

**CITIGROUP SAUDI ARABIA**  
**(A Saudi Closed Joint Stock Company)**  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
**together with**  
**Independent auditor's report**

**CITIGROUP SAUDI ARABIA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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## KPMG Professional Services

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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 Shareholders 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 2022, the statements of profit or loss and 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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants "SOCPA".

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's 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 SOCPA, the applicable requirements of the Regulations for Companies, the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of 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.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of SAR 40,000,000. (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 (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفوزان وشركاء محاسبون وبرامجون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة



# Independent Auditor's Report

To the Shareholders of Citigroup Saudi Arabia (Continued)

## 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Citigroup Saudi Arabia ("the Company").

### KPMG Professional Services

**Fahad Mubark Al Dossari**  
License No: 469

Al Riyadh on: 30 March 2023  
Corresponding to: 8 Ramadan 1444H



**CITIGROUP SAUDI ARABIA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**  
*(Amounts in SAR '000)*

	<u>Notes</u>	<u>31 December</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	4	224,902	238,236
Due from related parties	5	-	7,948
Prepayment and other receivables	6	153,636	8,085
Deferred tax asset	7	2,437	598
Right of use asset	8	5,334	880
Intangible assets	9	-	1,206
Property and equipment	10	5,799	6,823
<b>Total assets</b>		<b><u>392,108</u></b>	<b><u>263,776</u></b>
<b><u>LIABILITIES AND SHAREHOLDER EQUITY</u></b>			
<b>Liabilities</b>			
Accrued expenses and other current liabilities	11	155,451	8,821
Due to related parties	5	-	8,935
Income tax payable	12	-	6,965
Lease liability	13	4,366	-
Employee benefit obligations	14	1,838	1,184
<b>Total liabilities</b>		<b><u>161,655</u></b>	<b><u>25,905</u></b>
<b>Shareholder equity</b>			
Share capital	15	187,500	187,500
Retained earnings		37,553	44,971
Statutory reserve	16	5,400	5,400
<b>Total equity</b>		<b><u>230,453</u></b>	<b><u>237,871</u></b>
<b>Total liabilities and shareholder equity</b>		<b><u>392,108</u></b>	<b><u>263,776</u></b>

The accompanying notes from 1 to 25 form an integral part of these financial statements



Carmen Haddad  
Vice Chairman



Sara Altamimi  
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 2022**  
*(Amounts in SAR '000)*

	<i>Notes</i>	<b>For the year ended 31 December</b>	
		<u>2022</u>	<u>2021</u>
<b>Revenue</b>			
Arrangement fees		5,774	36,191
Financial advisory fees		-	36,010
Brokerage commission		18,945	12,191
Custody fees		11,975	585
<b>Total revenue</b>		<u>36,694</u>	<u>84,997</u>
<b>Other income</b>		<u>2,284</u>	<u>1,457</u>
<b>Total operating income</b>		<u>38,978</u>	<u>86,434</u>
<b>Salaries and employee related benefits</b>		(21,663)	(22,174)
Depreciation and amortization	8,9,10	(3,843)	(4,103)
Premises related expenses		(618)	(572)
Other general and administrative expenses	17	(22,152)	(14,131)
<b>Total operating expenses</b>		<u>(48,276)</u>	<u>(40,980)</u>
<b>Net (loss) / profit before income tax</b>		(9,298)	45,454
<b>Income tax:</b>			
- Current	12	41	(9,399)
- Deferred	7	1,839	270
<b>Net (loss) / profit for the year</b>		<u>(7,418)</u>	<u>36,325</u>
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive (loss) / income for the year</b>		<u>(7,418)</u>	<u>36,325</u>

The accompanying notes from 1 to 25 form an integral part of these financial statement.



Carmen Haddad  
Vice Chairman



Sara Altamimi  
Chief Executive Officer



Olukayode Bababunmi  
Chief Financial Officer

**CITIGROUP SAUDI ARABIA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN SHAREHOLDER EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(Amounts in SAR '000)*

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Statutory reserve</u>	<u>Total</u>
<b>Balance at 1 January 2022</b>	<b>187,500</b>	<b>44,971</b>	<b>5,400</b>	<b>237,871</b>
<b>Net loss for the year</b>	-	<b>(7,418)</b>	-	<b>(7,418)</b>
<b>Other comprehensive income for the year</b>	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	<b>(7,418)</b>	-	<b>(7,418)</b>
<b>Transfer to statutory reserve</b>	-	-	-	-
<b>Balance at 31 December 2022</b>	<b>187,500</b>	<b>37,553</b>	<b>5,400</b>	<b>230,453</b>
<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 loss 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>

The accompanying notes from 1 to 25 form an integral part of these financial statements

  
Carmen Haddad  
Vice Chairman

  
Sara Altamimi  
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 2022**  
*(Amounts in SAR '000)*

	<u>Notes</u>	<u>For the year ended 31 December</u>	
		<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>			
Net (loss) / profit before income tax		(9,298)	45,454
<b>Adjustments for:</b>			
Depreciation and amortization	8,9,10	3,843	4,072
Interest expense on lease liability	13	36	32
Interest expense on bank overdraft	17	4,348	-
Loss on fixed assets write off	10	149	10
Provision for employees' end of service benefits	14	758	335
		(164)	49,903
<b>Movement in operating assets and liabilities:</b>			
Decrease / (increase) in due from related parties	5	7,948	(7,948)
Increase in prepayments and other receivables	6	(140,872)	(5,155)
Decrease in accrued expenses and other liabilities	11	8,941	5,480
(Increase) / decrease in due to related parties	5	(8,935)	8,935
<b>Cash (used in) / generated from operating activities</b>		<b>(133,082)</b>	<b>51,215</b>
Employees' end of service benefits paid	14	(104)	(69)
Income tax paid	12	(11,603)	(5,680)
<b>Net cash (used in) / generated from operating activities</b>		<b>(144,789)</b>	<b>45,466</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	10	(717)	(853)
<b>Net cash used in investing activities</b>		<b>(717)</b>	<b>(853)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank overdraft	11	137,689	-
Interest expense paid	17	(4,348)	-
Lease liability paid	13	(1,169)	(1,110)
<b>Net cash generated / (used in) from financing activities</b>		<b>132,172</b>	<b>(1,110)</b>
<b>Net (decrease) / increase in cash and cash equivalent during the year</b>		<b>(13,334)</b>	<b>43,503</b>
Cash and cash equivalent at the beginning of the year	4	238,236	194,733
<b>Cash and cash equivalent at the end of the year</b>	<b>4</b>	<b>224,902</b>	<b>238,236</b>

The accompanying notes from 1 to 25 form an integral part of these financial statements.



Carmen Haddad  
Vice Chairman



Sara Altamimi  
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 2022**  
*(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. 10211380876176 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 the 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 Chartered and Professional 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. The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their 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) Standard amendments issued and effective**

Following are the amendments to standards which are effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards did not have a significant impact on the condensed interim financial statements of the Company.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions: extension of the practical expedient to 30 June 2022.

**CITIGROUP SAUDI ARABIA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(Amounts in SAR '000)*

**2. BASIS OF PREPARATION (continued)**

*f) New standards or amendments issued but are not yet effective*

<u>Standards / Amendments</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 12 Income Taxes	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Lease liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 16		1 January 2024

**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
Vehicles	5

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.

**CITIGROUP SAUDI ARABIA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(Amounts in SAR '000)*

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

**3.2 Intangible assets (continued)**

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.

**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.

**CITIGROUP SAUDI ARABIA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(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)**

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.

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.

**CITIGROUP SAUDI ARABIA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(Amounts in SAR '000)*

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

**3.4 Financial instruments (continued)**

***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.

**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.

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

**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.

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.

*Revenue from brokerage commission*

Revenue from 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.

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

**3.7 Revenue**

*Revenue from custody fee*

Fees charged for providing custodial services, are recognised as revenue when the service is being provided. The performance obligation of the Company is satisfied when the Company carries out the service, 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.

**3.8 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.

**3.9 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.

**3.10 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.

**3.11 Employee benefit obligations**

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor 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.

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

**3.12 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.

**3.13 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**

	<u>31 December</u>	<u>31 December</u>
<i>Note</i>	<u>2022</u>	<u>2021</u>
Cash at bank - current accounts	127,007	130,636
Time deposits	4.1 <u>97,895</u>	<u>107,600</u>
	<u>224,902</u>	<u>238,236</u>

- 4.1 This represents time deposits with Saudi National Bank (SNB) carrying profit rate of 4.7% per annum (31 December 2021: 1.00% - 1.05% per annum) with a maturity date of less than three months from the date of placement, 1 December 2022.



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**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.

Transactions with the related parties are as follows:

<u>Related Parties</u>	<u>Nature of transactions</u>	<u>For the year ended 31 December</u>	
		<u>2022</u>	<u>2021</u>
<b>Affiliates</b>			
Citibank, N.A. UAE- DIFC Branch	Arrangement fee	(515)	(31)
Citigroup Global Markets Ltd.	Arrangement fee	(3,231)	(21,403)
	Brokerage fee	18,945	12,775
Citibank, N.A. London Branch	Arrangement fee	6	160
Citigroup Global Markets Inc.	Arrangement fee	-	15,524
Citibank Europe Plc. UK	Arrangement fee	24	45
Citibank Taiwan Ltd. DBU	Arrangement fee	839	52
Citibank N.A. Jersey	Arrangement fee	-	1,039
Citicorp LLC	Interests on loan*	(14)	(36)
<b>Key management personnel</b>			
	Salaries	5,412	4,687
	Allowances	2,480	2,268
	Periodic and annual remunerations	2,655	6,948
<b>Non-executive/independent board members</b>			
	Directors' fees	750	750

\*Loan obtained from an affiliate company amounting to SAR 18.75 million carrying interest rate of 0.795% per annum and was repaid during the year.

The balances as of 31 December 2022 resulting from transactions with related parties are as follows:

	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>
<b>Due from related parties:</b>		
Citibank, N.A. UAE- DIFC Branch	-	7,877
Citigroup Global Markets Inc.	-	71
	<u>-</u>	<u>7,948</u>
<b>Due to related parties</b>		
Citibank Europe Plc.	-	6
Citibank, N.A. London Branch	-	6
Citigroup Global Markets Limited	-	8,923
	<u>-</u>	<u>8,935</u>

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**6. PREPAYMENT AND OTHER RECEIVABLES**

	<i>Note</i>	<b>31 December 2022</b>	31 December 2021
Securities trading margin collateral	6.1	137,967	-
Advance tax paid	6.2	4,679	-
Security deposit		115	115
Software maintenance		1,184	1,109
VAT receivable		1,073	514
Custody fee receivables		1,850	-
Others	6.3	6,768	6,347
		<b>153,636</b>	<b>8,085</b>

- 6.1 Securities trading margin collateral represents collateral kept with Muqassa to facilitate the equity trading services.
- 6.2 Advance tax paid to ZATCA as per Article 70 (a) of the Income Tax Law.
- 6.3 Others mainly includes equity trading settlement of SR 4.78 million.

**7. DEFERRED TAX ASSET**

Deferred tax asset consists of the following items:

	<b>31 December 2022</b>	31 December 2021
Carry forward losses	1,481	-
Provision for employee benefit obligation	368	237
Property and equipment	588	361
<b>Deferred tax asset</b>	<b>2,437</b>	<b>598</b>
	<b>2022</b>	<b>2021</b>
Balance at January	598	328
Deferred tax credit	1,839	270
Balance at 31 December	<b>2,437</b>	<b>598</b>

**8. RIGHT OF USE ASSET**

	<b>2022</b>	2021
Balance at 1 January	880	1,905
Additions during the year	5,499	-
Depreciation charge for the year	(1,045)	(1,025)
Balance at 31 December	<b>5,334</b>	<b>880</b>

**9. INTANGIBLE ASSETS**

	<b>Software</b>
<b>Cost:</b>	
Balance at 1 January 2021	4,479
Additions	-
<b>Balance at 31 December 2021</b>	<b>4,479</b>
Balance at 1 January 2022 and 31 December 2022	<b>4,479</b>
<b>Accumulated amortization:</b>	
Balance at 1 January 2021	1,780
Charge for the year	1,493
<b>Balance at 31 December 2021</b>	<b>3,273</b>
Balance at 1 January 2022	3,273
Charge for the year	1,206
<b>Balance at 31 December 2022</b>	<b>4,479</b>
<b>Net book value as at 31 December 2022</b>	<b>-</b>
31 December 2021	1,206

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**10. PROPERTY AND EQUIPMENT**

	<u>Furniture, fixture and office equipment</u>	<u>Computer equipment</u>	<u>Leasehold improvement</u>	<u>Vehicles</u>	<u>Capital work in progress</u>	<u>Total</u>
<b>Cost:</b>						
Balance at 1 January 2021	2,665	2,264	5,704	-	44	10,677
Additions during the year	18	-	629	-	206	853
Disposals during the year	-	-	(18)	-	-	(18)
Transfers during the year	3	-	-	-	(3)	-
<b>Balance at 31 December 2021</b>	<b>2,686</b>	<b>2,264</b>	<b>6,315</b>	<b>-</b>	<b>247</b>	<b>11,512</b>
<b>Balance at 1 January 2022</b>	<b>2,686</b>	<b>2,264</b>	<b>6,315</b>	<b>-</b>	<b>247</b>	<b>11,512</b>
Additions during the year	29	-	-	391	297	717
Loss on fixed assets write offs	-	-	-	-	(149)	(149)
Transfers during the year	20	-	218	-	(238)	-
<b>Balance at 31 December 2022</b>	<b>2,735</b>	<b>2,264</b>	<b>6,533</b>	<b>391</b>	<b>157</b>	<b>12,080</b>
<b>Accumulated depreciation:</b>						
Balance at 1 January 2021	830	679	1,634	-	-	3,143
Charge for the year	397	467	690	-	-	1,554
Disposals during the year	-	-	(8)	-	-	(8)
<b>Balance at 31 December 2021</b>	<b>1,227</b>	<b>1,146</b>	<b>2,316</b>	<b>-</b>	<b>-</b>	<b>4,689</b>
<b>Balance at 1 January 2022</b>	<b>1,227</b>	<b>1,146</b>	<b>2,316</b>	<b>-</b>	<b>-</b>	<b>4,689</b>
Charge for the year	399	432	715	46	-	1,592
<b>Balance at 31 December 2022</b>	<b>1,626</b>	<b>1,578</b>	<b>3,031</b>	<b>46</b>	<b>-</b>	<b>6,281</b>
<b>Net book value as at:</b>						
31 December 2022	1,109	686	3,502	345	157	5,799
31 December 2021	1,459	1,118	3,999	-	247	6,823

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

	Note	31 December 2022	31 December 2021
Bank overdraft	11.1	137,689	-
Accrued salaries and employee related benefits		4,526	6,403
Accrued premises related expense		184	442
Accrued technology expense		767	179
Accrued professional fees		1,390	506
Others	11.2	10,895	1,291
		<u>155,451</u>	<u>8,821</u>

11.1 Bank overdraft represents overdraft taken from a local financial institution for Equity trading services.

11.2 Others mainly includes equity trading settlement of SR 10.04 million

**12. INCOME TAX**

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

	<u>For the year ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	6,965	3,246
Charge for the year	-	9,399
Prior year adjustments	(41)	-
Payments made during the year	(11,603)	(5,680)
Balance at the end of the year	<u>(4,679)</u>	<u>6,965</u>

Advance tax paid to ZATCA, as per Article 70 (a) of the Income Tax Law, amounted to SAR 4.67 million (31 December 2021: SAR 2.43 million) is included in prepayment and other receivables.

The Company has filed all tax returns until the year ended 31 December 2022, which are yet to be assessed.

**13. LEASE LIABILITY**

	<u>2022</u>	<u>2021</u>
Balance at 1 January	-	1,078
Additions during the year	5,499	-
Interest expense for the year	36	32
Payment for lease liability	(1,169)	(1,110)
Balance at 31 December	<u>4,366</u>	<u>-</u>
Lease liability on right-of-use asset – current	980	-
Lease liability on right-of-use asset – non current	3,386	-

**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.

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**14. EMPLOYEE BENEFIT OBLIGATIONS (continued)**

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

	<b>For the year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
Balance at the beginning of the year	1,184	918
Charge for the year	758	335
Payments made during the year	(104)	(69)
<b>Balance at the end of the year</b>	<b>1,838</b>	<b>1,184</b>

**15. SHARE CAPITAL**

As at 31 December 2022, the authorized, issued and fully paid-up share capital of the Company was SAR 187.5 million (31 December 2021: SAR 187.5 million) divided into 18.75 million shares (31 December 2021: 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 the 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. As of 31 December 2022, the Company has incurred net loss therefore no transfer was made to statutory reserve.

**17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

		<b>For the year 31 December</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
Membership and subscriptions	17.1	7,236	4,134
Interest on bank overdraft		4,348	-
Technology and communication		3,852	3,848
Consultancy and professional fees		2,482	1,922
Guarantee fee		358	1,043
Directors' fees		750	750
Travel and entertainment		329	40
Others		2,797	2,394
		<b>22,152</b>	<b>14,131</b>

17.1 This includes expenses charged by external parties for Brokerage services.

**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.

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

As at 31 December 2022, the Company's financial instruments comprises of bank balances, other receivables, bank overdraft and 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.

<b>31 December 2022</b>	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets not measured at fair value</b>					
Other receivables	151,574	-	-	151,574	151,574
Cash and cash equivalents	224,902	224,902	-	-	224,902
	<u>376,476</u>	<u>224,902</u>	<u>-</u>	<u>151,574</u>	<u>376,476</u>
<b>Financial liabilities not measured at fair value</b>					
Accrued expenses and other liabilities	150,926	-	-	150,926	150,926
<b>Total</b>	<u>150,926</u>	<u>-</u>	<u>-</u>	<u>150,926</u>	<u>150,926</u>
<b>31 December 2021</b>					
<b>Financial assets not measured at fair value</b>					
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>	<u>238,236</u>	<u>-</u>	<u>14,834</u>	<u>253,070</u>
<b>Financial liabilities not measured at fair value</b>					
Due to related parties	8,935	-	-	8,935	8,935
Accrued expenses and other liabilities	2,233	-	-	2,233	2,233
<b>Total</b>	<u>11,168</u>	<u>-</u>	<u>-</u>	<u>11,168</u>	<u>11,168</u>

**19. 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:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Cash at banks	224,902	238,236
Due from related parties	-	7,948
Other receivables	151,574	6,431
<b>Total</b>	<u>376,476</u>	<u>252,615</u>

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

**19.1 Credit risk (continued)**

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 2022.

Other receivables

Other receivables 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 2022, hence not significantly exposed to any profit rate risk.

**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 2022, 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 2022, 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 30 December 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:

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

	<u>2022</u>	<u>2021</u>
<b>Capital Base</b>		
Tier 1 Capital	<u>228,016</u>	<u>236,067</u>
<b>Minimum Capital Requirement:</b>		
Market Risk	1,943	1,754
Credit Risk	19,716	11,740
Operational Risk	<u>12,069</u>	<u>10,245</u>
Total Minimum Capital Required	<u>33,729</u>	<u>23,739</u>
<b>Capital Adequacy Ratio:</b>		
Total Capital Ratio (time)	6.76	9.94
Surplus in Capital	194,287	212,328

- 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 2022.

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. COVID-19 PENDAMIC**

COVID-19 is expected to continue to adversely affect global health and could negatively impact macroeconomic conditions in 2023. The extent of the impact remains uncertain and will largely depend on future developments in China, the U.S. and other countries, such as the severity and duration of the public health consequences, including the course of variants; the public response; and government actions. COVID-19 could again disrupt supply chains, worsen inflation and reduce economic activity. These factors could adversely impact Citi's businesses and results of operations and financial condition.

**23. RUSSIA-UKRAINE GEOPOLITICAL TENSIONS**

Russia's war in Ukraine has caused supply shocks in energy, food and other commodities markets, worsened inflation, increased cybersecurity risks, increased the risk of recession in Europe and heightened geopolitical tensions. Actions by Russia, and any further measures taken by the U.S. or its allies, could continue to have negative impacts on regional and global energy and other commodities and financial markets and macroeconomic conditions, adversely impacting jurisdictions where Citi operates and Citi's customers, clients and employees.

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.



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**24. SUBSEQUENT EVENTS**

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Byelaws if required. Consequently, the Company shall present the amended Articles of Association to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

There are no other material events subsequent to the reporting date that requires adjustment or disclosure in these financial statements.

**25. APPROVAL OF THE FINANCIAL STATEMENTS**

These financials statements were approved by the Board of Directors on 06 Ramadan 1444H, corresponding to 28 March 2023.