

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY
(A SAUDI COLSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FOR THE YEAR ENDED DECEMBER 31, 2022**

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Independent Auditor's Report

To the Shareholders of Natixis Saudi Arabia Investment Company

Opinion

We have audited the financial statements of **Natixis Saudi Arabia Investment Company (A Saudi Closed Joint Stock Company) ("The Company")**, which comprise the statement of financial position as at December 31, 2022, and statements of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard 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 (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements that are relevant to our audit of financial statements.

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 the International Financial Reporting Standard that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the regulations for companies and the company's bylaws, and for such internal control as management determines is necessary to enable the preparation of the financial statement 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.

The Board of Directors is 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 auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)**To The Shareholders of Natixis Saudi Arabia Investment Company****Auditor's responsibilities for the audit of the financial statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Branch'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, we are required to draw attention in our auditors' 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 auditors' 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.

Al-Kharashi Co.

Abdullah S. Al-Msned
License No.456



Riyadh:
Ramadan 8,1444H
March 30, 2023G

NATIXIS SAUDI ARABIA INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYAL UNLESS OTHERWISE STATED)

	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, and equipment, net	4	2,262,372	2,309,050
Right-of-use assets, net	5-1	1,277,027	1,702,702
Total non-current assets		3,539,399	4,011,752
Current assets			
Prepayments and other debit balances	6	559,071	341,027
Due from a related party	7-1	4,211,396	3,204,433
Cash and cash equivalents	8	43,470,266	50,205,958
Total current assets		48,240,733	53,751,418
Total assets		51,780,132	57,763,170
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	9	50,000,000	50,000,000
Accumulated losses		(3,048,838)	(1,802,496)
Total shareholders' equity		46,951,162	48,197,504
Non-current liabilities			
Long-term portion of leases liabilities	5-2	860,890	1,291,335
Employees' defined benefits obligations	11	266,895	143,232
Total non-current liabilities		1,127,785	1,434,567
Current liabilities			
Accrued and other credit balances	12	3,017,267	1,868,425
Due to a related party	7-1	113,876	5,837,893
Provision for income tax	16	139,597	-
Current portion of long term leases liabilities	5-2	430,445	424,781
Total current liabilities		3,701,185	8,131,099
Total liabilities		4,828,970	9,565,666
Total shareholders' equity and liabilities		51,780,132	57,763,170
Contingencies and commitments	13	-	-

The accompanying notes form an integral part of these financial statements.

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYAL UNLESS OTHERWISE STATED)**

	Note	For the year ended	
		31 December 2022	31 December 2021
Revenue			
Income from service support fee	7-2	8,709,248	7,448,245
Income from underwriting services		-	949,354
Operating expenses			
Salaries and employee related costs	14	4,267,347	4,209,612
Expense related to Master Service Agreement	7-2	1,366,500	1,366,501
General and administrative expenses	15	3,615,006	3,065,898
Depreciation of property, and equipment	4	600,538	58,255
Depreciation of right-of-use assets	5	425,675	319,257
		(10,275,066)	(9,019,523)
Loss from operations		(1,565,818)	(621,924)
Other income/(loss)			
Special commission income on term deposits		460,222	167,006
Loss on disposal of property, and equipment	4	(1,149)	-
Loss for the year before income tax		(1,106,745)	(454,918)
Income tax charge	16	(139,597)	-
Net loss for the year		(1,246,342)	(454,918)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(1,246,342)	(454,918)

The accompanying notes form an integral part of these financial statements.

NATIXIS SAUDI ARABIA INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(ALL AMOUNTS ARE IN SAUDI RIYAL UNLESS OTHERWISE STATED)

	<u>Share Capital</u>	<u>Accumulate d losses</u>	<u>Total shareholders' equity</u>
Balance as at January 1, 2021	50,000,000	(1,347,578)	48,652,422
Net loss for the year	-	(454,918)	(454,918)
Other comprehensive income for the year	-	-	-
Balance as at December 31, 2021	<u>50,000,000</u>	<u>(1,802,496)</u>	<u>48,197,504</u>
Balance as at January 1, 2022	50,000,000	(1,802,496)	48,197,504
Net loss for the year	-	(1,246,342)	(1,246,342)
Other comprehensive income for the year	-	-	-
Balance as at December 31,2022	<u>50,000,000</u>	<u>(3,048,838)</u>	<u>46,951,162</u>

The accompanying notes form an integral part of these financial statements.

NATIXIS SAUDI ARABIA INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(ALL AMOUNTS ARE IN SAUDI RIYAL UNLESS OTHERWISE STATED)

	Note	For the year ended	
		31 December 2022	31 December 2021
Cash flows from operating activities			
loss for the year before income tax		(1,106,745)	(454,918)
Adjustment for non-cash items			
Depreciation of property and equipment	4	600,538	319,257
Depreciation of right-of-use assets	5	425,675	58,255
Provision for Employees' defined benefits obligations expense	11	123,663	57,777
Loss on disposal of property and equipment		1,149	-
		44,280	(19,629)
Changes in working capital			
Prepayments and other debit balances		(218,044)	(580,413)
Due from a related party		(1,006,963)	2,082,886
Accrued and other credit balances		1,148,842	4,150,321
Due to a related party		(5,724,017)	4,355,379
Net cash flows (used in)/ generated from operating activity		(5,755,902)	9,988,544
Cash flows from investing activity			
Additions to property and equipment	4	(555,009)	(4,352,777)
Net cash flows used in investing activity		(555,009)	(4,352,777)
Cash flows from financing activity			
Repayment of lease liabilities	5	(424,781)	(305,843)
Net cash flows used in financing activity		(424,781)	(305,843)
Net change in cash and cash equivalents		(6,735,692)	5,329,924
Cash and cash equivalents at the beginning of the year		50,205,958	44,876,034
Cash and cash equivalents at the end of the year	8	43,470,266	50,205,958

The accompanying notes form an integral part of these financial statements.

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(ALL AMOUNTS ARE IN SAUDI RIYAL UNLESS OTHERWISE STATED)**

1. GENERAL INFORMATION

Natixis Saudi Arabia Investment Company is a Saudi Closed Joint Stock Company. The Company was registered as a Saudi Closed Joint Stock Company in the Kingdom of Saudi Arabia under Commercial Registration number 1010616683 issued in Riyadh on Rabi II 14, 1441H (corresponding to December 12, 2019) and the Capital Market Authority (“CMA”) license number 19205-31 dated Muharam 25, 1441H (corresponding to September 24, 2019).

As per the Articles of Association of the Company, the Company’s first fiscal period under legal status of a Saudi Closed Joint Stock Company was from the date of commercial registration as a Saudi Closed Joint Stock Company i.e. December 12, 2019 and ended on December 31, 2020 of the following year i.e. December 31, 2020. The Company’s statutory financial statements for the subsequent years are prepared from January 1 to December 31 of each Gregorian year.

The objectives of the Company are to conduct dealing (as an underwriter) and arranging services. The Company has further updated its licensed activities and cancelled the advising license. The Company obtained the CMA’s approval to operate with Dealing and Arranging licenses on September 20, 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements has been prepared 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”).

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis, except for employees’ defined benefit obligations carried at present value using Projected Unit Credit Method. These financial statements have been prepared using the accrual basis of accounting and the concept of continuity.

2.3 Functional currency and presentation currency

The financial statements are presented in Saudi Arabian Riyals (SAR), which is the Company’s functional currency.

2.4 New standards and interpretations issued but not effective

The application of the following amendments to the current standards does not have any significant financial impact on the financial statements of the Company in the current period or previous periods, and it is expected that they will not have a significant impact in future periods:

- Amendments to IFRS 16 (Lease Contracts) regarding the effects of COVID-19.
- Amendment to IFRS 3 (Business Combination), IAS 16 (Property, Plant & Equipment) & IAS 37, (Provisions, contingent liabilities and assets).
- Amendments to International Financial Reporting Standard No. 16 and International Financial Reporting Standard No. 7 regarding the correction of interest rate measurement – Phase Two.

2. BASIS OF PREPARATION (Continued)

2.4 New standards and interpretations issued but not effective (Continued)

A number of new declarations are effective for annual periods beginning on or after January 1, 2023, with early application permitted. However, the Company did not implement early application of the new or amended standards in preparing these financial statements.

Standards issued but not yet effective

Standards / Interpretations	Description	Effective from periods beginning on or after the following date
Amendments to IAS 1 and IFRS 2 Practice Statement	Disclosure of accounting policies and the exercise of judgments regarding materiality	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	January 1, 2023

The Company is evaluating the effects of the above standards, amendments, and interpretations on the Company's financial statements.

2.5 Use of estimates and judgments

The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses declared and disclosure of potential liabilities at the date of the financial statements and the amounts of revenue and expenses declared during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an going basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

- Estimated useful life of property, and equipment.
- Employees' defined benefit obligations.

Estimated useful lives of property, and equipment

The Company's management determines the estimated useful lives of property and equipment for the purpose of calculating depreciation. These estimates are determined after considering the expected usage of the assets or the depreciation to which these assets are exposed. The management reviews the residual value and the useful lives annually, and the annual depreciation expenses are adjusted when the management believes that the useful lives differ from previous estimates.

2. BASIS OF PREPARATION (Continued)

2.5 Use of estimates and judgments (Continued)

Employees' defined benefit obligations

The Company's net obligation in respect of defined benefit programs is calculated by estimating the value of future benefits that employees received in exchange for their service in the current and prior periods. These obligations are discounted to determine their present value and the fair value of any assets is discounted.

The present value of the obligation is determined based on the actuarial valuation at the statement of financial position date by an independent expert using the unit projected credit method which recognizes each service period as leading to an additional unit of employee benefits and measures. The liability is measured at the present value of the estimated future cash flows. The discount rates used to determine the present value of the obligation under the defined benefit plan are determined by reference to the yield on US bonds (since the Riyal is pegged to the US dollar), adjusted for any additional risks.

3. Summary of significant accounting policies

3- 1 Property & equipment, and depreciation

3-1-1 Recognition and measurement

- Property, and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any.
- Cost includes expenditures that are directly attributable to the acquisition of the asset and necessary to have the asset ready for use in the purpose for which the asset was acquired.
- Where parts of an item of property, and equipment have different useful lives, they are accounted for as separate items of property, and equipment.
- The gains and losses from disposal of property, plant and equipment are recognized in statement of comprehensive loss.

3-1-2 Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

3-1-3 Depreciation

Depreciation is charged to the statement of comprehensive loss on a straight line basis over the estimated useful lives of each type of asset or useful lives of major parts of an item of property, plant and equipment which are accounted for individually.

The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Office equipment	5-10
IT equipment	3

Useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive loss.

3. Summary of significant accounting policies (Continued)

3- 2 Financial instruments

A- Classification and measurement of financial assets

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company records investments on a 'trade date' basis.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost, which results in an impairment charge being recognised in the statement of income when an asset is newly originated.

Classification and subsequent measurement of financial assets

On initial recognition, the Company classifies its financial assets in the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

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.

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL.

Factors considered by the Company in determining the business model for a group of assets include:

- past experience on how the cash flows for these assets were collected.
- how the asset's performance is internally evaluated and reported to key management personnel.
- how risks are assessed and managed; and
- and how managers are compensated.

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.

Securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVPL.

3. Summary of significant accounting policies (Continued)

A- Classification and subsequent measurement of financial assets (Continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and interest (the "SPPI" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The SPPI assessment is performed on initial recognition of an asset and it is not subsequently re-assessed, Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPP, and that are not designated at FVPL, are measured at amortized cost.

Fair value through profit or loss (FVPL)

If debt instrument's cash flows do not represent solely SPPI or if it is not held within the held to collect or the held to collect and sell business model, or if it is designated as FVPL, then it is measured at FVPL. A gain or loss on a debt investment measured at FVPL, where cash flows do not represent SPPI, is recognised in the statement of income, within "Net gain / (loss) on investments mandatorily measured at FVPL", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are held for trading are presented separately from debt investments that are mandatorily measured at fair value through statement of income, within "Net gain / (loss) in investments designated at FVPL or held for trading".

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 FVPL, 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 amortised cost which are recognized in statement of income. When the debt financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income, The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period. Currently, deposit with bank, accounts receivable and other receivables are carried at amortised cost.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company subsequently measures all equity investments at FVPL, 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 recognised in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. On disposal, fair value gain/losses in fair value reserve is transferred directly to retained earnings. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

3. Summary of significant accounting policies (Continued)

B- Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instrument assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- i. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
- ii. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- iii. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- iv. Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- v. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should be consider forward-looking information.
- vi. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Stage 1: (Initial recognition) 12-month expected credit losses

Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses

Stage 3: (Credit impaired assets) Lifetime expected credit losses.

The financial assets of the Company which are subjected to ECL review include bank balances, accounts receivable and other receivables.

The impact of ECL on the financial assets of the Company is immaterial.

A significant exposure of the Company is held as placement with the Bank which has a sound credit rating as at the reporting date and the Company considers that it has low credit risk. The rating of the Bank as at December 31, 2022 was “A2” as per Moody’s credit rating.

1. Stages of Impairment under IFRS 9

The impairment approach of IFRS 9 provides a framework for Expected Credit Losses (ECL) where in, the assets have to be segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial asset. The three stages differ in terms of recognition of expected credit losses and the presentation of interest revenue.

3. Summary of significant accounting policies (Continued)

B- Impairment of financial assets (Continued)

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Company's existing credit risk management standards for acceptable credit quality. Overall, the financial assets falling under this category have the following characteristics at minimum:

- Adequate capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability to fulfil its obligations.

Stage 2 - Financial Assets with significant increase in credit risk

These are financial assets whose credit quality has deteriorated significantly since origination but do not have objective evidence of impairment.

Stage 3 - Credit impaired financial assets.

Financial assets classified under this category have exceeded either the objective thresholds set by the Company i.e. have defaulted or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

The Company considers "Default" event when the obligor is unlikely to pay for its credit obligations in full, without recourse by the Company to the actions such as realizing security (if held).

C- Financial liabilities

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVPL where transactions cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of income.

Subsequently, all special commission bearing financial liabilities other than those held at FVPL are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

D- Fair valuation of financial instruments

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

3. Summary of significant accounting policies (Continued)

E- Derecognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

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- 3 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash with local and foreign banks and financial institutions and cash on hand. For the purpose of statement of cash flows, cash and cash equivalent include cash at bank and term deposits with original maturity of three months or less on the date of acquisition, if any.

3- 4 Impairment of non-current assets

The Company reviews its non-current assets for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value-in-use.

Non-current assets that suffer impairment loss are reviewed for possible reversal of the impairment at each reporting date. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount is reversed (except for goodwill) and recorded as income in the statement of income in the year in which such reversal is determined.

3- 5 Accrued and other current liabilities

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company. The Company is carrying these at amortized cost.

3- 6 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount can be estimated reliably.

3. Summary of significant accounting policies (Continued)

3- 7 Revenue recognition

The Company recognizes revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price

For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue

The Company recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the five-step model, the revenue recognition policies for the various revenue streams are as follows:

Advisory services

Income from advisory services is recognised based on services rendered as being complete in accordance with the underlying agreement / contract using the five-step approach to revenue recognition above.

Normally revenue recognition of retainer fees is recognized over a period of time, in case if an advance payment is received to perform future obligations. Generally, it is linked to timing of performance obligation. For example, monthly, quarterly, etc. In that case the income from retainer fees is to be recognized on timely basis.

In some cases, accrual of the retainer fees is linked to agreed milestones. If the terms of retainer fees are linked to such performance obligations, then upon satisfaction of such performance obligations, that is, on fulfilment of terms as per the contract with the customers.

Success fees, as the name indicates, the revenue is recognised upon fulfilment of performance obligations. For example, achievement of certain objectives as a financial advisor.

Arranging services

Income from arranging services is recognised on an accrual basis when the agreed services are provided.

Special commission income

Special commission income is recognised on an accrual basis based on effective commission rate method.

Income from Service Level agreement / Master Service agreement

The entity enters into transactions with another company that falls within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. Related parties comprise of companies/entities under common ownership and/or common management control and key management personnel. The management decides on the terms and conditions of transactions and of services received/rendered from/to related parties as well as other charges.

Income from underwriting services:

3. Summary of significant accounting policies (Continued)

3-7 Revenue recognition (Continued)

Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

3- 8 Zakat and income taxes

The Company is subject to income tax in accordance with the regulation of the Zakat, Tax and Customs Authority ("ZATCA"). Income taxes are charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred tax is provided in full, if material, using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all

deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable

profit will be available against which the deductible temporary differences can be utilized. Deferred 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 realised or the deferred tax liability is settled.

Deferred tax relating to items recognised outside statement of income is recognised either in statement of comprehensive income or directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Value added tax ("VAT")

The Company is subject to VAT in accordance with the regulations in the Kingdom of Saudi Arabia. Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

VAT that is not recoverable is charged to the statement of income as expense.

3. Summary of significant accounting policies (Continued)

3-9 Leases

Rental contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life,

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in statement of of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture , Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

3. Summary of significant accounting policies (Continued)

3- 10 Foreign currency translation and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of income, within finance costs. All other foreign exchange gains and losses are presented in the statement of income on a net basis within other gains / (losses), if any.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in statement of income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at FVOCI are recognised in other comprehensive income.

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4- PROPERTY, AND EQUIPMENT

	IT equipment	Office equipment	Total
Cost			
Balance as at 1 January,2022	-	2,385,943	2,385,943
Additions	249,561	305,448	555,009
Disposals	-	(5,910)	(5,910)
Balance as at 31 December, 2022	249,561	2,685,481	2,935,042
Accumulated depreciation			
Balance as at 1 January,2022	-	76,893	76,893
Charged for the year	60,281	540,257	600,538
Disposals	-	(4,761)	(4,761)
Balance as at 31 December, 2022	60,281	612,389	672,670
Net book value			
As at 31 December, 2022	189,280	2,073,092	2,262,372
As at 31 December, 2021	-	2,309,050	2,309,050

5- LEASES

5/1- RIGHT OF USE ASSETS, NET

Right-of-use assets movement during the year is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	1,702,702	-
Additions during the year	-	2,021,959
Deprecation charged for the year	(425,675)	(319,257)
Balance at the end of the year	1,277,027	1,702,702

5/2- LEASE LIABILITIES

Lease liabilities movement during the year is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	1,716,116	-
Additions during the year	-	2,021,959
Finance cost	-	-
Repayments of lease liability during the year	(424,781)	(305,843)
Balance at the end of the year	1,291,335	1,716,116

Lease liabilities classified as follows:

Current portion	430,445	424,781
Non-current portion	860,890	1,291,335
Balance at the end of the year	1,291,335	1,716,116

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6- PREPAYMENTS, AND OTHER DEBIT BALANCES

	31 December 2022	31 December 2021
Prepaid license fees	141,917	203,917
Prepaid insurance	23,597	58,190
Office deposit	35,460	35,460
VAT receivables	263,276	-
Other receivables	94,821	43,460
	559,071	341,027

7- RELATED PARTY TRANSACTION AND BALANCE

7.1 Related party balances

	31 December 2022	31 December 2021
Due from a related party- Natixis Dubai - (Affiliate)	4,211,396	3,204,433
Due to a related party - Natixis Dubai - (Affiliate)	(113,876)	(5,837,893)

7.2 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	31 December 2022	31 December 2021
Natixis Dubai DIFC - Affiliate		
Income from service level agreement	8,709,248	7,448,245
Expense related to Master Service Agreement	(1,366,500)	(1,366,501)
Expenses related to recharge from Natixis Dubai	-	(5,379,673)

Service Level Agreement

The Company has entered into a Service Level Agreement with a related party, the conditions upon which it agrees to provide the related party client relationship management services in relation to Global Market activities. In consideration of services provided to related party, the Company will recharge an amount equal to 85% of the total amount of costs and expenses incurred in the performance of service plus a 15% margin.

Master Service Agreement

The Company has outsourced certain support function services to a related party as per the master service agreement between the two entities. The outsourced services include finance, information technology, human resources, operations and other support services. The costs are agreed and allocated based on terms of the said agreements and are payable annually in arrears. The cost agreed for these outsourced services amount to Saudi Riyals 1,366,500 for the year ended December 31, 2022.

8- CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash at bank - current account	43,470,266	10,205,958
Term deposit	-	40,000,000
	43,470,266	50,205,958

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9- SHARE CAPITAL

The authorized and paid up share capital of the Company is divided into 5,000,000 shares of Saudi Riyals 10 each. The shareholding of the Company for the year ended December 31, 2022, and 2021 is as follows:

<u>Shareholder</u>	<u>Country of origin</u>	<u>Shareholding</u>	<u>Amount</u>
Natixis	France	100%	50,000,000
		100%	50,000,000

10- STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's by-laws, 10% of the net income is required to be transferred to statutory reserve until the reserve equals at least 30% of the share capital of the Company.

The Company has incurred a net loss for the year ended December 31, 2022 amounting to Saudi Riyals 1,246,342 (2021: Saudi Riyals 454,918), therefore, no transfer to statutory reserve has been made. Transfers will be made once the accumulated losses have been exhausted.

11- EMPLOYEE DEFINED BENEFIT OBLIGATIONS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Opening balance	143,232	85,455
Current service cost	123,663	57,777
Closing balance	266,895	143,232

The management believes that the difference between the actuarial calculation and Saudi labor law is immaterial, hence the management has decided to record the employee defined benefit obligations based on the Saudi labor law.

12- Accrued and other credit balances

	<u>31 December 2022</u>	<u>31 December 2021</u>
Accrued bonus and other employee cost	1,251,033	1,223,278
Accrued professional fees	460,029	243,993
Board members' fee	270,833	70,400
Withholding tax accruals	1,002,160	-
Other accrued expenses	33,212	330,754
	3,017,267	1,868,425

13- CONTINGENCIES AND COMMITMENTS

There were no contingencies as at December 31, 2022, and 2021.

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14- SALARIES AND EMPLOYEES RELATED COSTS

	For the year ended	
	31 December 2022	31 December 2021
Salary Expense	3,259,753	2,798,206
Bonus Provision	585,053	1,082,685
GOSI pension fee	261,135	190,421
Employees defined benefit obligations expense	123,663	57,777
Life insurance expense	18,975	46,716
Medical insurance expense	18,768	33,807
Total salaries and employees related	4,267,347	4,209,612

15- GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	31 December, 2022	31 December, 2021
Professional fees	1,590,817	1,596,467
Withholding taxes and bank charges	1,137,749	417,980
Travel services	299,410	72,475
Registration and license fees	167,000	102,916
Rentals	-	785,385
Other	420,030	90,675
	3,615,006	3,065,898

16- INCOME TAX

	31 December 2022	31 December 2021
Loss for the year before tax	(1,106,746)	(454,918)
Adjustments:		
Accounting depreciation	1,026,213	76,893
Loss on disposal of property, and equipment	1,149	-
Life insurance	17,236	20,705
Penalties	715	-
Provision for employees' defined benefit obligation	123,663	57,777
Tax expense	1,109,828	408,683
Less: Allowable deductions		
Depreciation per scale rates	(241,413)	(303,411)
Adjusted income/(loss)	930,645	(194,271)
Less: Losses brought forward	(232,661)	-
Net taxable income/(loss)	697,984	(194,271)
Tax rate	20%	20%
Provision for income tax	139,597	-

The Company has submitted its tax returns for the years ended December 31, 2020, and December 31, 2021, and has obtained the final tax certificate which is valid until April 30, 2023.

On January 17, 2022, the Company received assessments related to the month of December 2021. In this regard, the company settled the amount of SAR 7,307. Accordingly, this month is closed.

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17- FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commission rate risks and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further, quantitative disclosures are included throughout these financial statements.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

17.1 Market risk

a) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Exposure:

The currency conversion rate between the United States Dollars ("USD") and Saudi Riyals is pegged and has remained constant over the past several years. Currency risk arises on Company's transactions denominated in Euro, Bahraini Dinar, Pound Sterling, and United Arab Emirates Dirham, the effect is immaterial as no material fluctuation in in currency rates between SAR and these other currencies. The Company does not hedge against foreign currency risk.

b) Commission rate risk

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows.

Exposure:

The Company's commission rate risks arise mainly from its term deposits which are at floating rate of commission and are subject to re-pricing on a regular basis. Management monitors the changes in commission rates.

	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
Commission rate risk					
December 31, 2022					
Assets					
Cash and cash equivalents	-	-	-	43,470,266	43,470,266
Due from a related party	-	-	-	4,211,396	4,211,396
Total financial assets	-	-	-	47,681,662	47,681,662
Due to related party	-	-	-	(113,876)	(113,876)
Accrued and other credit balances	-	-	-	(3,017,267)	(3,017,267)
Lease liabilities	-	(430,445)	(860,890)	-	(1,291,335)
Total financial liabilities	-	(430,445)	(860,890)	(3,131,143)	(4,422,478)
Cumulative commission rate sensitivity gap	-	(430,445)	(860,890)	44,550,519	43,259,184

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17- FINANCIAL RISK MANAGEMENT (continued)

b) Commission rate risk (continued)

	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
Commission rate risk					
December 31, 2021					
Assets					
Cash and cash equivalents	40,000,000	-	-	10,205,958	50,205,958
Due from a related party	-	-	-	3,204,433	3,204,433
Total financial assets	40,000,000	-	-	13,410,391	53,410,391
Due to related party	-	-	-	(5,837,893)	(5,837,893)
Accrued and other credit balances	-	-	-	(1,868,425)	(1,868,425)
Lease Liabilities	-	(424,781)	(1,291,335)	-	(1,716,116)
Total financial liabilities	-	(424,781)	(1,291,335)	(7,706,318)	(9,422,434)
Cumulative commission rate sensitivity gap	40,000,000	(424,781)	(1,291,335)	5,704,073	43,987,957

C) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result 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. The Company is not exposed to price risk as there are no financial assets held by the Company which are carried at fair value.

17.2 Credit risk

Credit risk is the risk that one party to the agreement will fail to discharge its obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities (pertaining to cash and cash equivalents, accounts receivable, due from related party and other receivables). Outstanding accounts receivables are regularly monitored, and any credit concerns highlighted to senior management. The cash and cash equivalents is with a low credit risk bank therefore no expected credit loss is booked.

The entity has concentration risk, as the entity has only one supplier (Natixis Dubai), and has no transactions with customers in the current year (one transaction with customer 2021). The revenue figures are based on the service level agreement with Natixis Dubai "affiliate entity".

Credit quality analysis

The following table sets out the credit analysis for financial assets as at December 31, 2022.\

Financial assets	Investment grade	Non-investment grade	Unrated	Total
As at December 31, 2022				
Cash and cash equivalents	43,470,266	-	-	43,470,266
Total	43,470,266	-	-	43,470,266
Financial assets	Investment grade	Non-investment grade	Unrated	Total
As at December 31, 2021				
Cash and cash equivalents	50,205,958	-	-	50,205,958
Total	50,205,958	-	-	50,205,958

17- FINANCIAL RISK MANAGEMENT (continued)

17.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at December 31, 2022				
Due to a related party	113,876	-	-	113,876
Accrued and other credit balances	3,017,267	-	-	3,017,267
Lease Liabilities	430,445	860,890	-	1,291,335
	3,561,588	860,890	-	4,422,478

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at December 31, 2021				
Due to a related party	5,837,893	-	-	5,837,893
Accrued and other credit balances	1,868,425	-	-	1,868,425
Lease Liabilities	424,781	1,291,335	-	1,716,116
	8,131,099	1,291,335	-	9,422,434

17.4 Capital risk management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholder by pricing products and services commensuration with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth. For capital adequacy working.

17.4.1 Capital Adequacy Requirement

In accordance with Article 74 (b) of the Prudential Rules issued by the CMA (the Rules), given below are the capital base, minimum capital requirement and total capital ratios as at December 31

17- FINANCIAL RISK MANAGEMENT (continued)

17.4 Capital risk management (continued)

	Saudi Riyals in thousands	
	As at 31 December, 2022	As at 31 December, 2021
Capital base		
Tier-I Capital	46,951	48,197
Tier-II Capital	-	-
Total capital base	46,951	48,197
Minimum capital requirement		
Market Risk	-	-
Credit Risk	7,298	6,461
Operational Risk	2,255	2,255
Total minimum capital requirement	9,553	8,716
Capital Adequacy Ratio		
Total capital ratio (times)	4.91	5.53
Surplus in capital	37,398	39,481

- (a) The above information has been extracted from the Company's Capital Adequacy Model for the period from January 1, 2022 to December 31, 2022 to be submitted to CMA.
- (b) The Capital Base consists of Tier 1 Capital and Tier 2 Capital calculated as per Article 4 and 5 of the Rules respectively. The Minimum Capital Requirements for Market, Credit and Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.
- (c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

17.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective in managing operational risk is to ensure control of the resources by protecting the assets of the Company and minimising the potential for financial loss.

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. The management of operational risk has a key objective of minimising the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(ALL AMOUNTS ARE IN SAUDI RIYAL UNLESS OTHERWISE STATED)**

18- Fair value estimation

As at December 31, 2022, the fair values of the Company's financial instruments are estimated to approximate their carrying values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses observable market 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 prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the year ended December 31, 2022, there were no transfers into or out of Level 3 fair value measurements.

Financial instruments by category

All financial assets and financial liabilities are classified under amortised cost category.

	Measurement category	As at December 31, 2022	As at December 31, 2021
Financial assets			
Cash and cash equivalents	Amortised cost	43,470,266	50,205,958
Due from a related party	Amortised cost	4,211,396	3,204,433
Prepayments and other debit balances	Amortised cost	559,071	341,027
Total financial assets		48,240,733	53,751,418
Financial liabilities			
Accrued and other credit balances	Amortised cost	3,017,267	1,868,425
Lease liabilities	Amortised cost	1,291,335	1,716,116
Due to a related party	Amortised cost	113,876	5,837,893
Total financial liabilities		4,422,478	9,422,434

19- APPROVAL OF THE FINACIAL STATEMENTS:

These financial statements were approved by the Company's Board of Directors on 06 Ramadan, 1444H (Corresponding to 28 March 2023).