

**CITIGROUP SAUDI ARABIA**  
(A Saudi Closed Joint Stock Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
together with  
**Independent Auditor's Report**

**CITIGROUP SAUDI ARABIA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021

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## KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent auditor's report

To the shareholder of Citigroup Saudi Arabia

## Opinion

We have audited the financial statements of Citigroup Saudi Arabia ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

## Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of SAR (25,000,000). (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والمتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة



**CITIGROUP SAUDI ARABIA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2021  
*(Amounts in SAR'000)*

	<i>Notes</i>	<b>31 December <u>2021</u></b>	31 December <u>2020</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	4	<b>238,236</b>	194,733
Due from related parties	5	<b>7,948</b>	-
Prepayment and other receivables	6	<b>8,085</b>	2,930
Deferred tax asset	7	<b>598</b>	328
Right of use asset	8	<b>880</b>	1,905
Intangible assets	9	<b>1,206</b>	2,699
Property and equipment	10	<b>6,823</b>	7,534
<b>Total assets</b>		<b><u>263,776</u></b>	<b><u>210,128</u></b>
<b><u>LIABILITIES</u></b>			
Accrued expenses and other current liabilities	11	<b>8,821</b>	3,341
Due to related parties	5	<b>8,935</b>	-
Income tax payable	12	<b>6,965</b>	3,246
Lease liability	13	-	1,078
Employee benefit obligations	14	<b>1,184</b>	918
<b>Total liabilities</b>		<b><u>25,905</u></b>	<b><u>8,582</u></b>
<b>Equity</b>			
Share capital	15	<b>187,500</b>	187,500
Retained earnings		<b>44,971</b>	12,279
Statutory reserve	16	<b>5,400</b>	1,767
<b>Total equity</b>		<b><u>237,871</u></b>	<b><u>201,546</u></b>
<b>Total liabilities and equity</b>		<b><u>263,776</u></b>	<b><u>210,128</u></b>

The accompanying notes from 1 to 23 form an integral part of these financial statements

*Alberto J Verme*

Alberto J. Verme  
Chairman



Wassim Alkhatib  
Chief Executive Officer



Olukayode Bababunmi  
Chief Financial Officer

**CITIGROUP SAUDI ARABIA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31 DECEMBER 2021  
*(Amounts in SAR'000)*

	<i>Notes</i>	<b>For the year 31 December 2021</b>	For the year 31 December <u>2020</u>
<b>Revenue</b>			
Arrangement fee		<b>36,191</b>	6,906
Financial advisory fee		<b>36,010</b>	30,588
Brokerage commission		<b>12,776</b>	8,511
<b>Total revenue</b>		<b>84,997</b>	46,005
Other income		<b>1,457</b>	2,107
<b>Total operating income</b>		<b>86,434</b>	48,112
Salaries and employee related benefits		<b>(22,174)</b>	(14,011)
Depreciation and amortization	8,9,10	<b>(4,103)</b>	(3,855)
Premises related expenses		<b>(572)</b>	(355)
Other general and administrative expenses	17	<b>(14,131)</b>	(11,674)
<b>Total operating expenses</b>		<b>(40,980)</b>	(29,895)
<b>Net profit before income tax</b>		<b>45,454</b>	18,217
Income tax:			
- Current	12	<b>(9,399)</b>	(3,272)
- Deferred	7	<b>270</b>	(373)
<b>Net profit for the year</b>		<b>36,325</b>	14,572
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		<b>36,325</b>	14,572

The accompanying notes from 1 to 23 form an integral part of these financial statement.

*Alberto J Verme*

Alberto J. Verme  
Chairman



Wassim Alkhatib  
Chief Executive Officer



Olukayode Bababunmi  
Chief Financial Officer

**CITIGROUP SAUDI ARABIA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2021  
*(Amounts in SAR'000)*

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Statutory reserves</u>	<u>Total</u>
<b>Balance at 1 January 2021</b>	<b>187,500</b>	<b>12,279</b>	<b>1,767</b>	<b>201,546</b>
<b>Net profit for the year</b>	-	<b>36,325</b>	-	<b>36,325</b>
<b>Other comprehensive income for the year</b>	-	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>36,325</b>	-	<b>36,325</b>
<b>Transfer to statutory reserve</b>	-	<b>(3,633)</b>	<b>3,633</b>	-
<b>Balance at 31 December 2021</b>	<b>187,500</b>	<b>44,971</b>	<b>5,400</b>	<b>237,871</b>
Balance at 1 January 2020	187,500	(836)	310	186,974
Net profit for the year	-	14,572	-	14,572
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	14,572	-	14,572
Transfer to statutory reserve	-	(1,457)	1,457	-
Balance at 31 December 2020	187,500	12,279	1,767	201,546

The accompanying notes from 1 to 23 form an integral part of these financial statements

*Alberto J Verme*

Alberto J. Verme  
Chairman



Wassim Alkhatib  
Chief Executive Officer



Olukayode Bababunmi  
Chief Financial Officer

**CITIGROUP SAUDI ARABIA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**STATEMENT OF CASHFLOWS**  
FOR THE YEAR ENDED 31 DECEMBER 2021  
*(Amounts in SAR'000)*

	<i>Notes</i>	<b>For the year 31 December 2021</b>	For the year 31 December 2020
Net income before income tax		<b>45,454</b>	18,217
<b>Adjustment for non-cash items</b>			
Depreciation and amortization	8,9,10	<b>4,072</b>	3,855
Interest expense on lease liability		<b>32</b>	65
Loss on asset write off		<b>10</b>	-
Provision for employees' end of service benefits		<b>335</b>	454
		<b>49,903</b>	22,952
<b>Cash flows from operating activities</b>			
(Increase) / decrease in due from related parties	5	<b>(7,948)</b>	14
(Increase) / decrease in prepayments and other receivables	6	<b>(5,155)</b>	13,266
Increase / (decrease) in accrued expenses and other liabilities	11	<b>5,480</b>	(170)
Increase / (decrease) in due to related parties	5	<b>8,935</b>	(8,640)
<b>Cash generated from operating activities</b>		<b>51,215</b>	27,061
Employees' end of service benefits paid	14	<b>(69)</b>	(26)
Income tax paid	12	<b>(5,680)</b>	(597)
<b>Net cash generated from operating activities</b>		<b>45,466</b>	26,438
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	10	<b>(853)</b>	(579)
<b>Net cash used in investing activities</b>		<b>(853)</b>	(579)
<b>Cash flows from financing activities</b>			
Lease liability paid		<b>(1,110)</b>	(1,110)
<b>Net cash used in financing activities</b>		<b>(1,110)</b>	(1,110)
<b>Net increase in cash and cash equivalent during the year</b>		<b>43,503</b>	24,749
Cash and cash equivalent at the beginning of the year		<b>194,733</b>	169,984
<b>Cash and cash equivalent at the end of the year</b>	4	<b>238,236</b>	194,733

The accompanying notes from 1 to 23 form an integral part of these financial statements.

*Alberto J Verme*

Alberto J. Verme  
Chairman



Wassim Alkhatib  
Chief Executive Officer



Olukayode Bababunmi  
Chief Financial Officer



**CITIGROUP SAUDI ARABIA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Amounts in SAR '000)

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**1. GENERAL INFORMATION**

Citigroup Saudi Arabia (“the Company”) is a Saudi closed joint stock company incorporated in 2017 and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010612164 dated 25 Muharram 1439 (corresponding to 15 October 2017). The Company operates under Saudi Arabia General Investment Authority License No. 11210380674636 dated 21 Shaban 1438 (corresponding to 17 May 2017).

The principal activities of the Company include arrange transactions in debt and capital market, financial advisory, capital raising, merger advisory, capital restructuring, financial restructurings and underwriting, equity trading and custody.

The registered address of the Company, which is also its principal place of business, is at 20th Floor, Kingdom Tower, P.O. Box 301700, Riyadh 11372, Kingdom of Saudi Arabia.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

**b) Basis of measurement**

These financial statements have been prepared on a going concern basis under historical cost convention except for the employee benefit obligation which is measured at present value of defined benefit obligation and have been calculated using the projected unit credit method (PUCM) and actuarial assumptions. The line items on the statement of financial position are presented in the order of liquidity.

**c) Functional and presentation currency**

These financial statements are presented in Saudi Arabian Riyals (“SAR”), which is the presentation and functional currency of the Company.

**d) Critical accounting judgments and estimates**

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There were no areas where significant assumptions, estimates and judgements were applied in preparation of these financial statements.

**e) Standards issued but not yet effective**

Following are the new standards and amendments to standards, which are effective for annual periods beginning on, or after 1 January 2022 and earlier application is permitted however, the Company has not early adopted them in preparing these financial statements. The following standards are not expected to have a significant impact on the financial statements of the Company:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

**CITIGROUP SAUDI ARABIA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021  
*(Amounts in SAR '000)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

**3.1 Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

	<u>No of years</u>
Furniture, fixtures and office equipment	5-10
Computer equipment	3-5
Leasehold improvements	9

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Normal repair and maintenance are charged to the statement of profit or loss as and when incurred.

**3.2 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of Intangible assets is calculated on a straight-line basis over the estimated useful life of 3 years.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

**3.3 Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise of cash at banks in current accounts and time deposit with an original maturity of ninety days or less.

**CITIGROUP SAUDI ARABIA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Amounts in SAR '000)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments**

**a) Classification and measurement of financial assets**

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported by the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

**Assessments whether contractual cash flows are solely payments of principal and profit**

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

**CITIGROUP SAUDI ARABIA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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(Amounts in SAR '000)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (continued)**

**a) Classification and measurement of financial assets (continued)**

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

*Amortized cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortized cost. Profit earned from these financial assets is recognized in the statement of profit or loss using the effective commission rate method.

*Fair value through profit or loss (FVTPL):* If debt instrument's cash flows do not represent solely SPPI or if it not held within the held to collect or the held to collect and sell business model, or if it is designated at FVTP, then it is measured at FVTPL. A gain or loss on a debt investment measured at FVTPL is recognized in the statement of profit or loss, in the period in which it arises. Special commission income earned from these financial assets is recognized in the statement of income using the effective commission rate method.

*Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from statement of changes in equity to statement of profit or loss.

*Equity instruments*

The Company subsequently measures all equity investments at FVTPL, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of profit or loss when the Company's right to receive payments is established.

**b) Classification of financial liabilities**

The Company classifies its financial liabilities as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium to issue the funds, and other cost that are integral part of the effective profit rate.

**CITIGROUP SAUDI ARABIA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
*(Amounts in SAR '000)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (continued)**

**c) Derecognition**

**Financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in the statement of profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities.

**Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

**d) Measurement of ECL**

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

**e) Write-off**

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**f) Offsetting of financial instruments**

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

**3.5 Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGUs) fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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*(Amounts in SAR '000)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Impairment of non-financial assets (continued)**

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

**3.6 Accrued expenses and other liabilities**

Accrued expenses and other liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**3.7 Revenue**

The Company recognizes revenue as and when the performance obligations are met. The Company has the following streams of revenue:

*Revenue from arrangement fee and financial advisory fee*

Revenue from arrangement fee and financial advisory fee assignments are recognized, when services are determined to be completed in accordance with the underlying agreement, agreed with the customer and invoiced, as generally set for under the terms of the engagement.

*Brokerage commission*

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

*Profit on time deposit*

Profit earned on time deposit is accrued on the time proportionate basis.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7 Foreign currencies**

Transactions in foreign currencies are translated into functional currency of the Company at exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in the statement of profit or loss.

**3.8 Contingent assets and liabilities**

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability.

Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

**3.9 Statutory reserve**

In accordance with the Company's By-laws and the new Saudi Arabian Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to 2 May 2016), the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital.

**3.10 Employee benefit obligations**

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in statement of profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

**3.11 Taxation**

Income tax is provided in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and charged to the statement of profit and loss.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, if material, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.12 Leases**

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of Use Assets ("ROU")

The company apply cost model, and measure right of use asset at cost;

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

Lease Liability

On initial recognition, the lease liability is the present value of the lease payments that are not paid at the commencement date discounted using the Company's incremental borrowing rate.

After the commencement date, Company measures the lease liability at amortized cost using the effective interest method by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

**4. CASH AND CASH EQUIVALENTS**

	<i>Note</i>	<b>31 December 2021</b>	31 December <u>2020</u>
Cash at bank - current accounts		<b>130,636</b>	62,145
Time deposits	<i>4.1</i>	<b>107,600</b>	132,588
Total		<b><u>238,236</u></b>	<u>194,733</u>

- 4.1 These are placed with a commercial bank operating in the Kingdom of Saudi Arabia. These deposits have original maturity period of 3 months and the profit rates ranging 1.00% - 1.05% per annum (2020: 0.6% - 0.8%).

**5. RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties of the Company include the Parent and its affiliated entities and certain key management personnel. In ordinary course of activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel include chief executive officer, chief financial officer, head of equity, head of custody and head of operations having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.



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**5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

Transactions with the related parties are as follows:

<u>Related Parties</u>	<u>Nature of transactions</u>	<b>For the year 31 December 2021</b>	For the year 31 December <u>2020</u>
<b>Affiliates</b>			
Citibank, N.A. UAE- DIFC Branch	Arrangement fee	(31)	(1,505)
Citigroup Global Markets Ltd.	Arrangement fee	(21,403)	4,155
	Brokerage fee	12,775	8,512
Citibank, N.A. London Branch	Arrangement fee	160	1,418
Citigroup Global Markets Inc.	Arrangement fee	15,524	2,371
Citibank Europe Plc. UK	Arrangement fee	45	110
Citibank, N.A. ADGM- UAE	Arrangement fee	-	1,319
Citibank Taiwan Ltd. DBU	Arrangement fee	52	-
Citibank N.A. Jersey	Arrangement fee	1,039	-
Citicorp LLC	Interests on loan	(36)	(58)
<b>Key management personnel</b>			
	Salaries	4,687	3,741
	Allowances	2,268	1,715
	Periodic and annual remunerations	6,948	2,309
<b>Non-executive/independent Board members</b>			
	Directors' fees	750	750

Loans obtained from an affiliate company were repaid during the year.

The balances as of 31 December 2021 resulting from transactions with related parties are as follows:

	<b>31 December 2021</b>	31 December <u>2020</u>
<b>Due from related parties:</b>		
Citibank, N.A. UAE- DIFC Branch	7,877	-
Citigroup Global Markets Inc.	71	-
	<u>7,948</u>	<u>-</u>
<b>Due to related parties</b>		
Citibank Europe Plc.	6	-
Citibank, N.A. London Branch	6	-
Citigroup Global Markets Limited	8,923	-
	<u>8,935</u>	<u>-</u>

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**6. PREPAYMENT AND OTHER RECEIVABLES**

	<i>Note</i>	<b>31 December 2021</b>	31 December 2020
Prepaid premises expenses		6	180
Security deposit		115	111
Software maintenance		1,109	-
VAT receivable		514	493
Others	6.1	<u>6,341</u>	<u>2,146</u>
		<b><u>8,085</u></b>	<b><u>2,930</u></b>

6.1 Others mainly includes receivable of SR 5.06 million from a financial institution in respect of arrangement services provided during the year 2021.

**7. DEFERRED TAX ASSET**

Deferred tax asset consists of the following items:

	<b>31 December 2021</b>	31 December 2020
Provision for employee benefit obligation	237	184
Property and equipment	<u>361</u>	<u>144</u>
<b>Deferred tax asset</b>	<b><u>598</u></b>	<b><u>328</u></b>
	<b><u>2021</u></b>	<b><u>2020</u></b>
Balance at January	328	701
Deferred tax charged / (utilised)	<u>270</u>	<u>(373)</u>
Balance at 31 December	<b><u>598</u></b>	<b><u>328</u></b>

**8. RIGHT OF USE ASSET**

	<b>2021</b>	2020
Balance at 1 January	1,905	2,895
Depreciation charge for the year	<u>(1,025)</u>	<u>(990)</u>
Balance at 31 December	<b><u>880</u></b>	<b><u>1,905</u></b>

**9. INTANGIBLE ASSETS**

	<b>Software</b>
<b>Cost:</b>	
Balance at 1 January 2020	4,479
Additions	-
<b>Balance at 31 December 2020</b>	<b><u>4,479</u></b>
Balance at 1 January 2021	<b>4,479</b>
Additions	-
<b>Balance at 31 December 2021</b>	<b><u>4,479</u></b>
<b>Accumulated amortization:</b>	
Balance at 1 January 2020	287
Charge for the year	<u>1,493</u>
<b>Balance at 31 December 2020</b>	<b><u>1,780</u></b>
Balance at 1 January 2021	<b>1,780</b>
Charge for the year	<u>1,493</u>
<b>Balance at 31 December 2021</b>	<b><u>3,273</u></b>
<b>Net book value as at:</b>	
<b>31 December 2021</b>	<b><u>1,206</u></b>
31 December 2020	<b><u>2,699</u></b>

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**10. PROPERTY AND EQUIPMENT**

	<b>Furniture, fixture and office equipment</b>	<b>Computer equipment</b>	<b>Leasehold improvement</b>	<b>Capital work in progress</b>	<b>Total</b>
<b>Cost:</b>					
<b>Balance at 1 January 2020</b>	1,916	1,442	5,338	1,403	10,099
Additions during the year	17	151	366	44	578
Transfers during the year	732	671	-	(1,403)	-
<b>Balance at 31 December 2020</b>	<u>2,665</u>	<u>2,264</u>	<u>5,704</u>	<u>44</u>	<u>10,677</u>
<b>Balance at 1 January 2021</b>	<b>2,665</b>	<b>2,264</b>	<b>5,704</b>	<b>44</b>	<b>10,677</b>
Additions during the year	<b>18</b>	-	<b>629</b>	<b>206</b>	<b>853</b>
Disposals during the year	-	-	<b>(18)</b>	-	<b>(18)</b>
Transfers during the year	<b>3</b>	-	-	<b>(3)</b>	-
<b>Balance at 31 December 2021</b>	<u><b>2,686</b></u>	<u><b>2,264</b></u>	<u><b>6,315</b></u>	<u><b>247</b></u>	<u><b>11,512</b></u>
<b>Accumulated depreciation:</b>					
<b>Balance at 1 January 2020</b>	465	259	1,047	-	1,771
Charge for the year	365	420	587	-	1,372
<b>Balance at 31 December 2020</b>	<u>830</u>	<u>679</u>	<u>1,634</u>	<u>-</u>	<u>3,143</u>
<b>Balance at 1 January 2021</b>	<b>830</b>	<b>679</b>	<b>1,634</b>	<b>-</b>	<b>3,143</b>
Charge for the year	<b>397</b>	<b>467</b>	<b>690</b>	-	<b>1,554</b>
Disposals during the year	-	-	<b>(8)</b>	-	<b>(8)</b>
<b>Balance at 31 December 2021</b>	<u><b>1,227</b></u>	<u><b>1,146</b></u>	<u><b>2,316</b></u>	<u><b>-</b></u>	<u><b>4,689</b></u>
<b>Net book value as at:</b>					
<b>31 December 2021</b>	<u><b>1,459</b></u>	<u><b>1,118</b></u>	<u><b>3,999</b></u>	<u><b>247</b></u>	<u><b>6,823</b></u>
31 December 2020	<u>1,835</u>	<u>1,585</u>	<u>4,070</u>	<u>44</u>	<u>7,534</u>

**11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<b>31 December 2021</b>	31 December 2020
Accrued salaries and employee related benefits	<b>6,403</b>	3,007
Accrued premises related expense	<b>442</b>	-
Accrued technology expense	<b>179</b>	-
Accrued professional fees	<b>506</b>	331
Others	<b>1,291</b>	3
	<u><b>8,821</b></u>	<u>3,341</u>

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**12. INCOME TAX PAYABLE**

The Company is subject to income taxes in accordance with the Regulation of ZATCA. The movement of income tax payable is as follows:

	<b>For the year ended 31 December</b>	
	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	3,246	571
Charge for the year	9,399	3,272
Payment made during the year	<u>(5,680)</u>	<u>(597)</u>
Balance at the end of the year	<u><b>6,965</b></u>	<u>3,246</u>

The Company has filed all tax returns up till the year ended 31 December 2020, which are yet to be assessed.

**13. LEASE LIABILITY**

	<u>2021</u>	<u>2020</u>
Balance at 1 January	1,078	2,123
Interest expense for the year	32	65
Payment for lease liability	<u>(1,110)</u>	<u>(1,110)</u>
Balance at 31 December	<u><b>-</b></u>	<u>1,078</u>

**14. EMPLOYEE BENEFIT OBLIGATIONS**

The Company operates a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

**14.1 Movement in employees' end of service benefits**

	<b>For the year ended 31 December</b>	
	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	918	490
Charge for the year	335	454
Payments made during the year	<u>(69)</u>	<u>(26)</u>
<b>Balance at the end of the year</b>	<u><b>1,184</b></u>	<u>918</u>

**15. SHARE CAPITAL**

As at 31 December 2021, the authorized, issued and fully paid-up share capital of the Company was SAR 187.5 million (31 December 2020: SAR 187.5 million) divided into 18.75 million shares (31 December 2020: 18.75 million shares) of SAR 10 each and was fully subscribed by Citigroup Financial Products Inc. ("the Parent"), a Company incorporated in the United States of America.

**16. STATUTORY RESERVE**

In accordance with Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

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**17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>For the year 31 December</u>	
	<u>2021</u>	<u>2020</u>
Consultancy and professional fees	1,922	2,101
Directors fees	750	750
Travel and entertainment	40	217
Technology and communication	3,848	2,887
Membership and subscriptions	4,134	2,317
Guarantee fee	1,043	1,408
Others	2,394	1,991
	<u>14,131</u>	<u>11,674</u>

**18. FINANCIAL INSTRUMENTS – FAIR VALUE**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at 31 December 2021, the Company's financial instruments comprises of bank balances, other receivables, accrued expenses and other liabilities, which are measured at amortised cost and their carrying amount is a reasonable approximate of fair value, as these financial instruments are of shorter duration.

<u>31 December 2021</u>	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Financial assets not measured at fair value</u>					
Due from related parties	7,984	--	--	7,984	7,984
Other receivables	6,850	--	--	6,850	6,850
Cash and cash equivalents	238,236	--	--	238,236	238,236
	<u>253,070</u>	--	--	253,070	<u>253,070</u>
<u>Financial liabilities not measured at fair value</u>					
Due to related parties	8,935	--	--	8,935	8,935
Accrued expenses and other liabilities	2,233	--	--	2,233	2,233
<b>Total</b>	<b>11,168</b>	--	--	11,168	<b>11,168</b>

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**15. FINANCIAL INSTRUMENTS – FAIR VALUE (CONTINUED)**

<u>31 December 2020</u>	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		Level 1	Level 2	Level 3	
<u>Financial assets not measured at fair value</u>					
Other receivables	2,257	--	--	2,257	2,257
Cash and cash equivalents	194,733	--	--	194,733	194,733
	<b>196,990</b>	--	--	196,990	<b>196,990</b>
<u>Financial liabilities not measured at fair value</u>					
Accrued expenses and other liabilities	331	--	--	331	331
<b>Total</b>	<b>331</b>	--	--	331	<b>331</b>

**16. FINANCIAL RISK MANAGEMENT**

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Liquidity risk

**19.1 Credit risk**

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss.

The schedule below shows the maximum exposure to credit risk for the components of the financial statements:

	<u>31 December 2021</u>	31 December <u>2020</u>
Cash at banks	238,236	194,733
Due from related parties	7,948	-
Other receivable	6,431	2,146
<b>Total</b>	<b>252,615</b>	<b>196,879</b>

Cash at banks

The current accounts and time deposit are held with banks having reputable standing within the Kingdom of Saudi Arabia and rated A1/A-2/A- by Moody, S&P and Fitch as at 31 December 2021.

Other receivable

Other receivable are with short term maturity and held with institutions having reputable standing.

**19.2 Market risk**

**a) Profit rate risk**

Profit rate risk is the risk that the profit rate change is not commensurate with financing cost due to changes in the market commission rate. The Company has time deposits placed with the local bank, which are maturity within short duration of three months. The Company has no other fixed rate financial instrument as of 31 December 2021, hence not significantly exposed to any profit rate risk.

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**19. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**b) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Arabian Riyals and US Dollars during the year. As SAR is pegged to US Dollar, therefore the Company is not exposed to significant currency risk.

**c) Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

As at 31 December 2021, the Company had no financial instrument which was exposed to price risk.

**19.3 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that sufficient funds are available to meet any commitment as they arise. All financial assets and liabilities of the Company at the statement of financial position are having contractual maturity of within 1 year.

**20. COMMITMENTS AND CONTINGENCIES**

As of 31 December 2021, the Company had no commitments and contingencies.

**21. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO**

The Company's objectives when managing capital are, to comply with the minimum capital requirements set by Capital Market Authority ("CMA"); to safeguard the Company's ability to continue as a going concern and to maintain an adequate capital base throughout the year.

The CMA has issued Prudential Rules ("the Rules") dated 17 Safar 1434H (corresponding to December 30, 2012). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	<u>2021</u>	<u>2020</u>
<b>Capital Base</b>		
Tier 1 Capital	<u>236,067</u>	<u>196,614</u>
<b>Minimum Capital Requirement:</b>		
Market Risk	1,754	410
Credit Risk	11,740	9,447
Operational Risk	<u>10,245</u>	<u>7,474</u>
Total Minimum Capital Required	<u>23,739</u>	<u>17,331</u>
<b>Capital Adequacy Ratio:</b>		
Total Capital Ratio (time)	9.94	11.34
Surplus in Capital	212,328	179,283

a) Tier 1 capital consists of paid-up share capital, accumulated profits, share premium (if any), reserves excluding revaluation reserves, with certain deductions as per the Rules.

b) There is no Tier-2 capital for the year ended 31 December 2021.

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**21. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO (CONTINUED)**

The Minimum Capital Requirements for market, credit & operational risk are calculated as per the requirements specified in Part 3 of the Rules. The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

**22. SUBSEQUENT EVENTS**

The recent action of Russian military forces and support personnel in Ukraine has escalated tensions between Russia and the U.S., NATO, the EU and the U.K. Certain jurisdictions have imposed, and are likely to impose material additional, financial and economic sanctions and export controls against certain Russian entities and/or individuals.

Commencing from the week of February 21, 2022, the U.S., the U.K., and the EU each imposed packages of financial and economic sanctions that, in various ways, constrain transactions with numerous Russian entities and individuals; transactions in Russian sovereign debt; and investment, trade, and financing to, from, or in certain regions of Ukraine.

The Company does not have direct exposures in Russia or Ukraine and therefore, has not been directly impacted by the geopolitical tensions or conflict in Ukraine. The Company continues to monitor the potential indirect macroeconomic impacts from the tensions and conflict in order to mitigate its exposures and risks

There were no other subsequent events after the balance sheet date that requires any adjustment and or disclosure in the financial statements.

**23. APPROVAL OF THE FINANCIAL STATEMENTS**

These financials statements were approved by the Board of Directors on 21 Shaban 1443H, corresponding to 24 March 2022.