

Alawwal Invest
Board of Directors' Report
31 December 2021



Alawwal Invest BoD Report 2021

The Board of Directors of Alawwal Invest (AI) is pleased to submit its annual report to the shareholder for the financial year ended 31 December 2021.

1. Company Profile, Company Objectives and Business Overview:

1.1 Company Profile

AI was established on 30 Dhul Hijjah 1428 (corresponding to 9 January 2008) with CR No. 1010242378. The Company is an independent (100% owned) subsidiary of Saudi British Bank (SABB); with a vision to become a leading provider of innovative financial services and appropriate financial solutions for private and institutional clients with the best standards of investment services and products in the Kingdom of Saudi Arabia. AI is a Saudi One Person Closed Joint Stock Company with fully paid Capital of SAR 400,000,000 divided into 40,000,000 shares of SAR 10 each, which is fully paid and owned by SABB.

1.2 Company Objectives

Alawwal Invest is staffed with a team of professionals having extensive experience in the field of Investment Banking, Brokerage and Asset Management across several markets. This team is well qualified and prepared to offer solutions to meet clients' specific investment needs through our wide range of products and services. Alawwal Invest will strive to deliver first class investment performance and quality of services to its clients.

Alawwal Invest generates its operating income from activities in the Kingdom of Saudi Arabia and has no branches, subsidiaries or associates established or operating outside the Kingdom of Saudi Arabia.

1.3 Business Overview:

Alawwal Invest provides comprehensive range of products and financial services for corporations, and individuals including Brokerage, Asset Management and Investment Banking. It aims at providing its clients with high quality of both conventional and Shariah-compliant investment products and services that meet their particular requirements in terms of capital growth and returns. Its services are based on the solid values and vast investment experience in banking products and services. Its main activities are represented in the following securities business:

1.3.1 Brokerage:

Alawwal Invest Brokerage is the execution arm of Alawwal Invest. It offers clients a wide range of products including local equity, international equity and fixed income products in both local and international markets. For Local Equity Brokerage, clients rely on our multiple trading channels including Alawwal Invest e-Tadawul, mobile solutions and Centralized Share Trading Unit to trade on all Tadawul listed stocks, ETF and Sukuk.

For clients who are dealing in international markets, Alawwal Invest Brokerage offers a full range of market leading brokerage services including execution, clearing and safekeeping. Alawwal Invest Brokerage also offers margin lending facilities to its customers to trade in the Saudi Stock Exchange (Tadawul) local equities.

Performance in 2021:

Alawwal Invest's total value of shares traded for the year 2021 reached SAR 28.35 billion compared to SAR 30.23 billion for the previous year, a decrease of 6.18 %. The total number of transactions executed during 2021 reached 874.99 thousand compared to 987.83 thousand transactions for the previous year, a decrease of 11.42%.

Alawwal Invest's online total value of shares traded for 2021 reached SAR 17.8 billion compared to SAR 18.9 billion for the previous year, a decrease of 9.80%. Alawwal Invest's online channels have contributed 62% of Alawwal Invest's total value traded in 2021 compared to 63% in the previous year.

Alawwal Invest's total value traded in International Markets and Fixed Income reached SAR 460 million (US\$122.66 million) in 2021 compared to SAR 851 million (US\$226.93 million) for the previous year, representing a decrease of 45.94 %.

Outlook for 2022:

Alawwal Invest aims to increase its market share in local brokerage by;

- Enhancing the electronic trading channels to meet current customers' growing needs and demands.
- Automate all brokerage functions and services requirements end-to-end.

The outlook for 2022 is expected to be materially impacted by the 18 May 2021 strategic announcement detailed in section [14] of this annual report.

1.3.2 Asset Management:

Alawwal Invest Asset Management offers its clients both packaged and customized solutions depending on their particular investment needs. It manages 7 conventional and Shariah-compliant mutual funds, offering investors access to local and regional markets through a team of experienced and qualified professionals. Asset Management also offers Managed Accounts for high net worth individuals as well as for corporate and institutional clients.

Performance in 2021:

Alawwal Invest Asset Management has achieved substantial growth of around 37% in assets under management, furthermore total mutual funds and portfolios assets under management has reached around SAR 1.84 Billion as of the year end. Moreover, local equities have ended the year with a performance of around 29.83% measured by the performance of TASI, whereas Saudi Equity Fund, Al Yusr Saudi Equity Fund, Saudi Financial Institutions Equity Fund, and GCC Equity Fund have ended the year with performance of around 42%, 37%, 50%, and 38% respectively. As for Money Market Fund the performance has been subdued by interest rates' weakness throughout the year. On the other hand, Al Yusr Morabaha and Sukuk Fund have outperformed their benchmark ending the year with a performance of around 1.52% compared to 0.80% benchmark performance.

Outlook for 2022:

In 2022, Alawwal Invest seeks to increase AUMs, through enhancing sales mechanism and enhancing distribution of its products. In addition, Asset Management is aiming to add more resources to the department, which are expected to lead to enhancing the performance of existing funds, and likely to contribute to launching new products.

The outlook for 2022 is expected to be materially impacted by the 18 May 2021 strategic announcement detailed in section [14] of this annual report.

1.3.3 Investment Banking

Investment Banking Department (IBD) offers advisory services for a wide array of transactions including Initial Public Offerings (IPO), Rights Issues (RI), Mergers and Acquisitions (M&A), Sukuk Issuances and Private Placements.

For IPOs and RIs, IBD plays one or more of three roles namely, Financial Advisor, Lead Manager and Underwriter. IBD also arranges M&A transactions for its corporate clients, where IBD may act as a sell-side or a buy-side advisor.

Performance in 2021:

Investment Banking activities in the Kingdom bounced back strongly in 2021, with 23 Equity Capital Market (ECM) transactions (including IPOs and RIs) taking place on the Main and Nomu markets. The momentum has been continuing strongly moving into the new year (2022) with 9 ECM transactions have already been approved by the Capital Market Authority until 15 February 2022.

IBD did not actively pursue any mandate in 2021 as it awaits a strategic decision from the management on pursuing investment banking business.

2. Financial Results and Performance Highlights

2.1 Key Financial Highlights

SAR '000s	2021	2020	2019	2018	2017
Investments	124,259	123,041	121,588	118,651	124,720
Loans and advances *	80,973	164,462	143,627	246,650	193,968
Total assets	679,666	734,210	724,156	807,274	749,058
Total liabilities	217,112	216,242	190,891	272,222	218,768
Shareholders' equity	462,554	517,968	533,265	535,052	530,290
Operating income	35,274	40,166	43,395	54,098	48,521
Operating expenses	(82,137)	(37,339)	(39,909)	(43,634)	(42,425)
Net (loss) / income before zakat and income tax	(46,863)	2,827	3,486	10,464	6,096
Net (loss) / income after zakat and income tax	(56,273)	(15,290)	(4,229)	2,848	(725)

* Relates to margin lending portfolio

The Company generates its operating income from activities in the Kingdom of Saudi Arabia and has no branches, subsidiaries or associates established or operating outside the Kingdom of Saudi Arabia.

2.2 Financial Results for the year 2021

Alawwal Invest recorded a net loss after zakat and income tax of SAR 56.3 million for the year ended 31 December 2021, an increase of SAR 41 million compared to SAR 15.3 million loss after zakat and income tax for the year ended 31 December 2020. This reason for the increase was incurring integration expenses of SAR 37.4m. Excluding these expenses, the net loss after zakat and income tax would be SAR 18.9m. Alawwal Invest's operating income for the year 2021 was SAR 35.3 million compared to SAR 40.2 million for the year 2020, decreased mainly due to the drop in the interest rates during the year 2021, partially offset by an increase in assets management fee SAR 0.3. The operating expenses increased by SAR 44.8 million mainly due to Integration expense (SAR 37.4m) for the year 2021.

2.3 Balance sheet as at 31 December 2021

Total assets of the Company were SAR 680 million at 31 December 2021, compared with SAR 734 million at 31 December 2020, a decrease of SAR 54million. The deleverage in balance sheet was mainly due to decrease in margin lending portfolio from SAR 164 million in 2020 to SAR 81 million in 2021 and a decrease in time deposits placements with local banks by SAR 25m, partially offset by an increase in cash and cash equivalents by SAR SAR 54m. The Company's total investments in Alawwal Invest managed funds were SAR 124 million, of which investments in Al Yusr Morabaha and Sukuk Fund were SR 77 million. The Company extends margin lending facilities on a selective basis to its customers for the purpose of investing in the Saudi equity market. The facilities are collateralized by underlying equities and cash held in the customers' investment accounts. The Company has an overdraft credit facility of SAR 600 million from SABB; to finance margin lending facilities. As at 31 December 2021, the amount of this facility utilized by the Company amounted to SAR 81 million compared to SAR 164 million in 2020. Shareholders' equity was negatively impacted in 2021 due to the loss after zakat and tax incurred for the year 2021.

3 Corporate Governance

Alawwal Invest is committed to upholding the highest global standards of corporate governance. This entails complying with regulatory requirements, protecting the rights and interests of all stakeholders, enhancing shareholder value, and achieving organizational efficiency.

3.1 Board of Directors Preview

The Board of Directors is responsible for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. The Board works as a team to provide strategic leadership to management and staff; ensures the organization's fitness for purpose; sets the values and standards for the Company; and ensures that sufficient financial and human resources are available. The Board's role and responsibilities are outlined in the Board Memorandum.

3.2 Profile of Alawwal Invest's Board of Directions

3.2.1 Active Board Members of Alawwal Invest as at 31 Dec. 2021

The Board of Directors comprises five members, of whom two are Independent Members.

	Board Member Name	Classification	Effective date of Appointment	Name(s) of other JSCs in which he is member of Board of Directors
1	Mr. Khalid Abdullah Al-Molhem	Chairman - Non-executive Board Member	14 June 2020	1. SABB 2. Riyadh Cement
2	Mr. Omar Al-Hoshan	Vice-Chairman & Independent Board Member	14 June 2020	1. Tadawul 2. The Saudi Investment Recycling Co. 3. Abu Nayyan 4. Cruise Saudi
3	Mr. Salman Al-Dughaiter	Independent Board Member	14 June 2020	AlMayadin Co. for Trading (SLLC)
4	Miss. Maha Al-Sudairi	Non-executive Board Member	14 June 2020	1. SABB Takaful (JSC) 2. National Unified Procurement Company for Medical Supplies (NUPCO)
5	Mr. Bashaar Al-Qunaibit	Non-executive Board Member	7 March 2021	1. SABB Takaful (JSC) 2. SAIL 3. SIJIL

3.2.2 Board Members Meetings during 2021

The Board of Directors held four meetings during 2021 as shown in the table below:

	Date of Meeting	Total Strength	Number of Attendees	Percentage Attendance	Members Attended	Members who did not attend and provided proxies
1	02/05/2021	5	5	100%	Mr.Khalid Abdullah Al-Molhem Ms. Maha Al-Sudairi Mr.Bashaar Al-Qunaibit Mr.Omar AlHoshan Mr.Salman Al-Dughaiter	Not Applicable
2	28/7/2021	5	5	100%	Mr.Khalid Abdullah Al-Molhem Ms. Maha Al-Sudairi Mr.Bashaar Al-Qunaibit Mr.Omar AlHoshan Mr.Salman Al-Dughaiter	Not Applicable
3	28/10/2021	5	5	100%	Mr.Khalid Abdullah Al-Molhem Ms. Maha Al-Sudairi Mr.Bashaar Al-Qunaibit Mr.Omar AlHoshan Mr.Salman Al-Dughaiter	Not Applicable
4	27/1/2022	5	5	100%	Mr.Khalid Abdullah Al-Molhem Ms. Maha Al-Sudairi Mr.Bashaar Al-Qunaibit Mr.Omar AlHoshan Mr.Salman Al-Dughaiter	Not Applicable

3.2.3 Board Members who resigned during 2021

No Board resignation during 2021

3.3 Governance Committees

The Board has established 3 Sub committees.

- Audit Committee
- Nomination and Remuneration Committee
- Board Risk and Compliance Committee

The Chairs of each committee report matters of significance to the Board after each meeting and the minutes of the meetings are made available to all Board members. The detailed roles and responsibilities of each committee are set out in its terms of reference established for each sub-committee. The effectiveness of the

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committees is evaluated as part of the overall performance evaluation of the Board and through annual effectiveness reviews at a committee level.

3.3.1 Audit Committee

Alawwal Invest's Audit Committee was formed in October 2011 reporting directly to the Board of Directors. The committee meets minimum four times during the year and the Chair report matters of significance to the Board after each meeting and the minutes of the meetings are made available to all Board members. The detailed roles and responsibilities of the audit committee are set out in its terms of reference.

The effectiveness of the audit committee is evaluated as part of the overall performance evaluation of the Board and through annual effectiveness review at the committee level. The Audit Committee shall consist of at least three members including Non-Executive or Independent Board Members, and non-board members. In discharging their responsibility, the Audit committee oversees:

- Preparation of financial statements, compliance with accounting standards and accounting judgements;
- The effectiveness of internal financial control and compliance functions;
- The independence and performance of Internal Audit;
- The relationships with external auditors, including their independence, performance and approval of any special services

The Audit Committee actively monitors the adequacy and effectiveness of the internal control framework to provide reasonable assurance that all identified weaknesses are being remediated and that the internal control framework of Alawwal Invest remains effective.

The Audit Committee during 2021 comprised of the following members:

	Member Name	Classification	Effective date of Appointment
1	Mr. Omar AlHoshan	Chairman & Independent Board Committee Member	14/6/2020
2	Mr. Abdulrahman AlZughaibi	Non-Board Committee Member	14/6/2020
3	Mr. Osama AlHudaithi	Non-Board Committee Member	14/6/2020
4	Ms. Lama Ghazzaoui	Non-Executive Committee Member	27/6/2021

Dates of the Audit Committee Meetings and Attendance during 2021:

	Date of Meeting	Total Strength	Number of Attendees	Percentage Attendance	Members Attended	Members who did not attend and provided proxies
1	21/3/2021	4	4	100%	Mr. Omar AlHoshan Mr. Abdulrhman AlZughaibi Mr. Osama AlHudaithi Ms. Maha M. AlSudairi	Not Applicable
2	01/04/2021	4	4	100%	Mr. Omar AlHoshan Mr. Abdulrhman AlZughaibi Mr. Osama AlHudaithi Ms. Maha M. AlSudairi	Not Applicable
3	26/7/2021	4	4	100%	Mr. Omar AlHoshan Mr. Abdulrhman AlZughaibi Mr. Osama AlHudaithi Ms. Lama Ghazzaoui	Not Applicable
4	10/10/2021	4	4	100%	Mr. Omar AlHoshan Mr. Abdulrhman AlZughaibi Mr. Osama AlHudaithi Ms. Lama Ghazzaoui	Not Applicable
5	09/1/2022	4	4	100%	Mr. Omar AlHoshan Mr. Abdulrhman AlZughaibi Mr. Osama AlHudaithi Ms. Lama Ghazzaoui	Not Applicable

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Audit Committee Members who resigned during 2021

	Member Name	Classification	Resigned Date
	Ms. Maha M. AlSudairi	Non-Executive Committee Member	27/6/2021

3.3.2 Nomination and Remuneration Committee

The Board of Alawwal Invest (the "Company") has delegated responsibility to the Nomination & Remuneration Committee (the "Committee") for:

- Leading the process for Board appointments and for identifying and nominating for the approval of the Board, candidates for appointment to the Board;
- Overseeing and monitoring the corporate governance framework of the Company and making recommendations to the Board to ensure that the framework is consistent with best corporate governance standards and practices;
- The principles, parameters and governance framework of the Company's remuneration policy; and
- The remuneration of non-executive Directors, executive Directors, Chief Executive Officer / Managing Director ("CEO") and Senior Executives (CEO direct reports and GCB band 2 and above) of the Company.
- The Company's Ordinary General Assembly shall approve the Term of Reference of the Committee pursuant to which the Committee will be formed by the resolution of the Board.

The Committee (including the Chairman) comprises of non-executive directors and the non-Board Committee members from the shareholders or others provided that no executive director shall be appointed as a member of the Committee. The Chairman of the Committee shall be an independent Director.

The Secretary of the Committee is the Head of Human Resources and Admin (or his nominee).

The Committee shall be formed for a term identical to the term of the Board. In case of any vacancy during the Committee term, the Board will select another member to fill this vacancy.

Dates of the Nomination and Remuneration Committee Meetings and Attendance during 2021:

	Date of Meeting	Total Strength	Number of Attendees	Percentage Attendance	Members Attended	Members who did not attend and provided proxies
1	19/01/2022	3	3	100%	1. Mr.Salman Al-Dughaither 2. Mr. Ahmed Al-Naeem 3. Mr.Nawaf Al-Hsseni	Not Applicable

3.3.3 Board Risk and Compliance Committee

The Board's designated committee and governing body for risk matters is the Board Risk and Compliance Committee ("BRCC"). It has the responsibility for the oversight of risk management, risk governance and internal control systems. It provides advice to the Board on all key and emerging risks to the firm, it sets the risk appetite and approves the compliance programme, the appointment of senior officers and risk strategy.

The BRCC has established a Risk and Compliance Management Committee which acts as the compliance committee as per CMA requirements and for which the CEO, Head of Compliance and MLRO are required to be members and attend in order to formalize decisions on compliance matters.

In line with the corporate governance requirements and best practice, the terms of reference of the Committee were revised and approved by the Board on 22 January 2022.

The Committee consists of 3 to 5 Non-Executive Directors or non-Director members and reports directly to the Board. It meets at least 4 times a year.

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During the Year the Board increased the number of members from 3 to 4 which took effect from the July meeting. There was also a change in the executive member of the committee following the appointment of Mr. Ali Almansour as Chief Executive office as the replacement for Mr. Mazen Bunyan.

In 2021, the Committee held 4 meetings. The following table shows details of those meetings and the record of attendance of members during the year:

The BRCC during 2021 comprised of the following members:

	Member Name	Classification	Meeting 06APR21	Meeting 11JUL21	Meeting 13OCT21	Meeting 11JAN22
1	Ms. Maha AlSudairi	Chair and Board Member	Attended	Attended	Attended	Attended
2	Ms. Shaima Khan	Member	Attended	Attended	Attended	Attended
3	Mr. Fahad Abalkhail	Member	N/A	Attended	Attended	Attended
4	Mr. Ali Almansour	Member and CEO	N/A	N/A	Attended	Attended
3	Mr. Mazen Bunyan	Member and CEO	Attended	Attended	N/A	N/A
Total Attendees			3	4	4	4
Percentage Attendance			100%	100%	100%	100%

3.4 Remuneration and Compensation

Details of the expenses, remuneration and salaries paid to the Board members and six of the senior executives, including the CEO and Finance Manager during 2021 is provided in the tables below:

Statement	Executive Board Members*	Non-Executive Board Members (SAR '000')	Independent Board Members (SAR '000')
Allowance for attendance of the board of directors' sessions	-	12	24
Allowance for attendance of the committees' sessions	-	-	42
Periodic and annual remunerations	-	250	970
Incentive plans	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
Total	-	262	1036

Statement	Six of the senior executives who received the highest remunerations and compensations in addition to the CEO and finance manager (SAR '000s)
Salaries and wages	3,677
Allowances	1,168
Periodic and annual remunerations	2,303
Incentive plans	-
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually	490
Total	7,638

3.4.1 Waivers of Remuneration and Compensation

The following Board Members have waived their remuneration and compensation during 2021:

1. Mr. Bashar AlQunaibit
2. Ms. Maha AlSudairi

3.4.2 Staff Benefits and Schemes

According to the Labor Law of the Kingdom of Saudi Arabia and the Company's internal policies, staff benefits are due for payment during or at the end of an employee's period of service. The end of service benefit outstanding as at 31 December 2021 based on independent actuary valuation amounted to SAR 12 million.

4 Penalties or Sanctions

Alawwal Invest's endeavor is to apply in form and spirit all capital market laws, rules and regulations issued by the regulators and other Ministries in its day to day business.

There were no fines or penalties imposed on the company by the CMA or by any other regulatory bodies.

5 Internal Audit Overview of Systems and Controls

The Results of the Audit Report of the System and Controls During 2021:

Internal Audit represents the independent Third Line of Defense and reviews the design and operating effectiveness of the Alawwal Invest internal control framework and policies established by business and functional Risk Owners to provide independent and objective assurance that Alawwal Invest is operating within its stated risk appetite and in compliance with the regulatory framework. The Internal Audit Manager reports to the Audit Committee on all audit related matters. The executive management is responsible for ensuring that management action plans provided to the Internal Audit function are implemented within an appropriate and agreed timetable.

During 2021, Internal audit work was outsourced to a third party, under the management of Alawwal Invest Internal Audit team. The continued COVID pandemic, and the precautions put in place by the authorities and Alawwal Invest management, has meant that internal work was conducted remotely and this has had some impact on the scope audit work performed. For 2022, Alawwal Invest will be building an in-house internal audit team and reducing the number of internal audits outsourced to a third party.

Audit Committees opinion on the Adequacy of the Internal Audit system

During 2021, Internal Audit conducted a number of reviews across Alawwal Invest in line with the approved Internal Audit Plan and identified several weaknesses in the internal control framework. However, with the appointment of key Senior Management positions and an increased focus on resolving control weaknesses in the organization, the annual review of the effectiveness of internal control procedures demonstrated a positive change in the control environment compared to previous periods.

For 2022, the key challenge for management will be incorporating several lines of business transferred from HSBC Saudi Arabia, under the Transaction announced as per 18 May 2021 strategic announcement detailed in section [14] of this annual report, and its impact on the resilience of the AI internal control framework due to changes in systems, processes and manpower. In 2021, Alawwal INVEST internal audit maintained a 'watching brief' of the Transaction as observers on the on the buy-side Steering Committee. Internal Audit also liaise with their counterparts in HSBC Saudi Arabia. During 2022, the internal audit plan will include a special focus on auditing the Transaction, and subsequent changes to the Alawwal Invest business operating model as a result of the transfer of business, beside assessing the compliance with the regulatory requirements and the areas that were audited during 2021, and rated as high.

6 Key Risks of Alawwal Invest

6.1 Credit Risk

Credit risk primarily results from margin lending activities and deposit placements. Margin lending is conducted through an approved product program that requires customer suitability analysis and customer categorization to determine their margin facility eligibility. Margin lending portfolio related limits; customer collateral coverage and margin call actions are independently monitored, while placements allowed with banks having sound credit rating.

6.2 Operational Risk

Operational Risk is managed across businesses and support functions through sound operational processes and controls, to prevent errors and breach of policies and regulations. The Risk & Control Assessment process ensures effectiveness of controls and early detection of non-compliance.

6.3 Liquidity Risk

The Company has a highly liquid balance sheet with the majority of its assets being placements with the Bank, which is considered to be sufficient to meet its obligations. It is the Company's policy to maintain sufficient liquidity to meet operational and business requirements at all times.

7 Liquidity and Funding

Risk is managed by cash flow matching and maintaining sufficient cash resources, investing in high credit-quality liquid investments, monitoring investments and cash concentrations and restricting them where appropriate, and establishing committed borrowing facilities. The liquidity risk related to these cash flows is managed by matching external debt obligations, internal margin lending growth and internal cash flows and by maintaining an appropriate liquidity buffer.

Our primary sources of funding are internal cash flows generated from its business operations, cash from excess capital and finally borrowings from banks in form of committed facilities. We use a combination of these funding sources and meet the company's minimum requirement thresholds established for own funds and eligible liabilities. The positive funding gap is deployed in liquid assets (investments in Alawwal Invest managed local funds and short term deposit placements) as per the proprietary investment policy.

The following 'Funding sources and uses' table provides a consolidated view of how our balance sheet is funded:

Liquidity and Funding Sources	Balance 2021 SAR in millions	Description
Cash balances and deposit placements with bank	469	Include cash balances of the company that are generated from its business activities and capital. The company holds its balances with SABB.
Investments	124	The company invests its excess cash in its own Funds.
Borrowing from Bank	81	The company has established adequate level of borrowing and overdraft facilities with SABB (limit SR 600m) - revolving facilities (12 months renewable annually) to support funding of Margin lending.

8 Related Party Balances and Transactions

Related parties of the Company include The Saudi British Bank (the "Parent") and its affiliates, funds managed by the Company, the Board of Directors and its committees and key management personnel. The Company and its related parties transact with each other in the ordinary course of business. The transactions with related parties are disclosed in note 12 of the 2021 audited financial statements of the Company.

8.1 Contracts or Business with Related Parties

The company did not, nor has it entered into, any contract in which any member of the Board, the Chief Executive Officer, the Executives, or any of their associates has or had any material interest.

9 Statutory payments

Statutory payments payable by the company during 2021 consist of Zakat payable by Saudi shareholders, tax payable by the foreign partner, and the amounts payable to The General Organization for Social Insurance (GOSI) which represents staff insurance contributions.

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The statutory payments for the year 2021 were as follows:

	SAR '000s
Zakat attributable to the Saudi Shareholders	9,117
Income tax attributable to non-Saudi shareholder	101
GOSI payments	1,669

10 Accounting Standards

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA) and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

11 Board of Directors Assurance

The Board assures shareholders and other interested parties that to the best of its knowledge and in all material aspects:

- Proper books of account have been maintained.
- The system of internal controls is sound in design and has been effectively implemented.
- It has no evidence that suggests the Company’s inability to continue as a going concern.

12 Appointment of external auditors

At the company’s Extraordinary General Assembly on 14 June 2021, the shareholders endorsed the selection of KPMG AlFozan & Partners as external auditors to audit Alawwal Invest’s annual financial statements for the year ended 31 December 2021.

13 Board of Directors Approval of Financial Statements

The financial statements for the year ended December 31, 2021 were approved by the Board of Directors on 30 March 2022.

14 18 May 2021 Strategic Announcement

On 18 May 2021, AI entered into a business transfer agreement with HSBC Saudi Arabia (“HBSA”). As per the agreement, AI agreed to buy the following lines of business from HBSA:

- 1) the asset management business;
 - 2) the retail margin lending business; and
 - 3) the retail brokerage business
- (together the “Transaction”).

The Transaction constitutes a reorganization of the securities business conducted by AI and HBSA reflecting the strategy of the two parties, their future plans and serving the interests of the SABB group in general. Completion of the Transaction is subject to the applicable regulatory and corporate approvals and is expected to occur in 2022. The net book value of the transferring business was SAR 646.49 million as at 31 December 2020, based on which, the estimated purchase consideration was SAR 766.49 million and is subject to adjustments (including for change in the net book value) as provided in the agreement.

In extraordinary general assembly meeting (EGM) held on 10 March 2022, SABB approved the recommendation from Alawwal Invest’s Board of Directors to increase the capital of the Company from SAR 400 million to SAR 840 million by way of capital injecting. This is subject to regulatory approvals.

Conclusion

The Board of Directors would like to express its thanks and gratitude to Alawwal Invest's clients and employees for their continuous support during the year 2021. The Board as well would like to express its thanks and gratitude to the Capital Market Authority for its continuous endeavors to regulate and develop the financial market so as to support the efforts to strengthen the regulatory environment and improve the foundations and standards of governance within authorized persons, with rational leadership directives supporting the development, growth and stability of the financial market.