humaid is the chief administrative officer of the PIF. Prior to the merger, he was Deputy Chairman of Samba. He was previously an auditor and a consultant with PricewaterhouseCoopers, a consultant with the House of National Consulting and a senior specialist and a manager in the mergers and acquisitions department of the CMA.

Mr. Al-Humaid acts as a consultant to His Excellency the Chairman of the CMA and to His Excellency the Chairman of the PIF. He is also a board member of the Saudi Civil Aviation Holding Company and a member of its executive and investment committees, the head of the audit committee of flyadeal and a member of the audit committee of Saudi Airlines.

Mr. Al-Humaid holds a bachelor’s degree in business administration and accounting from King Saud University, Saudi Arabia.

**Saeed Bin Mohammed Al Ghamdi, Managing Director and Group Chief Executive Officer**

Mr. Al Ghamdi is currently the Managing Director and Group Chief Executive Officer of the Bank.

Prior to the merger, Mr. Al Ghamdi was the Chief Executive Officer of NCB and a Board member at NCB. Mr. Al Ghamdi was later appointed as the Chairman of the Board of Directors from May 2018 up to March 2021.

Mr. Al Ghamdi is currently the Chairman of Jabal Omar Development Company and Manga Production. He is also currently a Board member of Misk Foundation.
Mr. Al Ghamdi holds a bachelor’s degree in computer engineering from King Fahd University for Petroleum and Minerals, Saudi Arabia.

**Rashid Ibrahim Sharif**

Mr. Sharif is a member of the Executive Committee, a member of the Risk Committee and a non-executive Board member and a representative of the PIF, where he is Head of General Directorate for Investments in Local Companies. Prior to the merger, Mr. Sharif was a Board member at NCB.

Mr. Sharif holds a bachelor’s degree in finance from King Fahd University for Petroleum and Minerals, Saudi Arabia.

**Ibrahim Saad Al-Mojel**

Prior to the merger, Dr. Al Mojel was a Board member at Samba. Dr. Al Mojel previously held several key positions as an engineer at Saudi Aramco where he was, at various times, the secretary of the local committee of power strategies, a member of the planning department, a public investment manager, head of the direct investment department and chief executive officer of the investment department.

Dr. Al-Mojel is currently a board member of Tadeen Arabia Company, Alraedah Investment and Wadi Taybah Company.

Dr. Al-Mojel holds a PhD in engineering and administrative science, two master’s degrees in engineering and administrative science and electrical engineering from Stanford University in the United States and a bachelor’s degree in mathematics and electrical engineering from Vanderbilt University, United States.

**Abdulrahman Muhammed Alodan**

Mr. Alodan is a director of Komate Industrial Company and the owner and director of Security House Trading. He previously held a number of positions at Riyad Bank between 2000 and 2014, including IT adviser to the deputy CEO in 2013 and 2014. Prior to Riyad Bank, he held various positions with United Saudi Bank, SAMA and Saudi Aramco.

In addition, Mr. Alodan is currently a director in Tawuniya and the Saudi Exchange (Tadawul) and is a member of the Founding Committee for the SMEs Bank.

Mr. Alodan holds a bachelor’s degree in computer science from Jacksonville University, United States and a master’s degree in computer science from Florida Institute of Technology, United States.

**Sheila Othayeb Alrowaili**

Ms. Alrowaili is the CEO of Wisayah Invest Management Company. Previously, she held various positions at Saudi Aramco between 1998 and 2019, including director of the global market analysis department in 2018 and 2019.

Ms. Alrowaili is currently a director of Wisayah Invest Management Company, Hasanah Investment Management Company and Saudi Aramco for Investment Management.

Ms. Alrowaili holds a bachelor’s degree in interior architecture from King Faisal University, Saudi Arabia and MBAs from the American University of Beirut, Lebanon and Massachusetts Institute of Technology, United States.

**Saud Bin Sulaiman Aljuhani**

Prior to the merger, Mr. Aljuhani was a Board member at NCB. Mr. Aljuhani is a member of the Bank’s Risk Committee and a non-executive Board member representing the GOSI. Mr. Aljuhani is also the Assistant Governor for Insurance Affairs – Pension at GOSI.
Mr. Aljuhani holds a bachelor’s degree in Management Information Systems from King Fahd University, Saudi Arabia, and both a diploma and a higher diploma in economics from the University of Manchester, United Kingdom.

Ziyad Mohamed Al-Tunsi
Prior to the merger, Mr. Al-Tunsi was a Board member at NCB. Mr. Al-Tunsi is a member of the Nomination, Remuneration and the Executive Committee. He is an independent Board member and is the CEO of Al-Faisaliah Group.

Mr. Al-Tunsi holds a bachelor’s degree in business administration from King Saud University, Saudi Arabia, a master’s degree in international securities, investment and banking from the University of Reading, United Kingdom, an executive education degree in corporate financial strategy in global markets from INSEAD, France, and an executive education degree in private equity and venture capital from Harvard Business School, United States.

Abdullah Abdulrahman AlRowais
Prior to the merger, Mr. AlRowais was a Board member at Samba. Mr. AlRowais is the Chairman of the Audit Committee. Mr. AlRowais is head of Mobilys internal audit function and was previously an internal auditor at the SAMA and an assistant general auditor at Saudi Aramco. Mr AlRowais sits on the boards of Alinma Tokio Marine and Deutsche Gulf Finance and their respective audit committees.

Mr. AlRowais holds a master’s degree in computer science and information technology from the University of Detroit Mercy in the United States and a bachelor’s degree in accounting from King Saud University, Saudi Arabia.

Zaid Abdul Rahman Al-Gwaiz
Prior to the merger, Mr. Al-Gwaiz was a Board member at NCB. Mr. Al-Gwaiz is Chairman of the Risk Committee and a member of the Executive Committee. He is an independent Board member and is a Board member of numerous shareholding companies.

Mr. Al-Gwaiz holds a bachelor’s degree in financial accounting from King Saud University, Saudi Arabia.

Senior Management

The Bank’s senior management team is responsible for managing the Bank’s day-to-day activities in accordance with the business and operational strategies set by the Board of Directors. The main objectives of the senior management team are:

- translating strategic and business plans into a corporate strategy and performance targets;
- allocating resources to drive business performance against agreed plans;
- managing business risk effectively, and balancing risk and reward within agreed guidelines; and
- managing the talent pool for sustainable business performance.

The table below shows the members of the Bank’s senior management.
<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saeed Al Ghamdi</td>
<td>Managing Director and Group Chief Executive Officer</td>
</tr>
<tr>
<td>Talal Al Khereji</td>
<td>CEO of Wholesale Banking</td>
</tr>
<tr>
<td>Majed Al Ghamdi</td>
<td>CEO of Retail Banking</td>
</tr>
<tr>
<td>Ahmad Al Dhabi</td>
<td>Group Chief Financial Officer</td>
</tr>
<tr>
<td>Naif Al Bashir</td>
<td>Group Chief Risk Officer</td>
</tr>
<tr>
<td>Mutlaq Al Anezi</td>
<td>Group Chief Human Resources Officer</td>
</tr>
<tr>
<td>Shujaat Nadeem</td>
<td>Group Head, International</td>
</tr>
<tr>
<td>Saleh</td>
<td>Group Chief Technology Officer</td>
</tr>
<tr>
<td>Suliman Al Obaid</td>
<td>Group Chief Digital and Administrative Officer</td>
</tr>
<tr>
<td>Waleed Abdulshakoor</td>
<td>Group Chief Legal Counsel</td>
</tr>
<tr>
<td>Fuad Al Harbi</td>
<td>Group Chief Compliance Officer</td>
</tr>
<tr>
<td>Abdulaziz Al Shushan</td>
<td>Group Chief Audit Officer</td>
</tr>
</tbody>
</table>

The business address of each of the members of senior management is The Saudi National Bank, The Saudi National Bank Tower, King Fahd Road, 3208 Al Aqeeq District, Unit No. 778, Riyadh 13519 – Additional No. 6676, Saudi Arabia. There are no potential conflicts of interest between the duties owed to the Bank by the persons listed above and their private interests or other duties.

**Saeed Mohammed Al Ghamdi**

See “—Board of Directors” above.

**Talal Al Khereji, CEO of Wholesale Banking**

Following the merger, Mr. Al Khereji was appointed CEO of Wholesale Banking. He was previously the Deputy CEO of NCB. He is a member of the Higher Management Committee, the Credit and Remedial Management Committee, the Micro, Small and Medium Enterprises Committee and the ALCO.

Mr. Al Khereji has more than 24 years’ banking experience, having begun his career in 1995 at the Investment Management Department of SAMA. He was a member of the advisory group that designed and implemented SAMA investment policy under which the foreign exchange reserves were managed. His role included tactical asset allocation, investment research, proprietary fund management and fund manager selection/supervision. When Mr. Al Khereji joined NCB in 2003, his roles included heading the Assets and Liabilities Management Department of the Treasury. He also served as NCB’s ALCO Secretary until his appointment as Head of Treasury in July 2009. He has also chaired the Treasurers’ Committee in the Kingdom of Saudi Arabia for two consecutive years. In his role as Deputy CEO of NCB, he oversaw four critical banking functions, namely the Retail Banking Group, the Corporate Banking Group, the Treasury Group and QuickPay.

Mr. Al Khereji holds a master’s degree in international business from Edmund A. Walsh School of Foreign Service, Georgetown University, United States.

**Majed Al Ghamdi, CEO Retail Bank**

Following the merger, Mr. Majed Al Ghamdi was appointed CEO of Retail Banking. He was previously the Head of NCB’s Corporate Banking Group. He is a member of the Higher Management Committee, the ALCO, the Credit and Remedial Management Committee, the Operational Risk Committee and the Micro, Small and Medium Enterprises Committee. He is also a board member and Chairman of the Credit Committee at TFKB.
Mr. Al Ghamdi has more than 15 years’ banking experience, having begun his career with NCB in risk management. He assumed several positions and tasks in the Risk Group and was Head of NCB’s Comprehensive Risk Management from 2014 until 2018 when he was appointed Head of NCB’s Corporate Banking Group where he oversaw divisions including specialised finance, institutional banking, corporate banking, commercial banking, business banking, cash and trade, private asset and performance analysis.

Mr. Al Ghamdi holds a master’s degree in risk management from New York University, United States, and a bachelor’s degree in industrial engineering from King Abdulaziz University. He has also attended the advanced management program at Harvard University, United States, and the executive development program at Wharton School of Business, United States.

Ahmad Al Dhabi, Chief Financial Officer
Mr. Al Dhabi is the Chief Financial Officer (appointed 2021). He joined NCB in 2012 and, during his years in NCB, he progressed through various roles within the Finance group. In April 2021, Mr. Al Dhabi was also appointed as Chairman of the Audit Committee in NCB Capital and a Board Member in AlTamayuz Academy. Prior to that, he spent several years working in industry, including investment banking at Gulf One Capital, telecommunications at Ericsson and aviation at National Air Services.

Mr. Al Dhabi holds a bachelor’s degree in accounting from King Abdulaziz University, Saudi Arabia, and a master’s degree in finance from the University of Portsmouth, United Kingdom.

Naif Al Bashir, Group Chief Risk Officer
Following the merger, Mr. Al Bashir was appointed Group Chief Risk Officer. He had previously been Chief Risk Officer at NCB since 2015 and Risk Committee secretary since 2018. He also chairs the Operational Risk Committee and is a Member of the Higher Management Committee, the ALCO, the Credit Committee and the Information Security Committee.

Mr. Al Bashir holds a bachelor’s degree in Management Information Systems from California University, United States.

Mutlaq Al Anezi, Group Chief Human Resources Officer
Following the merger, Mr. Anezi was appointed Group Chief Human Resources Officer. He had previously been Head of the Human Resources Group at NCB since 2018.

Mr. Al Anezi holds a master’s degree in humanities and fine arts from Murray State University, United States.

Shujaat Nadeem, Group Head, International
Following the merger, Dr. Nadeem was appointed Group Head, International. He was previously Deputy CEO for Business at Samba. He is a member of the Higher Management Committee and the ALCO.

Dr. Nadeem joined Samba in 2003 as Treasurer. He is the Chairman of Samba Bank Pakistan. He also served as the Chairman of Samba Global Markets Limited where he was responsible for managing Samba’s proprietary investment portfolio and for all of Samba Global Markets’ activities. Dr. Nadeem’s career before Samba was with Citigroup, where he held senior positions in the United States, the United Kingdom and the MENA region.

He holds a Ph.D., as well as a master’s degree and bachelor’s degree from Massachusetts Institute of Technology.

Saleh, Group Chief Technology Officer
Mr. Saleh is currently the Group Chief Technology Officer of the Bank since April 2021, in which he leads the IT merger and transformation between NCB and Samba. He is a member of the Higher Management Committee, the Compliance Committee, the Purchasing Committee and the Business Continuity Committee.
Mr. Saleh joined NCB in 2009 as the Head of NCB IT, Project Management Office and in 2013, he was promoted as the Chief Information Officer at NCB.

Mr. Saleh started his career with vast experiences in technology across several industries, investments, banking, oil field, tourism in the United Kingdom and MENA region.

Mr. Saleh holds a bachelor’s degree in computer engineering from King Fahd University of Petroleum and Minerals in Dhahran, Saudi Arabia and has completed the Advance Management Program at Harvard Business School.

Suliman Al Obaid, Chief Administrative Officer

Following the merger, Mr. Al Obaid was appointed as the Chief Administrative Officer, leading the strategy and execution of key initiatives for the Bank such as the Brand Launch, Centralisation of Archiving, Expansion of ATMs & branches network, marketing campaigns including digital marketing, cost optimisation and efficiency exercises.

Mr. Al Obaid has implemented several best practices and standards in the Bank. He is a seasoned banker and business oriented professional with more than 24 years of experience.

Prior to the merger, he was the Chief Operating Officer at Samba where he led the main bank projects, core banking system replacement, IT and operations restructuring, banking processes reengineering, strategic business initiatives support and implementation, IT strategy review and implementation.

Mr. Al Obaid has previously worked at The Saudi Investment Bank as the Chief Operating Officer and at Al-Rajhi Bank.

Mr. Al Obaid holds a bachelor’s degree in information technology from King Saud University, Saudi Arabia.

Waleed Abdulshakoor, Group Chief Legal Counsel

Following the merger, Mr. Abdulshakoor was appointed Group Chief Legal Counsel. He had previously been Head of the Legal and Counselling Group at NCB since 2009. He is the Chairman of the Procurement Committee, the Employee Grievance Committee and the Compliance Committee.

Mr. Abdulshakoor has more than 30 years’ experience in advocacy and legal consultancy. He began his career in 1990 as a legal researcher with NCB and held increasingly responsible positions before becoming the Head of Legal in 2009. Over his tenure with the Legal department, he has accumulated extensive experience in legal specialties such as adjudication, contracts and general consultancy. His key achievements in consultancy and litigation include winning important local cases, leading to awards in favour of NCB totalling more than SAR 15 billion.

Mr. Abdulshakoor holds a bachelor’s degree in law from King Abdulaziz University, Saudi Arabia.

Fuad Al-Harbi, Group Chief Compliance Officer

Following the merger, Mr. Al-Harbi was appointed Group Chief Compliance Officer. He had previously been Head of the Compliance Division at NCB since 2013. He was also the Chairman of the Compliance Committee. In 2018, he headed SAMA's Chief Compliance Officers’ Committee for banks operating in the Kingdom. Mr. Al Harbi is a Fellow of the Arab Academy for Banking and Financial Sciences.

Mr. Al-Harbi has more than 26 years’ experience in accounting, control and compliance, and anti-money laundering. He began his career at Thebes Real Estate Investment and Development Company, becoming Head of Accounting. He joined NCB in 1997, holding various positions and co-founding the Compliance Department where he held several roles until he was appointed head in 2013.

Mr. Al-Harbi holds a bachelor’s degree in accounting from King Saud University, Saudi Arabia.
Abdulaziz Al Shushan, Group Chief Audit Officer
Prior to the merger, Mr. Al Shushan served as the Chief Audit Executive for Samba and prior to that, he was the Chief Audit Executive at Al Rajhi Bank and AlBilad Bank.

Mr. Al Shushan has more than 20 years of experience, primarily in internal auditing across several industries covering Oil & Gas, Telecommunications, and Banking. He has also served as the Head of Internal Audit for different listed and non-listed companies.

Mr. Al Shushan holds a Certified Internal Auditor certification from the Institute of Internal Auditors (IIA-USA) and has earned other professional certifications such as Certified Information Systems Auditor (CISA), and Certified Information Systems Security Professional (CISSP).

Mr. Al Shushan holds a bachelor’s degree in accounting and management information systems from King Fahd University of Petroleum and Minerals, Saudi Arabia, and a master’s degree in business administration from the same university.

Corporate Governance

Board Committees
The Bank has four Board level committees.

Executive Committee
The primary purpose of the Executive Committee is to exercise oversight and management responsibility of the Bank's business operations and make prompt decisions on pressing issues in relation to its businesses. The Executive Committee also takes credit, settlement, social responsibility, purchasing and remedial decisions within the authority delegated to it by the Board.

The Executive Committee consists of five members, namely the Chairman, three Board members and the GCEO. It is chaired by the Chairman and may also be chaired by the GCEO. The Committee meets when required. The Committee quorum is at least three members, whether in person or by proxy, including the Chairman. Absent members may vote by proxy. The decisions and discussions of the Committee must be recorded in minutes to be signed by the Chairman and the members.

Risk Committee
The primary purpose of the Risk Committee is overseeing risk management within the Bank. The committee’s competencies include:

- developing a strategy and comprehensive policies for risk management;
- determining and maintaining an acceptable level of risk;
- regularly reassessing the Bank’s ability to take risks and be exposed to such risks; and
- reviewing the organisational structure for risk management and providing recommendations regarding the same for approval by the Board.

The Risk Committee consists of at least four Board members and the GCEO. The majority of the members are non-executive. The Committee meets when required and at least twice yearly. The Committee quorum is a majority of the members. The decisions and recommendations of the Committee are passed by the majority of votes of members present. In case of a tie, the Chairman has a casting vote.
**Nomination and Remuneration Committee (the “NRC”)**

The primary purpose of the NRC is to support and advise the Board on matters concerning compensation, nomination, corporate governance and human resources.

Among other responsibilities, it ensures through annual skills audits that the Board comprises individuals who are best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance and support the Board in setting an appropriate succession policy.

The NRC also makes recommendations to the Board that promote appropriate remuneration policies and practices that are in the interest of the shareholders and do not induce participation in taking high risk transactions to achieve short-term profits. It also makes recommendations to the Board in respect of the remuneration of its members, the Board committee members and the senior executives in accordance with the approved policy.

The NRC consists of at least three non-executive Board members and must include two independent non-Board members. The Chairman of the Board may not chair the NRC.

The GCEO and the Head of Human Resources Group may be invited to attend meetings without exercising voting rights. The NRC must meet at least twice each year. The NRC quorum is a majority of the members. The decisions and recommendations of the NRC are passed by the majority of votes of members present. In case of a tie, the Chairman has a casting vote.

**Audit Committee**

The primary purpose of the Audit Committee is to assist the Board in monitoring:

- the integrity of the Bank’s financial statements and systems of internal control for financial reporting;
- the Bank’s compliance with legal and regulatory requirements; and
- the qualification, independence and performance of the Bank’s external auditors.

The Audit Committee consists of five members appointed by the General Assembly every three years. The Committee meets at least once every three months and whenever else required by invitation from the Chairman or at the request of two members. The Committee quorum is three members, including the Chairman.

**Management Committees**

The Bank has 10 management-level committees.

**Higher Management Committee**

The Higher Management Committee (the “HMC”) meets monthly and monitors the Bank’s financial performance and the key performance indicators of the front line business, control and support functions, including digitalisation, customer experience and integration. The HMC also oversees the execution of any strategic initiatives and resolves issues escalated by other committees. Its membership is: GCEO (Chairman), CEO of Wholesale Banking, CEO of Retail Banking, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Human Resources Officer, Group Chief Technology Officer, Group Chief Digital & Administrative Officer and Head of Strategy Finance and Control (Secretary).

**Information Security Committee**

This committee meets on a quarterly basis to ensure the information security management policy is defined, its respective governance and strategy are established and defined and that all information security-related activities are executed and managed efficiently and diligently across the Bank. Its membership is: GCEO (Chairman), CEO of Wholesale Banking, CEO of Retail Banking, Group Chief Risk Officer, Group Chief
Technology Officer, Group Chief Compliance Officer and Chief Information Security Officer (Member and Secretary).

**Asset and Liability Committee**
The ALCO meets monthly and has oversight of the treasury function, including liquidity, funding and the capital strategy reconciling it to the short- and long-term liquidity needs and cash flows requirements. In its oversight, the ALCO takes into account interest rate risk, hedging and return strategy for the Bank to ensure the optimal balance sheet structure is achieved. Its membership is: GCEO (Chairman), CEO of Wholesale Banking, CEO of Retail Banking, Group Chief Financial Officer, Group Chief Risk Officer, Head of Group Treasury, Head of Global Markets and Head of Treasury & Market Risk (Member and Secretary).

**Credit and Remedial Management Committee**
This committee meets monthly and takes credit and remedial decisions and monitors credit and collection activities, whilst ensuring compliance with approved limits. It also makes recommendations to the Board on the credit policy and supports the formulation and review of credit policies. Its membership is: GCEO, CEO of Wholesale Banking, CEO of Retail Banking, Group Chief Financial Officer, Group Chief Risk Officer, Head of Wholesale Risk, Head of Retail Risk and Head of Enterprise Risk Management (Member and Secretary).

**Purchasing Committee**
This committee meets on a weekly basis to oversee the tendering and procurement practices of the Bank and to review and approve purchases in accordance with the Bank’s delegation of authority matrix. Its membership is: Group Chief Legal Counsel (Chairman), Group Chief Financial Officer, Group Chief Technology Officer, Group Chief Digital & Administrative Officer, COO of Wholesale, COO of Retail and Head of Procurement (Secretary).

**Customer Care Committee**
This committee meets on a quarterly basis to oversee customer care performance and the execution of strategic customer journey initiatives. Its membership is: CEO of Retail Banking (Chairman), CEO of Wholesale Banking, Group Chief Digital & Administrative Officer, Head of Customer Service and Support and Head of Customer Care (Member and Secretary).

**Compliance Committee**
The primary purpose of this committee is to ensure full compliance with all applicable regulatory requirements and ethical standards and monitor the performance of the compliance and anti-money laundering activities. Its membership is: Group Chief Compliance Officer (Chairman), Group Chief Legal Counsel, COO of Wholesale, COO of Retail, Head of Operational Risk and Head of AML (Member and Secretary).

**Micro, Small and Medium Enterprises Committee**
The purpose of this committee is to oversee financial activities of micro, small and medium enterprises with the aim of effectively increasing targeted financing for the sector. Its membership is: CEO of Wholesale Banking (Chairman), CEO of Retail Banking, Group Chief Risk Officer, Head of Retail Banking, Head of Corporate and Commercial, Head of Business Banking and Head of Commercial Banking (Member and Secretary).

**Operational Risk Committee**
The primary purpose of this committee is to provide oversight and facilitate the activities for evaluating exposure to operational risk as well as directing and co-ordinating the principal measures for intervention, mitigation and transfer of risk across businesses. Its membership is: Group Chief Risk Officer (Chairman),
Business Continuity Committee
The purpose of this committee is to oversee and ensure the creation and implementation of safeguard measures across the organisation to address any potential risks which could affect normal business operations. Its membership is: Group Chief Administrative Officer (Chairman), Group Chief Risk Officer, Group Chief Technology Officer, Group Chief Compliance Officer, Group Chief HR Officer, Group Chief Financial Officer, COO of Wholesale, COO of Retail, Chief Information Security Officer, Head of Administrative Services and Head of Business Continuity Management (Secretary).

Employees
As at 30 September 2021, the Bank employed 10,055 employees, 98.8 per cent. of which were Kingdom citizens.

The Bank has a structured approach to the acquisition and development of talent to meet the needs of the business. Critical positions are systematically identified and comprehensive succession plans and individual development plans are aligned to ensure that a capable and high-performing talent pipeline is maintained. Development activities are focused upon the continuous improvement of employees’ behavioural as well as technical capability with clarity provided through well-defined career plans leading through to senior executive roles. Training is an important component of the Bank’s strategic aim of attracting and retaining highly qualified and motivated personnel. To that end, the Bank has an extensive training programme for its new and existing employees designed to equip them with the skills and know-how necessary to perform their functions with efficiency and to enhance their internal promotion opportunities.

The Bank manages the performance of its employees, managers and senior executives through a systematic performance management system with measurable metrics for performance rewards. Rewards vary based on the employee’s performance.
DESCRIPTION OF THE ISSUER

Registered office

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.

Date of incorporation and legal form

The Issuer is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act (as revised) of the Cayman Islands on 19 June 2019 (with registration number WC-352725).

The authorised share capital of the Issuer is U.S.$50,000 and the issued share capital of the Issuer is comprised of one hundred (100) ordinary shares of U.S.$1.00 par value. The Issuer is a wholly owned subsidiary of the Guarantor.

Purpose and business activity

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 does not engage in, and has not, since its incorporation, engaged in, any activities other than those incidental to: (i) its registration as an exempted company; (ii) the authorisation of the offering and issue of debt instruments to which it is or will be a party; (iii) the ownership of such interests and other assets referred to herein; (iv) the other matters contemplated in this Offering Circular or any other Offering Circular related to the offering and issue of debt instruments to which it is or will be a party; (v) the authorisation and execution of the other documents referred to in this Offering Circular or any other Offering Circular related to the offering and issue of debt instruments, 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 under the Programme; (ii) the entering into of any documents related to the update of the Programme and the issue of Notes under the Programme; and (iii) the exercise of related rights and powers and other activities referred to in this Offering Circular or reasonably incidental to those activities.

The Issuer does not have subsidiaries or non-executive directors.

Management

The directors of the Issuer and their respective business addresses and principal activities are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nyel AlJohani</td>
<td>Executive Vice President, Head of Balance Sheet Management, Group Treasury at SNB</td>
</tr>
<tr>
<td>Fahad AlHunaiti</td>
<td>Executive Vice President, Principal Strategies at SNB</td>
</tr>
</tbody>
</table>
The business address of each of the directors of the Issuer is The Saudi National Bank, The Saudi National Bank Tower, King Fahd Road, 3208 Al Aqeeq District, Unit No. 778, Riyadh 13519 – Additional No. 6676, Saudi Arabia.

There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Issuer.

The registered office provider of the Issuer is Maples Corporate Services Limited (the “Registered Office Provider”).

Pursuant to the standard terms of engagement of the Registered Office Provider (the “Registered Office Terms”) the Registered Office Provider has agreed to provide registered office services to the Issuer. The Registered Office Terms are governed by the law of the Cayman Islands.

**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 Cayman Islands Government has enacted the Data Protection Act (as revised) of the Cayman Islands (the “DPA”). The DPA introduces legal requirements for the Issuer 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.
TAXATION

The following is a general summary of certain tax considerations in relating to the Notes issued under the Program. It does not purport to be a complete analysis of all tax considerations relating to the Notes and it does not constitute legal or tax advice. Prospective purchases 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 payment 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 this Offering Circular and is subject to any changes in law that 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 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.

However, there are specific rules for calculating the Zakat base of banks and financing entities licensed by the Saudi Central Bank. The Zakat base for such banks and financing entities is calculated by dividing Zakat deductible assets by total assets multiplied by sources of finance (such as equity, loans, provisions etc.) with a floor of 10 per cent. and a ceiling of 20 per cent. of profit before Zakat (if the relevant entity makes a profit before Zakat), or a floor of 1 per cent. and ceiling of 2 per cent. of gross profits (if the relevant entity is loss making).

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.) or natural gas investment (30 per cent.).

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.
The investment in the Notes should not be deductible from the Zakat base.

**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 moveable or immovable property located in Saudi Arabia and consequently that interest payments on the Notes and gains made from the disposal of the Notes provided the Notes are not secured by moveable or immovable property located in Saudi Arabia.

(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 the Saudi Arabia Capital Market Law.

**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 has 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 effective 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.

Proposed EU Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common financial transactions tax (“FTT”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.
However, the Commission’s Proposal remains subject to negotiation between the participating Member States. Additional EU member states may decide to participate. It may therefore be altered prior to any implementation, the timing of which remains unclear. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

**Cayman Islands**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in Notes to be issued under the Programme. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor’s particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws payments on Notes to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Notes nor will gains derived from the disposal of 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.

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 grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, 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 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 includes the Notes) of the Issuer or by way of the withholding in whole or part of any relevant payment. However, an instrument transferring title to any Notes, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Notes. An instrument transferring title to any Notes, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. 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.

**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” may be required to withhold on certain payments it makes (“foreign passthru 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 Saudi Arabia) 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, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the 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 passthru payments are published in the U.S. Federal Register and 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 passthru payments” are published generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described in Condition 19 (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 advisors regarding how these rules may apply to their investment in the Notes.
THE KINGDOM’S BANKING SECTOR AND REGULATIONS

General

According to SAMA’s website, there are 26 commercial banks operating in the Kingdom, of which 11 are incorporated in the Kingdom. Of the remaining 15 operating 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) and nine are international banks (namely J.P.Morgan Chase, N.A., BNP Paribas, Deutsche Bank, T.C. Ziraat Bankası, MUFG Bank Ltd A.S., National Bank of Pakistan, Industrial and Commercial Bank of China, Credit Suisse and Standard Chartered Bank). Trade Bank of Iraq, Bank of China Limited, Banque Misr and National Bank of Iraq have been licensed but are yet to commence operations under their licences. In addition, two digital banks, STC Bank and Saudi Digital Bank, have been licensed to operate but have not yet commenced operations. 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 11 Saudi 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 banks provide a combination of Shari’a-compliant and conventional banking products and services.

In addition to the commercial banks, there are a number of state-run credit institutions, including the Saudi Industrial Development Fund, the Real Estate Development Fund, the Saudi Arabian Agricultural Bank, the Saudi Credit & Saving Bank and the PIF, which provide funds for targeted sectors. In addition, the PIF is the investment arm of the Government while the Islamic Development Bank is a multilateral development financing institution headquartered in Jeddah. SAMA does not regulate any of these entities.

As at 31 August 2021, there were 1,964 bank branches, 16,834 ATMs and 879,518 points of sale terminals in the Kingdom (source: SAMA August 2021 Monthly Statistics).

Key highlights of the trends and outlook for the banking industry in the Kingdom are as follows:

- liquidity and funding is 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 branches of foreign banks. In May 2020, GIB converted its branch into a locally incorporated bank jointly owned by the PIF and GIB.

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 investment in new distribution, marketing and technology.

Following the licence granted to GIB in 2000, SAMA granted licences to operate branches in the Kingdom to Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, 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 and Standard Chartered Bank. 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 2/6/1424H (corresponding to 31 July 2003)) as amended by Royal Decree No. M/16 dated 19/1/1441H (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 in September 2021, the CMA has licensed at least 116 entities to conduct various types of securities business in the Kingdom, 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 August 2021, banks’ claims on the private sector constituted SAR 1,956 billion equal to 62.8 per cent. of total commercial banks’ assets (source: SAMA, August 2021 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.

Though commercial mortgages are a lucrative business in developed countries, banks in the Kingdom have not been very active in this product due to legal and operational hurdles. However, financing is provided for real estate development purposes, which does not fall under commercial mortgages.

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. While the prevailing level of oil prices pose challenges to the Saudi economy, leading to both Government spending growth and weaker GDP growth, project finance is nonetheless expected to continue to be a strong area for banking business as a result of planned investments in infrastructure and industry in line with the reform and stabilisation programmes being implemented to reduce the economy’s dependency on oil-related revenues.

**Personal Banking Segment**

Consumer lending increased from SAR 333 billion at the end of 2019 to SAR 365 billion at the end of 2020 and was SAR 394 billion as at 30 June 2021 (source: SAMA, August 2021 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 SAR 18.2 billion as at 30 June 2021 (source: SAMA, August 2021 Monthly Statistics), down from SAR 18.4 billion as at 31 December 2020 and SAR 19.1 billion as at 31 December 2019. The decline in the credit card loan market in 2021 is likely due to the COVID-19 pandemic and the related quarantine measures taken by the Government. 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.

The Saudi Credit Bureau

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 5/7/1429H (corresponding to 8 July 2008)), which sets out general principles and controls for the collection, exchange and protection of credit information of consumers. 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 2015, SIMAH introduced a number of initiatives and projects to further its strategies to provide an effective information infrastructure to enhance the ability of assessing and managing risks. For example, SIMAH established an information centre developed to international specifications (TIER IV) and published a procedural manual as part of a “Know Your Rights” campaign to increase credit awareness among all segments of society. 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.

Islamic Finance

Islamic finance has been a growth area for the Saudi financial economy.

The Islamic banking industry in the Kingdom encompasses a blend of institutions ranging from dedicated Islamic banks to conventional banks offering Islamic banking products services through separate divisions or windows. Many banks in the Kingdom have Shari’a committees 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, Islamic banks have also introduced innovative Shari’a-compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting 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 Tadawul peaked to all-time highs. The level of the Tadawul All Share Index was 7,827 at 31 December 2018, 8,389 at 31 December 2019 and 8,689 at 31 December 2020.

As a response to the Government’s drive to develop an efficient capital markets platform, a number of banks, including the Bank, 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.

The CMA has issued licences to several financial institutions to engage as principal or as an agent in equity lead arrangements, equity management arrangements and/or advisory and securities custody services. Following this, a number of banks in the Kingdom have established separate subsidiaries to undertake these activities.

Foreign financial institutions have been permitted to buy and sell shares directly in companies listed on Tadawul since 2015.

**Saudi Central Bank (Previously Saudi Arabian Monetary Authority)**

**Overview and Functions**

The Saudi Central Bank (“SAMA”) is the regulator and supervisor of licensed financial institutions, including banks, finance companies, leasing and real estate companies, insurance companies, money exchange companies and credit information companies in Saudi Arabia.

SAMA was established pursuant to Royal Decree No. 30/4/1/1046 dated 25/07/1371H (corresponding to 20 April 1952), which was replaced by Royal Decree No. M/36 dated 11/4/1442H (corresponding to 26 November 2020), which changed the name to Saudi Central Bank while maintaining the acronym SAMA. SAMA’s principal functions include:

- issuing the national currency;
- dealing with the banking affairs of the Government;
- supervising commercial banks and exchange dealers;
- managing the Kingdom’s foreign exchange reserves;
- carrying out the role of the Government’s bank and advisor in monetary, banking, and financial matters;
• managing monetary policy for maintaining price and exchange rate stability;
• promoting the growth of the financial system and ensuring its soundness;
• supervising co-operative insurance companies and the self-employment professions relating to the insurance industry;
• supervising finance companies; and
• supervising credit information companies.

Banking Control Law
The Banking Control Law issued pursuant to Royal Decree No. M/5 dated 22/02/1386H (corresponding to 12 June 1966), as amended by Royal Decree No. M/2 dated 6/1/1391H (corresponding to 3 March 1971), (the “BCL”) aims to protect banks, customers’ deposits and shareholders and secure adequate liquidity levels. The 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 activities without obtaining a licence from SAMA. The BCL 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 consumer protection since obtaining its charter in 1952 and the issuance of the BCL in 1966. Consequently, SAMA has played an important role in ensuring that the financial institutions under its supervision 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 legislative, 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 who have dealings with licensed financial institutions in Saudi Arabia receive the expected level of consumer protection, including fair treatment, honesty and ease of access to financial products and services.

SAMA has set out the conduct expected from such financial institutions through various regulations, policies and issued instructions, including the “Banking Consumer Protection Principles” (the “Principles”) issued in June 2013, which are based on the General Principles for Financial Consumer Protection developed by 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 inclusion, 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, which are under the supervision of SAMA and which are dealing with persons who are, or may become, consumers. They also apply to the activities of any third party engaged by licensed banking institutions to undertake any outsourced activities. The Principles are binding on all licensed banking institutions, complementary to the instructions and internal regulations issued by any licensed banking institution 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 24 May 2018)) 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, 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.

The consumer protection legislation has also been extended to cover finance companies pursuant to the Regulations for Consumer Finance (the “RCF”). The RCF contain a number of provisions relating to the protection of consumer rights, including:

- allowing customers to partially or fully repay their remaining finance facilities at any time during the relevant financing period;
- unifying management fees across all banks in the Kingdom;
- 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 RCF aim to ensure that consumer finance contracts have enhanced levels of disclosure and transparency and to enable customers to be better informed of their rights and obligations under their financings. Pursuant to the RCF, consumer finance contracts should set out, among other things:

- details of the financing, including the total cost of the financing;
- the calculation method for determining profit;
- all charges, commission and administration fees;
- the consequences of delays in payment of instalments; and
- the procedure for exercising a customer’s right of withdrawal, early settlement or termination.

Additionally, SAMA has published consumer protection regulations applying to insurance (the Insurance Consumer Protection Principles) as well as numerous circulars supplementing and detailing the various consumer protection regulations described above.
In order to deal with consumer complaints and monitor the performance and adherence of financial institutions to the Principles, SAMA has also established a dedicated Consumer Protection Department.

**Real Estate Financing and Finance Leasing**

In August 2012, the Saudi Council of Ministers issued a package of legislation approved by Royal Decrees in relation to the finance industry, including real estate financing (the “Real Estate Finance Law”), leasing (the “Finance Lease Law”) and supervision of financial companies (the “Financial Companies Control Law”), in each case, as further described below. In February 2013, SAMA issued the implementing regulations of these laws.

**Real Estate Finance Law**

This law provides the regulatory architecture for the authorisation and licensing of banks and finance companies to enter the real estate market. In particular:

- 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; 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. In June 2020, SAMA issued guidelines on the provision of real-estate financing products to individuals. These guidelines set out the minimum requirements on financiers providing real-estate financing products to individuals.

**Finance Lease Law**

This law prescribes the rules relating to finance leasing and specifically states that:

- the responsibilities of the lessor and lessee must be carried out in a Shari‘a-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.

The Implementing Regulations of the Financial Lease Law set out the rights and obligations of the lessor and lessee in a finance lease, outline rules relating to assignment of rights, instalment payments and ownership rights of the relevant parties and specify the requirements for establishing a company that registers finance leases and the requirements for such companies to register finance leases.

**Financial Companies Control Law**

This law provides a regulatory and supervisory framework for Shari‘a-compliant finance companies to provide SAMA approved forms of financing, including real estate financing.

The Implementing Regulations of the Financial Companies Control Law set out SAMA’s rules and requirements for licensing finance companies and contain corporate governance requirements, internal auditing requirements and other rules which the finance companies must comply with in order to maintain their licence.
Capital Markets Authority

The CMA was established by the Capital Market Law, issued by Royal Decree No. (M/30) dated 2/6/1424H (corresponding to 31 July 2003) as amended by Royal Decree No. M/16 dated 19/1/1441H (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 full disclosure of information related to securities and their issuers; and
- regulate proxy and purchase requests and public share offerings.

In addition, pursuant to the CML, the CMA has formed the Committee for the Resolution of Securities Disputes and the Council of Ministers has, also pursuant to the CML, formed the Appeal Committee for the Resolution of Securities Disputes. Both of these committees are quasi-judicial bodies authorised to adjudicate disputes and violations in respect of the CML and the rules and regulations of the CMA, including the Tadawul.

In 2016, the Financial Leadership Program 2020 (the “Programme”) was launched, under which a set of initiatives on the Financial Sector Development Program (i.e. one of the Kingdom’s 2030 vision executive programmes) were enacted, including achieving the strategic objectives and initiatives of the second strategic pillar with respect to developing an advanced capital market.

Through the Programme, the CMA seeks to position the Saudi capital market as the main market in the Middle East and one of the leading financial markets in the world, while being an advanced market and attractive to domestic and foreign investment, enabling it to play a pivotal role in developing the economy and diversifying its sources of income. The Programme consists of four main pillars, as follows:

- Facilitating Funding: deepening the capital markets and promoting its role in raising capital;
- Encouraging Investment: supporting the growth of asset management and promoting institutional investment;
- Promoting Confidence: reinforcing the capital markets’ regulatory structure; and
- Building Capacities: supporting the development of market participants.

The Programme also has a focus on developing a regulatory environment for the Kingdom’s financial markets to ensure investor protection, as well as enhancing adherence to international standards.

The CMA intends to increase the number of listed companies in both the main and junior parallel markets to more than 250 companies as well as doubling the invested capital through managed channels to reach SAR 650 billion of assets under management.

In accordance with the CMA’s objective of developing market-leading international best practices and with a view to collaborating with other similar institutions internationally, the CMA is an active participant in the International Organisation of Securities Commissions which is recognised as the leader in setting the standards
for securities and capital markets sectors globally. In addition, the CMA is also a participant in the Ministerial Committee of the Chairpersons of GCC Capital Markets Regulators as well as the Union of Arab Securities Authorities.

**Formation Of The Saudi Stock Exchange (Tadawul)**

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.

On 19 March 2007, the Saudi Council of Ministers approved the formation of The Saudi Stock Exchange (Tadawul) Company in accordance with Article 20 of the CML.

**Management Of Liquidity And Credit Risk**

Under the BCL, a bank’s deposit liabilities must not exceed 15 times its reserves and paid-up share capital or invested capital. The current percentage specified by SAMA for a statutory deposit is 7 per cent. of total customers’ 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 and margins of letters of credit and guarantee (excluding all types of repo deposits).

In addition to the statutory deposit, each bank in the Kingdom is also required to maintain a liquid reserve of at least 20 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 BCL.

Previously, the BCL set a maximum limit on the amount of financial liability that a bank may incur in respect of any one person. This was replaced by the SAMA Rules on Large Exposures of Banks on 1 July 2015. Under the new rules, 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;
- in the case of companies, 15 per cent. of its total eligible capital; and
- in the case of individuals, 5 per cent. of its total eligible capital.

SAMA also has the power to regulate the 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 a 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 BCL.

SAMA carries out a full review of the operations of each bank every three years and more regular assessments of specific functions within each institution. SAMA has also intervened to support banks that have found themselves in difficulties. Similarly, it allowed distressed banks to benefit from low cost funding in the 1980s.

Over the years, SAMA has developed a reputation as a strict regulator. In 1989, SAMA introduced accounting and disclosure standards for commercial banks in the Kingdom, which essentially comply with IFRS. All banks in the Kingdom are now in compliance with IFRS and the Accounting Standards for Commercial Banks issued by SAMA. The banks also prepare their financial statements to comply with the BCL and the companies law promulgated under Royal Decree No. M/3 dated 28/1/1437H (corresponding to 10 November 2015) (the “Companies Law”) in the Kingdom.
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 such as 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 banks in the Kingdom are required to be compliant with IFRS as modified by SAMA for the accounting of Zakat and income taxes, which requires adoption of all IFRS as issued by the IASB except for the application of International Accounting Standard (IAS) 12, “Income Taxes” and IFRIC 21, “Levies” so far as these relate to Zakat and income tax. As per the SAMA Circular No. 381000074519 dated 11 April 2017 and subsequent amendments relating to the accounting for Zakat and income tax, the Zakat and income tax are to be accrued on a quarterly basis through shareholders’ equity under retained earnings. The consolidated financial statements are also required to comply with the BCL and the Companies Law. Listed joint stock companies have 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 banks in the Kingdom, which 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 International Convention for the Suppression of the Financing of Terrorism and various other international conventions and agreements relating to money laundering and terrorist financing. In June 2019 the Kingdom was the first Arab country to join the Financial Action Task Force (the “FATF”). On a regional level, the Kingdom is a founding member of the Middle East and North Africa Financial Action Task Force (the “MENA-FATF”) which was created in 2004.

Money laundering is considered an offence under Shari’a law and the Kingdom has put into place a comprehensive legislative and regulatory framework that deals with money laundering and terrorist financing, with the first regulations on customer identification procedure dating back to 1975.

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). These rules contain comprehensive requirements governing customer identification, the opening and maintenance of bank accounts, the transmission of funds and the deposit of cash and also contain detailed rules controlling the operation of bank accounts for charitable and welfare organisations. In 2008, SAMA revised the rules by adding additional requirements and providing guidelines on dealing with non-resident individuals, entities and multi-lateral organisations. A fourth update of these rules was issued during 2012 in which, among other changes, SAMA made certain additions to the list of specified legal entities subject to KYC requirements and account operating controls and increased the KYC required information for corporate clients to identify their beneficial owners.
The Kingdom’s existing AML regime was overhauled by SAMA in May 2003 with its issue of Rules Governing Anti-Money Laundering and Combating Terrorist Financing (SAMA No. BCI/122: dated 27 May 2003) (the “AML/CTF Rules”). The AML/CTF Rules govern, among other things, the reporting of suspicious transactions, transaction monitoring, customer and transaction profiling, risk assessment, control systems, compliance programmes, reviews and audits, KYC policies and standards and record retention. The AML/CTF Rules have subsequently been updated in line with SAMA’s continued efforts to further improve and refine the AML/CTF Rules and cope with the local, regional and global developments.

In August 2003, the Kingdom updated its existing AML statutes with the enactment of the Anti-Money Laundering Law (pursuant to Royal Decree No. M/39 dated 24 August 2003) and its implementing regulations (the “AML Law”), providing an up-to-date statutory basis for money laundering and terrorist financing offences. A Financial Intelligence Unit was also established, enabling a greater international exchange of financial information in cases of suspected money laundering and terrorist financing amongst law enforcement agencies and regulators.

In November 2005, SAMA issued a circular (SAMA No. 35185/MAT/539: dated 22 November 2005) requiring all banks and financial institutions operating in the Kingdom to strictly comply with the provisions of the AML Law. The Capital Market Institutions Regulations issued by the Board of the CMA pursuant to its Resolution number 1-83-2005, dated 21/5/1426H (corresponding to 28 June 2005), as amended require entities undertaking securities business to comply with the AML Law.

In December 2008, the Board of the CMA issued the Anti-Money Laundering and Counter-Terrorist Financing Rules pursuant to its Resolution Number 1-39-2008, dated 03/12/149H (corresponding to 1 December 2008), as amended. The first update of the Anti-Money Laundering and Counter-Terrorist Financing Rules was issued in February 2012.

In April 2012, Saudi Arabia updated its existing AML Law and Implementing Rules (pursuant to Royal Decree No. M/31 dated 11/05/1433H), and in April 2013, SAMA issued a circular (SAMA No. 34100074807MAT, dated 15/06/1434H) requiring all banks and financial institutions operating in the Kingdom to strictly comply with the updated AML Law and Implementing Rules.

In October 2017, the existing Anti-Money Laundering Law and Implementing Rules were replaced by the Anti-Money Laundering Law and Implementing Rules issued pursuant to Royal Decree No. M/20 dated 05/02/1439H (corresponding to 25 October 2017).

In September 2018, the FATF and the MENA-FATF jointly conducted an assessment of the Kingdom’s anti-money laundering and counter-terrorism financing system. The key findings, priority actions and recommendations for the Kingdom’s AML/CFT regime of this assessment were discussed in June 2018 in the joint plenary meeting of the MENA-FATF in Paris. The assessment report of the Kingdom can be found on the websites of MENA-FATF and FATF. In January 2020, a follow-on report was published analysing the Kingdom’s progress in addressing the technical compliance deficiencies that were identified in the 2018 mutual evaluation report issued by the FATF and the MENA-FATF. The report found that the Kingdom has made some progress in addressing the technical compliance deficiencies previously identified but will remain in enhanced follow-up and continue to report back to the FATF on the progress made to strengthen its implementation of AML and CTF measures.

**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:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Defined as</th>
<th>Reserve requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>No problems</td>
<td>1 per cent. of outstanding</td>
</tr>
<tr>
<td>IA (special mention)</td>
<td>Potential weakness</td>
<td>1 per cent. of outstanding</td>
</tr>
<tr>
<td>II (sub-standard)</td>
<td>Inadequate capacity to pay and/or profit or principal overdue by more than 90 days</td>
<td>25 per cent. of outstanding</td>
</tr>
<tr>
<td>III (doubtful)</td>
<td>Full collection questionable and/or overdue by more than 180 days</td>
<td>50 per cent. of outstanding</td>
</tr>
<tr>
<td>IV (loss)</td>
<td>Uncollectible and/or overdue by more than 360 days</td>
<td>100 per cent. of outstanding</td>
</tr>
</tbody>
</table>

All banks in the Kingdom also calculate impairment provisions on the basis of IFRS 9 on a forward-looking “Expected Credit Loss” basis.

Liquidity

Banks in the Kingdom are required to maintain liquid assets of at least 20 per cent. of deposit liabilities. For the purposes of this calculation, cash, gold, treasury bills, government bonds, up to one month placements and any asset that can be liquidated within 30 days are included. The breakdown of call deposits, savings accounts and time deposits must also be shown on the balance sheet. The maturity of assets and liabilities has to be disclosed to determine the sensitivity to commission rate risk.

Capital Adequacy

The GCC has introduced a common standard for capital adequacy based on BIS capital adequacy standards. The GCC standard applicable in the Kingdom recommends a minimum 8 per cent. ratio of capital to risk weighted assets, including off-balance sheet risk. Assets are categorised into four risk groups carrying varying risk weights according to the risk assessment of the counterparty. There are also two levels of country risk, one for the GCC and member countries of the OECD and others that have special lending arrangements with the IMF under its general agreement to borrow, considered a preferred risk. All other countries are considered full risk. In contrast, BIS only counts Kingdom risk and not all of the GCC at par with the OECD. The other major difference is that the GCC standards account for mortgage loans as 100 per cent. risk as opposed to 50 per cent. under BIS standards.

Deposit liabilities of banks are limited to 15 times capital and reserves. In cases where this ratio is exceeded, banks have to place interest-free deposits of half the excess amount with SAMA. Furthermore, 25 per cent. of net profits (after deduction of Zakat liabilities) have to be transferred to statutory reserves until the reserve balance equals paid-up capital.

SAMA has successfully implemented the Basel Committee on Banking Supervision rules and standards in their entirety, on a timely basis and in a prudent and conservative manner. As a result of such implementation, the Kingdom’s banking sector has reported among the strongest capital adequacy ratios, leverage ratios and liquidity ratios in the GCC and the MENA region.
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.

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.

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 has injected SAR 50 billion as at June 2021 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 intends 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 aims at supporting and enabling 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 small and mid-size enterprises (“SME”) sector, specifically by reducing the burden of cash flow fluctuations,
supporting working capital, enabling the sector to grow, contributing to supporting economic growth and maintaining employment. The programme consists of three basic elements as follows:

1. **Deferred Payments Programme**

Depositing approximately SAR 50 billion for banks and financing companies to delay the payment of the dues of the financial sector (banks and finance companies) from SMEs for a period of six months as of the relevant due dates. Since its launch, this programme assisted over 107,000 contracts with a total value of SAR 174 billion and the injection was increased from the original allocation of SAR 30 billion due to demand. This programme has been extended until 31 December 2021.

2. **Guaranteed Facility Programme**

Providing concessional finance of approximately SAR 1.1 billion for SMEs by granting loans 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. Since its launch, the number of relevant financing contracts totalled more than 1,100. The programme has been extended until 14 March 2022.

3. **Loan Guarantee Programme**

Depositing an amount of SAR 22.8 million (as at June 2020) to enable banks and insurance companies to relieve SMEs from the finance costs of the Kafala Programme for the purpose of minimising finance costs for eligible entities during 2020 and to support finance expansion. Since its launch, the number of relevant financing contracts has totalled more than 2,000.

**Supporting Fees of POS and E-Commerce**

From March 2020, this was accomplished by supporting payment fees of all stores and entities in the private sector for a period of six 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.

**Supporting Institutions Affected by the Precautionary Measures**

As regards institutions affected by the precautionary measures implemented in the cities of Makah and Medina, SAMA is now co-ordinating with banks and finance companies to facilitate finance repayments of such institutions.

The accounting impact on NCB (in 2020) and the Group (for the nine months ended 30 September 2021) of the above programmes in terms of their credit facilities was assessed and treated in accordance with the requirements of IFRS 9 as a modification in terms of arrangement. This resulted in total modification losses amounting to SAR 757 million, out of which SAR 296 million was recorded during the nine-month period ended 30 September 2021 (nine-month period ended 30 September 2020: SAR 330 million). In addition, during the nine-month period ended 30 September 2021, SAR 460 million (nine-month period ended 30 September 2020: SAR 125 million) was recognised in the statement of income relating to unwinding of modification losses.

The Group continues to believe that in the absence of other factors, participation in the deferment payments programme on its own, is not considered a significant increase in credit risk for the assessment of ECL on its MSME portfolio.
In order to compensate the costs incurred in 2020, NCB received profit free deposits from SAMA with varying maturities and, in 2021, the Group acquired additional profit free deposits as part of the merger. The total of these deposits, which qualified as government grants, amounted to SAR 12 billion as at 30 September 2021.

Management has determined, based on a communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate was accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. In 2020, total income of SAR 780 million was recognised in NCB’s statement of income. During the nine-month period ended 30 September 2021, total income of SAR 79 million (nine-month period ended 30 September 2020: SAR 495 million) was recognised in the Group’s statement of income with respect to related deposits.

As at 30 September 2021, the accounting impact of the Bank’s participation in SAMA’s facility guarantee programmes was immaterial.

During 2020, NCB recognised reimbursement from SAMA for the forgone POS and e-commerce service fees of SAR 269 million.
SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 15 November 2021 (such dealer agreement as modified and/or supplemented and/or restated from time to time, the “Dealer Agreement”), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Forms of the Notes” and “Terms and Conditions of the Notes”. In accordance with the terms of the Dealer Agreement, the Issuer and the Guarantor have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and the Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States of America

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. 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, having a maturity of more than one year 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.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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 if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, 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 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:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the relevant Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each member state of the EEA, 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 an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that member state except that it may make an offer of such Notes to the public in that member state:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any member state means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129 of the European Parliament and of the Council.

**Prohibition of Sales to UK Retail Investors**

Unless the Pricing Supplement in respect of any Note specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, 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 the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this paragraph:

(a) 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 Directive (EU) 2016/97, 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 in the United Kingdom by virtue of the EUWA; and

(b) the expression an “offer” includes the communication in any form and by any means of sufficient
information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to
purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as
“Not Applicable”, 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 an offer of Notes
which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing
Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such
Notes to the public in the United Kingdom:

(i) at any time to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in UK
the Prospectus Regulation) in the United Kingdom, subject to obtaining the prior consent of the relevant
Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to
publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of
the UK Prospectus Regulation.

For the purposes of this paragraph, the expression an “offer of Notes to the public” in relation to any Note
means the communication in any form and by any means of sufficient information on the terms of the offer and
the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the
expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law
in the United Kingdom by virtue of the EUWA.

Other regulatory restrictions

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 as 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 agent) for the
purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of
Section 19 of the Financial Services and Markets Act 2000 (“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 United Kingdom.
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 (including the Qatar Financial Centre). This 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.

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 Notes, 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 any 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 Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. 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 offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Notes or cause such 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 Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons 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
(a) 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:

(i) 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)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA;

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B(1)(c) of the SFA and the CMP Regulations 2018, unless otherwise specified in the relevant Pricing Supplement, 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).

Hong Kong

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 to (a) “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made thereunder, or (b) in 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 “Companies Ordinance”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession, for the purposes of issue, whether in Hong Kong or elsewhere, and will not issue or have in its possession 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 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.

Saudi Arabia

Each Dealer has represented and agreed, each further Dealer appointed under the Programme will be required to represent and agree, and any investor in Saudi Arabia or who is a Saudi person (a “Saudi Investor”) who acquires any Notes pursuant to an offering should note, that any offer of Notes to any investor in Saudi Arabia or who is a Saudi person will be made in compliance with (a) in relation to issuances occurring prior to 1 January 2022, Article 9 or Article 10 of the KSA Regulations and Article 10 of the 2021 KSA Regulations and
(b) in relation to issuances occurring on or after 1 January 2022, Article 8(a)(1) (including the definitions in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority) or Article 9 of the 2021 KSA Regulations and Article 10 of the 2021 KSA Regulations.

Each offer of Notes shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations or the 2021 KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations and, in relation to issuances after 1 January 2022, to the restrictions set out in Article 14 of the 2021 KSA Regulations. Until 1 January 2022, any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through a capital market institution appropriately licensed by the CMA and: (a) the Notes are offered or sold to a sophisticated investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer of sale is otherwise in compliance with Article 15 of the KSA Regulations. If the requirement in (b) cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyal 1 million or an equivalent amount and if that requirement cannot be fulfilled, a transferor may offer or sell the Notes if it sells its entire holding of such Notes to one transferee.

On or after 1 January 2022, any Saudi Investor who has acquired Notes pursuant to a private placement under Article 8 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through a capital market institution appropriately licensed by the CMA and: (a) the Notes are offered or sold to an institutional or qualified investor (as defined in the Glossary); (b) the price to be paid for the Notes in any one transaction does not exceed Saudi Riyals 200,000 or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 14 of the 2021 KSA Regulations. If the requirement in (b) cannot be fulfilled because the price of the Notes being offered or sold to the transferee has increased since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement did not exceed Saudi Riyal 200,000 or an equivalent amount and if that requirement cannot be fulfilled, a transferor may offer or sell the Notes if it sells its entire holding of such Notes to one transferee.

**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.

**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 Business Module of the DFSA rulebook.
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 the Kingdom of 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).

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.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor or any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Offering Circular and the offering and sale of Notes.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions as the Issuer, the Guarantor and the relevant Dealer shall agree and as shall be set out in the relevant subscription agreement or dealer confirmation letter (howsoever described), as the case may be.
GENERAL INFORMATION

Authorisation

1. The update of the Programme was authorised by a board resolution dated 14 November 2021 in relation to the Issuer and a board resolution dated 29 September 2021 in relation to the Guarantor. The Issuer and the Guarantor have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

Admission to Trading

2. Application has been made to the London Stock Exchange for Notes issued under the Programme during the 12 months from the date of this 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 Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

3. 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.

Legal and Arbitration Proceedings

4. Neither the Issuer nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Guarantor.

Conditions for determining price

5. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant/Material Change

6. There has been no significant change in the financial or trading position of the Issuer or material adverse change in the financial position or prospects of the Issuer, in each case, since the date of its incorporation.

7. There has been no significant change in the financial or trading position of the Guarantor since 30 September 2021, and no material adverse change in the financial position or prospects of the Guarantor since 31 December 2020.
Independent Auditors

8. 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.

9. The joint auditors of the Bank are E&Y and KPMG. The business address of E&Y is King's Road Tower - 13th Floor, King Abdulaziz Road (Malek Road), P. O. Box 1994, Jeddah 21441, Kingdom of Saudi Arabia and the business address of KPMG is 9th Floor, Tower B, Zahran Business Centre, Prince Sultan Street, P.O. Box 55078, Jeddah 21534, Kingdom of Saudi Arabia. E&Y and KPMG are independent auditors regulated by and registered to practice as auditors with SOCPA in Saudi Arabia.

The Audited Financial Statements were jointly audited by E&Y and PricewaterhouseCoopers Public Accountants, in each case without qualification, in accordance with the International Standards on Auditing as endorsed in the Kingdom, as stated in their respective audit reports incorporated by reference herein.

The SNB September 2021 Interim Financial Statements have not been audited but have been jointly reviewed by E&Y and KPMG in accordance with the International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom, as stated in their review report incorporated by reference herein.

With respect to the SNB September 2021 Interim Financial Statements, E&Y and KPMG have jointly 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. However, their review report dated 24 October 2021, 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.

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Documents on Display

10. For the 12 months following the date of this Offering Circular, physical copies of the following documents (together with English translations, when appropriate) may 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):

(a) the memorandum and articles of association of each of the Issuer and the Guarantor;
(b) the Offering Circular and any supplements thereto;
(c) (i) the NCB Annual Financial Statements and the Samba Annual Financial Statements, in each case, together with the audit reports thereon and the notes thereto and (ii) the NCB March 2021 Interim Financial Statements and the SNB September 2021 Interim Financial Statements, in each case together with the review reports thereon and the notes thereto;
(d) the most recently published consolidated financial statements of the Guarantor and interim condensed consolidated financial information of the Guarantor, in each case, together with any audit or review reports thereon and the notes thereto;
Clearing of the Notes

11. The Notes are expected to be accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and the International Securities Identification Number in relation to the Notes of each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any additional or alternative clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Dealers Transacting with the Issuer and the Guarantor

12. 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 Issuer, the Guarantor and their respective affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their 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, the Guarantor or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Guarantor routinely hedge their credit exposure to the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their 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 any Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their 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.
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