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A) Investment Fund Information

أ) معلومات صندوق الاستثمار

1) Name of the Investment Fund SNB Capital US Dollar Sukuk Fund	1) اسم صندوق الاستثمار صندوق الأهلي للصكوك بالدولار الأمريكي
2) Investment Objectives and Policies <ul style="list-style-type: none"> Fund's Objectives: The Fund aims to provide competitive returns through investing in Sukuk, Murabaha and other Sharia-compliant fixed income instruments. Investment Policies and Practices: The Fund mainly invests in Sharia compliant fixed income instruments such as: Sukuk, Sharia compliant money market transactions including, but not limited to Murabaha, Wakala, Mudaraba and Musharaka transactions, and alternatives of swaps, repo and reverse repos, as well as structured certificates and asset-backed securities. 	2) أهداف وسياسات الاستثمار وممارساته <ul style="list-style-type: none"> أهداف الصندوق: يهدف الصندوق إلى تقديم عوائد منافسة عن طريق الاستثمار في الصكوك وصفقات المربحة بالإضافة إلى أدوات الدخل الثابت الأخرى المتوافقة مع الضوابط الشرعية. سياسات الاستثمار وممارساته: يستثمر الصندوق بشكل أساسي في أدوات الدخل الثابت المتوافقة مع ضوابط اللجنة الشرعية مثل: الصكوك، وصفقات أسواق النقد المتوافقة مع الشريعة وتشمل: المربحة والوكالة والمضاربة والمشاركة، والبدائل الشرعية لاتفاقيات المبادلة، واتفاقيات إعادة الشراء وإعادة الشراء المعاكس، بالإضافة إلى المنتجات المهيكلية والأوراق المالية المدعومة بأصول.
3) Distribution of Income & Gain Policy Income and dividends will be reinvested in the Fund. No income or dividends will be distributed to Unitholders.	3) سياسة توزيع الدخل والأرباح يتم إعادة استثمار الدخل والأرباح في الصندوق، ولا يتم توزيع أي دخل وأرباح على مالكي الوحدات.
4) The fund's reports are available upon request free of charge.	4) تتاح تقارير الصندوق عند الطلب وبدون مقابل.
5) The fund's benchmark and the service provider's website (if any) 10% of the 30-day rolling average of the 1 month USD London Interbank Bid Rate (LIBID) and 90% of the S&P Dow Jones Sukuk Total Return Index return. For more information, please visit Thomson Reuters website.	5) المؤشر الاسترشادي للصندوق، والموقع الإلكتروني لمزود الخدمة (إن وجد) 10% من المعدل المتحرك لآخر (30) يوم لنسبة العوائد بين البنوك على الدولار الأمريكي (لايبيد) + 90% من مؤشر (P&S) داو جونز للعائد الكلي على الصكوك. ولمزيد من المعلومات، يرجى زيارة موقع شركة تومسون رويترز.

B) Fund Performance

ب) أداء الصندوق

- 1) A comparative table covering the last three financial years/or since inception, highlighting: جدول مقارنة يغطي السنوات المالية الثلاث الأخيرة/ أو منذ التأسيس، يوضح:

Year	2022	2021	2020	السنة
NAV*	12,605.360	17,843,959	17,048,611.38	صافي قيمة أصول الصندوق*
NAV per Unit*	1.17	1.24	1.24	صافي قيمة أصول الصندوق لكل وحدة*
Highest Price per Unit*	1.24	1.25	1.24	أعلى سعر وحدة*
Lowest Price per Unit *	1.14	1.22	1.13	أقل سعر وحدة*
Number of Units	10,771,000	14,401,243	13,742,256	عدد الوحدات
Income Distribution Per Unit	N/A	N/A	N/A	قيمة الأرباح الموزعة لكل وحدة
Fees & Expense Ratio	1.08%	1.03%	1.05%	نسبة الرسوم والمصروفات
Percentage of borrowed assets from the total asset value, the period of their exposure period and due date (if any)	N/A	N/A	N/A	نسبة الأصول المقرضة من إجمالي قيمة الأصول، ومدة انكشافها وتاريخ استحقاقها (إن وجدت)

*In USD *بالدولار الأمريكي

- 2) A performance record that covers the following: سجل أداء يغطي ما يلي:

- a. The total return for the fund compared to the benchmark for 1 year, 3 years, 5 years and since inception: أ. العائد الإجمالي للصندوق مقارنة بالمؤشر لسنة واحدة، ثلاث سنوات، خمس سنوات ومنذ التأسيس:

Period	Since Inception منذ التأسيس	5 Years 5 سنوات	3 Years 3 سنوات	1 Year سنة	الفترة
Return %	1.23	1.44	-0.10	-5.58	عائد الصندوق %
Benchmark %	1.50	1.44	0.11	-6.90	عائد المؤشر %

- b. The annual total return for the fund compared to the benchmark for the last 10 years/ or since inception: ب. العائد الإجمالي السنوي للصندوق مقارنة بالمؤشر للعشر سنوات الماضية/ أو منذ التأسيس:

Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	السنة
Return %	-5.58	-0.09	5.68	7.84	-0.07	2.28	0.61	0.24	0.58	0.34	عائد الصندوق %
Benchmark %	-6.90	0.72	7	9.79	0.57	4.05	3.77	-0.61	0.12	0.19	عائد المؤشر %

c. Actual fees and fund expenses paid by the investment fund during the year as a percentage of average Net Asset Value:

ج. مقابل الخدمات والعمولات والأتعاب التي دفعها الصندوق على مدار العام كنسبة مئوية من متوسط صافي قيمة أصول الصندوق:

Fees and Expenses	ألف دولار USD '000	النسبة المئوية %	الرسوم والمصروفات
Management Fees	109	%0.75	أتعاب الإدارة
VAT on Management Fees	16	%0.11	ضريبة القيمة المضافة على أتعاب الإدارة
Custodian Fees	1	%0.01	رسوم الحفظ
Auditor Fees	16	%0.13	أتعاب مراجع الحسابات
Fund Admin Expenses	4	%0.03	مصاريف العمليات الإدارية
CMA Fees	5	%0.04	رسوم هيئة السوق المالية
Tadawul Fees	0	%0.00	رسوم نشر معلومات الصندوق على موقع تداول
Shariah Committee Fees	1	%0.01	أتعاب خدمات اللجنة الشرعية
Independent Fund Board Remunerations	0	%0.00	مكافآت أعضاء مجلس إدارة الصندوق المستقلين
Total Fees and Expenses	152	%1.08	مجموع الرسوم والمصاريف

3) Material Changes

3) تغيرات جوهرية حدثت خلال الفترة

Economic Outlook:

نظرة عامة على أداء الاقتصاد:

- قامت اللجنة الفيدرالية الأمريكية للسوق المفتوحة (FOMC) بتطبيق سياسة نقدية متشددة خلال العام 2022م، بحيث قامت برفع سعر الفائدة الفيدرالي بشكل متتالي ومتزايد من شهر مارس الى ديسمبر من العام بإجمالي 425 نقطة أساس ليصل لنطاق سعر الفائدة بين 4.25% و 4.50% في نهاية العام.
- كما قامت اللجنة الفيدرالية أيضاً بخفض أصول الميزانية تدريجياً حيث بلغت ما يعادل 8.9 ترليون دولار أمريكي بحد أقصى خلال شهر ابريل من العام، والتي ارتفعت نتيجة لبرنامج التيسير الكمي الذي استهدف دعم الائتمان والاقتصاد. وتعود قرارات اللجنة لارتفاع مستويات التضخم فوق المستهدف وتحسن مستويات البطالة.
- ارتفع منحى عوائد سندات الخزينة الأمريكية خلال العام، بحيث ارتفعت عوائد السندات قصيرة الأجل بشكل أكبر مقارنة بعوائد السندات طويلة الأجل ويعود ذلك إلى مخاوف متعلقة بتشديد السياسة النقدية وتأثيرها المتوقع على نمو الاقتصاد؛ ارتفع عائد سندات الخزينة لستين بمقدار 363 نقطة أساس (من 0.7% إلى 4.4%)، وارتفع عائد سندات الخزينة لـ 5 سنوات بمقدار 268 نقطة أساس (من 1.3% إلى 3.9%)، وارتفع عائد سندات الخزينة لـ 10 سنوات بمقدار 231 نقطة أساس (من 1.5% إلى 3.8%).
- توجهت البنوك المركزية عالمياً الى تشديد السياسة النقدية خلال العام، حيث قام البنك المركزي السعودي (ساما) أيضاً برفع معدلات اتفاقيات إعادة

- 268 bps (from 1.3% to 3.9%), while the 10-Year treasury yield increased by 231 bps (from 1.5% to 3.8%).
- Tightening Monetary actions by central banks was a worldwide trend in 2022, the Saudi Central Bank (SAMA) followed and hiked its policy rates by a total of 400 Bps during the year, taking the Repo and Reverse Repo to 5.00% and 4.50% respectively.
 - Saudi Riyal liquidity was another key topic in the local market for 2022, excess SAR liquidity - measured by the net daily average reverse repo volumes - broadly fluctuated throughout the year peaking at SAR 107 Bln in July 2022 compared to a 5-year low point of SAR 5.8 Bln in May 2022. Broader money supply (M3) steadily increased during the year reaching SAR 2.5 Tln equivalent to +8% YoY.
 - Similarly, the SAR Sovereign Sukuk yield curve experienced an upward shift; 2-year Sukuk yield increased by 357 bps (from 1.0% to 4.6%), 5-Year Sukuk yield increased by 185 bps (from 2.2% to 4.1%), while the 10-Year Sukuk yield increased by 166 bps (from 2.9% to 4.5%).
 - The benchmark Saudi Riyal Interbank rate experienced a fundamental methodology change in the beginning of 2022, changes included a switch to a waterfall model reflecting firstly the volume weighted average SAR Unsecured funding prices, and a fixed spread percentage between the bid rate and offer rate (SAIBOR & SAIBID), compared to the previous methodology which relied on the expert opinion of the contributing panel. The main objective of the change was stated to offer a more transparent representation of unsecured Saudi Riyal interbank deposit market.
 - Saudi Riyal Interbank Average Offered Rate (SAIBOR) increased across all tenors; 1-Month, 3-Month, and 12-Month SAIBOR increased by 403 Bps, 443 Bps, and 481 Bps reaching levels of 4.7%, 5.3%, and 5.9% respectively.
 - The USD LIBOR also experienced an increase across all tenors; 1-Month, 3-Month, and 12-Month LIBOR increased by 429 Bps, 456 Bps, and 490 Bps reaching levels of 4.4%, 4.8%, and 5.5% respectively.
- الـشراء (الريـبو) ومعدلات اتفاقيات إعادة الشراء المعاكس (الريـبو العكسي) بإجمالي 400 نقطة أساس، حيث استقر معدل الريـبو عند 5.00%، ومعدل الريـبو العكسي عند 4.50%.
- شكلت تقلبات سيولة الريال السعودي أيضاً موضوعاً رئيسياً في السوق المحلي خلال العام 2022م، بحيث بلغ مستوى السيولة الفائضة المتمثلة بصافي المتوسط اليومي لعمليات إعادة الشراء والشراء المعاكس بحد أقصى خلال العام 107 مليار ريال سعودي خلال شهر يوليو، مقارنةً بوصولها لأدنى حد خلال فترة 5-سنوات 5.8 مليار ريال سعودي خلال شهر مايو 2022م. كما شهد معدل عرض النقود ارتفاعاً (M3) ثابتاً خلال العام ليصل إلى 2.5 تريليون ريال سعودي أو ما يعادل ارتفاعاً بنسبة 8% خلال العام.
 - كما شهد منحى عائد الصكوك السيادية السعودية أيضاً تحولاً تصاعدياً في عام 2022م، حيث ارتفع عائد الصكوك السعودية بالريال السعودي لأجل سنتين بمقدار 357 نقطة أساس (من 1.0% إلى 4.6%)، وارتفع عائد الصكوك السعودية بالريال السعودي لأجل 5 سنوات بمقدار 185 نقطة أساس (من 2.2% إلى 4.1%)، بينما ارتفع عائد صكوك السعودية بالريال السعودي ذات الأجل الأعلى 10 سنوات بمقدار 166 نقطة أساس (من 2.9% إلى 4.5%).
 - شهد مؤشر الإقراض بين البنوك السعودية تغييراً أساسياً خلال العام، بحيث تم تحديث المنهج الحسابي ليعكس مستويات حسابية بدءاً بالمتوسط المرجح لأسعار الودائع المنقذة فعلياً للبنوك المساهمة بالمؤشر، بالإضافة إلى هامش ثابت بين معدلات العرض و الطلب (سايبور وسايبيد)، مقارنةً بالمنهج السابق المبني على آراء البنوك المساهمة. يشكل الهدف الرئيسي من تحديث منهجية حساب المؤشر هو زيادة شفافية المؤشر ليعكس بشكل أدق مستوى الودائع بين البنوك بالريال السعودي.
 - شهدت معدلات الإقراض بين البنوك السعودية (سايبور) ارتفاعات ملحوظة خلال عام 2022م، حيث ارتفع معدل سايبور لمدة شهر واحد بمقدار 403 نقطة أساس ليصل إلى مستوى 4.7%، وارتفع معدل سايبور لمدة 3 أشهر بمقدار 443 نقطة أساس ليصل إلى مستوى 5.3%، كما ارتفع سايبور لمدة 12 شهر بمقدار 481 نقطة أساس ليحقق مستوى 5.9%.
 - شهدت معدلات الإقراض بين البنوك بالدولار الأمريكي (لايبور) ارتفاعات ملحوظة أيضاً خلال العام 2022م، حيث ارتفع معدل لايبور لمدة شهر واحد بمقدار 429 نقطة أساس ليصل إلى مستوى 4.4%، وارتفع معدل لايبور لمدة 3 أشهر بمقدار 456 نقطة أساس ليصل إلى مستوى 4.8%، كما ارتفع لايبور لمدة 12 شهر بمقدار 490 نقطة أساس ليحقق مستوى 5.5%.
 - ركزت إصدارات الدين السيادية المحلية بشكل رئيسي على إعادة تمويل الإصدارات المستحقة خلال العام نظراً لاستقرار الظروف الاقتصادية وتوازن الميزانية، بحيث بلغ إجمالي الدين الحكومي القائم خلال عام 2022م ما يعادل 990 مليار ريال سعودي أو ما يعادل 25% من الناتج المحلي الإجمالي للمملكة العربية السعودية، مقارنةً 938 مليار ريال سعودي بنهاية العام السابق أو ما يعادل 29% من الناتج المحلي الإجمالي للمملكة. ويعود

- Saudi Sovereign debt issuances continued in 2022, however, focused primarily on debt refinancing and prefunding activities given stabilizing economic conditions and budget balance, the outstanding debt portfolio reached approximately SAR 990 bln by year-end (25% of GDP), versus SAR 938 Bln (30% of GDP) in 2021. The decrease in the debt-to-GDP ratio was attributed to the slower increase in the debt portfolio relevant to the increase in the GDP.
- The Brent crude oil prices increased from an average of \$71 per barrel in 2021 to \$99 per barrel in 2022 (+40% YoY), the increase was primarily attributed to the supply interruptions caused by the Russian invasion of Ukraine and the subsequent western sanctions and bans on Russian oil exports. In addition, post pandemic economic recovery, and the OPEC+ production Cuts later on the year.

انخفاض نسبة الدين العام الى الناتج المحلي الإجمالي الى زيادة حجم الدين العام بشكل أقل مقارنةً بزيادة حجم الناتج المحلي الإجمالي.

- كما ارتفع متوسط سعر خام برنت من 71 دولارًا للبرميل في عام 2021م إلى 99 دولارًا للبرميل في عام 2022م (ما يعادل ارتفاع سنوي بمقدار 40%) ، ويعود ذلك إلى تأثير مستويات العرض نتيجة للغزو الروسي لأوكرانيا والعقوبات الغربية التابعة على صادرات النفط الروسي. بالإضافة الى تعافي الاقتصاد العالمي وقيام منظمة أوبك بلس (OPEC+) بخفض مستويات انتاج النفط خلال الربع الرابع من العام.

4) Exercising of Voting Rights

No voting rights were exercised during the year.

5) Fund Board Annual Report

a. Names of Fund Board Members

- Mohammad AlSaggaf – Chairman – Non-Independent Member
- Lloyd Kawara - Non-Independent Member
- Dr. Basmah Al-Tuwaijri - Independent Member
- Abdulaziz Abalkhail - Independent Member

b. A brief about of the fund board members' qualifications

Mohammad AlSaggaf: Head of Wealth Management at SNB Capital. He joined SNB Capital at its inception in 2007 and worked with SNB Group in several departments including the Investment Department, and the Branch Management. He has more than (24) years of experience in the financial sector. He has a diploma in Personal Financial Planning and Wealth Management from IOB, Dalhousie Alum, Canada.

Lloyd Kawara: Chief Risk Officer at SNB Capital and he was hired as Vice President of Market Risk at SNB Capital in February 2015. Prior to that he worked at the African Development Bank where he was Principal Treasury Risk Officer, managing counterparty risk, market risk, investment and asset liability risks, and he has over (13) years of banking experience, of which (9) years were spent in senior risk management roles within the region, including as Chief Risk Officer for Bank Alkhair BSC Bahrain and Head of Risk for Bahrain Middle East Bank and Risk Management Officer with Riyadh Bank. Lloyd is a CFA charter holder, a Certified Financial

4) ممارسات التصويت السنوية

لم تتم أي ممارسات تصويت خلال العام.

5) تقرير مجلس إدارة الصندوق السنوي

أ. أسماء أعضاء مجلس إدارة الصندوق

- محمد السقاف - رئيس مجلس إدارة الصندوق - عضو غير مستقل
- لويد كورا - عضو غير مستقل
- د. بسمة التويجري - عضو مستقل
- عبدالعزيز أبا الخيل - عضو مستقل

ب. نبذة عن مؤهلات أعضاء مجلس إدارة الصندوق

محمد السقاف: رئيس إدارة الثروات في شركة الأهلي المالية. انضم إلى شركة الأهلي المالية منذ تأسيسها في عام 2007م، عمل في البنك الأهلي السعودي في عدة إدارات منها إدارة الاستثمار وإدارة الفروع. لديه أكثر من (24) عاماً من الخبرة في القطاع المالي. وهو حاصل على شهادة دبلوم التخطيط المالي الشخصي وإدارة الثروات من المعهد المصرفي من دلهاسي، كندا.

لويد كورا: رئيس إدارة المخاطر وتم تعيينه بمنصب نائب رئيس إدارة مخاطر السوق بشركة الأهلي المالية في فبراير 2015م. وعمل قبل ذلك في البنك الإفريقي للتنمية بوظيفة مسؤول إدارة المخاطر المالية، حيث تولى مهام وإدارة مخاطر الغير والسوق والاستثمار والموجودات والمطلوبات، ولديه أكثر من (13) سنة من الخبرة المصرفية أمضى (9) منها في أدوار عليا في إدارة المخاطر في المنطقة، ومنها رئيس إدارة المخاطر في بنك الخير، البحرين، ورئيس إدارة المخاطر في بنك البحرين والشرق الأوسط، ومسؤول إدارة المخاطر في بنك الرياض. يحمل لويد شهادات محلل مالي معتمد (CFA)، مدير مخاطر مالية معتمد (FRM)، زمالة الرابطة العالمية لمحترفي إدارة المخاطر (الولايات المتحدة الأمريكية)، محلل استثمارات بديلة معتمد، (الولايات المتحدة الأمريكية)، وزميل محاسب إداري معتمد من معهد المحاسبين الإداريين القانونيين (CIMA) المملكة المتحدة.

Risk Manager (FRM) with Global Association of Risk Professionals (USA), a Chartered Alternative Investment Analyst with CAIA (USA) and an Associate Chartered Management Accountant with CIMA (UK).

Basmah Al-Tuwaijri: Retired from academic work at King Saud University, independent researcher, member of the Financial Sector and Finance Committee in the Riyadh Chamber, a Member in the SBWA – Saudi Business Women Association (A private association), member of the supervisory board of the Think Tank Forum. Dr. Basmah worked as a faculty member in the Finance Department of the College of Business Administration in King Saudi University for more than (20); during which, she taught different courses in the topics of corporate finance, investment, portfolio management and financial markets. In addition, she held several leadership positions in academics and administration, and contributed in developing the strategic plan for King Saud University and conducting the internal studies for academic accreditation. She holds a PhD in finance from King Saud University. She has several publications in the field of corporate governance and financial markets.

Abdulaziz Abalkhail: General Director of the Internal Audit Department at Arabian Internet and Communications Services Co. (Solutions by STC). He was the Chief Audit Executive of the National Industrialization Co. “TASNEE” and serves as an independent member of the Audit Committee of the Arabian Cement Company. Prior to TASNEE, he held several managerial positions at CMA’s Continuous Disclosure Department and Market Institutions Compliance, the Industrial Development Fund, and the Arab Petroleum Investment Company. Eng. Abdulaziz has joined specialized programs in recognized international institutions such as U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority and Chase Manhattan Bank. He has more than (20) years of experience in financial institutions and markets. He holds an MBA from University of Nottingham in Britain.

c. Roles and responsibilities of the Fund Board

The responsibilities of the members of the fund board shall include the following:

1. Approving material contracts, decisions and reports involving the fund.
2. Approve a written policy in regards to the voting rights related to the fund assets.
3. Overseeing and, where appropriate, approving or ratifying any conflicts of interest the fund manager has identified.
4. Meeting at least twice annually with the fund manager’s compliance committee or its compliance officer to review the fund manager’s compliance with all applicable rules, laws and regulations.

بسمة التويجري: متقاعدة من العمل الأكاديمي في جامعة الملك سعود، باحثة مستقلة، عضو لجنة القطاع المالي والتمويل في غرفة الرياض، عضو مجلس إدارة الجمعية السعودية لسيدات الأعمال وتمكين المنشآت النسائية (جمعية أهلية)، عضو الهيئة الإشرافية بملتقى أسبار (Think Tank). عملت الدكتوراة بسمة كعضو هيئة تدريس في قسم المالية بكلية إدارة الأعمال، بجامعة الملك سعود لأكثر من (20) عاماً، قامت خلالها بتدريس العديد من المواد في مالية الشركات، الاستثمار، إدارة المحافظ الاستثمارية والأسواق المالية. إضافة إلى ذلك، تقلدت العديد من المناصب القيادية الأكاديمية والإدارية، وشاركت في وضع الخطة الاستراتيجية للجامعة وإعداد الدراسات الذاتية للاعتماد الأكاديمي. حصلت على درجة الدكتوراه في المالية من جامعة الملك سعود. لديها عدة أبحاث منشورة في مجال حوكمة الشركات والأسواق المالية.

عبد العزيز أبا الخيل: مدير عام المراجعة الداخلية في الشركة العربية لخدمات الإنترنت والاتصالات. عمل كمدير المراجعة الداخلية في شركة التصنيع الوطنية، بالإضافة إلى كونه عضو مستقل في لجنة المراجعة الخاصة بشركة أسمنت العربية. عمل قبل ذلك في هيئة السوق المالية متقلداً عدة مناصب إدارية في إدارة الإفصاح المستمر، وإدارة الإشراف على مؤسسات السوق المالية، كما عمل في صندوق التنمية الصناعية والشركة العربية للاستثمارات البترولية. التحق المهندس عبد العزيز في برامج متخصصة في مؤسسات عالمية مرموقة مثل هيئة الأوراق المالية الأمريكية، وهيئة تنظيم الصناعة المالية، وبنك تشيس مانهاتن. لديه أكثر من (20) عاماً من الخبرة في المؤسسات والأسواق المالية، حصل على الماجستير في إدارة الأعمال من جامعة نوتنغهام في بريطانيا.

ج. أدوار مجلس إدارة الصندوق ومسؤولياته

تشمل مسؤوليات أعضاء مجلس إدارة الصندوق، على سبيل المثال لا الحصر، الآتي:

1. الموافقة على جميع العقود والقرارات والتقارير الجوهرية التي يكون الصندوق طرفاً فيها.
2. اعتماد سياسة مكتوبة فيما يتعلق بحقوق التصويت المتعلقة بأصول الصندوق.
3. الإشراف، ومتى كان ذلك مناسباً، الموافقة أو المصادقة على أي تعارض مصالح يفصح عنه مدير الصندوق وفقاً للائحة صناديق الاستثمار.

5. Approving all changes stipulated in Articles (62) and (63) of the Investment Funds Regulations "IFRs" before the fund manager obtains the approval or notification of the unitholders and the Authority (as applicable).
6. Confirming the completeness and accuracy (complete, clear, accurate, and not misleading), and compliance with the IFRs, of the Terms and Conditions and of any other document, contractual or otherwise.
7. Ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with the IFRs and the Fund's Terms and Conditions.
8. Reviewing the report that includes assessment of the performance and quality of services provided by the parties involved in providing significant services to the fund referred to in Paragraph (I) of Article (9) of IFRs, in order to ensure that the fund manager fulfils his responsibilities in the interest of unitholders in accordance with the Fund's Terms and Conditions and the provisions stipulated in IFRs.
9. Assessing the mechanism of the fund manager's handling of the risks related to the fund's assets in accordance with the fund manager's policies and procedures that detect the fund's risks and how to treat such risks.
10. Have a fiduciary duty to unitholders, including a duty to act in good faith, a duty to act in the best interests of the unitholders and a duty to exercise all reasonable care and skill.
11. Approving the appointment of the external Auditor nominated by the Fund Manager.
12. Taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the fund's board of director.
13. Review the report containing all complaints and the measures taken regarding them referred to in Paragraph (m) of Article (9) of IFRs, in order to ensure that the fund manager carries out his responsibilities in a way that serves the interest of unitholders in accordance with the Fund's Terms and Conditions and what contained in this Regulation.

d. Remuneration of fund board members

Each Independent Board Member shall receive USD (533.33) for every meeting the member attends, and a minimum of two meetings shall be held per year.

e. A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund

Members of the Fund Board may be members of other funds that may seek investment objectives similar to those of the Fund. Therefore, in the exercise of its business, a member of

4. الاجتماع مرتين سنوياً على الأقل مع لجنة المطابقة والالتزام لدى مدير الصندوق أو مسؤول المطابقة والالتزام لديه، للتأكد من التزام مدير الصندوق بجميع اللوائح والأنظمة المتبعة.
5. الموافقة على جميع التغييرات المنصوص عليها في المادتين (62) و (63) من لائحة صناديق الاستثمار وذلك قبل حصول مدير الصندوق على موافقة مالكي الوحدات والهيئة أو إشعارهم (حيثما ينطبق).
6. التأكد من اكتمال ودقة شروط وأحكام الصندوق وأي مستند آخر (سواء أكان عقداً أم غيره) يتضمن إفصاحات تتعلق بالصندوق ومدير الصندوق وإدارته للصندوق، إضافةً إلى التأكد من توافق ما سبق مع أحكام لائحة صناديق الاستثمار.
7. التأكد من قيام مدير الصندوق بمسؤولياته بما يحقق مصلحة مالكي الوحدات وفقاً لشروط وأحكام الصندوق، وأحكام لائحة صناديق الاستثمار.
8. الاطلاع على التقرير المتضمن تقييم أداء وجودة الخدمات المقدمة من الأطراف المعنية بتقديم الخدمات الجوهرية للصندوق المشار إليه في الفقرة (ل) من المادة (9) من لائحة صناديق الاستثمار؛ وذلك للتأكد من قيام مدير الصندوق بمسؤولياته بما يحقق مصلحة مالك الوحدات وفقاً لشروط وأحكام الصندوق وما ورد في لائحة صناديق الاستثمار.
9. تقييم آلية تعامل مدير الصندوق مع المخاطر المتعلقة بأصول الصندوق وفقاً لسياسات وإجراءات مدير الصندوق حيال رصد المخاطر المتعلقة بالصندوق وكيفية التعامل معها.
10. العمل بأمانة وحسن نية واهتمام ومهارة وعناية وحرص وبما يحقق مصلحة مالكي الوحدات.
11. الموافقة على تعيين مراجع الحسابات بعد ترشيحه من قبل مدير الصندوق.
12. تدوين محاضر الاجتماعات التي تشتمل على جميع وقائع الاجتماعات والقرارات التي اتخذها مجلس إدارة الصندوق.
13. الاطلاع على التقرير المتضمن جميع الشكاوى والإجراءات المتخذة حيالها المشار إليه في الفقرة (م) من المادة (9) من لائحة صناديق الاستثمار؛ وذلك للتأكد من قيام مدير الصندوق بمسؤولياته بما يحقق مصلحة مالكي الوحدات وفقاً لشروط وأحكام الصندوق وما ورد في لائحة صناديق الاستثمار.

د. مكافآت أعضاء مجلس إدارة الصندوق

يتقاضى كل عضو مستقل مبلغ (533.33) دولار عن كل اجتماع يعقد بحضوره، ويتم عقد اجتماعين سنوياً بحد أدنى.

هـ. تعارض المصالح بين مصالح عضو مجلس إدارة الصندوق ومصالح الصندوق

يجوز لأعضاء مجلس إدارة الصندوق أن يكونوا أعضاء من حين لآخر لصناديق أخرى قد تنشأ أهدافاً استثمارية مماثلة لتلك الخاصة بالصندوق. ولذلك، فمن الممكن أن يجد أحد أعضاء مجلس إدارة الصندوق، في نطاق ممارسته لأعماله، أنه

the Fund Board may find himself in a situation of potential conflict of duties or interests with one or more funds. However, in such cases, the member shall take into account his obligations to act in the best interests of the Unitholders to the maximum practicable extent and not to overlook his obligations to his other clients when he considers any investment that may involve a potential conflict of interest, and in situations requiring voting, that Member shall refrain from doing so. To the date of issuing the Terms and Conditions, there is no significant business or other interest to the members of the Fund Board, which is likely to conflict with the interests of the Fund.

في موقف ينطوي على تعارض محتمل في الواجبات أو المصالح مع واحد أو أكثر من الصناديق. وعلى أي حال، ففي تلك الحالات سوف يراعي عضو مجلس الإدارة التزاماته بالتصرف بما يحقق أقصى مصالح مالي الوحدات المعنيين إلى أقصى درجة ممكنة عملياً، وعدم إغفال التزاماته تجاه عملائه الآخرين عند الاطلاع بأي استثمار قد ينطوي على تعارض محتمل في المصالح، وفي الحالات التي تتطلب التصويت سوف يمتنع ذلك العضو عن ذلك. علماً أنه إلى تاريخ إعداد الشروط والأحكام، لا يوجد أي نشاط عمل أو مصلحة أخرى مهمة لأعضاء مجلس إدارة الصندوق أو أعضاء مجلس إدارة الصندوق يُحتمل تعارضها مع مصالح الصندوق.

f. A statement showing all the funds boards that the relevant board member is participating in

و. جدول يوضح جميع مجالس إدارة الصناديق التي يشارك فيها

Fund's/ Member's Name	عبدالعزیز أبا الخیل Abdulaziz Abalkhail	د. بسمة التويجری Dr.Basmah AlTuwaijri	لوید کورا Lloyd Kawara	محمد السقاف Mohammad AlSaggaf	اسم الصندوق / العضو
SNB Capital Saudi Riyal Trade Fund	✓	✓	✓	✓	صندوق الأهلي للمتاجرة بالريال السعودي
SNB Capital Sadaqqat Fund	✓	✓	✓	✓	صندوق الأهلي للصدقات
AlAhli Diversified Saudi Riyal Fund	✓	✓	✓	✓	صندوق الأهلي المتنوع بالريال السعودي
SNB Capital Multi-Asset Conservative Fund	✓	✓	✓	✓	صندوق الأهلي متعدد الأصول المتحفّظ
SNB Capital Multi-Asset Income Plus Fund	✓	✓	✓	✓	صندوق الأهلي متعدد الأصول للدخل الإضافي
SNB Capital Multi-Asset Moderate Fund	✓	✓	✓	✓	صندوق الأهلي متعدد الأصول المتوازن
SNB Capital Multi-Asset Growth Fund	✓	✓	✓	✓	صندوق الأهلي متعدد الأصول للنمو
SNB Capital International Trade Fund	✓	✓	✓	✓	صندوق الأهلي للمتاجرة العالمية
AlAhli Diversified US Dollar Fund	✓	✓	✓	✓	صندوق الأهلي المتنوع بالدولار الأمريكي
SNB Capital US Dollar Sukuk Fund	✓	✓	✓	✓	صندوق الأهلي للصكوك بالدولار الأمريكي
SNB Capital – King Saud University Waqf Fund	✓	✓	✓	✓	صندوق الأهلي وجامعة الملك سعود الوقفي
AlAhli Sedco Residential Development Fund				✓	صندوق الأهلي سدكو للتطوير السكني
AlAhli REIT Fund 1				✓	صندوق الأهلي ريت (1)
AlAhli Makkah Hospitality Fund				✓	صندوق الأهلي للضيافة بمكة المكرمة
SNB Capital Real Estate Opportunistic Fund				✓	صندوق الأهلي العقاري للفرص
SNB Capital Tier One Sukuk Fund II				✓	صندوق الأهلي للصكوك ذات الفئة (1) الثاني
SNB Capital Tier One Sukuk Fund III				✓	صندوق الأهلي للصكوك ذات الفئة (1) الثالث
SNB Capital Real Estate Income Fund				✓	صندوق الأهلي العقاري للدخل

Fund's/ Member's Name	عبدالعزیز أبا الخیل Abdulaziz Abalkhail	د. بسمة التویجری Dr.Basmah AlTuwaijri	لوید کورا Lloyd Kawara	محمد السقاف Mohammad AlSaggaf	اسم الصندوق / العضو
SNB Capital Danat AlJanob Real Estate Fund				✓	صندوق الأهلي دانة الجنوب العقاري
SNB Capital AlJawharah Real Estate Fund				✓	صندوق الأهلي الجوهرة العقاري
SNB Capital Real Estate Fund				✓	صندوق الأهلي العقاري

g. Topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objectives

The Fund's Board of Directors held three meetings during 2022. The following is a summary of the key decisions approved and the matters discussed by the Fund's Board of Directors:

- Fund's objectives achievement and performance review.
- Risks related to the funds; including: liquidity, market, and operational risks.
- Ensuring fund's compliance to all applicable rules and regulations.

ز. الموضوعات التي تمت مناقشتها والقرارات الصادرة بشأنها بما في ذلك أداء الصندوق وتحقيق الصندوق لأهدافه

عقد مجلس إدارة الصندوق ثلاثة اجتماعات خلال العام 2022م، وفيما يلي ملخصاً لأهم القرارات التي تم إقرارها والمواضيع التي تمت مناقشتها من قبل مجلس إدارة الصندوق:

- مناقشة تحقيق الصندوق لأهدافه وأدائه خلال العام.
- المخاطر المتعلقة بالصندوق بما في ذلك مخاطر السيولة، السوق، والتشغيل.
- التزام الصناديق بلوائح هيئة السوق المالية مع مسؤول المطابقة والالتزام.

C) Fund Manager

(ج) مدير الصندوق

1) Name and address of the Fund Manager	1) اسم مدير الصندوق، وعنوانه
SNB Capital Company King Saud Road, P.O. Box 22216, Riyadh 11495, Saudi Arabia Tel: +966 920000232 Website: www.alahlicapital.com	شركة الأهلي المالية طريق الملك سعود، ص.ب. 22216، الرياض 11495، المملكة العربية السعودية هاتف: +966 920000232 الموقع الإلكتروني: www.alahlicapital.com
2) Names and addresses of Sub-Manager / Investment Adviser	2) اسم وعنوان مدير الصندوق من الباطن و/أو مستشارين الاستثمار (إن وجد)
None.	لا يوجد.
3) Investment Activities during the period	3) أنشطة الاستثمار خلال الفترة
With central banks tightening their policy rates to control the inflationary environment, the fund underweighted the duration of the benchmark and reduced its Sukuk allocation to minimize the negative effect of the upward shift of yield curves on Sukuk prices, and continued to allocate the majority of its investments to high credit quality Sukuk.	مع بداية سياسة التشديد للبنوك المركزية ورفع أسعار الفائدة للحد من آثار البيئة التضخمية، قام الصندوق بخفض معدل استحقاق الصندوق مقارنة بالمؤشر الاسترشادي وتخفيض نسبة الصكوك في الصندوق للتقليل من التأثير السلبي لارتفاع منحنى العائد على أسعار الصكوك. كما قام الصندوق بالتركيز على تخصيص أغلب استثماراته في صكوك ذات جودة ائتمانية عالية.
4) Performance	4) تقرير الأداء خلال الفترة
Fund Performance -5.58%	أداء الصندوق -5.58%
Benchmark Performance -6.90%	أداء المؤشر -6.90%
The fund outperformed the benchmark by 132 bps.	تفوق أداء الصندوق عن أداء المؤشر بفارق 132 نقطة أساس.

5) Terms & Conditions Material Changes	5) تغيرات حدثت في شروط وأحكام الصندوق
<ol style="list-style-type: none"> Amending the fund's Terms & Conditions in order to comply with the requirements of annex (1) of the amended Investment Funds Regulations. Non-fundamental Changes: as shown below: First: Adding the minimum subscription and the additional subscription through the Individual Saving Program (ISP) - where applicable. Second: Amending subparagraphs (k, l, o) in paragraph (3) "Investment Policies and Practices" Third: Amending subparagraphs (a, b) in paragraph (9) "Fees, Charges and Expenses". Fourth: Amending subparagraph (b, e) in paragraph (10) "Valuation and Pricing". Fifth: Amending subparagraphs (d, e, f) in paragraph (22) "Fund Operator". Sixth: Amending subparagraph (f) in paragraph (24) "Fund Board". 	<ol style="list-style-type: none"> تعديل شروط وأحكام الصندوق للالتزام بمتطلبات الملحق (1) من لائحة صناديق الاستثمار المعدلة. تغييرات غير أساسية: كما هو موضح أدناه: أولاً: إضافة فقرة الحد الأدنى للاشتراك والاشتراك الإضافي عبر برنامج الادخار (ISP) (حيثما ينطبق). ثانياً: تعديل الفقرات الفرعية (ك، ل، س) من الفقرة الرئيسية (3) "سياسات الاستثمار وممارساته". ثالثاً: تحديث الفقرات الفرعية (أ، ب) من الفقرة الرئيسية (9) "مقابل الخدمات والعمولات والأتعاب". رابعاً: تحديث الفقرة الفرعية (ب، هـ) من الفقرة الرئيسية (10) "التقييم والتسعير". خامساً: تحديث الفقرات الفرعية (د، هـ، و) من الفقرة الرئيسية (22) "مشغل الصندوق". سادساً: تحديث الفقرة الفرعية (و) من الفقرة الرئيسية (24) "مجلس إدارة الصندوق".
6) Any other information that would enable unitholders to make an informed judgment about the fund's activities during the period	6) أي معلومة أخرى من شأنها أن تُمكن مالكي الوحدات من اتخاذ قرار مدروس ومبني على معلومات كافية بشأن أنشطة الصندوق خلال الفترة
None.	لا يوجد.
7) Investments in other Investment Funds	7) الاستثمار في صناديق استثمارية أخرى
<p>The fund management fee is 0.75% of NAV. Management fees charged by investments in the following fund have been rebated:</p> <ul style="list-style-type: none"> - SNB Capital Diversified US Dollar Fund. 	<p>رسوم الإدارة المحسبة على الصندوق هي 0.75% سنوياً من صافي قيمة أصول الصندوق. وقد تم التنازل عن رسوم الإدارة للصناديق الاستثمارية التي يستثمر بها الصندوق الموضحة أدناه:</p> <ul style="list-style-type: none"> - صندوق الأهلي المتنوع بالدولار الأمريكي.
8) Special commission received by the fund manager during the period	8) العمولات الخاصة التي حصل عليها مدير الصندوق خلال الفترة
No special commissions were received during the period.	لم يحصل مدير الصندوق على أي عمولات خاصة خلال الفترة.
9) Any other data and other information required by Investment Fund Regulations to be included in this report	9) أي بيانات ومعلومات أخرى أوجبت لائحة صناديق الاستثمار تضمينها بهذا التقرير
a. Conflict of Interests None.	أ. تعارض في المصالح لا يوجد.
b. Fund Distribution During The Year No income or dividends will be distributed to Unitholders.	ب. توزيعات الصندوق خلال العام لا يتم توزيع أي دخل وأرباح على مالكي الوحدات.
c. Incorrect Valuation or Pricing None.	ج. خطأ في التقييم والتسعير لا يوجد.
d. Investment Limitation Breaches None.	د. مخالفة قيود الاستثمار لا يوجد.
10) Period for the management of the person registered as fund manager	10) مدة إدارة الشخص المسجل كمدير للصندوق
Since August – 2021.	منذ أغسطس – 2021م.

11) A disclosure of the expense ratio of each underlying fund at end of year and the weighted average expense ratio of all underlying funds that invested in (where applicable)

As shown in the sub-paragraph (7) of paragraph (C) in this Annual Report.

11) الإفصاح عن نسبة مصروفات كل صندوق بنهاية العام والمتوسط المرجح لنسبة مصروفات كل الصناديق الرئيسة المستثمر فيها (حيثما ينطبق)

كما هو موضح في الفقرة الفرعية (7) من الفقرة (ج) من هذا التقرير السنوي.

D) Custodian

د) أمين الحفظ

1) Name and address of custodian

AlBilad Investment Company
King Fahad Road, P.O. Box 140, Riyadh 11411, Kingdom of Saudi Arabia.
Tel: +966 92000 3636
Website: www.albilad-capital.com

1) اسم أمين الحفظ، وعنوانه

شركة البلاد للاستثمار
طريق الملك فهد، ص.ب. 140، الرياض 11411، المملكة العربية السعودية
هاتف: +966 92000 3636
الموقع الإلكتروني: www.albilad-capital.com

2) Custodian's duties and responsibilities

- Notwithstanding the delegation by a custodian to one or more third parties under the provisions of Investment Funds Regulations or the Capital Market Institutions Regulations, the custodian shall remain fully responsible for compliance with its responsibilities in accordance to the provisions of Investment Funds Regulations.
- The custodian shall be held responsible to the fund manager and unitholders for any losses caused to the investment fund due to the custodian fraud, negligence, misconduct or willful default.
- The custodian shall be responsible for taking custody and protecting the fund's assets on behalf of unitholders, and taking all necessary administrative measures in relation to the custody of the fund's assets.

2) واجبات ومسؤوليات أمين الحفظ

- يعد أمين الحفظ مسؤولاً عن التزاماته وفقاً لأحكام لائحة صناديق الاستثمار، سواء قام بتأدية مسؤولياته بشكل مباشر أم كلف بها طرفاً ثالثاً بموجب أحكام لائحة صناديق الاستثمار أو لائحة مؤسسات السوق المالية.
- يعد أمين الحفظ مسؤولاً تجاه مدير الصندوق ومالكي الوحدات عن خسائر الصندوق الناجمة بسبب احتياله أو إهماله أو سوء تصرفه المتعمد أو تقصيره المتعمد.
- يعد أمين الحفظ مسؤولاً عن حفظ أصول الصندوق وحمايتها لصالح مالكي الوحدات، وهو مسؤول كذلك عن اتخاذ جميع الإجراءات الإدارية اللازمة فيما يتعلق بحفظ أصول الصندوق.

E) Fund Operator

هـ) مشغل الصندوق

1) Name and address of fund operator

SNB Capital Company
King Saud Road, P.O. Box 22216, Riyadh 11495, Saudi Arabia
Tel: +966 920000232
Website: www.alahlicapital.com

1) اسم مشغل الصندوق، وعنوانه

شركة الأهلي المالية
طريق الملك سعود، ص.ب. 22216، الرياض 11495، المملكة العربية السعودية
هاتف: +966 920000232
الموقع الإلكتروني: www.alahlicapital.com

2) Operator's duties and responsibilities

- In relation to investment funds, the fund operator shall be responsible for operating the investment fund.
- The fund operator must maintain the books and records related to the operation of the fund it operates.

2) واجبات ومسؤوليات مشغل الصندوق

- يكون مشغل الصندوق مسؤولاً عن تشغيل الصندوق.
- يقوم مشغل الصندوق بالاحتفاظ بالدفاتر والسجلات ذات الصلة بتشغيل الصندوق.
- يقوم مشغل الصندوق بإعداد وتحديث سجل بالمالكي الوحدات وحفظه في المملكة وفقاً لمتطلبات لائحة صناديق الاستثمار.
- يُعدّ مشغل الصندوق مسؤولاً عن عملية توزيع الأرباح (إن وجدت) حسب سياسة التوزيع المنصوص عليها في شروط وأحكام الصندوق.

- The fund operator must establish a register of unitholders and must maintain it in the Kingdom in accordance to the Investment Funds Regulations.
 - The fund operator shall be responsible for the process of dividends distribution (if available) to unitholders.
 - The fund operator must process requests for subscriptions or redemption according to the fund's Terms & Conditions.
 - The fund operator shall be responsible for calculating the price of the units and valuing the assets of the fund. In so doing, the fund operator shall conduct a full and fair valuation according to the fund's Terms & Conditions.
- يقوم مشغل الصندوق بإجراءات الاشتراك حسب المنصوص عليها في شروط وأحكام الصندوق.
 - يُعدُّ مشغل الصندوق مسؤولاً عن تقييم أصول الصندوق تقييماً كاملاً وعادلاً وحساب سعر وحدات الصندوق حسب ما ورد في شروط وأحكام الصندوق.

F) Auditor

و) مراجع الحسابات

Name and Address of Auditor

KPMG Professional Services

Riyadh Front – Airport Road P.O Box. 92876, Riyadh 11663, Saudi Arabia

Tel: +966118748500

Website: www.kpmg.com/sa

اسم مراجع الحسابات، عنوانه

كي بي ام جي للخدمات المهنية

واجهة الرياض – طريق المطار ص.ب 92876، الرياض 11663 المملكة العربية السعودية

هاتف: +966118748500

الموقع الإلكتروني: www.kpmg.com/sa

G) Financial Statements

ز) القوائم المالية

As shown below in the financial statements section.

كما هو موضح أدناه في قسم القوائم المالية.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2022
with
Independent Auditor's Report to the Unitholders



KPMG Professional Services

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

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Unitholders of SNB Capital US Dollar Sukuk Fund

Opinion

We have audited the financial statements of **SNB Capital US Dollar Sukuk Fund** (the "Fund") managed by the SNB Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in net assets attributable to the Unitholders 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 Fund 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 Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (the "Code"), 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 the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's terms and conditions and for such internal control as the Fund Manager 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, the Fund Manager is responsible for assessing the Fund'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 the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, are responsible for overseeing the Fund'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 مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للقرض وشركاء محاسبين ومراجعين قانونيين". و هي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المسندة والتابعة لكي بي إم جي العالمية المحدودة، شركة الجليزية محدودة بضمان. جميع الحقوق محفوظة.



Independent Auditor's Report

To the Unitholders of SNB Capital US Dollar Sukuk Fund (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 Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager'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 Fund'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 Fund 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 **SNB Capital US Dollar Sukuk Fund** (the "Fund").

KPMG Professional Services

إبراهيم عبود باعشن

Ebrahim Oboud Baeshen
License No. 382

Riyadh: 30 Sha'ban 1444H
Corresponding to 22 March 2023



SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

	<i>Notes</i>	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	8	29	77
Investments – net	9	12,577	17,772
Other receivables		25	31
Total assets		12,631	17,880
LIABILITIES			
Other payables		25	30
Net assets attributable to the Unitholders		12,606	17,850
Units in issue in thousands (number)	10	10,771	14,401
Net assets value per unit (USD)		1.1703	1.2395

The accompanying notes 1 to 15 form an integral part
of these financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

	<i>Note</i>	For the year ended 31 December	
		<u>2022</u>	<u>2021</u>
Special commission income on Sukuk		437	490
Realised gain on FVTPL investments – net		17	128
Unrealised gain / (loss) on FVTPL investments – net		15	(16)
Realised loss on FVOCI investments – net		(144)	--
Other income		18	24
Total income		<u>343</u>	<u>626</u>
Management fees	<i>11</i>	(104)	(132)
Value added tax expense		(16)	(20)
Professional fees		(13)	(12)
Shariah audit fees		(7)	(8)
Administrative expenses		(4)	(3)
Fund board remuneration		(4)	(3)
Capital Market Authority fees		(2)	(2)
Custody fees		(1)	(1)
Total operating expenses		<u>(151)</u>	<u>(181)</u>
Profit for the year		<u>192</u>	<u>445</u>
<i>Items that are or maybe reclassified subsequently to profit or loss</i>			
Unrealised loss on FVOCI investments – net		<u>(1,045)</u>	<u>(464)</u>
Total comprehensive loss for the year		<u>(853)</u>	<u>(19)</u>

The accompanying notes 1 to 15 form an integral part of these financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
Net assets attributable to the Unitholders at the beginning of the year	17,850	17,049
Total comprehensive loss for the year	(853)	(19)
(Decrease) / increase in net assets from unit transactions during the year		
Proceeds from units issued	52	2,567
Value of units redeemed	(4,443)	(1,747)
	(4,391)	820
Net assets attributable to the Unitholders at the end of the year	<u>12,606</u>	<u>17,850</u>

The accompanying notes 1 to 15 form an integral part of these financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

	<i>Note</i>	For the year ended 31 December	
		<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Profit for the year		192	445
<i>Adjustments for:</i>			
Realised gain on FVTPL investments – net		(17)	(128)
Unrealised (gain) / loss on FVTPL investments – net		(15)	16
Realised loss on FVOCI investments – net		144	--
		304	333
<i>Net changes in operating assets and liabilities:</i>			
FVTPL Investments		2,323	(479)
FVOCI Investments		1,715	(638)
Other receivables		6	(24)
Other payables		(5)	30
Net cash generated from / (used in) operating activities		4,343	(778)
Cash flows from financing activities			
Proceeds from units issued		52	2,567
Value of units redeemed		(4,443)	(1,747)
Net cash (used in) / generated from financing activities		(4,391)	820
Net (decrease) / increase in cash and cash equivalents		(48)	42
Cash and cash equivalents at the beginning of the year	8	77	35
Cash and cash equivalents at the end of the year	8	29	77

The accompanying notes 1 to 15 form an integral part of these financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

SNB Capital US Dollar Sukuk Fund (“the Fund”) is a Shariah compliant open-ended investment fund, established under article 31 of the Investment Funds Regulations (“the Regulations”) issued by the Capital Market Authority (“CMA”), managed by the SNB Capital Company (“the Fund Manager”), a subsidiary of the Saudi National Bank (“the Bank”), for the benefit of the Fund's Unitholders.

The Fund invests in Shariah compliant fixed income instruments and trade transactions including but not limited to Murabaha, Wakala, Mudaraba and Musharaka transactions. The Fund is also allowed to invest in Shariah compliant open-ended investment funds .

The terms and conditions of the Fund have been approved by the CMA on 19 Dhul Hijja 1430H (corresponding to 6 December 2009). The Fund commenced its activities on 19 Dhul Hijja 1430H (corresponding to 6 December 2009).

The Fund is governed by the Regulations published by the CMA on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006). The Regulations were further amended on 12 Rajab 1442 H (corresponding to 24 February 2021).

2. BASIS OF ACCOUNTING

These financial statements of the Fund 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”), and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority (“CMA”) and the Fund’s terms and conditions.

3. BASIS OF MEASUREMENT

The financial statements have been prepared on going concern concept and historical cost convention using accrual basis of accounting except for investments measured at fair value through profit or loss (“FVTPL”) and investments measured at fair value through other comprehensive income (“FVOCI”) which are recorded at fair value.

The Fund 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.

4. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). If indicators of the primary economic environment are mixed, then Fund Manager uses judgement to determine the functional currency that most faithfully effects the economic effect of the underlying transactions, events, and conditions. Investor subscriptions and redemptions are determined based on the net asset value and received and paid in US Dollar and expenses of the Fund are also paid in US Dollar. Accordingly, Fund Manager has determined that the functional currency of the Fund is US Dollar (“USD”).

These financial statements are presented in United States Dollar (“USD”) which is the Fund’s functional and presentation currency and have been rounded off to the nearest thousand unless otherwise stated.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

5. CHANGES IN FUND'S TERMS AND CONDITIONS

During the year, there has been no change in the terms and conditions of the Fund.

6. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the Fund Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the 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 recognised in the year in which the estimates are revised and in any future years affected.

a) Fair value estimation

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.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at market price, because this price is assessed to be a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Fund recognizes transfer between levels of fair value at the end of the reporting year during which the change has occurred.

The fair value hierarchy has the following levels:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

The Fund has classified the investments measured at FVTPL and FVOCI as level 1 as per the fair value hierarchy. During the year, there has been no transfer in fair value hierarchy for FVTPL and FVOCI investments. For other financial assets and liabilities such as cash and cash equivalents, other receivables and other payables, the carrying values were determined to be a reasonable approximation of fair value. The Fund has classified cash and cash equivalents as level 1 while remaining financial assets and liabilities are classified as level 3 as per the fair value hierarchy.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

6. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)

b) Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring Expected Credit Loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; and
- Establishing Fund of similar financial assets for the purposes of measuring ECL.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 12.1.2 (a).

7. SIGNIFICANT ACCOUNTING POLICIES

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

7.1 *Cash and cash equivalents*

Cash and cash equivalents include cash at bank and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

7.2 *Financial assets and liabilities*

Classification of financial assets

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

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest / commission on the principal amount outstanding.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.2 *Financial assets and liabilities*

Classification of financial assets (continued)

Financial assets measured at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest / commission on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets measured at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Business model assessment

The Fund Manager assesses 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 to the Fund Manager;
- 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 - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

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 realized in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing 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.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.2 *Financial assets and liabilities (continued)*

Classification of financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest / commission

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Interest or 'commission' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example: liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest / commission, the Fund 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 Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of the time value of money – for example, periodical reset of interest / commission rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Impairment of financial assets

The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL.

Recognition and initial measurement

Financial assets and liabilities measured at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. The Fund shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition issue.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Expressed in US Dollars '000 (unless otherwise stated)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.2 *Financial assets and liabilities (continued)*

Subsequent measurement

Financial assets measured at FVTPL are subsequently measured at fair value. Net gain or losses including any foreign exchange gains and losses, are recognized in profit or loss in 'realized and unrealized gains / (loss) on FVTPL investments – net' in the statement of profit or loss and comprehensive income.

Financial assets measured at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of income.

Financial assets and financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest / commission method and is recognized in the statement of profit or loss and other comprehensive income. Any gain or loss on de-recognition is also recognized in the statement of profit or loss and other comprehensive income. The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative commission using effective interest / commission method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flow from the 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 Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in the statement of profit or loss and other comprehensive income. Any commission in such transferred financial assets that is created or retained by the the Fund is recognized as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized. The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Fund has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle them liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.3 *Provisions*

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

7.4 *Net assets value per unit*

The net assets per unit is calculated by dividing the net assets attributable to the Unitholders included in the statement of financial position by the number of units outstanding at the year end.

7.5 *Units in issue*

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has redeemable units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date as well as in the event of the Fund's liquidation.

Redeemable units are classified as equity as these meet all of the following conditions:

- they entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- they are in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that are subordinate to all other classes of instruments have identical features;
- the instruments do not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instruments over their life are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instruments.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognized directly in net assets as a deduction from the proceeds or part of the acquisition cost.

7.6 *Taxation / Zakat*

Under the current system of Zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any Zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the financial statements.

The value added tax ("VAT") applicable for fees and expenses are recognized in the statement of profit or loss and other comprehensive income.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.7 *Special commission income and expense*

Special commission income and expense presented in the statement of comprehensive income comprises of commission on financial assets and financial liabilities calculated based on an effective interest / commission basis.

The 'effective interest / commission rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to the carrying amount of the financial assets.

In calculating special commission income and expense, the effective interest / commission rate is applied to the gross carrying amount of the asset or to the liability.

7.8 *Management fee expense*

Management fee expense is recognized in the statement of profit or loss and other comprehensive income as the related services are performed.

7.9 *Accrued expenses and other payables*

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest / commission method.

7.10 *New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Fund*

Below amendments to accounting standards, interpretations and amendments became applicable for annual reporting periods commencing on or after 1 January 2022. The Fund manager has assessed that the amendments have no significant impact on the Fund's financial statements.

Standards / Interpretations and Amendments

Amendments to IAS 37 - *Onerous Contracts – Cost of Fulfilling a Contract*

Annual Improvements to IFRS Standards 2018-2020

COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

Reference to the Conceptual Framework (Amendments to IFRS 3)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.11 *Standards issued but not yet effective*

Standards, interpretations and amendments issued but not yet effective are listed below. The Fund intends to adopt these standards when they become effective.

<i>Standards, interpretations and amendments</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IAS 1 and IFRS practice statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor or Joint Venture	Available for optional adoption / effective date deferred indefinitely

The above standards, interpretations and amendments are not expected to have a significant impact on the Fund's financial statements.

8. CASH AND CASH EQUIVALENTS

This comprises of balances held with a bank having sound credit rating.

9. INVESTMENTS

	<i>Notes</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
FVTPL Investments	i)	2,124	3,807
FVOCI Investments	ii)	10,453	13,965
		<u>12,577</u>	<u>17,772</u>

i) FVTPL Investments

Investments measured at FVTPL include the following:

	<i>31 December 2022</i>	<i>31 December 2021</i>
Units of SNB Capital Diversified US Dollar Trade Fund – a related party	<u>2,124</u>	<u>3,807</u>

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9. INVESTMENTS (CONTINUED)

ii) FVOCI Investments

Investments measured at FVOCI include the following:

	<u>31 December</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
Investments in Sukuk – note (a)	<u>10,453</u>	<u>13,965</u>

- a) Investments measured at FVOCI include investments made in Sukuk with yields ranging from 2.9% to 7.25% per annum and having maturities up till June 2031.

10. UNITS TRANSACTIONS

Transactions in units during the year are summarized as follows:

	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
	<u>Units' in '000</u>	<u>Units' in '000</u>
Units at the beginning of the year	14,401	13,742
Units issued	44	2,074
Units redeemed	(3,674)	(1,415)
Net decrease in units	<u>(3,630)</u>	<u>659</u>
Units at the end of the year	<u>10,771</u>	<u>14,401</u>

As at 31 December 2022, the top 5 unitholders represented 78.06% (2021: 75.41%) of the Fund's units.

11. RELATED PARTY TRANSACTIONS AND BALANCES

The related party of the Fund includes Fund Manager, Fund Board, other funds managed by the Fund Manager, and the Saudi National Bank, being parent of the Fund Manager.

Management fees and other expenses

The Fund is managed and administered by the Fund Manager. For these services, the Fund accrues, daily, a management fee, which should not be more than the maximum annual rate of 0.75% (2021: 0.75%) per annum of the Fund's daily net assets as set out in the Fund's terms and conditions.

The Fund Manager is also entitled to recover expenses incurred on behalf of the Fund relating to audit, custody, advisory, data processing and other similar charges. The maximum amount of such expenses that can be recovered from the Fund by the Fund Manager is restricted to 0.5% (2021: 0.5%) per annum of the Fund's net assets at the respective valuation days. These expenses have been recovered by the Fund Manager on an actual basis.

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11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Management fees and other expenses (continued)

Following are the details of transactions and balances with fund manager related to management fees and other expenses:

Name of related party	Nature of transaction	Amounts of transactions for the year ended		Payable Balance as at	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
SNB Capital Company	Management fees	104	132		
	Expenses paid on behalf of the Fund	43	46	7	11

12. FINANCIAL RISK MANAGEMENT

12.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks including market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks are primarily set up to be performed based on the limits established by the Fund Board. The Fund's terms and conditions set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

12.1.1 Market risk

'Market Risk' is the risk that changes in market prices – such as commission rates, foreign exchange rates, equity prices and credit spreads – will affect the Fund's income or the fair value of its holdings in financial instruments.

a) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The Fund does not have any foreign exchange risk since all the transactions are carried out in USD.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 *Financial risk factors (continued)*

12.1.1 *Market risk (continued)*

b) *Commission rate risk*

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

At 31 December 2022, the Fund is exposed to commission rate risk on its investments in fixed rate Sukuk. A reasonably possible change of 10 basis points in interest rates at the reporting date would have increased (decreased) net assets and profit or loss by USD 0.10 million (2021: USD 0.14 million).

c) *Other price risk*

Other price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager daily monitors concentration of risk for net assets based on securities and industries in line with defined limits while closely tracking the portfolio level volatilities. As of the statement of financial position date, the Fund has investments in mutual fund units and Sukuks which are exposed to other price risk.

The effect on the net assets (as a result of the change in the fair value of investments as at 31 December due to a reasonably possible notional change in net assets attributable to the Unitholders of FVTPL investments, with all other variables held constants is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Effect on net assets attributable to the Unitholders.	±10% <u>1,258</u>	±10% <u>±1,777</u>

12.1.2 *Credit risk*

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its investment measured at amortised cost and bank balances. The bank balance is held with a Saudi bank having Moody's credit rating of A3 which is in line with globally understood definition of investment grade. Accordingly, there is no impact of expected credit loss allowance on this balance

It is the Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

a) *General approach for allowance for expected credit losses*

The Fund recognizes loss allowances for ECL on the financial assets that are not measured at FVTPL.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 *Financial risk factors (continued)*

12.1.2 *Credit risk (continued)*

a) *General approach for allowance for expected credit losses (continued)*

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Fund considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECLs are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Fund categorizes its financial assets into following three stages in accordance with the IFRS 9 methodology:

- Stage 1 – financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months PD.
- Stage 2 – financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on lifetime PD.
- Stage 3 – financial assets that are credit impaired, the Fund recognizes the impairment allowance based on lifetime PD.

The Fund also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

b) *Expected credit loss allowance measurement*

ECL represent probability-weighted estimates of credit losses. These 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 Fund 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.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 *Financial risk factors (continued)*

12.1.2 *Credit risk (continued)*

b) *Expected credit loss allowance measurement (continued)*

The Fund Manager reviews credit concentration of the investment portfolio based on counterparties. The credit quality of the financial assets is managed using the ratings from reputable credit ratings agencies. As at 31 December 2022 and 31 December 2021, the Fund has investments measured at FVOCI with the following credit quality:

Credit ratings	31 December <u>2022</u>	31 December <u>2021</u>
A+	2%	4%
A	18%	22%
A-	26%	22%
BB+	2%	7%
BBB+	9%	5%
BB	3%	--
BBB	19%	26%
BBB-	21%	14%
	<u>100%</u>	<u>100%</u>

12.1.3 *Liquidity risk*

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Saudi business day and it is, therefore, exposed to the liquidity risk of not being able to meet Unitholders' redemption requests on these days. The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans facilities obtained by the Fund Manager.

The contractual and expected maturity of all liabilities outstanding at the reporting date are within six months (2021: due within six months).

12.1.4 *Operational risk*

Operational risk is the risk of direct or indirect losses arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund'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.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of maximising returns to the Unitholders.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 *Financial risk factors (continued)*

12.1.4 *Operational risk (continued)*

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management Team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service level agreements with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
 - appropriate segregation of duties between various functions, roles and responsibilities;
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risks faced.
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

13. LAST VALUATION DAY

The last valuation of day was 29 December 2022 (2021: 30 December 2021).

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no event subsequent to the statement of financial position date which required adjustment of or disclosure in the financial statements or notes thereto.

15. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 29 Sha'ban 1444H corresponding to 21 March 2023.