



LEADING THROUGH
INNOVATION
AND CUSTOMER EXPERIENCE

2020
Annual Report



Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al Saud



His Royal Highness Prince
Mohammed bin Salman bin Abdulaziz Al Saud
Crown Prince, Deputy Prime Minister and
Minister of Defense



The Late Chairman

Dr. Abdulrahman Ibrahim AlHumaid

1949 - 2021

AT A GLANCE

Financial Highlights

Net Profit before Zakat amounted to SAR 1,502 million, while Operating Income was SAR 4,262 million

Net Profit before Zakat ↗

SAR MILLION

1,502



Operating Income ↗

SAR MILLION

4,262



Operating Expenses ↗

SAR MILLION

2,760



Total Assets ↗

SAR MILLION
95,744



ROAA% ↘

1.5%



Customer Deposits ↗

SAR MILLION
71,553



ROAE% ↘

13.4%



Cost to Income ↘

48.5%



EPS ↗

SAR
1.81



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AT A GLANCE (continued)

Operating Highlights

79%

Increase in customer registration on online channels

64%

Increase in Mobile Banking transactions volume

68%

Increase in account opened digitally over the same period last year

6,437

Training seats

379,718

Hours of training delivered

32,475

Customer complaints addressed

About Us

Bank Albilad is a Saudi joint stock company, established by Royal Decree in 1425H (corresponding to 2004) with a current corporate capital of SAR 7,500,000,000. It is headquartered in Riyadh, Kingdom of Saudi Arabia, and listed (ALBILAD) on Tadawul, the Saudi Stock Exchange. The Bank operates over 150 branches across the Kingdom of Saudi Arabia including 7 sales centres and more than 175 Enjaz remittance centres. The Bank provides Shari'a-compliant services to personal, corporate and SME clients, supporting the latter through specialized centers in a number of cities throughout the Kingdom.

OUR HISTORY

Established in 2004, Bank Albilad was the Kingdom's 11th bank. The original shareholders to invest in the Bank were eight of the country's leading money

Awards and honors in 2020



YouGovBrandIndex

Bank Albilad among the best 10 improved brands in KSA-2020



MEA FINANCE Awards
Best Online Banking Service

exchangers: Mohammad & Abdullah AlSubaiei Exchange Co., Heirs of Abdulaziz bin Sulaiman AlMugairin, AlRajhi Trading Exchange Est., AlRajhi Trading Est., Mohammad Salih Sayrafi Est., Abdulmohsen AlOmari Est., Yousef Abdulwahab Numatallah Co. and Ali Hazaa' & Partners for Trading & Exchange. These shareholders contributed SAR 1.5 billion towards Bank Albilad, while the public also paid SAR 1.5 billion.

Bank Albilad owns Albilad Investment Company,(Albilad Capital) which undertakes investment and asset management activities. It also owns Albilad Real Estate Company Ltd, which performs registration procedures for real estate guarantees obtained by the bank from its clients. It also possesses strategic shares in other companies.



173,926

**Accounts opened digitally in 2020,
a 68% increase over 2019**



Finnovex Awards
Excellence in Innovative
Banking-KSA



MEA FINANCE Awards
Best Mobile Banking Solution KSA
Awards-2020



International Business Magazine
Best Digital Banking KSA-2020



Point Checkout
Mukafaat Albilad among Best
Loyalty Programs-Middle East

YEAR IN REVIEW

JANUARY

Bank Albilad introduced a WhatsApp Service for clients allowing for expedited transactions / communications.

FEBRUARY

Announced record high profit in 2019.

FEBRUARY

The Bank was recognized with the Best Digital Banking Award by International Business Magazine.

MARCH

Bank Albilad implemented a savings program initiative in schools and universities.

MARCH

The Bank launched Enjaz App.

JUNE

The Bank launched instant POS Terminal issuance in its branches, the first to do so in KSA.

JUNE

Bank Albilad was listed as #15 in Forbes Middle East Top 100 Companies.

AUGUST

The solar energy system in the HO building became functional.



Albilad App



Enjaz App



IR App

SEPTEMBER

The Bank launched the Enjaz Digi Account as the first to do so in KSA.

OCTOBER

Bank Albilad won the Best Mobile Banking Solution and Online Banking Awards from MEA Finance.

NOVEMBER

Bank Albilad was recognized for Excellence in Innovative Banking by the Finnovex Awards.

DECEMBER

The Bank was listed in the 10 Best Improved Brands in Saudi Arabia by the YouGov Brand Index.

DECEMBER

Bank Albilad signed a Cooperation Agreement with the Tourism Development.

DECEMBER

Wins CGI Excellence Award (Alfaisal University).



OUR VALUE CREATION STORY

The Bank's value creation story reflects the value it creates for customers.

OUR APPROACH

- Diligent and risk-based decision making
- Customer centricity
- Innovative products and services tailored to meet customer needs
- Focus on quality and efficiency

We use our expertise and judgement to make individual decisions that balance risk and return with customer needs.

OUR DIFFERENTIATORS

Strong foothold in the KSA Islamic banking segment

With a strong proposition around customized solutions, we have solidified our position as a key institution providing Islamic banking solutions.

Diversification across business verticals, products and services

Our continuous efforts to stimulate growth and innovate has been a cornerstone of our success.

Exceptional customer service

Customer centricity is in our DNA.

Our continuous investment in enhancing customer experience keeps.

Our people

Our most important asset are the people who make our growth path possible. Our training and development enable career progression and operational efficiency.

Operational efficiency

Our strategy is weaved around optimum efficiency across the business and decisions.



Underpinned by our strong risk management, best practice governance and work culture

Bank Albilad has beaten the average growth in the Kingdom’s banking industry for years measured by asset growth, as well as in terms of the increase in its deposit base. This demonstrates the Bank’s successful penetration into key segments such as

personal finance, consumer finance, mortgage lending and corporate lending has been well-targeted and effective. It also evidences a strong appetite to leverage the Bank’s investment capabilities, and increase its market share by aligning with the

evolving demands and expectations of the Saudi customer.

Bank Albilad works closely with government agencies to enhance the quality of life for consumers and business owners alike, whatever their stage of development.

LEVERAGED ACROSS OUR BUSINESS VERTICALS

Retail Banking	Corporate Banking	Enjaz	Treasury
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TO FACILITATE PRODUCTS AND SERVICES

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Cards • Bank accounts • Personal financing • Auto financing • Banking Agent • Real Estate Financing • E-services • Corporate account services | <ul style="list-style-type: none"> • Financing solutions • Cash management • Trade finance • Treasury • Enjaz Easy • Enjaz SWIFT • Money transfer • Direct Investment | <ul style="list-style-type: none"> • Operators • Trading • Money Market • Foreign Exchange • Islamic Financial Derivatives • Other Treasury services |
|--|---|--|

FOR OUR CUSTOMERS

SMEs	Retail	Consumers	Financial institutions
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THROUGH DIRECT/ INDIRECT CHANNELS

Strategic partnerships	Business partners	Intermediaries
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TO CREATE VALUE

Shareholder value

We continue to deliver returns to shareholders and long-term value for investors.

Long-term relationships with stakeholders

Our ongoing commitment to customers have made us a part of their personal and professional journey.

Employee engagement

We have been able to engage with employees and create a highly motivated and capable workforce.

STRATEGIC REVIEW

CEO's Statement

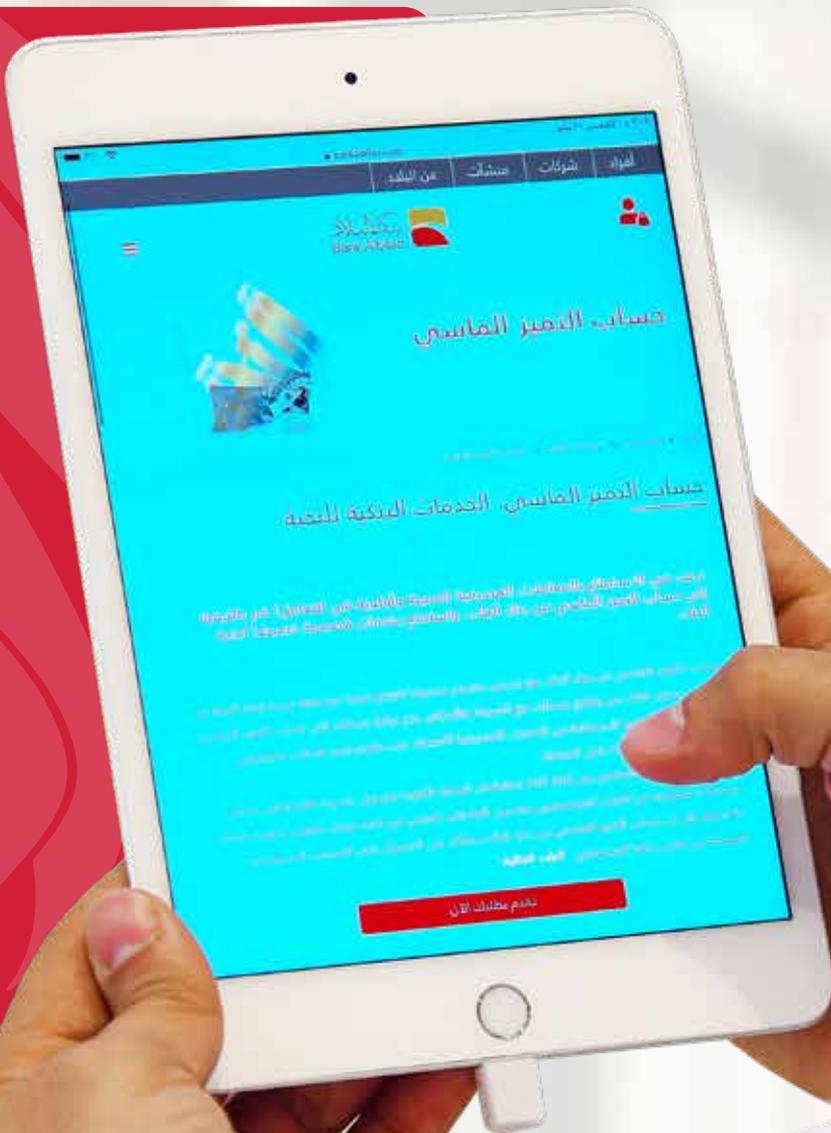
The global COVID-19 crisis brought severe disruption to business operations in 2020. Bank Albilad met these challenges head on.

Read more on Page 20

Strategy

Bank Albilad's strategy revolves around employing our human capital, leveraging our banking channels and branch networks, and embarking on digital transformation.

Read more on Page 24



CHAIRMAN'S STATEMENT

Our performance and results have proven that the circumstances of the COVID-19 pandemic did not prevent us from continuing the path towards achieving our goals.

Nasser Mohammed AlSubeaei
Chairman



All praise due to Allah, and peace and blessing be upon the Prophet of Allah, his family and all his companions.

On behalf of my colleagues, the members of the Board of Directors and its committees, our executive management, and our ambassadors, we mourn the passing of His Excellency the former Chairman of the Bank's Board of Directors, Abdulrahman Bin Ibrahim Alhumaid, who passed away before the issuance of this report. We extend our deepest and most sincere condolences to his family and loved ones and wish them the fortitude to bear this great loss. We ask God to bless him for all his contributions to the Bank, the financial and banking sector, with his abundant knowledge and experienced management during his term as Chairman of the Board of Directors, which had positive effects on the Bank's family, its growth and the distinction of its results.

DEAR SHAREHOLDERS, PARTNERS, AND INVESTORS

On behalf of the Board of Directors, I am pleased to present the Annual Report and audited Financial Statements for Bank Albilad for the year ended 31 December 2020. Our financial results illustrate what the Bank has achieved, once again recording a strong annual performance. It has

further distinguished its market position as a leading Islamic bank, through innovation, improving customer experience, and meeting their aspirations. The total operating income increased by 8% compared to 2019 to reach SAR 4,262 million, with net profits before Zakat of SAR 1,502 million.

VISION AND STRATEGY

There is a continuing, strong trend towards digitalizing the financial services sector in the Kingdom and the world, accompanied by evolving customer demands and increased competition from Fintech. We are embracing the challenge to continue, as we have been proactive in the field of digitizing banking operations and products and to stay ahead of the curve and capture further market share. This required enhancing and accelerating the process of digital transformation and developing the skills of our ambassadors to deliver the highest levels of customer experience. It lies at the heart of our strategy and has gained significant momentum in the financial year 2020. We continued to build value for our shareholders and investors with a steady focus on gaining more market share across various activities and businesses by creating new revenue streams, complemented by strong digital capabilities, highly qualified and trained employees, and exemplary customer service.

MARKET OUTLOOK

Operating conditions in 2020 were challenging, with the COVID-19 lockdown, lower oil prices and the VAT increase. The Saudi Central Bank, to overcome the economic challenges of the pandemic, provided strong support to the Kingdom's SME sector through effective stimulus packages.

As we head into a new year, we look forward to post-pandemic recovery, especially with the launch of the vaccination campaign, and we hope that the various sectors of the economy will head towards a full recovery.

OPPORTUNITIES ABOUND

Bank Albilad is a deep rooted, agile banking entity that adopts the latest digital solutions. The Bank seeks to achieve sustainability and sustainable development through its strong participation in supporting the government's social and economic development programs under the framework of Vision 2030. These programs stimulate the development of the national economy and improve the quality of life across the Kingdom, allowing the Bank to tap into available opportunities and gain competitive advantages. As such, we continue to strengthen our relationships with government agencies to develop high quality products that support SMEs and serve housing initiatives through mortgage financing, while supporting government efforts in raising awareness around financial literacy. We are also working to improve our social responsibility by focusing on environmental and social factors through various initiatives across our activities, services, facilities, branches and departments.

Our performance and results have proven that the circumstances of the COVID-19 pandemic did not prevent us from continuing the path towards achieving our goals. The Bank worked to challenge these difficult circumstances and turn them into opportunities for excellence and proficiency, and this has reflected positively in our financial results. Our resources and human capital have been able to perform banking operations remotely at a rate that sometimes exceeds 90%, which is a promising indicator that we have been successful in furthering our digital transformation strategy in business and operations.

It was with immense pride that we witnessed how the Bank successfully responded to the consequences of the COVID-19 pandemic. It not only stood firm but exceeded expectations and continued to grow during this difficult period. This was a true test for the major investment we have made in our human capital and our digital technology infrastructure in the past few years. Thanks to the efforts of our executive

management, our ambassadors, their commitment to excellence, their continuous dedication, and their strong contribution to the distinguished position that the Bank is in today. At the end of 2020, we worked to update the Bank's mission and goals in line with its vision to achieve our ambitions and the aspirations of our customers, shareholders, and all stakeholders. We strive to be "the bank of choice in providing innovative Islamic banking solutions."

The Bank seeks to achieve sustainability and push further development through its strong participation in supporting the government's social and economic development programs under the framework of Vision 2030.

WITH THANKS

On behalf of the members of the Board of Directors, and all ambassadors of the Bank, I raise to the position of the Custodian of the Two Holy Mosques and his faithful Crown Prince – may Allah protect them – many thanks and gratitude for the support, guidance, and wise care of the financial and banking sector, and all political, economic, and social activities to achieve growth and prosperity of the Kingdom, its citizens and its residents.

Further, I would like to express my gratitude to the Ministry of Finance, the Saudi Central Bank, the Ministry of Commerce, and the Capital Market Authority, for their support in the financial and banking sector in the Kingdom through regulation, legislation and oversight, in a way that guarantees its stability.

IN CONCLUSION

I extend my sincere thanks and gratitude to all the Bank's shareholders, investors, partners and customers for their further strengthening loyalty and support. I look forward to the continuation and growth of this relationship by providing banking services with peace of mind through a package of integrated products and services that meet the needs and desires of our customers.

LEADING THROUGH INNOVATION AND CUSTOMER EXPERIENCE

In 2020 we continued to leverage our digital transformation and deploy a suite of new and enhanced products and solutions. Bank Albilad has evolved as a leader through innovation and customer experience – emerging as a preferred Islamic banking solutions provider.

This year's Annual Report shows how our digital drive and heavy investment in employees and customer service is paying dividends – as we enjoyed growth and solid performance across all our business lines in 2020.

ROBUST AND EFFICIENT OPERATIONS



Our dynamic structure supports robust and efficient operations as well as effective compliance and risk management. It is the framework within which we have boosted and diversified our revenue streams through initiative and innovation.

OUR EMPLOYEES ARE OUR BIGGEST ASSET



Our engaged and motivated employees are our biggest asset – and the key to our sustained success. Our knowledge transfer culture, focus on employee well-being and career development programs are developing the Bank’s future leaders, and we have rapidly become an employer of choice.

EXCELLENCE IN CUSTOMER SERVICE



Greater emphasis on delivering excellence in customer service has positioned us well to take further market share. Our steady progress towards these strategic objectives and goals has made us a genuine force in the market and has placed us firmly on the road to solid and sustainable growth.

CEO'S STATEMENT

Customer experience is a key differentiator for Bank Albilad – and has positioned us well for sustainable success.

Abdulaziz M. Al-Onaizan
Chief Executive Officer



*Ladies and Gentlemen, Bank Albilad Shareholders,
Peace be upon you.*

The global COVID-19 crisis brought severe disruption to business operations in 2020. Bank Albilad met these challenges head on. Backed by a robust digital infrastructure, we successfully navigated the sudden acceleration and upsurge in the usage of e-channels. Moreover, the Bank's continued training and development of its agile and highly competent workforce, ensured we swiftly adapted to remote working, achieving excellent operational and financial results.

The government initiatives, policies, and support and together with the guidance from the Saudi Central Bank were crucial in helping us tackle the challenges brought about by the pandemic.

Change is ingrained in our culture. This mindset enabled us to adapt quickly to immediate challenges and threats brought about by the pandemic. More importantly, we did not lose sight of our vision to be the preferred choice of innovative Islamic banking solutions.



Another year of solid performance.

Return on Average Equity
after zakat

13.4%

Total Operating Income
(SAR)

4,262
million

This was a year of continued digital transformation. Bank Albilad solidified its position as an Islamic bank that is breaking new ground through innovation and customer experience while further advancing employee satisfaction.

We steadily gained market share during the year and our business lines performed very well across the board. We successfully captured market opportunities in Treasury and project finance – and our involvement in large transactions helped grow our corporate banking portfolio. The Bank's Net Income grew 8% to SAR 1,502 million before Zakat, compared to SAR 1,387 million before Zakat the previous year. This was achieved on the back of the growth in Total Operating Income, which improved by 8% to SAR 4,262 million, resulting primarily from the increase in Investing and Financing Income of 17%. The Bank's Total Assets grew by 11% to SAR 95,744 million, as Investments and Financing expanded by 35% and 18%, respectively while Deposits were up by 7%. We continue to create value for our shareholders, and this is reflected in our Return on Equity after zakat, which reached 13.4%.

CREATING UNPARALLELED CUSTOMER EXPERIENCE

Our customer experience delivery is excellent. Customer experience is a key differentiator for Bank Albilad – and has positioned us well for sustainable success. To continue to deliver on this over the long term, we remain focused on enhancing our customers' experience. We have done tremendous work in terms of improving the customer journey, which has acquired more business and increased our market share. To this end, we carried out extensive training programs with branch staff in 2020, focusing heavily on augmenting our after-sales service. We committed extra resources to increase capacity in customer social engagement and at our call centers.

Our substantial investment in technology is delivering major benefits to our stakeholders and customers. This has led to a significant improvement in our brand perception. We are delighted to be recognized among the 10 best improved brands in Saudi Arabia in the YouGov Brand Index. Our brand positioning was further cemented with the remarkable response to our special edition National Day Cards. We are reaping the benefits of migrating our business to digital, strengthening our brand and allowing us to capture more market share.

In the process, the Bank has received several awards in the field technology like the Excellence in Innovative Banking Award and Best Mobile Banking Solution Saudi Arabia.

COMMITMENT TO OUR EMPLOYEES

Our employees are the backbone of our business. Having the best and the brightest on board is a key driver of our continued growth. Our people play a critical role in delivering our digital transformation and in 2020 we made considerable progress in equipping them with the skills required for the workplace of the future – and to deliver change more effectively via dedicated technical training programs.

Employee experience and satisfaction is another key focus for the Bank. We have established a reputation for talent development and creating future leaders for the business. During the year, many of our people took advantage of the myriad of courses available at Albilad Academy. We are also embracing new ways of working – and the pandemic accelerated a remote working program that will allow us to tap talents across the Kingdom.

We care for our employees and we want to help them with their future, as much as we can. We provide childcare allowance to our female ambassadors in appreciation of the role they play in balancing children care while carrying out their job responsibilities. We have also launched the Employee Savings Plan (Hafedh) for all our ambassadors.

Our employees are the backbone of our business. Having the best and the brightest on board is a key driver of our continued growth.

We value our employees' family connections. Prior to the pandemic, we held a very successful Albilad Family Day in February 2020 where around 1,500 family members attended.

SAFEGUARDING CUSTOMER SECURITY

Cyber threats and attacks are major issues for businesses. Cyber security and data protection are therefore of the utmost importance to the Bank – and on which there is no compromise. We take a highly rigid approach to cyber security with multiple resources employed in this area and the very latest in security software.

CEO'S STATEMENT (continued)

Another important element of our security is the stability of our digital infrastructure. During the year, we undertook multiple business continuity planning exercises. These involved successful comprehensive recovery tests on all mission-critical IT operations.

UNLOCKING VALUE THROUGH DIVERSIFICATION

Our ability to create value for our stakeholders lies at the heart of our success. We will accomplish this through our strategy to increase market share through organic growth via diversification into new revenue streams. We will also create enhanced product offerings, for a wider choice of advanced and sophisticated Islamic banking solutions.

The regulatory support we receive from the Saudi Central Bank is paving the way for new banking sector opportunities. With solid government backing for SMEs and a major drive towards Saudi home ownership, the Bank is committed to supporting these initiatives. Our current product offerings are well positioned to take advantage of these opportunities. More importantly, the stimulus packages and programs extended by the Saudi Central Bank to the Bank and its customers helped overcome the challenges caused by the pandemic.

Looking further ahead, agent banking will allow us to complement our physical presence in certain locations thus giving the public greater access to banking services. We are poised for the next growth chapter and look forward to finding new opportunities in Treasury and syndication, further expanding our Enjaz remittance business and increasing market share.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

On the ESG front, Bank Albilad continues its engagement in numerous social and environmental initiatives and programs under its Corporate Social Responsibility Program #Albilad_Mubadara supported by the Bank's ambassadors' volunteering work, which played a significant role in the success of these initiatives and programs.

Our Head Office building is now partially powered by renewable energy after equipping the building with solar panels, in a way, helping reduce carbon footprint.

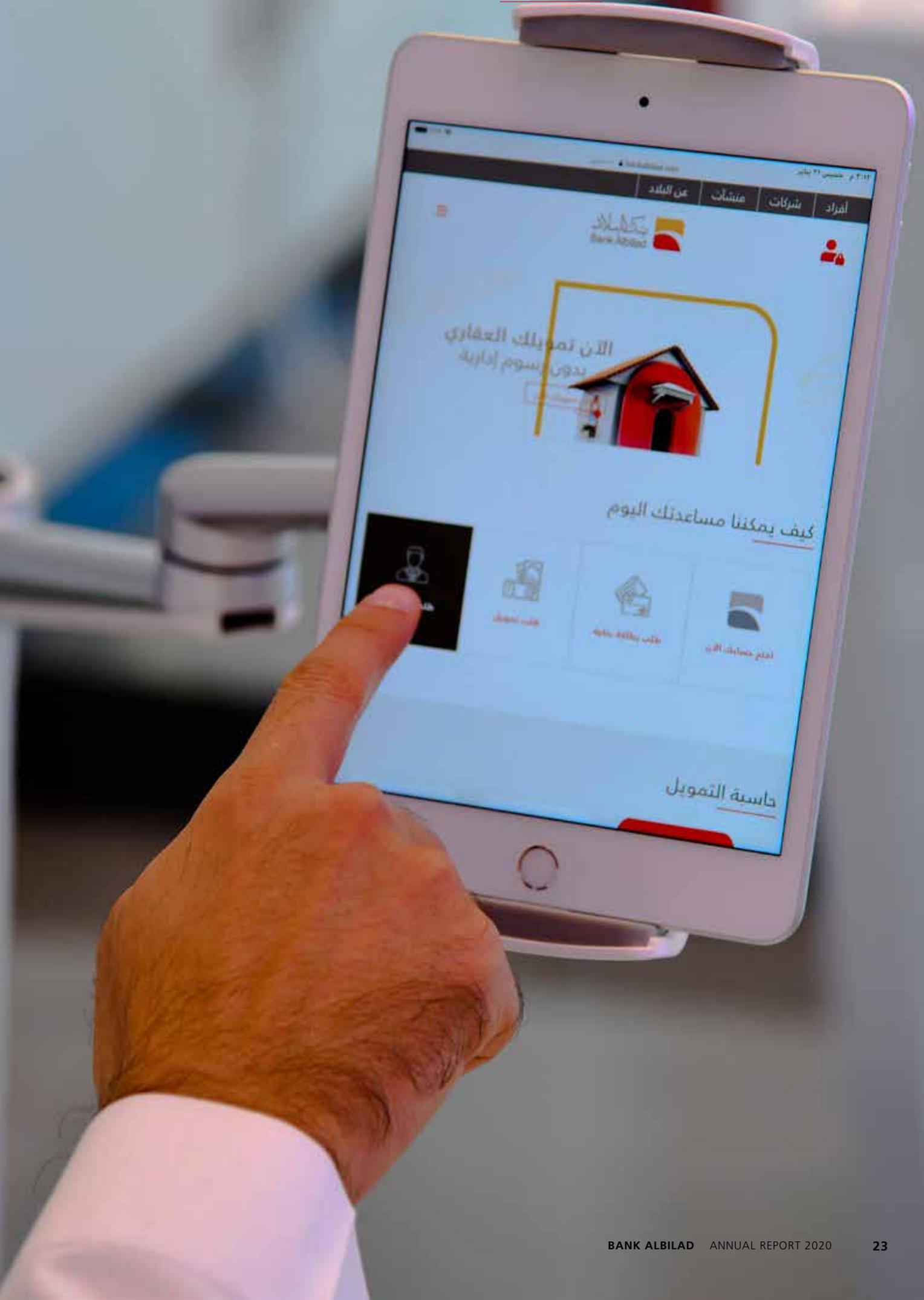
A high-quality customer experience extends into the creation of personalized customer propositions. Financial literacy is a significant social responsibility, and in a market first, Bank Albilad initiated savings schemes for education and long-term healthcare for our customers. Our latest initiative with corporates is a savings scheme that will make a direct debit from employees' salaries.

OUR STAKEHOLDERS

I would like to extend my gratitude to the Board of Directors for their guidance, counsel, and support in the pursuit of our strategic objectives.

My deepest thanks go to our employees for their hard work and contribution throughout the year. I would particularly like to commend the way in which our employees pulled together during the global pandemic; it is their dedication and commitment that ultimately enables us to succeed.

I express my sincerest gratitude to the Custodian of the Two Holy Mosques and the Crown Prince – may Allah protect them – and the Saudi Central Bank for their steadfast support to the national economy and the banking sector.



OUR STRATEGY

Bank Albilad's strategy is centred on leveraging banking channels, network and expertise among the Bank's employees to support our sustainable growth and boost our revenue streams.

VISION

To be the preferred choice of innovative Islamic banking solutions

MISSION

To leverage digital transformation, network, and human capital to deliver the highest levels of customer experience and competitive value propositions in the best interests of our clients, employees, shareholders and the communities we serve



Bank Albilad's vision, mission, and values were transformed to align with Saudi Vision 2030 and contribute to its success, while taking into account the expected investment opportunities and acceptable risk levels, to achieve the Bank's objectives of increasing its market share, achieving growth in revenues and net profits and increasing its capital base.

Bank Albilad's strategy revolves around employing our human capital, leveraging our banking channels and branch networks, and embarking on digital transformation. This allows us to provide the best competitive value and the highest levels of customer experience in a way that achieves the interests and aspirations of our customers, employees, investors, and society, to support sustainable growth at all levels.

It is particularly important to support the Bank's ongoing efforts towards operational excellence through a performance-driven culture. Innovation is key to the success of Bank Albilad's products and services, which will be further diversified and enhanced to build a highly dynamic business structure. We consider our Bank's strategy as an influential element in aligning our resources to offer seamless, flexible and convenient banking services. In addition to highlighting our competitive

OBJECTIVES



SOLID AND SUSTAINABLE GROWTH

Sustainable growth by boosting and diversifying revenue streams, enhance efficiency, instilling a customer experience oriented culture, and highly adaptable compliance and risk management



CONVENIENT BANKING

Innovation in our products, services, channels, network, and human capital whereby all of them work in alignment and harmony to offer convenient products and services to our target clients



ADOPTIVE AND HEALTHY OPERATING ENVIRONMENT

Highly dynamic structure to support the target operating model, with efficient operations, and highly engaged employees

VALUES

INITIATIVE AND INNOVATION

CARE AND PARTNERSHIP

TRUST AND ACCOUNTABILITY

value and levels of customer experience, we provide appropriate advisory services that cater to our customers' needs.

Our new strategy has a definite destination: to achieve solid and sustainable growth through the diversification of revenue sources. The effects of this growth will be reflected in the distinctiveness of our brand among its peers. The Bank's strategy aims to increase the efficiency in managing operating

costs by reducing manual transactions and restructuring and developing our existing operations. Bank Albilad focuses on the importance of having an integrated banking system, achieving further success, and reasserting our commitment to the regulatory requirements.

The Bank also aspires to be the preferred and most convenient bank for customers by introducing modern products and services, such as banking solutions and

applications, and by developing smart digital branch services.

The Bank is distinguished by its healthy operating work environment, and is eager to support any other related elements or areas. We have reasserted excellence in the banking sector by developing human competencies, supporting the Bank's resources, and launching volunteer programs and corporate social responsibility initiatives.

OUR MARKETPLACE

The impacts of the COVID-19 pandemic on the global economy, lower levels of oil production and resulting volatility in oil prices presented significant challenges during 2020.

Saudi Arabia's authorities took a phased and rigorous approach in their attempts to mitigate the consequences, including implementing social distancing measures and establishing agreements on oil production.

The Kingdom's economy saw a record contraction in GDP of 7% in Q2. This rebounded in Q4 with 2.8% growth, as compared to a 0.3% contraction in the same period of 2019. Towards the end of the year, non-oil sector growth experienced a 2.1% decline as compared to 8.2% in Q2 2020. The oil economy, however, fell 8.2%, the most significant decline since the start of 2011.

Value-added tax (VAT) was also increased threefold in July to offset the impact of lower oil revenue on state finances, with further effects on non-oil sector economic activity.

The Brent Crude oil price was \$67.3 a barrel in December 2019. It fell to \$18.38 in April 2020 and was trading at around \$49.99/b at the end of 2020. The 2021 budget deficit is expected to narrow to SAR 141 billion, amounting to 4.9% of economic output, as compared to nearly SAR 300 billion, or 12% of Saudi Arabia's GDP in 2020.

As part of a historic OPEC agreement in response to the pandemic, Saudi Arabia and other countries agreed to reduce their overall crude oil production by 10 million barrels per day (mb/d), with subsequent adjustments to follow. These developments weighed heavily on the Kingdom's economy, despite governmental support through fiscal and monetary measures.

The Kingdom also hosted the G20 Riyadh summit in November, which was held virtually due to the pandemic. The leaders agreed to rise to the challenge of responding to COVID-19 collectively. An emergency meeting was also held in March, with the attendees agreeing to support those who lost their incomes as a result of the pandemic.

THE KINGDOM'S BANKING SECTOR

While the Kingdom's banking sector was affected by the consequences of COVID-19, the impact was less significant than might be the case for other countries in the region. The Government has been proactive in cushioning the effects where possible. It announced support packages for the private sector totaling almost SAR 228 billion, including support to the Saudi banking and SME sectors. The Saudi Central Bank (SAMA) announced an injection of SAR 50 billion into the banking sector, to help improve banking liquidity and support the provision of credit facilities for the private sector.

LOOKING AHEAD

Saudi Arabia's outlook depends heavily on COVID-19 developments in the months ahead. The Kingdom announced a budget of SAR 990 billion for 2021, lower than previously estimated, as the country aims to mitigate the deficit caused by the pandemic and ongoing oil volatility. Despite the exceptional challenges for the economy in 2020, efforts towards supporting Vision 2030 and its pillars remain a priority for the Kingdom. Further, according to the IMF, GDP growth in Saudi Arabia is expected to increase by 2.6% in 2021. Thus, while the outlook remains uncertain, the economy is expected to recover.

الخدمة الذاتية SERVICE BOOTH



FINANCIAL REVIEW

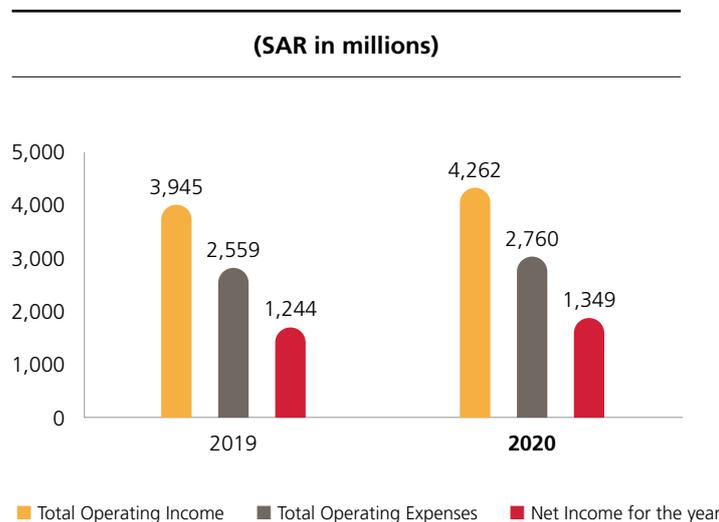
The bank was able to achieve positive financial and operational results and growth during the year 2020, as it achieved growth rates that exceeded the goals set, as a result to the bank's policies and business strategies that were implemented during the year

The annual financial results of Bank Albilad showed for the year ended 31-12-2020, a continuous growth of profits as a result of growth in all activities of the bank, where the bank's net income before Zakat increased by 8% to reach SAR 1,502 million compared to SAR 1,387 million for the same period of the year the previous.

The bank continued to register an increased level of revenue achieved on the basis of total operating income of SAR 4,262 million, an increase of 8%, which resulted mainly from higher financing and investment revenues supported

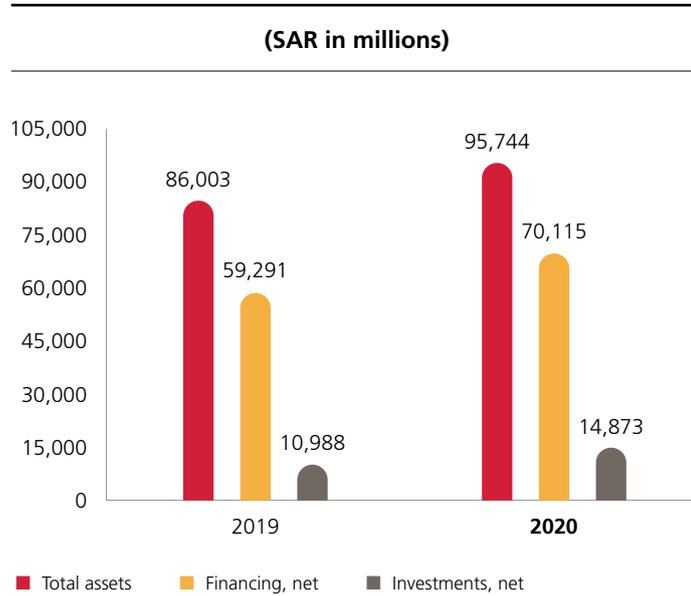
by strong performance in the retail portfolio. In contrast, the total operating expenses increased by 8% to reach SAR 2,760 million as a result of the increase in the provision for the credit losses and other general and administrative expenses, as well as in the employees' salaries and, depreciation and amortization.

Bank Albilad achieved net profit after Zakat for the year 2020 with an amount of about SAR 1,349 million compared to net profit of about SAR 1,244 million for the same period of the previous year 2019, with an increase of 8%.



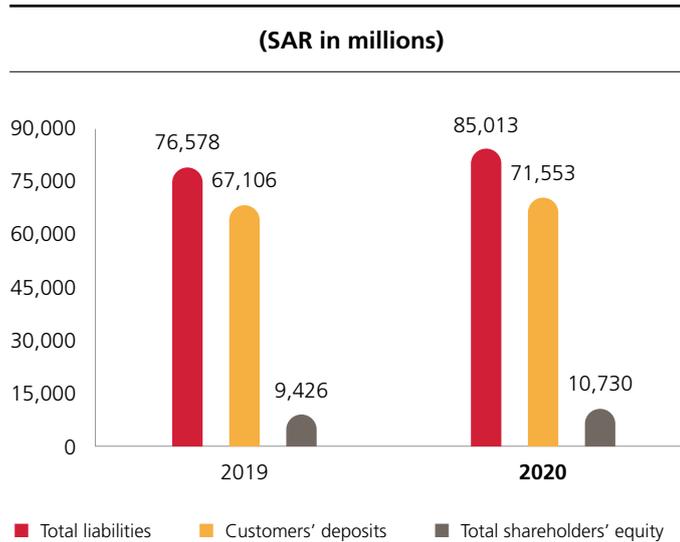
On the Financial position side, net financing increased to SAR 70,115 million, an increase of 18% and investments grew to SAR 14,873 million, an increase of 70% compared to the

same period of the previous year, which led to growth in the bank's total assets by 35% to reach SAR 95,744 million.



On the liabilities side, deposits increased to reach SAR 71,553 million, or 7%, compared to the same period in the previous year. The total equity amounted to SAR 10,730 million, an increase of SAR 1,304 million, or 14% at the end of

December 2020, compared to SAR 9,426 million at the end of December 2019, mainly due to the increase in the bank's net income. The number of ordinary issued shares reached 750 million shares.



The capital adequacy ratio for the pillar I at the end of 2020 was 17.95%. After zakat, the bank achieved a return on average assets of about 1.48%, while the return on average shareholders' equity was 13.4%, and earnings per share reached 1.81 riyals per share.

The bank was able to achieve positive financial and operational results and growth during the year 2020, as it achieved growth rates that exceeded the goals set, as a result to the bank's policies and business strategies that were implemented during the year.

RISK MANAGEMENT

The Bank regularly reviews the policies and systems of risk management, and keeps up with market and product changes, in order to adopt and implement best international banking practices.

A Primary part of the nature of a bank's businesses to be exposed to risks. To avoid them, these risks are monitored and managed by the Risk Management Group in the bank which is responsible for managing credit risks, market risks, operational risks, anti-fraud risks and information security risks. And abiding by the requirements of Saudi Central Bank and Basel Committee. A full description of these risks is found in the representations attached to the consolidated financial statements notes from 29 to 34 considering them complements to the report of the Board of Directors. Below is a short summary of these risks:

Such risks are monitored and managed through the Bank's Risk Management Group, whose tasks include managing a range of risks, as well as ensuring compliance with the requirements of the Saudi Central Bank (SAMA) and the Basel Committee. A full description of the mentioned risks is found in the representations attached to the Consolidated Financial Statements notes 29 to 34, which forms part of the Board of Directors' report. Below is a short summary of these risks:

Throughout 2020, the Risk Management Group continued to focus on improving the effectiveness of its risk management system, while implementing best practices to ensure that the Bank's activities maintain the right balance between achieved returns and expected risks.

The Group's framework is based on three key pillars, namely the sound principles of risk management the organizational structure, and risk measurement and monitoring. These practices should align with the banking activities to ensure that risks are maintained at an acceptable level. The Risk Management Group operates separately and independently from the Bank's other business groups and divisions, in line with SAMA's guidelines and Basel Committee's requirements.

The Bank implements frameworks to identify, measure, monitor and manage risks, covering credit risk, market risk, liquidity risk, operational risk and fraud risk. The Bank regularly reviews the policies and systems of risk management, and keeps up with market and product changes, in order to adopt and implement best international banking practices.

1. CREDIT RISK

Credit risk is one of the key risks to which the Bank is exposed, mainly through financing and investment activities. Managing credit risks involves multiple units that operate under a unified system in accordance with approved credit policies and procedures.

a. Measurement of Credit Risk Degree

The Bank measures the degree of credit risk to identify the qualitative and quantitative amounts of risk to which it might be exposed, and to determine the degree of credit risks to which the Bank is actually exposed. The Bank employs an advanced system for the internal assessment of the degree of credit risk to which corporate banking, retail banking, financial institution clients, corporations and small and medium enterprise clients may present. This assessment helps measure the probability of default, the volume of projected default and the likely or possible amount of losses resulting from such default. To ensure a more accurate and fair assessment of risk degree, the Bank continues to improve its assessment methods and applies a different assessment methodology. Additionally, the Bank has put in place a system to measure the level of risk for retail banking clients.

b. Credit Risk Mitigation and Control

The Bank employs several methods of assessment aimed at mitigating the degree of credit risk within reasonable levels. Such methods include analyzing future data in order to measure the client's ability to meet financing obligations. Credit approvals in such cases are issued by several levels and several credit committees composed of Bank executives, or by Board-level committees. The approval depends on the degree of credit risk, potential credit loss and the total volume of credit facilities provided to each client depending on the credit authority matrix. In addition to these measures, the Bank requires clients to provide such reasonable collateral as is deemed necessary against the facilities to be provided. There are many types of collateral against facilities, such as cash coverage, mortgage against investments and assets for the Bank, mortgage of commercial and residential real estate assets, waiving project returns in certain instances of project financing, as well as requiring financial, personal or third-

party guarantees against the facilities. Guarantees under a sponsor guarantee program for the financing of small and medium enterprises (SMEs) should be collected as long as the program's terms are met. However, financing for individuals is on the basis of conditions that involve specific credit standards to be met and require the transfer of the client's salary to the Bank. This type of financing also requires that the credit portfolio involves no concentration of credit risk, as well as the conformity of credit exposure levels with relevant established controls, be it exposure to a certain entity or a specific sector or activity.

c. Monitoring and Reporting

The Bank, at minimum, conducts a comprehensive annual credit review of the financial and credit positions of all clients who are financed through corporate and retail banking services. This review ensures that the client's status, and their financing needs, is sustainable and that the smooth functioning of credit relations with them remain viable. The Bank also conducts reviews that involve regular visits to financed clients throughout the year. The bank also measures and monitors early warning signs for its clients on a periodical basis to ensure the safety of their credit Position.

High credit risk corporate clients are categorized as clients who require special supervision. Their credit exposure is closely and carefully monitored and reviewed bi-annually in order to properly mitigate the risk exposure. On the other hand, the Bank conducts comprehensive monitoring of the portfolio of retail banking clients who have obtained credit facilities for consumer purposes and credit cards. This involves the evaluation of established standards for each segment in the portfolio independently.

The Bank calculates the appropriate level of credit provisions in its records and financial statements in accordance with recognized international financial standards for accounts that may incur losses. This measure is adopted when there are indications that circumstances exist which may affect the expected cash flow of these assets or investments and that such provisions are required. The bank also reviews the inputs and assumptions employed to specify expected credit losses such as adjusting the factors/inputs of the macroeconomy that the bank uses in the form of expected credit losses including missing payment rates taking into consideration the economic changes that are the result of Corona virus (COVID-19) impact

The Bank also prepares a comprehensive monthly status report for its portfolio, analyzing the concentration of credit

exposure, and comparing it with approved percentages. This report is submitted for the Bank's Senior Management's review and supervision.

2. MARKET RISK

Market risks are among the key risks to which bank activities are exposed, where fluctuations in price, profit margin rates and foreign exchange rates lead to negative outcomes and may consequently result in losses for the Bank. Additionally, the sudden and significant change in these rates may affect the Bank's liquidity position as well as its financing ability. Market risk involves several main risks to which the Bank is exposed, including:

Profit rate risk: Known as the potential impact on the Bank's profitability due to fluctuations in market return rates. These changes often occur as a result of overall market activity, or due to specific reasons affecting the borrower.

Foreign exchange risk: The risk resulting from Exchange rate fluctuations, which impacts both the Bank's profitability and shareholder rights and exposes the Bank to increased risk. Managing the Bank's market risk is generally based on monitoring market conditions and seeking to increase return within the limits of approved market risk policies, as well as within the Bank's acceptable risk levels.

Price Risk

The risk that the value of a security or investment will decrease.

The Bank is exposed to market risks from the following sources: **Trading portfolios:** Risk exposure in the case of foreign exchange trading portfolios arising from meeting the Bank's and clients' requirements for foreign exchange. **Non-trading portfolios:** Risk exposure in the case of non-trading portfolios mainly occurs due to non-conformity of assets and their maturity dates with the maturity dates of liabilities. It also occurs due to the impact of rate fluctuations upon re-investment.

3. LIQUIDITY RISK

Considered one of the most critical risks to which the banking sector in general as well as individual banks could be exposed, liquidity risk takes into consideration the Bank's potential inability to meet financing requirements at reasonable cost (liquidity financing risk) or its inability to liquidate its position reasonably quickly while maintaining an appropriate price level (market liquidity risk).

RISK MANAGEMENT (continued)

Market and Liquidity Risk Governance: Managing market risks helps to place limits as well as monitor compliance by implementing policies and controls that are approved and adopted by the Board of Directors. The Assets and Liabilities Committee is responsible for managing market risks on a strategic level in accordance with its delegated duties and responsibilities. Additionally, portfolio and product limitations, as well as risk types, are identified based on the levels of market liquidity and associated credit risks, and on an analysis of the extent to which the limitations are used.

The Market Risk Management sector is categorized as an independent supervisory function, responsible for a range of activities. These include:

The effective implementation of market risk policies; the development of the Bank's market risk management techniques and methods; the development of measurement mechanisms and behavioral assumptions of liquidity and investment; the immediate reporting to Senior Management of any violation of established limits and controls in accordance with the strict procedure approved and adopted by the Board; regular reporting to the Assets and Liabilities Committee and the Board, of any exposure to market risks and limit violations.

In order to limit exposure to liquidity risk, the Bank seeks to diversify financing sources to help reduce the degree of concentration and maintain an acceptable level of liquid assets. The Bank also puts in place policies and standards aimed at managing liquidity risks, and develops a contingency plan in accordance with the Basel Committee's best practices regarding liquidity risk management. A regular review of liquidity risk management policies and measures is subject to the approval of the Assets and Liabilities Committee and the Board of Directors.

Moreover, additional control measures often help market risk exposure within an acceptable level of readiness in the case of adverse events. These measures include stress tests and procedures to obtain approval for new products. Stress testing on a regular basis helps identify the impact of fluctuating profit rates and foreign exchange rates, as well as other risk factors that affect the Bank's profitability, capital adequacy and liquidity. These results are periodically sent to the Executive Management and the Board of Directors for their assessment of the potential financial impact on the Bank's profitability of exceptional circumstances. Over the course of 2020, the Risk Management Group successfully

improved the performance of IT systems that help measure liquidity and Market risks and manage assets and liabilities, as well as carried out relevant studies, reports and stress tests as part of a comprehensive system developed to measure market and liquidity risks.

4. OPERATIONAL RISK

Operational risk is the risk of losses arising from the inadequacy or failure of internal operations, individuals, technical systems or external incidents. This definition of Operational risks includes legal risk – but excludes strategic risk and reputation risk. To this end, Operational risk is an inherent risk in all the Bank's products, activities, operations and technical systems, resulting from internal factors, unlike credit and market risks, which arise from external factors. Taking these aspects into consideration, the Bank adopts a strategy based on the active and effective involvement of its Executive Management in managing this type of risk, which can potentially affect the Bank's various activities. As part of its continuous efforts to limit the effects of operating risk, and consequently help achieve its strategic objectives, the Bank adopts the following practices:

- i. Analysis and evaluation of secondary objectives and activities, in order to better limit exposure to operating risk
- ii. Identification of potential Operational risk in existing and new products, services as well as in IT activities, operations and systems. This is achieved primarily through calculating operating losses in order to identify the monetary gaps that led to such losses, and developing corrective measures to prevent future occurrences. It also involves evaluating risks inherent in the Bank's various activities, as well as monitoring elements in place to manage these risks. Collecting indicator data about key risks to monitor exposure levels to Operational risks is also part of this process. These indicators act as an initial warning before the risk occurs.
- iii. A proactive approach to operating risk management.
- iv. Continuous and independent assessment of policies, procedures and Bank performance.
- v. Compliance with the guidelines and regulations issued by regulatory bodies as well as international standards of risk management.
- vi. Regular reporting to the Bank's Executive Management and Board of Directors about risk assessment and operating losses, as well as corrective measures put in place to manage the risks.

5. FRAUD RISK

Fraud risks are among the operating risks to which organizations, including banking organizations, are often exposed. To this end, the Bank focuses on implementing best practices and meeting the requirements of relevant regulatory and supervisory bodies in order to limit exposure to such risks. The Bank has developed relevant policies and procedures focused on raising awareness among its employees and clients about ways to detect fraud, and has implemented techniques to measure and limit fraud risk by evaluating

such risks and implementing controls covering any vulnerabilities to avoid isolated or repeated exposure to risk. Fraud risk evaluation is applied to existing and new products. The Bank has developed further monitoring mechanisms applied to its operations, as well as indicators that examine such operations based on approved standards. It continues to improve on existing systems to increase the efficiency of monitoring and fraud detection efforts, offering improved channels through which employees and clients can report fraud or suspected fraud, in accordance with the rules and standards of regulatory and supervisory bodies, and in line with the Bank's strategy aiming towards keeping fraud risk within acceptable levels.

6. INFORMATION SECURITY RISK

In view of the increased reliance on information and telecommunication technologies, there is an increased risk, both emerging and potential, that could critically threaten companies' networks and information security. The Bank's Information Security Department is responsible for supporting the growth of the Bank's IT capability by mitigating information technology risks. This is achieved by applying information security standards within the organization, which include Availability, Integration and Confidentiality. These efforts go hand in hand with a continuous evaluation of risks to ensure that they cover all tech-related weaknesses within services and technologies adopted by the Bank in order to service its client base. Evaluating information security risks includes the following steps:

- i. Taking part in the process of evaluating any new services, technological projects or changes adopted by the Bank in its efforts to improve e-services.
- ii. Evaluating the level of response to cyber security incidents periodically to ensure the effectiveness of the procedure.
- iii. Evaluating and detecting security Vulnerabilities within the Bank's offering, by looking for any gaps and testing for breaches existing in highly sensitive data systems, which

may occur due to the digital transformation within the organization.

- iv. Periodically evaluating risks targeted at business and IT divisions to detect any vulnerabilities or risks related to security in the procedures or regulations of security systems.
- v. Overseeing the implementation of compliance with relevant regulations, making sure cyber security controls are properly and adequately implemented.

Business Continuity

The Bank recognizes the criticality of business continuity and has a robust Business Continuity Plan (BCP) to enable it to respond to any serious and/or disruptive incident in a timely and appropriate manner. Business Continuity create working remotely with successful result during COVID-19 pandemic. During 2020, two comprehensive tests were carried out to ensure the effectiveness of the Plan. In addition, a continuous ten-day recovery test was conducted on all mission-critical IT operations by switching them over to the Bank's Disaster Recovery Centre (DRC). The Bank will continue to upgrade its disaster recovery capabilities, as well as provide ongoing training specific to business continuity, to ensure its optimum response capability in the event of a major incident. The Bank has already begun establishing a new DRC which will be completed in 2021.

Compliance and anti financial crime

Bank Albilad considers that compliance with regulations, standards and instructions issued by the regulatory and supervisory authorities is one of the most important success factors of the bank, and maintains its reputation and credibility and the interests of shareholders and depositors, as well as providing protection against regulatory and legal penalties. And it is on the top priority of the bank.

Compliance and anti financial crime division role

Compliance is an independent function that identifies, assesses and monitors non-compliance risks, provides advice and consultation, and reports on compliance issues, with the objective of protecting the bank and its ambassadors from being exposed to regulatory or administrative penalties, financial losses, or loss of reputation that occur as a result of failure to comply with regulations, instructions, controls and the code of principles and rules of professional and ethical conduct.

The Compliance and **Anti Financial Crime Division** ensures that all the bank's policies, manuals and procedures comply

RISK MANAGEMENT (continued)

with regulations and instructions issued by the regulatory and supervisory authorities as well as ensures the proper implementation of these policies, manuals and procedures in the bank.

Compliance and Anti Financial Crimes Division has several general roles and responsibilities. Following are Some of the specific functions fall under the Division:

- Anti-Money Laundering, Combat of terrorist financing and Preventing Proliferation.
- Combat Financial Fraud, Corruption and Financial Crimes
- Providing advisory and support to all administrative units
- Identify, analyze and assess the risks of non-compliance related to the bank's customers, services, products, geographical areas, delivery channels, and setting appropriate controls and standards.
- Strengthen relations with regulatory and supervisory authority
- Training and awareness
- Report on non-compliance issues and provide recommendations related to the processes of resolving those issues

Monitor and evaluate the effectiveness of implementing regulations and instructions

The Compliance and Anti Financial Crimes Division is responsible for ensuring that the bank's policies, directives, procedures, products and services are in line with the regulations and instructions issued by the regulatory and legislative bodies and monitoring the effectiveness of the proper implementation of these policies, directives and procedures.

Compliance initiatives

Bank Albilad aims to enhance the culture of its employees and the community related to compliance and anti-financial crimes.

One of the Compliance and Anti Financial Crime Division functions is to organize the education and awareness of staff on compliance and anti-financial crimes subjects. The Bank continuously conducts training on compliance, including compliance, AML&CTF and anti-financial fraud and corruption training to all the Bank's Ambassadors to enhance their knowledge of all relevant compliance regulations, and to develop their skills and capabilities in the compliance area, in addition to the specialized training to Compliance and Anti Financial Crime Division employees, online courses to the Bank's employees, and training for new hires which emphasizes compliance and anti-financial crimes. Further, our compliance and anti-financial crimes training extends to the Board of Directors where we concentrate on enhancing the board members knowledge related to relevant rules and regulations.

In addition, the Compliance and Anti Financial Crime Division organize community awareness initiatives in cooperation with universities to provide awareness lectures to students.

Bank Albilad is committed to follow the rules and regulations to protect the Bank and its customers from risks. Documents have been prepared for the Bank's employees on the appropriate implementation of compliance regulations, rules, and standards through policies and procedures and other documents such as compliance manual and internal rules.

Human resources policy

The Bank's compliance with rules, laws and regulations, is one of the most important bases and factors of its success, excellence and maintenance of its reputation and credibility. It is obligatory, therefore, that all the Bank's staff are committed to recognize the importance of compliance with regulations, instructions and policies related to the bank's business and the tasks assigned thereto, and apply them without any violation, breach or negligence.



OPERATING REVIEW



During the year, there was increased use of its mobile and digital delivery channels.

Bank Albilad's operations fall into four categories: Retail, Corporate, Treasury and Investment & Brokerage. These businesses generate approximately 61%, 24%, 11% and 4% respectively of the Bank's revenues. In 2020 the Bank implemented a number of digital technology enhancements across its operations, specifically in the Retail business.

THE NETWORK

The Bank operates 152 branches around the Kingdom. During the year, there was increasing use of its mobile and digital delivery channels. The branch network now comprises 7 sales centers (Riyadh, Jeddah, Dhahran, Tabuk and Al Kharj and Yanbu) as well as specialized services for SMEs delivered through 10 offices and Albilad Business phone banking. The Bank also has a network of Enjaz centers totaling 177, with self-service machines increasing to a total of 1,050.

As at 31 December 2020, the Bank operated 978 ATMs in the Kingdom. Cash deposits through ATMs reached almost (AVG) 204,446 transactions per month, an increase of 51% over the monthly average for 2019, and overall average monthly deposits grew by over 40% on 2019.

A DIGITAL AGE

Digital maturity is crucial to Bank Albilad's future success. Today's 'anytime-anywhere' banking requires innovative, robust, secure and optimized solutions to meet the expectations of an increasingly tech-savvy customer. Digital banking presents many opportunities for customers, as well as the bank. Introducing innovative solutions improves customer experience, increases revenue, and reduces cost. Insights gathered through digital marketing and micro-segmentation platforms, supported by third-party integrations also help improve customer targeting and enable dynamic tailored pricing and product bundling.

The main objective of Bank Albilad's digital transformation is to enhance the overall customer experience. Achieving this will naturally lead to higher rates of customer retention and loyalty. This transformation will also improve customer acquisition rates whilst supporting the migration of physical branch transactions online which will reduce operating expenses.



An increase of

51%

over the monthly average of cash deposits through ATMs for 2019

978

ATMs in the Kingdom

Branch Network Geographical Distribution

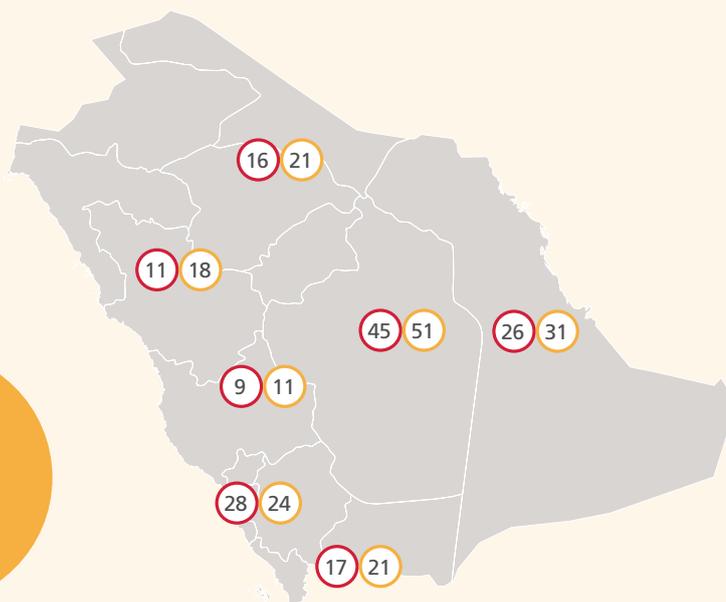
BRANCH NETWORK

Region	Total
Riyadh	45
Makkah and Taif	9
Eastern	26
Qassim	16
Southern	17
Jeddah	28
Madina / Yanbu / Tabuk	11
Total	152

ENJAZ NETWORK

Region	Total
Riyadh	51
Makkah and Taif	11
Eastern	31
Qassim	21
Southern	21
Jeddah	24
Madina / Yanbu / Tabuk	18
Total	177

We believe that physical branches still have a key role to play in enhancing Bank Albilad’s image, relationship management and customer engagement; all of which are enablers of increasing deposits and a growing client base.



Bank Albilad’s digital transformation journey started in 2017 with the following objectives:

- 1. Become the Leading Innovative Digital bank**
Introduce new digital services and leverage existing platforms to engage customers differently.
- 2. Embrace Digital as a Core Value**
Digital becomes the centerpiece of Bank Albilad’s culture, products and service offerings.

- 3. Improve Customer Acquisition and Retention**
Grow the customer base and increase loyalty.
- 4. Optimize Cost and Increase Profits**
Drive efficiencies and income.
- 5. Enhance Customer Experience**
Ensure a consistent and seamless customer journey.

OPERATING REVIEW (continued)

Bank Albilad has successfully developed a diversified suite of innovative solutions covering all business lines. Highlights of the digital transformation process include:

1. First bank in Saudi Arabia and GCC to introduce digital account opening for establishments and corporates with sole proprietorship
2. ARAMCO IPO subscriptions on all digital channels (customer subscriptions, adding dependents, and obtaining facilities).
3. Introducing mobile application for Enjaz customers based on eCommerce payments (using Mada card) in 8 different languages.
4. Enabling payment of Enjaz remittances at ATMs using mada cards, mada Pay and Apple Pay
5. Apple Pay enablement for customers.
6. ATM voice guidance service for visually impaired people.

Digital solutions introduced during 2020 resulted in the following milestones:

79%

customer registration on online channels

67%

of all accounts opened digitally in 2020

173,926

accounts opened digitally in 2020, a 68% increase over 2019

64%

increase in mobile banking transactions volume over 2019, with 5% increase in NFI

8%

increase in internet banking transactions volume over 2019, with 29% decrease in NFI

RETAIL BANKING

The bank achieved unprecedented financial results during the year 2020, as the size of the individual financing portfolio increased by 27% compared to 2019.

Despite a difficult business environment owing to the COVID-19 pandemic, our retail banking division had a very good year, which exceeded expectations. A major factor in this was the digital capabilities and services that we have already put in place.

Our retail banking business contributed significantly to the Bank's overall results. Growth in liabilities and assets steered the division to exceed its expected Total Revenue and Net Income for the year. An all time high record in new merchants acquired was achieved during the year, which was

a key enabler in increasing deposits and maximizing share wallet from clients..

Furthermore, the Bank was ranked Top in Mada e-Commerce transactions in the category of Highest Average Ticket Value for the first Half of 2020. The Bank had also introduced a new service for Instant Point of Sale (POS) Issuance and Activation at Branch level, as the first bank in the Kingdom to introduce this service. As a result, the bank achieved all time high record sales in POS terminals, which contributed to placing the Bank at the Top amongst competitors in growth of POS terminals during the year. Moreover, the Retail Assets book grew by more than 20% in 2020.

The results can be attributed to a swift and proactive approach in addressing issues and continuing customer

service par excellence during the pandemic. Our digital transformation in recent years also played a vital role, as customers experienced virtually no disruption to services during lockdown. They were able to open new accounts within minutes and conduct business as usual through all e-channels. Virtual cards were launched during the year through Apple and mada Pay to allow clients to transact immediately and without the need for Plastic cards be delivered and used.

There was a massive uptake in our specially designed National Day ATM and prepaid cards, with thousands of cards sold within a week period. We also launched petty cash cards to deal with the cumbersome issue of managing petty cash for entities.

Mortgage financing is at the center of our retail banking strategy and we have developed deep relationships and partnerships with the Ministry of Housing and REDF. Our market share in mortgage finance is steadily increasing. Our leads management process is also being redesigned to help improve conversion rates. We focus on competitive offering for new homeowners and we are conducting regular mystery shopping at points of sale to gauge sales force performance and track client satisfaction.

BRANCHES NETWORK

Work is undergoing to redesign physical branches in selected locations, developing new digital branches, and maximizing effectiveness of the Bank Sales Centres. We believe strongly in the importance of the physical branches in further growth of Bank Al Bilad Brand, image, Relationship Management, and Customer Engagement; all of which are enablers of increasing deposits, growing client base, and improving Customer Experience and Satisfaction.

ENJAZ

We are a dominant player in the remittance market, and have continued to solidify our position as we focus on customer's needs by implementing new technologies.

While the COVID-19 pandemic has had a significant impact on the global remittance market, it forced more people to transact digitally. Nevertheless, Enjaz has been relentless in developing its service offerings to sustain with trends in digital solutions such as remittance, payments and digital cards. As a result, we achieved higher than anticipated numbers of remittance transactions via digital channels surpassing 35%.

During COVID-19 pandemic, Enjaz fixated on applying preventive measures in centers to ensure serving Enjaz

customers in a safe environment. In addition, we have launched our mobile branches to provide Enjaz services in Companies and labor camps.

Customer service and satisfaction was improved by enhancing existing channels through the launching of Enjaz app and Enjaz digital account. This enhancement enabled our customers to open an Enjaz digital account, get an Enjaz digital card and perform remittance transactions via the mobile App without the need to visit our Centers.

Going forward, Enjaz will resume to converge on customers' satisfaction, develop innovative products and services to expand the business and digital transformation.

We will also pursue methods to reduce costs while improving operational excellence. Plans to increase customer loyalty and retention are afoot with programs such as: loyalty earn and redeem, promo code programs, as well as cash back offers.

TREASURY

Despite a very exceptional year due to the spread of COVID-19 pandemic with its implications and a lower interest rate environment, Treasury has managed to achieve outstanding results during 2020.

Treasury was able to achieve these results through expansion & diversification of investment portfolio, taking new initiatives, grab opportunities of market volatilities and strengthening customer relationships.

On investment side, focus remained on sovereign and corporate Sukuk investments, which generated and will generate stable accrual income in coming years. Treasury was very active in both primary and secondary markets as well as alternative investments. On the other hand, FX was the main contributor to fees income by serving clients needs with classical & recently launched hedging products.

Despite lockdown and non-business trips Treasury broadened interbank, investment and customer relationships that supported the Bank's growth, brand recognition and cross selling initiatives. The customer solution department managed to conduct hundreds of visual and telephone calls to keep customer updated and served as business as usual.

Additionally, Treasury is taking various new initiatives on introducing new products, automation sides, which will further strengthen infrastructure and customer experience while it will be beneficial for sustainable long-term growth.

OPERATING REVIEW (continued)

CORPORATE BANKING

As the COVID-19 crisis took hold, our corporate banking division adopted a selective growth strategy. We identified market segments that were less likely to be affected by the pandemic, while maintaining a cautious approach towards those that would not perform well as expected. Bank Albilad similarly experienced the challenge faced by the entire industry on its trade finance business reflecting reduced volume in new issuances of i Letters of credit (LCs) and Bank guarantees (LGs).

In a swift and proactive approach to address impact of the pandemic, the Saudi Central Bank (SAMA) announced a SAR 50 billion package to support the MSME segment. Our MSME clients benefited from this either through deferment of installments, or via additional financing guaranteed by the Kafala Program. Moreover, Corporate Banking Group developed new financing programs to provide customized financing solutions particularly for its MSME customers in

2020. Among these were the Payroll Financing Facility and POS Financing. In addition, we strengthened synergy and contacts with external and internal parties for the acquisition of clients from this segment.

As the pandemic ensued, we undertook a regular reassessment of clients and industries that were affected either positively or negatively to be able to identify opportunities to extend the necessary support. Said exercise resulted in a robust business pipeline that has started to bear fruits in terms of deals being materialized.

As one of the banks in the market offering Shariah compliant products, we aim to be the preferred Islamic corporate bank, and we continue to gain market share. For 2021, our strategic aim is to have top line growth in the range of 10%. To achieve this, we will continue to beef up staff expertise, and ensure that a highly qualified and professional team is in place. We will also develop a clear understanding of

ALBILAD INVESTMENT COMPANY (ALBILAD CAPITAL)

2020, the year of achievements

Listing of first Sharia compliant commodity ETF in the region – Albilad Gold ETF.

+20% increase in our brokerage market share compared to 2019 with an annual turnover exceeding **SAR 100 billion**.

Saudi Equity Fund of the Year / 3 Years Performance Award for Albilad Pure Saudi Equity Fund presented by MENA Fund Manager Performance Awards.

Listing of first Sharia compliant Sukuk ETF in the region – Albilad Saudi Sovereign Sukuk ETF.

Increase of over 16% in the gross revenue in our Securities Services.

Most Innovative New ETF in KSA – 2020 Award for Albilad Gold ETF by Global Business Outlook.

Assets under management of Ensan Endowment Fund exceeded 160 million riyals, becoming the largest endowment fund in the Kingdom.

Maintain leadership in the direct domestic custody with +45% market share reaching **SAR 135 billion** Assets Under Custody and Administration.

Most Innovative Asset Management Company in KSA / 2020 Award by International Business Magazine.

Successfully executed **SAR 763 million** Sukuk transactions – the largest on record in recent years.

84% growth in capital markets products assets compared to 2019, reaching **SAR 4.5 billion**.

Best New Investment Fund in KSA / 2020 Award for Albilad Gold ETF by International Business Magazine.

Implement a structure and ensure adequate Market Making services for Albilad Capital ETFs.

client expectations and how the market is evolving with new technologies and solutions. As such, we will carefully establish enhanced product and service offerings with simplified processes and procedures, while keeping risk in check.

ALBILAD INVESTMENT COMPANY (ALBILAD CAPITAL)

Company gross revenue became consistent compared to last year whereas the revenues increased from SAR179 Million to SAR 181 Million. Out of the gross revenue of 2020, core business revenues have been increased substantially and the Assets under management both in Mutual Funds and Custody services increased considerably for the last 4 years.

Through launching new products and services and reaching new segments to expand client's base, the company was able to shine and deliver outstanding performance across all business lines, despite 2020 circumstances.

Albilad Capital's investment banking team successfully completed four transactions at a combined value of over SAR 850 million in 2020. We have built a strong pipeline of transactions, and we are actively working on executing live mandates across DCM, ECM, M&A and strategic advisory, spanning a range of sectors in Saudi Arabia.

We are a leading Sukuk arranger in the private Sukuk mid-market, and have successfully executed SAR 763 million of transactions in 2020, the largest on record in recent years. Our private Sukuk transactions have seen participation from a diverse base of sophisticated investors.

Our asset management division launched Albilad Saudi Sovereign Sukuk ETF and Albilad Gold ETF this year. Capital markets assets under management (AUM) grew by more than 70%, reaching SAR 4.2 bn.

Our key objectives for the year included implementing a structure to ensure adequate market making services for both Albilad Capital ETFs. Our business also set out to increase trading turnover, and therefore commission revenue was up 140% (CONFIRM FINAL FIGURE AT END OF THE YEAR) on last year. On the other hand, the company has pursued a strategy to diversify income and improve its long term stability

in the margin financing product by targeting larger segments of small investors by launching promotional offers that contribute to attracting these segments. In effect, we have commenced this approach during Q4-2020 and significantly increased our margin lending clients base to more than 60 % compared to last year.

Our securities services enjoyed another successful year, posting an increase of over 16% in gross revenue.

One of our targets for the year was to grow the direct custody and fund administration business, targeting government, semi government, family offices and fund managers. This yielded a 15% growth in Asset under Custody & Admin increasing from SAR 114bn to SAR 135bn during 2020. Albilad Capital maintains over 45% of the market share in the public funds custody and are the market leader in direct custody.

We are actively utilizing technology to improve products and services. We are in the process of upgrading our core custody system, and for the past three years Albilad Capital brokerage has been completely revamping the trading platform. Implementing user-friendly HTML 5 technology has led to the retention of a significant number of clients who initially opened accounts for the purpose of the Aramco IPO in November 2019 as well as attracting new clients. Around 60% of our trading activity comes from Albilad Capital's Brokerage online electronic channels.

During the first quarter of 2020, we completed the implementation of Bloomberg AIM as a front-office system for the Asset Management division, and it is now fully integrated into the process and other support systems. This has supported strong growth in our DPM business and is expected to help scale our platform in the coming years.

In the year ahead, we plan to increase market share by diversifying our client base, and target institutional clients across all channels through conducting impactful marketing campaigns. We will also continue to invest in talent development to further improve customer services and technology.

ACCELERATING OUR TRANSFORMATION THROUGH DIGITALIZATION

Investment in technology enables us to continually improve the experience of our customers and employees – and digitizing the Bank remains a key strategic priority.

Our digital transformation journey entered a new era in 2020. We made considerable progress in our quest to become the digitally and socially market-leading innovative Islamic bank. Investment in technology enables us to continually improve the experience of our customers and employees – and digitizing the Bank remains a key strategic priority.

MEASURING PERFORMANCE

As a result of these efforts, banking growth across all the Bank's digital channels in 2020 was exponential, with 79% of eligible customers registering on electronic channels. There was a 64% increase in Bank Albilad application transactions compared to 2019.

Of all new accounts opened during the year, 68% were opened digitally. An impressive 124% increase in digital accounts deposits was recorded compared to the previous year.

For our remittance business, Enjaz, downloads for its digital banking mobile application exceeded 1,000,000 and 36% of transactions conducted through Enjaz's digital channels.

Since we started our digital transformation in 2017, embracing digital has been one of the Bank's core values, extending to every area of the business. The adoption of a digital culture and mindset amongst all our employees is of vital importance – and we continue to develop their digital skills and capabilities to help them excel in the delivering our products and services.

As an agile, forward-looking Bank, we listen carefully to our customers and anticipate their needs. The market recognized this in 2020; Bank Albilad was the recipient of four awards, highlighting our status as an innovative market leader. Here by the list of awards:

Best Digital Bank Award 2018 Global Business Outlook	Best Digital Banking Product for the Year 2019 MEFTECH	Excellence in Digital Banking Services 2019 Finnovex
Best Digital Banking Award 2020 International Business Magazine	Excellence in Innovative Banking Award 2020 MEFTECH	Best Online Banking KSA 2020 MEA Finance
Best Mobile Banking KSA 2020 MEA Finance		

Highlights of the year included being the first Saudi bank to launch instant issuance of POS terminals from branches. Enjaz benefited from a boost to its digital solutions and hardware as we adopted new technologies to enhance remittance processing. We launched several marketing campaigns to promote e-channels, following the successful release of the Enjaz international remittance app, the business experienced rapid growth in remittance transactions via electronic channels. We also provided companies with POS devices and our digitally active customer base increased considerably as a result.

INCREASED CUSTOMER ENGAGEMENT

Socially, we stand out as a bank that engages with customers differently. Further work was done in 2020 to create an unparalleled after-sales service. A dedicated team analyzes customer feedback to determine any necessary reengineering of processes, product adjustments or new technology requirements. Diversified marketing channels are in place and customer support is available in real-time 24/7 across a multitude of social platforms.

DATA SECURITY

Protecting customer data is of paramount importance to Bank Albilad. We are constantly upgrading our systems and processes to ensure we have robust security protocols in place.

CREATING A WINNING DIGITAL STRATEGY

As we develop a complete digital banking framework, our innovative digital offerings and services will unlock further value for shareholders and increase revenues and profit. Digital customer acquisition and retention is a major priority – and will deliver further value through cost optimization. It will also grow our customer base and increase profits by creating ‘straight through processes’ without the need for human intervention. Customers can now open a new account through one of our e channels in a matter of minutes. The need for this was highlighted during the COVID-19 lockdown, when we experienced a major uptake in new customers opening accounts from the safety of their home and starting to transact immediately.

We are actively working on enhancing our digital analytics capabilities. This will help us reach customers more effectively through cross-selling and up-selling programs.

As the banking sector evolves, we are aware of increasing competition from Fintech and – potentially – new challenger banks. It is however, an era of multiple opportunities for Bank Albilad that includes: possible collaborations with Fintech organizations, a move into Banking as a Service and the arena of agency banking.

COVID-19 IMPACT AND RESPONSE

Our commitment to excellence in customer and employee experience served us well, as we met –and overcame with ease – the challenge to sustain business functions and provide uninterrupted services.

The COVID-19 pandemic was a major test for the Bank's infrastructure and business continuity management. Extensive investment in digital technology infrastructure and enhancement of our digital capabilities across the business in recent years meant we were well-placed to weather the crisis.

Our commitment to excellence in customer and employee experience served us well, as we met –and overcame with ease – the challenge to sustain business functions and provide uninterrupted services.

BUSINESS AS USUAL

Anticipating a lockdown, we prepared several weeks in advance to ensure we could operate as usual. We created a second head office in a separate building to spread out our employees. Internet capacity at our call centers was significantly increased by redeploying employees as agents to respond to clients queries and services. The customer service support team was available 24/7 to ensure service standards were maintained and clients were able to conduct their business without interruption. As a result, the Bank's clients experienced no adverse effects.

With the Bank already having advanced e-channels in place, our customers were able to navigate the COVID-19 crisis with ease. Although people were unable to leave their homes during lockdown, they were able to do everything from a banking perspective including opening new accounts,

verifying themselves – and could use their accounts immediately. During the year we reached 97% utilization of new account opening through our e-channels.

WORKING FROM HOME

During lockdown, 80% of our head office staff worked from home, returning to the office gradually in the second half of the year. By the end of 2020, some 40% of head office staff continued to work remotely to ensure social distancing protocols were maintained; this will remain the case until the vaccine is rolled out Kingdom-wide.

From a risk perspective, data security best practices were fully considered, and all staff were able to securely work at home with minimal disruption. All risk meetings were held remotely and the team was able to manage risk and issue reports as usual.

EMPLOYEE WELLBEING

Employee satisfaction and wellbeing is a matter of fundamental importance for the Bank at all times.

Our Albilad Gathering program continued online – and we delivered a session on how to keep physically and mentally well during the pandemic. We also developed and distributed guidance on working from home best practices and procedures, and health and safety for those who continued to work in offices and branches.

We engaged an executive trainer to deliver a one-week session to senior management entitled 'Leading The Transition to Remote Work'. This focused on developing effective leadership skills for individuals who normally manage teams face-to-face.

All employees participated in a 'Professionalism in Remote Work' course. Content included professionalism in meetings, delivering successful presentations online and effective communication with line managers. Both initiatives helped our employees considerably and generated positive feedback.



<p>Support health endowment fund with SAR 5.6 million</p> 	<p>Offering Ramadan baskets for people affected by COVID-19 pandemic</p> 	<p>Enabling transfers locally and internationally for free, through electronic channels</p> 
<p>Postpone loan repayments for healthcare employees for a period of three months</p> 	<p>Offered the e-card for free to all clients</p> 	<p>Activate precautionary measures in the Bank's branches and remittance centers for clients and employees, with face masks and hand sanitizers</p> 
<p>Support the community fund of the Ministry of Labor and Social Development with SAR 3.5 million</p> 	<p>Bank Albilad Social Initiatives in Response to COVID-19</p>	<p>Postpone the installments for a period of six months, for those affected by losing their jobs during this pandemic</p> 
<p>Exempting all clients working in the private sector from any fees imposed on refinancing operations or terminating existing agreements for a period of six months</p> 	<p>Free electronic banking services for a period of six months</p> 	<p>Refund exchange fees to clients for canceled transactions related to travel</p> 
<p>Exempt small and medium enterprises affected by COVID-19 pandemic from costs of the loan financing</p> 	<p>Enabling remote work</p> 	<p>8 languages to introduce clients on how to use to all electronic channels for free and the importance of staying home</p> 

OUR PEOPLE

Throughout the pandemic, Bank Albilad's priority has been to deliver effective crisis response – with an emphasis on health, safety and business continuity.

Throughout the pandemic, Bank Albilad's priority has been to deliver effective crisis response – with an emphasis on health, safety and business continuity. The HR Division has played a central role; swiftly reshaping its business plan and keeping the workforce informed, productive and resilient. Following the initial response phase, we pivoted towards supporting recovery, ensuring the Bank continued to thrive.

The Division's initial activities involved developing, communicating and implementing precautionary measures to restrict the spread of the virus, both in our headquarters and branches. These included sharing a doctor's advice on essential precautions via the Albilad Academy website and mobile app.

Our established infrastructure enabled us to transfer most of our learning initiatives into online and virtual training sessions – also through the Albilad Academy website and app. In all, we provided 3,036 training opportunities in 2020 – with 3,401 employees completing the mandatory training requested by the Saudi Central Bank.

We implemented a comprehensive solution for i-recruitment, conducting interviews via video conference. Many of the Bank's operations can be performed efficiently from home, including call center roles and IT development.

A comprehensive onboarding program for our new Saudi graduates was introduced during the year. This involves a 15-month long rotation across different departments to determine best fit for the new recruits.

Another recruitment initiative was the development of a CV bank for management positions. We are also holding mass recruitment campaigns at branches on a quarterly

basis to strengthen our database of potential candidates. In conjunction with one of the well-known providers, our HR assessment center conducts tailored evaluations of fresh graduates or promotion candidates, facilitating the selection process through the application of a scientific methodology.

During the year, 20 Saudi employees passed a 15 month planned and mentored IT rotation under the auspices of our ongoing Albilad Future IT program. We also designed an 'Albilad Tech Ambassadors' program, which enables our Saudi IT professionals to obtain internationally accredited certificates.

In 2020 we launched a career development plan project for all branch staff. With training packages designed for every level, the plan will enable our retail staff to improve their performance and fulfil their potential. Our retail staff also were the focus of a training initiative on customer etiquette, aimed at ensuring the highest levels of customer service.

Looking forward, our focus is on re-engaging and empowering our workforce; maximizing their contribution and potential – and equipping them with the skills and capabilities they need to excel. We recently created an employee engagement project to fostering teamwork among staff and cross functional collaboration between divisions. Launching in 2021, the project will boost employee cooperation, with the aim of increasing both individual and group productivity in pursuit of our strategic objectives and targets.



SUSTAINABILITY

The Bank strives to achieve the “Sustainable development” by according high priority to the social and environmental issues. The Bank’s endeavors to contribute to sustainable development involve the adoption of managing financial and non-financial performance measures based approach. As the importance of achieving sustainability increases. The Bank realizes the importance of the role it plays in entrenching the concept of sustainability within its strategy and in all its activities.

Social Responsibility

#Albilad Mubadara

VOLUNTEERING

General

- Male and female ambassadors general volunteering
- Volunteering within the Bank’s social initiatives



Professional

- Male and female Ambassadors volunteering in specialized fields such as accounting and information technology to help non-profit organizations



SUSTAINABILITY

Environment

- Optimal exploitation of natural resources
- Recycling
- Afforestation
- Environmental awareness



Community

- Integrate disabled persons to take advantage of the Bank’s services
- Food basket
- Training and employment opportunities for citizens
- Developing Saudi youth competencies



COMMITMENT TO THE COMMUNITY

As one of the Kingdom’s leading banks, the Bank recognizes the importance of supporting the community beyond the provision of banking services. This springs from its belief that the creation of long-term value is achieved through closer

and deeper scope of relations that bind the Bank to the community and stakeholders. The Bank is keen to achieve the sustainable development by entrenching the concept of sustainability in the way business is performed, and by seeking to manage operations in a more sustainable manner.

Saving more than

80

thousand liters of fuel per annum



Reducing carbon dioxide emissions by

194

tons per annum

CO₂

Ramadan Food Baskets

8,000



Riyadh office solar energy system (m²)

1,743m²



MOST OUTSTANDING INITIATIVES OF THE BANK DURING 2020

Providing support to the Health Endowment Fund and the Community Fund (Corona Pandemic)

In cooperation with Saudi banks, the Bank contributed to the support of the Health Endowment Fund of the Ministry of Health and the Community Fund of the Ministry of Human Resources and Social Development with financial support exceeding 260 million Saudi riyals to mitigate the effects of the Corona pandemic.

Autism Center of Excellence

The Bank contributed to the establishment of Autism Center of Excellence in Riyadh, at a cost of 286 million Saudi riyals, in partnership with the Ministry of Human Resources and Social Development and a group of Saudi banks. The Center aims to develop national capabilities in the field of autism and support the specialized research and studies in this regard.

Empowerment of Disabled Persons

The Bank contributed to launch a number of automated teller machines (ATMs) to meet the needs of customers with disabilities in all its branches in the Kingdom in partnership with the Authority for Persons with Disabilities (APD). ATMs are equipped with a voice user interface that allows people with disabilities to conduct their financial transactions in easy, quick and safe manner, and with complete privacy. The Bank, further, provided its forms in Braille for persons with disabilities in all bank branches, as well as launching awareness videos for persons with disabilities in sign language about the bank's products and services.

Ramadan Food Basket

The Bank distributed 8,000 integrated food baskets throughout the Kingdom during the holy month of Ramadan.

Supporting the Savings Awareness Initiative

The Bank launched the Savings Awareness Initiative (phase two), which targets personnel of ministries, government, semi-governmental and private agencies, as well as university and school students. The Initiative aims to encourage community members to saving and achieve financial balance.

Recycling

Within the social responsibility programs for environmental preservation, Bank Albilad supports the plastic and paper recycling program, where recycling containers have been distributed to all floors in the head office building- Bank Albilad Tower in Riyadh.

The recycling process aims to preserve the environment through reducing pollution caused by plastic wastes and lesser dependence on logging to produce paper.

Bank Albilad's Chair for Environmental Sustainability and Food Security

The Bank has established the Chair of Environmental Sustainability and Food Security in partnership with King Faisal University.

Use of clean energy

The solar energy system was inaugurated in the Head Office Building - Albilad Tower in Riyadh over an area of 1,743 square meters to produce renewable and sustainable energy to preserve the environment, reduce environmentally harmful carbon emissions and contribute to the provision of:

- More than 80 thousand liters of fuel per annum.
- Reducing carbon dioxide emissions by 194 tons per annum.
- Reducing nitrogen and sulfur oxides emissions at a rate of 1,872 kilograms per annum.

Since Bank Albilad ambassadors started their career with the Bank, they have been keen to participate in sustainability initiatives. The Bank is proud of its accomplishments, as the corona pandemic did not preclude it from participating in volunteer work in the distribution of Bank Albilad and Enjaz Ramadan Food Baskets of more than 2,000 volunteer hours.

SUSTAINABILITY (continued)

STAKEHOLDER ENGAGEMENT

Our stakeholders are those individuals or entities that have an interest in our business. We value the opinions of those

stakeholders whose actions have an impact on our ability to execute our strategy and business activities. Outlined below are our stakeholder classifications and focus areas:

Clients	Government and regulators	Investors	Employees	Partners and suppliers	Community and society
<ul style="list-style-type: none"> Continuously enhance client service levels Provide convenient banking options Reduce delays, errors and complexity Continuously enhance defenses against cybercrime and fraud 	<ul style="list-style-type: none"> Comply with legislative changes Maintain strong relationships 	<ul style="list-style-type: none"> Maintain transparency and communication Manage asset quality and impairments Manage costs and improve the cost-to-income ratio 	<ul style="list-style-type: none"> Provide training and skills programmes Develop local talent 	<ul style="list-style-type: none"> Adhere to fair procurement practices Work with local suppliers 	<ul style="list-style-type: none"> Contribute to unemployment initiatives Contribute to education initiatives Contribute to Vision 2030



Engaging with stakeholders is fundamental to the way we operate – and vital to our long-term success. In 2020, one of senior management’s key priorities is to ensure stakeholder needs are taken into consideration and that our environmental, social and governance (ESG) factors are managed efficiently.

OPERATING RESPONSIBLY

At Bank Albilad, responsible operation is a part of the fabric of who we are, the prosperity of our stakeholders and our reputation. The Bank remains committed to ensuring that it operates responsibly and ethically. We focus on 5 areas that ensure detailed policies, practices and disclosures to hold our businesses to account.

a. Cyber security and the protection of customer data

The security of customers’ personal details is the Bank’s highest priority. Recognizing the importance of safeguarding data and money, Bank Albilad uses a robust framework supported by systems that prevent fraud and detect fraudulent behavior in real time. The cyber security programs are supported by policies and procedures that are championed by our management and Board risk governance.

Cyber threats are monitored and reviewed at regular intervals to ensure we maintain our world-class protection. This is done through internal and external audits that evaluate the adequacy of our security controls, and independent third-party testing to identify any security gaps that can be further enhanced. We are continuously improving our cyber defenses by using advanced technology as demonstrated by our strong performance in customer privacy issues – and training of staff to deal with potential risks and threats.

b. Financial inclusion

By serving underbanked individuals and MSMEs, we believe that we can benefit society and still improve our bottom line. We do this through bringing financial literacy and technological education to remote areas across the Kingdom and providing affordable products and services to individuals and businesses that are excluded from traditional banking.

c. Business ethics

Our strong business ethics are the foundation for our relationships with our stakeholders – and a cornerstone of our business practices. The Bank is proud of its commitment to developing a culture that complies with the highest ethical and legal standards – and we integrate these values into the ways we hire, procure, recognize and conduct financial transactions. Engagement with suppliers is guided by our Supplier Selection Procedures, which sets out our expectations of vendors on issues such as ethics, anti-bribery and anti-corruption, human rights and environmental performance.

d. Corporate governance

We operate against a background of increased regulatory focus on governance and risk management. The most significant challenges arise from ensuring that the Bank continues to demonstrate compliance with the requirements of regulators, shareholders’ rights and the Board. Bank Albilad ensures strong governance is executed through an effective, well-established governance process, supported by independent credit risk oversight and assurance. Our experienced Board of Directors ensures that a robust governance framework and a strong culture of ownership and accountability enables clear accountability for decisions and results.

100%

Incidents of breach of customer privacy detected (and prevented)

0%

Incidents of breach of customer privacy

379,718

Total training hours on anti-corruption

95%

of spending on local suppliers

CORPORATE GOVERNANCE





BOARD OF DIRECTORS

Dr. Abdulrhman Ibrahim AlHumaid (RIP)

Chairman of the Board of Directors –
Non-Executive Member



Mr. Nasser Mohammed AlSubeaei

Vice Chairman of the Board of Directors –
Non-Executive Member



Mr. Abdulaziz Mohammed AlOnaizan

Executive Member – Chief Executive Officer



Mr. Sameer Omar Baeisa

Independent Member



Mr. Fahad Abdullah Bindekhayel

Non-Executive Member



Mr. Khalid Abdulaziz AlMukairin

Non-Executive Member



Dr. Zeyad Othman Alhekail

Independent Member



Mr. Ahmed Abdulrahman Alhussan

Non-Executive Member



Mr. Khalid Abdulrahman AlRajhi

Non-Executive Member



Mr. Adeb Mohammed Abanumai

Independent Member



Mr. Haytham Sulaiman AlSuhaimi

Non-Executive Member



EXECUTIVE MANAGEMENT

Mr. Abdulaziz Mohammed AlOnaizan

Chief Executive Officer



Mr. Saleh Suliman AlHabib

Vice President of Operations



Mr. Abdullah Mohammed Alarifi

Executive Vice President of Risk



Mr. Hisham Ali AlAkil

Executive Vice President of Finance



Mr. Samer Mohammed Farhoud

Executive Vice President of Treasury



Mr. Ehab Mahmoud Hassoubah

Executive Vice President of Retail Banking



Mr. Jameel Nayef Alhamdan

Executive Vice President of Corporate Banking



Eng. Omar Abdul Rahman AlHussain

Vice President of Injaz



Mr. Haitham Medainy AlMedainy

Executive Vice President of Human Resources



GOVERNANCE

The Bank's Board of Directors is committed to enhance the continuity of an effective governance system by achieving sustainable growth. This is achieved through the formulation of strategic objectives which are then transferred to an appropriate work program, and a focus on their achievement with a commitment to the transparency, disclosure and justice standards. The aim is to achieve the Bank's strategy, sustainability, vision and mission by providing a growing value on the long run to all stakeholders. Governance – as a concept in Bank Albilad – is a system of rules used in directing and guiding the Bank, including mechanisms to regulate the relationship between the Board of Directors, the Executive Management, shareholders and other stakeholders. Special regulations and procedures are applied to facilitate decision making, to protect the rights of shareholders and other stakeholders, achieve justice and transparency, and create a growing value for the Bank, and protecting the rights of the shareholders, the investors and the stakeholders.

The Bank's corporate governance is based on fair treatment and equality between the different parties. This includes shareholders, investors, and other stakeholders including Management, customers, suppliers, and related regulatory, supervisory and government entities, and also community sectors. It takes into consideration the social, environmental and economic sustainability dimensions. The Board of Directors and the Executive Management stress the need to adhere to the governance controls as an effective method to develop the concepts of effective transparency, integrity and control, and achieving high professional performance, thus enhancing the stakeholders' confidence.

This report shows the extent of the Bank's commitment to the provisions and principles of corporate governance, based on the requirements and instructions of regulatory authorities such as the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA). The Bank's governance documents and updates have been approved as a guide to governance and an annex to the guide to governance and a set of policies and documents related. The link, in line with the corporate system and its regulations, the corporate governance regulations and updates issued by the Capital Market Authority, the main principles of bank governance issued by the Saudi Central Bank and the circulars and instructions issued by it and the basic system of the Bank. The most prominent accomplishments achieved in 2020 were updating several documents that comply with the regulations and instructions update, including revising the Bank's basic system and governance guide with the Board of Directors' or General Assembly's approval in accordance with the laws and regulations. In addition, there were certain amendments applied to the governance guide, particularly the regulations of the Nomination, Remuneration and Audit Committees, which also went through the Board of Directors' or General Assembly's approval. In addition, a new committee subordinate to the Board of Directors, namely: the "Sharia Committee", and its regulations was also approved, as an alternative to the Sharia Board and its regulation in line with the Sharia governance framework issued by the Saudi Central Bank, which was put into force on 09 August 2020. The Board of Directors and its Committees do continuous follow-ups with the Executive Management to ensure its active commitment to implementing those regulations, policies and rules.

BOARD OF DIRECTORS' GOVERNANCE

The Board of Directors is composed of 11 members who were elected at the Extraordinary Assembly Meeting held on 9 April 2019 for the period of 3 years, starting on 17 April 2019 and ending on 14 April 2022.

A. Board of Directors 2020

No.	Name	Position	Classification
1	Dr. Abdulrhman Ibrahim AlHumaid (RIP)	Chairman	Non-Executive
2	Mr. Nasser Mohammed AlSubaei	Vice Chairman	Non-Executive
3	Mr. Sameer Omar Baeisa	Member	Independent
4	Mr. Fahad Abdullah Bindekhayel	Member	Non-Executive
5	Mr. Khalid Abdulaziz AlMukairin	Member	Non-Executive
6	Mr. Ahmed Abdulrahman Alhussan	Member	Independent
7	Dr. Zeyad Othman Alhekail	Member	Independent
8	Mr. Abdulaziz Mohammed AlOnaizan	Member – Chief Executive Officer	Executive
9	Mr. Adeen Mohammed Abanumai	Member	Independent
10	Mr. Khalid Abdulrahman AlRajhi	Member	Non-Executive
11	Mr. Haytham Sulaiman AlSuhaimi	Member	Non-Executive

B. Board of Directors' current and previous positions, their qualifications and experience:

Dr. Abdulrahman Ibrahim Al Humaid – Chairman of the Board of Directors – Non-Executive Member:

Dr. Abdulrahman Ibrahim Al Humaid (RIP) holds a PhD in Accounting from Louisiana State University and an MBA from the University of Missouri. He previously served as head of the Accounting Department at King Saud University, as well as the president in several areas, including the Zakat Committee of the Ministry of Finance. He also worked as a consultant for the Ministry the Foreign Office and the General Auditing Bureau. Dr. Abdulrahman was a member of the Board of Directors of the General Authority of Zakat and Income, and was a member of the American Accountants Association for more than 40 years.

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Member of the Board of Directors of the General Authority of Zakat and Income	Inside the Kingdom	Governmental	Board Member of Mohammed Abdulaziz AlRajhi & Sons Holding Co.	Inside the Kingdom	Closed joint company
Board Member of the Saudi Verified Clay Pipe Co.	Inside the Kingdom	Listed joint company			
Board Member of Mohammed Ibrahim AlSubeaei & Sons Investment Co. (MASIC)	Inside the Kingdom	Listed joint company	Board Member of the Saudi Agricultural and Livestock Investment Company (SALIC)	Inside the Kingdom	Government joint company
Board Member of Obeikan Investment Group	Inside the Kingdom	Listed joint company			

Mr. Nasser Mohammed AlSubeaei – Vice Chairman of the Board of Directors – Non-Executive Member:

Mr. Nasser Mohammed AlSubeaei holds a Bachelor's degree in Accounting from King Saud University. He has about 40 years of experience in banking, investment and real estate.

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Board Vice Chairman of Mohammed Ibrahim AlSubeaei & Sons Investment Co. (MASIC)	Inside the Kingdom	Closed joint company	Board Member of Dur Hospitality	Inside the Kingdom	Listed joint company
Board Chairman of Thakher Investment and Real Estate Development Co.	Inside the Kingdom	Closed joint company			
Board Chairman of Alargan Projects	Inside the Kingdom	Closed joint company			
Board Member of Akwan Real Estate	Inside the Kingdom	Closed joint company			
Board Member of Fajr Capital	Outside the Kingdom	Limited liability			

Mr. Sameer Omar Baeisa – Independent Member:

Mr. Sameer Omar Baeisa holds an MBA from the University of California and a Bachelor's degree in Business Administration from King Abdulaziz University. He also holds several positions including Regional Director for the western region at the National Commercial Bank. Additionally, he held the position of General Manager for various branches of Banque Saudi Fransi, and worked as a Business Development Consultant at Riyadh Bank. Mr. Sameer is currently a Member of the Board of Directors of the Saudi Company for Hardware (SACO).

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Board Member of the Saudi Company for Hardware (SACO)	Inside the Kingdom	Listed joint company	-	-	-

Mr. Fahad Abdullah Bindekhal – Non-Executive Member:

Mr. Fahad Abdullah Bindekhal holds a Bachelor's degree in Quantitative Methods from King Saud University. He previously worked in the field of private banking and investment. He has several years of experience in numerous banks including the Saudi British Bank. Mr. Fahad is the Chairman of the Board of Directors of Albilad Investment Company.

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Board Chairman of Albilad Investment Company	Inside the Kingdom	Listed joint company	Emirates National Oil Company	Outside the Kingdom Outside the Kingdom	Limited Liability Limited Liability
Board Chairman of Al Wafa Plastic Factory	Inside the Kingdom	Listed joint company			
Board Member of Family Investment Company	Inside the Kingdom	Limited liability			
Board member of Al Maqar Co	Inside the Kingdom	Government-owned company			

Mr. Khalid Abdulaziz AlMukairin – Non-Executive Member:

Mr. Khalid Abdulaziz AlMukairin holds a Higher Diploma in Banking and Investment from Beirut Open University in Lebanon and a Bachelor's degree in Economics from King Saud University. He has also had extensive experience in the banking field.

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Board Chairman of Al Maktaba Marketing Company	Inside the Kingdom	Closed joint company	Board Chairman of Albilad Investment Company	Inside the Kingdom	Closed joint company
Board Chairman of Khaled AlMukairin & Sons Holding Co.	Inside the Kingdom	Limited liability	Vice chairman of Chamber of Commerce and Industry	Inside the Kingdom	Civil organization
			Chairman of the Family Investment Company	Inside the Kingdom	Limited liability

Mr. Ahmed Abdulrahman Alhussan – Independent Member:

Mr. Ahmed Abdulrahman Alhussan holds a Diploma in Banking Credit in Financial Management from the Arab Academy for Banking and Financial Sciences, and a Bachelor's in Business Administration from King Saud University. He is a former member of the Board of Trustees of the Accounting and Auditing Organization for Islamic Banks and Financial Institutions. He also worked as a Regional Manager and Deputy Director- General of Al Rajhi Banking and Investment Corporation in the Central Region. Mr. Ahmed is currently the Chairman of the Audit Committee of Mohammed Ibrahim AlSubeaei & Sons Investment Co. (MASIC) and of the Review Committee of Dar Al-Arjan Projects Company.

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
NA	-	-	NA	-	-

Dr. Zeyad Othman Alhekail – Independent Member:

Dr. Zeyad Othman Alhekail holds a PhD and a Master's degree in Electrical Engineering from Ohio University, and a Bachelor's degree in Electrical Engineering from King Saud University. He is currently a businessman, consultant, and member of various Board Committees for several Saudi companies. These include the National Information Systems Company and First Airfinance Holding Limited Co. outside Saudi Arabia.

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Chairman of Jabal Omar Development Company	Inside the Kingdom	Listed joint company	Awqaf Sulaiman Bin Abdulaziz Al-Rajhi Holding Co.	Inside the Kingdom	Limited liability
Chairman of Advanced Communication Electronic Systems	Inside the Kingdom	Close joint company	National Aquaculture Group	Inside the Kingdom	Close joint company
Board member of Knowledge Connect Company	Inside the Kingdom	Limited liability	Saudi Grains and Fooder Holding Co. LLC	Inside the Kingdom	Limited liability
Sulaiman Al-Rahji Real Estate Investment Company	Inside the Kingdom	Limited liability	National Information Systems Company	Inside the Kingdom	Limited liability
Board member of AL Watania Poultry	Inside the Kingdom	Limited liability	Sulaiman Al-Rahji Education and Development	Inside the Kingdom	Limited liability
Board Member of ALIF Segregated portfolio company	Outside the Kingdom	exempted segregated portfolio company	ADEC	Inside the Kingdom	Close joint company
Board member of Etqaan Development	Inside the Kingdom	Limited liability	National Agriculture	Inside the Kingdom	Limited liability
Board member of Dyar Al Khozami Real Estate Development Co.	Inside the Kingdom	Close joint company	Central Air Conditioning	Inside the Kingdom	Limited liability
Board member of Amalak	Inside the Kingdom	Close joint company		Inside the Kingdom	Close joint company

Mr. Abdulaziz Mohammed AlOnaizan – Executive Member – Chief Executive Officer:

Mr. Abdulaziz Mohammed AlOnaizan holds a Bachelor's degree in Quantitative Methods from King Saud University, he holds many advanced courses and programs from specialized international institutes. He has more than 30 years of banking experience, during which he held leadership positions in several local banks such as Samba Financial Group, Arab National Bank and Al Inma Bank, and is currently the CEO of Bank Albilad, an executive member of the Board of Directors, Chairman of the Board of Directors of Bayan Credit Information Company, and Vice Chairman of the Board of Directors of Al-Bilad Capital Company.

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Vice Chairman of Albilad Capital Company	Inside the Kingdom	Limited liability	Board member of Alinma Investment	Inside the Kingdom	Closed joint company
			General Manager of Treasury and Investment at Alinma Bank	Inside the Kingdom	Listed joint company
Chairman of the Board of Directors of Bayan Credit Information Company	Inside the Kingdom	Closed joint company	General Manager of Treasury, Investment and Financial Institutions at Arab National Bank	Inside the Kingdom	Listed joint company
			Assistant General Manager of Treasury Group at Samba Capital	Inside the Kingdom	Listed joint company

Mr. Adeb Mohammed Abanumai – Independent Member:

Mr. Adeb Mohammed Abanumai holds a Master's degree in Accounting from the University of Miami and a Bachelor's degree in Accounting from King Saud University. He previously worked as a Senior Advisor and Disclosure Specialist in the Capital Market Authority. Mr. Adeb is currently a Member of the Board of Directors of Al-Ma'ather Reit Fund and the Tunisian Saudi Bank, and a Member of the Audit Committee of the Gas Company and in Gazan Agricultural Development (GAZADCO).

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Board member of Al-Ma'ather Reit Fund	Inside the Kingdom	Real Estate Investment Fund	Board member of Tunisian Saudi Bank	Outside the Kingdom	Equal government contribution between the Kingdom of Saudi Arabia and Tunisia
Jazan Energy & Development Co.	Inside the Kingdom	Limited liability			
Board member of	Inside the Kingdom	Closed joint company	Bin Saedan Real Estate Co		

Mr. Khalid Abdulrahman AlRajhi – Non-Executive Member:

Mr. Khalid holds a Bachelor's degree in Finance from King Fahd University of Petroleum & Minerals. He previously served as a member of the Board of Directors of Saudi Telecom Company, Chairman of the Audit Committee and a Member of the Investment Committee. Mr. Khalid is currently the Chairman of the Board of Directors of the Saudi Cement Company, he is a Member of the Board of Directors of AlBilad Capital Company, he also serves as CEO of Abdul Rahman Saleh Al-Rajhi & Partners Co. Ltd and a Member of the Board of Directors of the Tanami Arabia Company.

Current Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside/Outside the Kingdom	Legal Entity
Board Chairman of Saudi Cement	Inside the Kingdom	Listed joint company	Dana Gas	Outside the Kingdom	Listed joint company
			NAS Co	Outside the Kingdom	Listed joint company
Board Member of Tanami Arabia Co. Ltd	Inside the Kingdom	Closed joint company	Saudi Telecom Company	Inside the Kingdom	Listed joint company
Board Member of AlBilad Capital Company	Inside the Kingdom	Closed joint company	The National Shipping Company of Saudi Arabia (Bahri)	Inside the Kingdom	Listed joint company
Chief Executive Officer of Abdul Rahman Saleh Al-Rajhi & Partners Co, Ltd	Inside the Kingdom	Limited liability	Board Member of Walaa Cooperative Insurance Company	Inside the Kingdom	Listed joint company
			Takween Advanced Industries	Inside the Kingdom	Listed joint company

Mr. Haytham Sulaiman AlSuhaimi – Non-Executive Member:

Mr. Haytham holds a Master's degree in Investment and Financial Risk from the University of Westminster and a Bachelor's degree in Business Administration from Al Ghurair University. He has experience in wealth management, investment and banking operations, he held several positions in Al-Bilad Capital Company and was the CEO of Business Development since March 2020, the Head of Wealth Management from 2018 to 2020, a financial analyst for investment banking and private equity services from 2018 to 2016, he was the Head of Marketing and Sales at Saban UAE from 2012 to 2014. He is currently a member of the board of directors of several funds owned by Al-Bilad Capital Company, and a member of the committee of financial companies licensed since December 2020,

Current Membership in Board of Directors' committee or one of their Managers	Inside / Outside the Kingdom	Legal Entity	Previous Membership in Board of Directors' committee or one of their Managers	Inside / Outside the Kingdom	Legal Entity
Board member of Albilad Gold ETF	Inside the kingdom	Fund licensed by the Capital Market Authority	NA	-	-
Board member of Albilad Fund of REIT Funds	Inside the kingdom	Fund licensed by the Capital Market Authority			
Board member of Albilad Government Sukuk ETF	Inside the kingdom	Fund licensed by the Capital Market Authority			
Board member of Albilad AlMurabih SAR Fund	Inside the kingdom	Fund licensed by the Capital Market Authority			
Board member of Nusaned Fund	Inside the kingdom	Fund licensed by the Capital Market Authority			

C. Attendance record of the Board previous and current meetings in 2019:

For the purpose of enhancing its role, the Board of Directors held (6) meetings during 2020:

No.	Name	Meeting number and date					
		(01/2020)	(02/2020)	(03/2020)	(04/2020)	(05/2020)	(06/2020)
		10/02/2020	26/04/2020	15/06/2020	16/07/2020	14/09/2020	14/12/2020
1	Dr. Abdulrhman Ibrahim AlHumaid	✓	✓	✓	✓	✓	✓
2	Mr. Nasser Mohammed AlSubeaei	✓	✓	✓	✓	✓	✓
3	Mr. Sameer Omar Baeisa	✓	✓	✓	✓	✓	✓
4	Mr. Fahad Abdullah Bindekhayel	✓	✓	✓	✓	✓	✓
5	Mr. Khalid Abdulaziz AlMukairin	✓	✓	✓	✓	✓	✓
6	Mr. Ahmed Abdulrahman Alhussan	✓	✓	✓	✓	✓	✓
7	Dr. Zeyad Othman Alhekail	✓	✓	✓	✓	✓	✓
8	Mr. Abdulaziz Mohammed AlOnaizan	✓	✓	✓	✓	✓	✓
9	Mr. Adeeb Mohammed Abanumai	✓	✓	✓	✓	✓	✓
10	Mr. Khalid Abdulrahman AlRajhi	✓	✓	✓	✓	✓	✓
11	Mr. Haytham Sulaiman AlSuhaimi	✓	✓	✓	✓	✓	✓

✓ Attended

x Not Attended

D. The balance of shares for the Board of Directors, their spouses and minor children:

The number of shares for the Board of Directors, their spouses and minor children at the beginning and end of fiscal year 2020:

No.	Stakeholder name	Number of shares at the beginning of 2019	Number of shares at the end of 2019	Net change	Change %
1	Dr. Abdulrhman Ibrahim AlHumaid (RIP)	2,498	2,498	0	%0
2	Mr. Nasser Mohammed AlSubaei	2,572,563	2,742,563	170,000	%6.6
3	Mr. Sameer Omar Baeisa	-	-	-	-
4	Dr. Zeyad Othman Alhekail	-	-	-	-
5	Mr. Fahad Abdullah Bindekhayel		1,875	0	%0
6	Mr. Khalid Abdulaziz AlMukairin	464,041	514,001	49,960	%10.8
7	Mr. Ahmed Abdulrahman Alhussan	1,875	1,875	0	%0
8	Mr. Abdulaziz Mohammed AlOnaizan	278,792	712,455	433,663	%155.6
9	Mr. Adeb Mohammed Abanumai	-	-	-	-
10	Mr. Haytham Sulaiman AlSuhaimi	-	-	-	-
11	Mr. Khalid bin Abdulrahman AlRajhi	79,093,412	68,387,386	-10,706,026	%(13.5)

E. Current and previous Executive Members positions, qualifications and experience:

Name	Current position	Previous positions	Qualifications	Experience	Specialty
Mr. Abdulaziz Mohammed AlOnaizan	Chief Executive Officer	Chief Executive Officer of Bank Albilad	Bachelor	33 years	Quantitative Methods
Mr. Haitham Medainy AlMedainy	Executive Vice President of Human Resources	Head of Recruitment at the Saudi British Bank (SABB)	Bachelor	24 years	Computer Engineering
Mr. Hisham Ali AlAkil	Executive Vice President of Finance	Chief Executive Officer – Al Rajhi Capital	Master	19 years	Accounting
Mr. Ehab Mahmoud Hassoubah	Executive Vice President of Retail Banking	General Manager of Operations at Bank Albilad	Bachelor	19 years	Systems Engineering
Mr. Saleh Suliman AlHabib	Vice President of Operations	General Manager of Corporate at Bank Albilad	Bachelor	26 years	Accounting
Eng. Omar Abdul Rahman AlHussain	Vice President of Injaz	Assistant Managing Director of Injaz	Master	21 years	Business Administration
Mr. Abdullah Mohammed Alarifi	Executive Vice President of Risk	General Director of Credit Policy at Bank Albilad	Bachelor	23 years	Accounting
Mr. Samer Mohammed Farhoud	Executive Vice President of Treasury	Chief Executive Officer – Deutsche Gulf Finance	Bachelor	33 years	Computer Engineering
Mr. Jameel Nayef Alhamdan	Executive Vice President of Corporate Banking	Assistant Managing Director – Bank Albilad	Bachelor	15 years	International Business Administration

F. The balance of shares for the Executive Members, their spouses and minor children:

The number of shares for Executive Members, their spouses and minor children at the beginning and end of fiscal year 2020:

No.	Stakeholder name	Position	Number of shares at the beginning of 2020	Number of shares at the end of 2020	Net change	Change %
1	Mr. Abdulaziz Mohammed AlOnaizan	Chief Executive Officer	278,792	712,455	433,663	%155.6
2	Mr. Abdullah Mohammed Alarifi	Executive Vice President of Risk	75,805	88,307	12,502	%16.49
3	Mr. Hisham Ali AlAkil	Executive Vice President of Finance	4,442	30,499	26,057	%586.6
4	Mr. Saleh Suliman AlHabib	Vice President of Operations	103,283	157,438	54,155	%52.4
5	Mr. Haitham Medainy AlMedainy	Executive Vice President of Human Resources	6,463	40,407	33,944	%525.2
6	Mr. Samer Mohammed Farhoud	Executive Vice President of Treasury	5,000	22,257	17,257	%345.1
7	Eng. Omar Abdul Rahman AlHussain	Vice President of Enjaz	4,442	21,135	16,693	%375.8
8	Mr. Ehab Mahmoud Hassoubah	Executive Vice President of Retail Banking	-	-	-	-
9	Mr. Jameel Nayef Alhamdan	Executive Vice President of Corporate Banking	-	7,618	7,618	-

BOARD COMMITTEES:

The Board Committees perform their duties and responsibilities based on policies, regulations and related governance documents approved by the Board of Directors or the General Assembly, depending on the case. They will determine their authorization level and work procedures. These Committees were established along with the formation of the current Board of Directors starting from 17 April 2019 to 16 April 2022.

A. Executive Committee:

The responsibilities of the Executive Committee are to ensure the effectiveness of the decision-making process at highest levels. This is done to achieve the Bank's aims through a flexible timetable that will support the Board of Directors in implementing its responsibilities. The Committee helps in enhancing the Board of Directors' roles in promoting, monitoring and implementing the Bank's strategy. This leads to an effective performance, review and monitoring of the Bank's operations on a regular basis, as well as taking decisions and providing applicable recommendations to the Board.

The Executive Committee consisted of 5 Non-Executive Members of the Board and held 10 meetings during 2020.

The following is the attendance record with names:

Name	Nature of the Membership	Meeting number and date									
		(01/2020)	(02/2020)	(03/2020)	(04/2020)	(05/2020)	(06/2020)	(07/2020)	(08/2020)	(09/2020)	(10/2020)
Dr. Abdulrhman Ibrahim AlHumaid (RIP)	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Nasser Mohammed AlSubeaei	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Fahad Abdullah Bindekhayel	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Khalid Abdulaziz AlMukairin	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	x
Mr. Khalid Abdulrahman AlRajhi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Attended

x Not Attended

B. Nomination and Remuneration Committee:

The responsibilities of the Committee are to review annually the required skills needed for the Board of Directors and its Committees' membership in accordance with its nature and regulations. The Committee reviews the structure and composition of the Board of Directors and its Committees on regular basis, and provides recommendations on members' strengths and weaknesses, with suggestions on how to overcome them. Also, it provides recommendations on the Board of Directors and its Committee candidates, and lists the applicable qualifications and expertise needed for membership. Additionally, the Committee is responsible for checking annually the independence level of the Board members to avoid conflicts of interest. Moreover, the Committee is responsible for studying the status of development, updating and proposing policies related to remuneration, rewards and policies of the Board of Directors, Executive Committees and other Committees, the mechanism of substitution for members of the Board of Directors, its committees, and the executive management, and submitting the necessary recommendations to the Board of Directors to approve the organizational structure of the bank and the related updates and amendments.

The current Committee consists of 4 Board Members including a board member and 3 non-board members, and held 4 meetings during 2020. The following are the biographies of the Non-Board Members:

Mr. Khalid Saleh AlHathal:

Mr. Khaled Saleh AlHathal holds a Master's degree and a Bachelor's degree in Business Administration from Indiana University. Mr. Khalid bin Saleh Al-Hathal has more than 30 years of experience in a number of diverse, banking and commercial fields, during which he held many positions, including the ex-CEO of joint services in Al-Faisaliah Group and CEO of Ann Ltd. and many other companies, and he is currently the CEO of Muzon Investment Company has many memberships in the boards of directors and committees of a number of companies.

Mr. Bleihed Nasser bin AlBleihed:

Mr. Bleihed Nasser bin AlBleihed holds a Bachelor's degree in Business Administration. He has more than 33 years of experience in administrative transformation and human resources. Mr. Bleihed currently holds the position of General Manager at Ejada for Management Consultancy.

Mr. Amr Hosni Al-Taher

Mr. Amr Hosni Al-Taher holds a bachelor's degree in science from King Saud University, he has more than 40 years of experience, most of which is in human resources. He also worked as a director of human resources in a number of local, regional and international banks. He currently holds many of the membership of some companies, nomination and remuneration committees.

The following are attendance records with names of the Members of the Committee:

Name	Nature of Membership	Meeting number and date			
		19/02/2020 (01/2020)	07/06/2020 (02/2020)	06/09/2020 (03/2020)	08/12/2020 (04/2020)
Mr. Sameer Omar Baeisa	Committee Chairman	✓	✓	✓	✓
Mr. Khalid Saleh AlHathal	Member	✓	✓	✓	✓
Mr. Bleihed Nasser bin AlBleihed	Member	x	✓	✓	x
Mr. Omar Hosni Al Taher(*)	Member	✓	✓	✓	✓

✓ Attended

x Not Attended

* New member in the committee, for whom a no objection certificate was obtained from the Central Bank on 14/04/2020.

C. Risk Committee:

The Risk Committee is one of the committees at the same level as the Board of Directors. Its main purpose is to provide advice and consultation to the Board on current and future overall plans and strategies in relation to the Bank's capacity and ability to bear risks. The Committee also supervises the Executive Management's implementation of these plans and strategies. In general, the Committee assists the Board in overseeing all the activities and decisions related to the Risk Management Group at the Bank. Such activities and decisions include market, credit, investment, financial and operating risks as well as liquidity, reputation, business continuity and technical systems risks. In addition, the Committee is to review the Bank's internal risk policies and present them to the Board of Directors for approval. The Committee also seeks approval on the distribution amount of acceptable credit risks, responsibilities and other approved risks from the Board of Directors in a manner that does not conflict with the duties and responsibilities of other committees of the Broad of Directors, as well as supervising the approved risk limitations and ensuring that the bank has adequate policies and procedures approved by the competent authorities.

The current Committee consists of 3 members including 2 Board members and one Non-Board member, and held 5 meetings during 2020. The following are the biographies of previous and current Non-Board Members:

Mr. Muath Abdulrahman Al Hussaini:

Mr. Muath Abdulrahman Al Hussaini holds a Bachelor's degree with honor in Management Information Systems from King Fahd University of Petroleum and Minerals, he holds Certified Financial Analyst certificate and Certified Financial Risk Manager certificate. Mr. Muath Abdulrahman Al Hussaini has many experiences due to his previous position in Deutsche Bank as head of financial solutions and derivatives management and risks in the Middle East and North Africa region, he was a senior advisor in the Treasury Department with SABB Bank, and he is Founder and CEO of Ehata Financial Company.

The following is the attendance record of Committee Members' meetings in 2020:

Name	Nature of Membership	Meeting number and date				
		26/01/2020 (01/20)	24/02/2020 (02/20)	03/06/2020 (03/20)	31/08/2020 (04/20)	23/11/2020 (05/20)
Mr. Ahmed Abdulrahman Alhussan	Chairman of the Committee	✓	✓	✓	✓	✓
Mr. Haytham Sulaiman AlSuhaimi	Member	✓	✓	✓	✓	✓
Muath Abdulrahman Al Hussaini	Member	✓	✓	✓	✓	✓

✓ Attended

x Not Attended

D. Compliance and Governance Committee:

The Committee is responsible for supervising and maintaining the highest standards of governance by guaranteeing, on behalf of the Board of Directors, that sound governance practices are followed in the Bank's activities. The Committee ensures that the Bank complies with all relevant local, regional and international regulations, standards and rules related to its activities. It conducts continuous review of the overall governance framework and related mechanisms. The Committee is also responsible for reviewing the Board Committees' and the Executive Managements' regulations and submitting recommendations thereof to the Board of Directors. It is also responsible for monitoring and ensuring that the Bank has sufficient mechanisms to identify cases of conflict of interest in all transactions and operating activities. The Committee shall approve the annual commitment plan/program and undertake the task of reviewing the annual compliance report submitted to the Saudi Central Bank. It monitors the adequacy, effectiveness and independence of the compliance sector and the anti-financial crimes in relation to the implementation of the compliance policy and guidelines. It also reviews periodic and annual compliance reports and anti-financial crimes reports, and ensures effective correction of any identified gaps or irregularities. The Committee also reviews the commitment plan/program.

The Committee currently consists of 3 members, 2 from the Board of the Directors and 1 non-board Member, and it held 4 meetings in 2020. The following are the biographies of previous and current Non-Board members:

Mr. Muath Abdulrahman Al Hussaini:

Mr. Muath Abdulrahman Al Hussaini holds a Bachelor's degree with honor in Management Information Systems from King Fahd University of Petroleum and Minerals, he holds Certified Financial Analyst certificate and Certified Financial Risk Manager certificate. Mr. Muath Abdulrahman Al Hussaini has many experiences due to his previous position in Deutsche Bank as head of financial solutions and derivatives management and risks in the Middle East and North Africa region, he was a senior advisor in the Treasury Department with SABB Bank, and he is Founder and CEO of Ehata Financial Company.

Name	Nature of Membership	Meeting number and date			
		08/03/2020 (01/2020)	09/06/2020 (02/2020)	06/09/2020 (03/2020)	06/12/2020 (04/2020)
Dr. Zeyad Othman Alhekail	Chairman	✓	✓	✓	✓
Mr. Sameer Omar Baeisa	Member	✓	✓	✓	✓
Mr. Muath Abdulrahman Al Hussaini	Member	✓	✓	✓	✓

✓ Attended

x Not Attended

E. Audit Committee:

The Audit Committee is responsible for supervising the internal audit sector. This includes verifying the independence and effectiveness of the sector, ascertaining the availability of human resources, reviewing reports issued by the audit sector, following corrective procedures and approving the internal audit plan. The committee also nominates the bank's external auditors, determines their remuneration, supervises their activities, reviews their work plan, evaluates their performance, verifies their independence, discusses their observations, studies the interim and annual financial statements, and recommends their approval by the Board of Directors. The Committee reviews the contracts and transactions proposed by the Bank with related parties, in addition to the other supervisory duties that fall within the scope of the work of the Committee in accordance with the regulations approved by the General Assembly.

The Committee currently consists of 3 Members, 1 from the Board of Directors and 2 non-board Members. It held 7 meetings in 2020. The following are the biographies of the current Non-Board Members:

Mr. Jasser Abdulkarim Jasser:

Mr. Jasser Abdulkarim Jasser holds a Master's degree in Business Administration from the Colorado University of Technology and a Bachelor's degree in Business Administration from King Saud University. He worked as an Executive Vice President of Corporate Finance at Riyadh Bank, a General Director of Internal Auditing at the Capital Market Company and as Head of Internal Auditing at the National Commercial Bank. Mr. Jasser is currently the General Director of the General Administration of Governance, Risk and Compliance at the Ministry of Finance. He is an Internal Auditor accredited by the Association of Internal Auditors and a certified Risk Analyst from the American Financial Management Association.

Mr. Mohammed Farhan bin Nader:

Mr. Mohammed Farhan bin Nader holds a Master's degree in Business Administration from Heriot-Watt University, a Bachelor's degree in Accounting from King Saud University and an American and Saudi Fellowship for Certified Public Accountants. He has wide experience in banking, and Zakat and Tax operations, and worked as CFO of Awqaf Sulaiman AlRajhi Holding Company. Mr. Mohammed is currently the Executive Partner of United Accountants.

The following is the attendance record of Committee Members meetings in 2020:

Name	Nature of Membership	Number of Meetings (7)						
		1st Meeting 03/02/2020	2nd Meeting 04/03/2020	3rd Meeting 06/05/2020	4th Meeting 20/07/2020	5th Meeting 08/09/2020	6th Meeting 19/10/2020	7th Meeting 21/12/2020
Mr. Adeeb Mohammed Abanumai	Chairman	✓	✓	✓	✓	✓	✓	✓
Mr. Jasser Abdulkarim Jasser	Member	✓	✓	✓	✓	✓	✓	✓
Mr. Mohammed Farhan bin Nader	Member	✓	✓	✓	✓	✓	✓	✓

✓ Attended x Not Attended

F. Sharia Committee

The main purpose of the Sharia Committee is to assist the Board of Directors in performing its duties and responsibilities for enhancing confidence in the compliance with the Sharia provisions and principles prescribed by the bank. This committee provides Sharia opinion and supervises the bank's business in a manner that ensures the protection of the interests of the shareholders and all stakeholders. This committee exercises its duties independently away from any influence that may hinder it from issuing objective Sharia decisions while discussing issues put before it and issuing Sharia decisions regarding the practice of Islamic banking activity in order to achieve the bank's vision, mission and values that preserve its identity, in accordance with the principles and provisions of the Islamic law. Upon the issuance of the Sharia Governance Framework by the Saudi Central Bank on 02/13/2020, the bank sought to comply with the requirements of the Sharia Governance Framework, which required amending some of the bank's regulations and policies.

The committee works closely with the Board of Directors and is formed in accordance with the general controls and conditions for forming the approved committees prescribed by the bank. The Sharia committee consists of 5 specialized and competent Members who are well-versed in the jurisprudence of financial transactions and economics, namely:

H.E. Sheikh Abdullah Suleiman Al-Manea (Chairman of the Committee)

H.E. Sheikh Abdullah Suleiman Al-Manea holds a Bachelor's degree from the College of Sharia, Imam Muhammad bin Saud Islamic University in 1377 AH and holds a Master's degree from the Higher Judicial Institute, Imam Muhammad bin Saud Islamic University in the year 1389 AH. He is a member of the Council of Senior Scholars and Adviser in the Royal Court of Saudi Arabia, he is a member of the Sharia Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He has a number of books, including:

- Bank Notes: its identity, history and rules.
- A collection of studies and fatwas - 4 volumes.
- Research in Islamic economics.
- A paper on Zakat on merchandises.

H. E Sheikh Prof. Dr. Abdullah Muhammad Al-Mutlaq (Member)

H. E Sheikh Prof. Abdullah bin Muhammad Al-Mutlaq

He is a member of the Council of Senior Scholars and Adviser in the Royal Court of Saudi Arabia, Chairman of the Sharia Committee of the General Authority for Zakat and Tax, and member of the Sharia Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He holds a Doctorate degree from the Department of Comparative Jurisprudence, the Higher Judicial Institute, Imam Muhammad bin Saud Islamic University in 1404 AH, and he also worked as the head of the Department of Comparative Jurisprudence, the Higher Judicial Institute and as an undersecretary of to the Higher Judicial Institute. He has a number of books, including:

- Investigation in crimes against honor.
- Sale by auction.
- Supply contract.
- SUKUK

H.E. Sheikh Prof. Dr. Abdullah Musa Al-Amar (Member)

E. Sheikh Prof. Dr. Abdullah Musa Al-Amar was an ex-professor of Jurisprudence, the College of Sharia, Imam Muhammad bin Saud Islamic University, and a part-time advisor at the Ministry of Islamic Affairs, Dawah and Guidance, and he worked as an undersecretary of the Jurisprudence Department, College of Sharia, Imam Muhammad bin Saud Islamic University. He holds a Master's degree and Doctorate degree from the Jurisprudence Department, College of Sharia, Imam Muhammad bin Saud Islamic University in 1407 AH. He has a number of books, including:

- Lottery and its areas of application in Islamic jurisprudence.
- Study of abstraction of carefulness book.
- Rules of mourning
- The life of H.E. Sheikh Muhammad bin Ibrahim Al Sheikh (in cooperation with others).

H.E. Sheikh Dr. Muhammad Saud Al-Osaimi (Member)

H.E. Sheikh Dr. Muhammad bin Saud Al-Osaimi is the General Supervisor of Maqased Economic Advisory, and was previously an Associate Professor at the College of Economics and Administrative Sciences, Imam Muhammad bin Saud Islamic University. He holds a Master's degree and Doctorate degree in economics from the University of Colorado, Boulder, USA in 1414 AH. He has a number of books, including:

- How commercial banks work for non-specialists?
- Credit cards, the economic aspects of different payment cards.
- Translation of the book "Death of Money", by Joel Curtisman.
- The economic aspects of traffic accidents.

H.E. Sheikh Prof. Dr. Yusuf Abdullah Al-Shubaili (Member)

H.E. Sheikh Prof. Dr. Yusuf bin Abdullah Al-Shubaili is a professor of Jurisprudence at the Higher Judicial Institute, Imam Muhammad bin Saud Islamic University. He is a member of the Sharia Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), he holds a Master's Degree and Doctorate degree from the Department of Comparative Jurisprudence, the Higher Judicial Institute, Imam Muhammad bin Saud Islamic University in 1422 AH. He has a number of books, including:

- Credit cards and the related provisions in Islamic jurisprudence.
- Investment services in banks and their provisions in Islamic jurisprudence.
- Purposes of Islamic legislation.
- Financial transactions.

The Sharia committee held 4 meeting in 2020, and below is a statement of the committee's meetings and the names of the attendees:

Name	Nature of Membership	Meeting number and date			
		01/03/2020	21/04/2020	16/06/2020	15/12/2020
H.E. Sheikh Abdullah Suleiman Al-Manea	Committee Chairman	✓	✓	✓	✓
H. E Sheikh Prof. Dr. Abdullah Muhammad Al-Mutlaq	Vice Chairman	✓	✓	✓	✓
H.E. Sheikh Prof. Dr. Abdullah Musa Al-Amar	Member	✓	✓	✓	✓
H.E. Sheikh Dr. Muhammad Saud Al-Osaimi	Member	✓	✓	✓	✓
H.E. Sheikh Prof. Dr. Yusuf Abdullah Al-Shubaili	Member	✓	✓	✓	✓

✓ Attended x Not Attended

REMUNERATIONS AND COMPENSATIONS:

Remunerations, compensations and disclosure process thereof are be set out under the Companies Law and its bylaws, and as per the "Regulations and Regulatory Procedures of the Listed Joint Stock Companies," as well as the Corporations Governance Regulations. All of these require the disclosure of the remuneration policies, and the mechanisms to identify them. So do the rules, principles and regulations of SAMA, CMA, the related approved international standards and the policies and documents of the Bank. The following shows the mechanism set to determine the remunerations and allowances of the Board members and the Board committees and the details of disbursements to the Board members, the Board's committees and Senior Executives:

Remuneration policy for Board Members, Board Committees:

Remuneration of the Board Members and the Board Committees are governed by the provisions of the Companies Law and its bylaws, such as controls and regulatory procedures issued in implementation of the Companies Law in connection with Listed Joint Stock Companies and the updated Corporate Governance Regulations, as well as related circulars and principles prescribed by the Saudi Central Bank as well as the Bank's Article of Associations, whose standards and provisions determine the policy relating to the remuneration of members of the Board of Directors, its committees and its senior executives. The most important rules and mechanisms items used to determine the remunerations of the Board Members and the Board Committees are shown as follows:

1. General Rules of Remunerations:

- 1-1 The amount of money disbursed to the Board members shall not exceed 5% of net profits, under all circumstances, the total amount received by the Board member in terms of remunerations, financial or in-kind privileges shall not exceed SAR 500,000 per year, including attendance allowance that should not exceed SAR 5,000 per meeting. This shall be implemented in accordance with the controls stipulated in the corporate law, controls and regulatory procedures of the corporate law, Companies Governance Regulation, principles and circulated instructions from the Saudi Central Bank, as well as the Bank's related policies.

- 1-2 The Board Member shall have the right to receive a remuneration in compensation for his memberships in the Audit Committee formed by the General Assembly or for any additional works, executive, technical, administrative or consultancy positions by virtue of professional license that are assigned to him by the Bank; in addition to remunerations he received in his capacity as a Board Member and a Member in a Committee formed by the Board of Directors, as per the Companies Law and the Company's Article of Associations and this policy.
- 1-3 In case any Committee Member is absent from a meeting, an amount of money shall be deducted from its annual remuneration in a percentage proportional to his absenteeism, through dividing the total amount of remunerations by the total number of meetings held by the Committee during the year and deducting the remuneration due to the Member for the meeting or the meetings he did not attend.
- 1-4 The Board Member shall not have the right to vote on the remuneration's clause in the General Assembly.
- 1-5 If the General Assembly decided to end the membership of the absent Board Member due to his absenteeism in three consecutive meetings of the Board without valid reason, this Member shall not be entitled to any remunerations for the period following the last meeting he attended and he should return all the remunerations disbursed to him for this period.
- 1-6 The remunerations of the Board Members may vary to the extent that reflects the Member's experience, tasks assigned, specialty, independency, number of sessions attended and other considerations.

2. Mechanisms used to determine the Remunerations of Board Members and Board Committees:

- 2-1 Taking into consideration what was mentioned regarding the general rules above including the companies rules and regulations, control procedures connected with private companies contributions with joint stock companies and updated companies Governance regulations, the related principles and circulars of the Saudi Central Bank, especially the ones related to the minimum and maximum that shall not exceed SAR 500,000. The mechanisms used to determine this policy, such as Board Members and Board Committees, shall be specified as per the policies and decisions issued by the Board of Directors and in accordance with specific rules applied by the Audit Committee, as per the Companies' laws, its regulations and related controls and regulations.
- 2-2 Each Board Member shall have the actual expenses amount incurred by the member to attend the Board of Directors' meetings and the Committee meetings, including accommodation expenses, first class air tickets, in addition to the lump-sum remuneration and attendance allowance amount as per the above-mentioned controls.
- 2-3 Each (external) Member of a Board Committee but not a Board Member, shall have the actual expenses amount incurred by the member to attend the Committee meetings, including accommodation expenses, business class air tickets, in addition to the lump-sum remuneration and attendance allowance amount as per the above-mentioned controls.

3. Policy and Mechanisms of Remunerations for Executive Management Members:

Without prejudice to the above-mentioned rules and general standards, and in accordance with the related Laws and Regulations, the updated Companies Governance Regulation, principles and circulars of the Saudi Central Bank, the mechanisms of the remunerations of the employees in general and the Senior Executive Members in particular, shall be determined according to the policies and decisions issued by the Board of Directors. These mechanisms shall take into consideration the related controls and standards mentioned in the nominations and remunerations approved by the General Assembly and the rules of remunerations issued by the Saudi Central Bank such as:

1. To conform to the Bank's strategy and objectives.
2. To specify the standards for giving remuneration and its disclosure; and to make sure of its implementation.
3. To focus on relating the standards of giving remuneration to performance.
4. To determine the remuneration on the basis of scale of position, tasks, responsibilities, academic qualifications, work experiences, skills and level of performance.
5. The remuneration must conform to the size, nature and level of risks at the Bank.
6. The amounts of remunerations and incentives related to performance shall be determined based on profit rate connected to the levels of risk and as per the rules and principles of the Saudi Central Bank in connection with remunerations, incentives and the standards of the Financial Stability Board (FSB).

Pursuant to the Saudi Central Bank's circular No. 391000083183 dated 28/7/1439H, the clause pertaining to the maximum limit of remuneration for Board Members and Board Committees members at no more than SR 500,000 annually (as stipulated in the Saudi Central Bank's previous circular No. 381000063670 dated 14/6/1438), is no longer applicable to the Chairman of the Board of the Bank as referred to in Clause 81 of the Companies Law.

1- Remunerations for current and previous Board of Directors:

Board of Directors Member	Fixed remuneration						Remunerations for the Chairman or Managing Director or Secretary If one of them were Members	Total
	Certain amount	Allowance for attending BoD meetings	Total allowance for attending BoD meetings	In-kind benefits	Technical, managerial and consultation remunerations			
1st: Independent Members								
1. Mr. Sameer Omar Baeisa	320,000	30,000	40,000	-	-	-	390,000	
2. Mr. Ahmed Abdulrahman Alhussan	320,000	30,000	25,000	-	-	-	375,000	
3. Dr. Zeyad Othman Alhekail**	320,000	30,000	20,000	-	-	-	370,000	
4. Mr. Adeeb Mohammed Abanumai	320,000	30,000	35,000	-	-	-	385,000	
Total	1,280,000	120,000	120,000	-	-	-	1,520,000	
2nd: Non-Executive Members								
1. Dr. Abdulrhman Ibrahim AlHumaid (RIP)	320,000	30,000	50,000	-	-	-	400,000	
2. Mr. Nasser Mohammed AlSubeaei	320,000	30,000	50,000	-	-	-	400,000	
3. Mr. Fahad Abdullah Bindekhayel	320,000	30,000	50,000	-	-	-	400,000	
4. Mr. Khalid Abdulaziz AlMukairin	320,000	30,000	45,000	-	-	-	395,000	
5. Mr. Khalid Abdulrahman AlRajhi	320,000	30,000	50,000	-	-	-	400,000	
6. Mr. Haytham Sulaiman AlSuhaimi	320,000	30,000	25,000	-	-	-	375,000	
Total	1,920,000	180,000	270,000	-	-	-	2,370,000	
3rd: Executive Members								
1. Mr. Abdulaziz Mohammed AlOnaizan	320,000	30,000	-	-	-	-	350,000	

Variable remunerations

Profit	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End of Service Gratuity	Grand Total	Expenses Allowances
0.04%	170,000	-	-	-	170,000	-	500,000	
0.04%	110,000	-	-	-	110,000	-	485,000	
0.04%	110,000	-	-	-	110,000	-	480,000	
0.04%	300,000	-	-	-	300,000	-	685,000	
0.05%	690,000	-	-	-	690,000	-	2,150,000	
0.04%	110,000	-	-	-	110,000	-	500,000	
0.03%	60,000	-	-	-	60,000	-	460,000	
0.03%	60,000	-	-	-	60,000	-	460,000	
0.03%	54,000	-	-	-	54,000	-	449,000	
0.03%	60,000	-	-	-	60,000	-	460,000	
0.03%	60,000	-	-	-	60,000	-	435,000	
0.20%	404,000	-	-	-	404,000	-	2,764,000	
0.02%	-	-	-	-	-	-	350,000	

2- Remunerations for current and previous Board Committees Members– Non-Board Members:

Committee Members	Fixed remunerations (Except for allowances for attending BoD meetings)	Allowance for attending BoD meetings	Total
Nomination and Remuneration Committee Members:			
1. Mr. Khalid Saleh Al-Hathal	110,000	20,000	130,000
2. Mr. Bleihed Nasser bin AlBleihed	55,000	10,000	65,000
3. Mr. Bashar Zakria Al Masha'al	82,500	15,000	97,500
Total	247,500	45,000	292,500
Audit Committee Members:			
1. Mr. Jasser Abdulkarim Jasser	110,000	35,000	145,000
2. Mr. Mohammed Farhan bin Nader	110,000	35,000	145,000
Total	220,000	70,000	290,000
Risk Committee Members:			
1. Mr. Muath Abdulrahman Al Hussaini	110,000	25,000	135,000
Total	110,000	25,000	135,000
Compliance and Governance Committee Members:			
1. Mr. Muath Abdulrahman Al Hussaini	110,000	20,000	130,000
Total	110,000	20,000	130,000
Sharia Committee Members			
1. H.E. Sheikh Abdullah Suleiman Al-Manea	120,000	30,000	150,000
2. H. E Sheikh Prof. Dr. Abdullah Muhammad Al-Mutlaq	120,000	30,000	150,000
3. H.E. Sheikh Prof. Dr. Abdullah Musa Al-Amar *	120,000	100,000	220,000
4. H.E. Sheikh Dr. Muhammad Saud Al-Osaimi *	120,000	100,000	220,000
5. H.E. Sheikh Prof. Dr. Yusuf Abdullah Al-Shubaili*	120,000	100,000	220,000
Total	600,000	360,000	960,000

* The allowance for attending the meetings includes the allowance for attending the meetings of the Preparatory Committee of the Sharia Committee.

3- Details of remunerations, salaries, allowances and other compensations paid to Senior Executives:

Statement	Top Seven Senior Executives including CEO and CFO SAR (000)
Salaries and remunerations	14,359
Periodic and annual allowances and rewards	25,808
Total	40,167

Mechanisms and methods used to evaluate the performance of the Board and Committees Members:

For the purpose of evaluating its performance and the performance of its committees and members, the Board of Directors adopts a mechanism whereby the Nomination and Remuneration Committee conducts an annual evaluation of the Board of Directors and its committees using a form and an evaluation mechanism specially designed for this purpose. The Nomination and Remuneration Committee has agreed that the General Secretariat and Governance would prepare for the evaluation process according to the updated forms and mechanism approved for this purpose, and the committee has supervised, studied and discussed the results of the evaluation of the Board and its committees and determined the strengths and provided recommendation to address them, and caused to provide a summary of the evaluation results with the necessary recommendations to the Board of Directors.

Internal Audit

The internal audit is an independent and objective duty, whose reports are referred directly to the audit committee formed by the General Assembly of the bank. It aims to provide reasonable assurances to the audit committee and the senior management of the bank about the adequacy and effectiveness of the internal control system using a systematic approach to evaluate and improve the effectiveness of governance, risk management and control. The internal audit sector applies a risk-based audit methodology in planning and implementing the audit duties. It also monitors the correction of the observations contained in the audit reports to ensure that they are implemented according to the set schedule and procedures to ensure the integrity of the internal audit controls. The internal audit sector relies on the continuous upgrade of its employees. It also verifies the application of internal audit standards through a quality assurance program that covers all internal audit activities.

The scope of the internal audit sector includes all the activities and departments of the bank. In 2020, the internal audit sector had conducted internal audit according to the plan approved by the Audit Committee based on an integrated study and a comprehensive assessment of risks of the units at the bank level. In addition, the internal audit sector had conducted many other tasks assigned to it by the management of the bank or the Saudi Central Bank.

Internal Audit System:

The Bank's Executive Management is responsible for establishing and maintaining an adequate and effective internal audit system, including policies, procedures and operations designed under the supervision of the Board of Directors to achieve the Bank's strategic objectives. To this end, a comprehensive system for internal audit is developed as recommended by the regulatory and control authorities, involving the framework of governance which assigns the roles and responsibilities of the Board of Directors and its Committees and Executive Management Committees, to ensure adequate control over the Bank. All Bank divisions and departments exert concerted and integrated efforts to improve the control environment through continuous review of the policies and procedures, and to prevent and correct any shortcomings in the internal control.

In addition to the control function being performed by risk and obligation sector, internal audit is a defense line independent from the Executive Management. It is responsible for assessing and verifying the effectiveness of the Internal Audit System, including the compliance with policies and procedures. Furthermore, reports on the weaknesses and corrective measures recommended in the Internal Audit System are to be submitted to the Audit Committee and the CEO. The Audit Committee monitors the adequacy and effectiveness of the Internal Audit System to ensure the mitigation of specific risks to protect the Bank's interests.

Based on the ongoing Internal Audit assessment results during 2020, the Board believes that the Internal Audit System is designed adequately and implemented successfully, and that there are no regulatory gaps or substantial weaknesses in the Bank's business for 2020. This comes based on reasonable assurances from the Board on the safety of the design and the effectiveness of the application of the Internal Audit System; the Bank's Management believes that the current Internal Audit System of the Bank is designed properly, works effectively and is monitored constantly. Nevertheless, the Management is constantly striving to enhance the Bank's Internal Audit System and that no Internal Audit System, regardless of its sound design or application, can provide absolute assurances.

Profit distribution policy:

Bank's annual net profits, which are determined after deducting all the general expenses and other costs and developing precautionary reserves to face bad debts, investment losses and contingent liabilities that the Board deems necessary in conformity with the provisions of the Banking Control Regulations and the directives of the Saudi Central Bank, are distributed as follows:

1. Zakat due on the Bank's shareholders is calculated and paid by the Bank to the competent authorities.
2. No less than 25% of the remaining net profit shall be transferred after Zakat deduction to the statutory reserve till such reserve becomes at least equal to the Bank's paid-up capital.
3. An amount no less than 5% of the paid-up capital is allocated from the remaining profits, after deducting the statutory reserve and Zakat, is to be distributed to the shareholders, according to the Board's proposal and the decision of the General Assembly. If the remaining profit rate accrued to shareholders is not enough to pay this percentage, the shareholders cannot claim payment during the year or the following years, and the General Assembly is not allowed to decide the distribution of a percentage of the profits exceeding the percentage proposed by the Board of Directors.
4. After allocating the amounts mentioned in Clauses 1, 2, and 3, the remaining would be used as per the Board of Directors' recommendation and the General Assembly's decision.

Major stakeholders:

The Bank's major stakeholders who owned more than 5% of shares as at the end of trading on 31 December 2020 are as follows:

No.	Stakeholder name	Percentage (%)
1	Mohammed Alsubeai & Sons Investments Company (MASIC)	19.24
2	Abdullah Ibrahim Mohammed Alsubeai (AIMS Holding)	11.14
3	Mr. Khalid Abdulrahman AlRajhi	9.12
4	Mr. Abdulrahman Abdulaziz Saleh AlRajhi	6.60

General Assembly's meetings during 2020:

Bank Albilad held an ordinary General Assembly meeting for its shareholders during the fiscal year 2020. The 11th meeting was held on 3rd Ramadan 1441 AH (26 April 2020).

A. Attendance record of Board of Directors and Committee Chairs Members for the General Assembly meeting 2020:

The General Assembly Meeting was held via video conference, and the attendance record was as follows:

No.	Name	Attendance
1	Dr. Abdulrhman Ibrahim AlHumaid (RIP) – Chairman of the Board of Directors - Chairman of the Executive Committee	✓
2	Mr. Nasser Mohammed AlSubeai	✓
3	Mr. Fahad Abdullah Bindekhayel	✓
4	Mr. Khalid Abdulaziz AlMukairin	✓
5	Mr. Khalid Abdulrahman AlRajhi	✓
6	Mr. Ahmed Abdulrahman Alhussan – Chairman of the Risk Committee	✓
7	Mr. Sameer Omar Baeisa - Chairman of the Nomination and Remuneration Committee	✓
8	Dr. Zeyad Othman Alhekail - Chairman of the Compliance and Governance Committee	✓
9	Mr. Abdulaziz Mohammed AlOnaizan	✓
10	Mr. Adeb Mohammed Abanumai - Chairman of the Audit Committee	✓
11	Mr. Haytham Sulaiman AlSuhaimi	✓

B. The results of the voting on the items of the General Assembly are as follows:

1. Approval of the report of the Board of Directors for the fiscal year ending on 31 December 2019.
2. Approval of the auditors' report for the fiscal year ending on 31 December 2019.
3. Approval of the financial statements for the financial year ending on 31 December 2019.
4. Approval of the appointment of KPMG Al-Fawzan & Partners and Price PWC, based on the recommendation of the Audit Committee, to examine, review and audit the financial statements for the first, second, and third quarters of the fiscal year 2020, as well as determine their fees.
5. Approval of the appointment of KPMG Al-Fawzan & Partners and Ernst & Young, based on the recommendation of the Audit Committee, to examine, review and audit the financial statements for the first, second, and third quarters of the fiscal year 2020, and the first quarters of 2021 as well as determine their fees
6. Approval to absolve the Board of Directors' Members from liability for the fiscal year ending on 31 December 2019.
7. Approval of the Board of Directors' decision of the dividends distributed among the shareholders for the first half of the fiscal year ending on 31 December 2019 by SAR 0.4 per share, at a rate of (4%) of the par value of the share, and a total amount of SAR 300 M.
8. Approval of the Board of Directors' recommendation to distribute cash dividends among the shareholders for the second half of the fiscal year ending on 31 December 2019 at the rate of SAR 0.5 per share, at a rate of (5%) of the par value of the share, and a total amount of SAR 375 M, which means that the net profit distributed among the shareholders of the bank for the fiscal year ending on 31 December 2019 amounts to SAR 675 M, at a rate of SAR 0.9 per share, at a rate of (9%) of the par value of the share, bearing in mind that the profits for the second half are payable to the shareholders who own the bank's shares at the end of the bank's General Assembly meeting and who are registered in the bank's shareholders' register with the Securities Depository Center Company (Edaa) at the end of the second trading day following the date of the General Assembly. Profits will be distributed among the eligible shareholders as of Monday 11/9/1441 AH corresponding to 05/04/2020 AD through the Securities Depository Center Company (Edaa).
9. Approval on the authorization given to the Board of Directors to distribute interim dividends to the Bank's shareholders on a semi-annual or quarterly basis, if any, for the fiscal year of 2020. Also, to determine the maturity and disbursement dates according to the organizational procedures issued in implementation of the companies law which comply with the Bank's financial position, cash flows, expansion and investment plans.
10. Approval on disbursing SAR (3,520,000) as a remuneration for the Board of Directors' members at a SAR 320,000 for each member for the fiscal year ending 31 December 2019.
11. Approval of the amendment of the Audit Committee's bylaw.
12. Approval of the amendment of the Nomination and Remuneration Committee bylaw.
13. Approval of the criteria and controls for a member of the Board of Directors to compete with the bank group's business or compete with a branch in an activity in which this practicing engages.
14. Approval of the terms and conditions for authorizing the General Assembly of the Board of Directors to license a member of the Board for the direct and indirect interest
15. Approval on the work and contracts that will be done between the bank and MASIC Logistics, in which the board member: Nasser bin Mohammed Alsubaei has a direct interest in his capacity as a partner and the Deputy Chairman of its Board of Directors. The approval includes location rental for the ATM in Riyadh for SAR 60,000 annually, with a contract that starts on 18/03/2018 until 17/03/2028, and there are no preferential terms in these contracts.
16. Approval on the work and contracts that will be done between the bank and Muhammed bin Ibrahim Alsubaei & Sons Co, in which the board member: Nasser bin Mohammed Alsubaei has a direct interest in his capacity as a partner and the Deputy Chairman of its Board of Directors. The approval includes location rental for the ATM in Riyadh for SAR 25,000 annually, with a contract that starts on 01/12/2019 until 30/12/2019, and there are no preferential terms in these contracts.
17. Approval on the work and contracts that will be done between the bank and Byoot Al Arjaan, in which the board member: Nasser bin Mohammed Alsubaei has a direct interest in his capacity as a partner and the Deputy Chairman of its Board of Directors. The approval includes location rental for the ATM in Jubail for SAR 90,000 annually, with a contract that starts on 05/08/2018 until 04/08/2025, and there are no preferential terms in these contracts.

18. Approval on the work and contracts that will be done between the bank and Byoot Al Arjaan, in which the board member: Nasser bin Mohammed Alsubeaei has a direct interest in his capacity as a partner and the Deputy Chairman of its Board of Directors. The approval includes location rental for the ATM in Yanbu for SAR 80,000 annually, with a contract that starts on 01/09/2018 until 31/08/2025, and there are no preferential terms in these contracts
19. Approval on the work and contracts that will be done between the bank and Byoot Al Arjaan, in which the board member: Nasser bin Mohammed Alsubeaei has a direct interest in his capacity as a partner and the Deputy Chairman of its Board of Directors. The approval includes location rental for the ATM in Yanbu for SAR 80,000 annually, with a contract that starts on 01/09/2018 until 3/08/2025, and there are no preferential terms in these contracts

Bank Albilad held an extraordinary General Assembly meeting for its shareholders during the fiscal year 2020. The 11th meeting was held on 19th Ramadan 1441 AH (12 April 2020).

A. Attendance record of Board of Directors and Committee Chairs Members for the General Assembly meeting 2020:

The General Assembly Meeting was held via video conference, and the attendance record was as follows:

No.	Name	Attendance
1	Dr. Abdulrhman Ibrahim AlHumaid (RIP) – Chairman of the Board of Directors - Chairman of the Executive Committee	✓
2	Mr. Nasser Mohammed AlSubeaei	✓
3	Mr. Fahad Abdullah Bindekhayel	✓
4	Mr. Khalid Abdulaziz AlMukairin	✓
5	Mr. Khalid Abdulrahman AlRajhi	✓
6	Mr. Ahmed Abdulrahman Alhussan – Chairman of the Risk Committee	✓
7	Mr. Sameer Omar Baeisa - Chairman of the Nomination and Remuneration Committee	✓
8	Dr. Zeyad Othman Alhekail - Chairman of the Compliance and Governance Committee	✓
9	Mr. Abdulaziz Mohammed AlOnaizan	✓
10	Mr. Adeb Mohammed Abanumai - Chairman of the Audit Committee	✓
11	Mr. Haytham Sulaiman AlSuhaimi	✓

B. Below are the results of the voting on the items of the Extraordinary General Assembly:

1. Approval of the bank's purchase of 5 million shares of its own shares, and allocating them for the employee's shares program, provided that the purchase of the shares is financed from the bank's own resources. The Extraordinary General Assembly agreed to authorize the Board of Directors or whomever is authorized by the bank to complete the purchase within a maximum period of 12 months from the date of the Extraordinary General Assembly, to set out the conditions of the program and how it would be put into action, and determine the price of each share offered to employees if it is for consideration, provided that the purchased shares are kept for up to 10 years, after which the bank shall apply the procedures and controls stipulated in the relevant laws and regulations.

CODE OF ETHICS AND PROFESSIONAL CONDUCT:

Having a code of ethics, professional conduct and pertinent principles are the cornerstones of the Bank Albilad Group's businesses' ethical and professional behaviors. Application of these assists the Group with realizing the Bank's vision and mission, and protects all its stakeholders including investors, customers and dealers. It also protects the Bank's interests, improves its businesses and reputation as well as its trademark. The Bank has successfully earned its respectful reputation by adhering to its banking principles, and values that are based on the Islamic Sharia rules and compliant with laws, regulations, guidelines, and directives issued and stipulated by regulatory authorities such as the Saudi Central Bank and the Capital Market Authority. This positive reputation is also attributed to the sincere commitment and devotion of all Bank employees, who

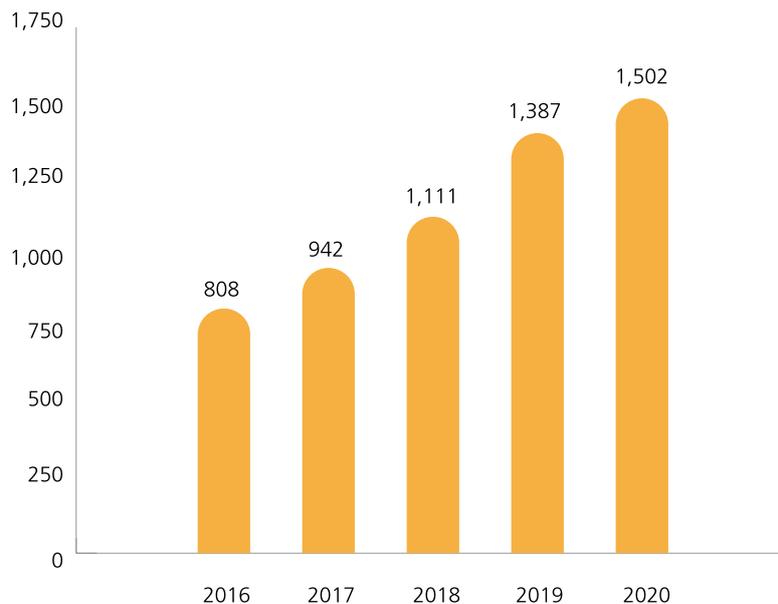
are eager to provide customers with the best possible banking services at world-class level, both professionally and ethically. Trust, honesty, respect and responsibility are essential foundations on which this reputation has been established, and a source for the value the Bank effortlessly provides to customers. The Bank imposes obligations on itself with regards to numerous stakeholders, to carry on and maintain its well-established principles and values. Therefore, it is imperative for all Bank employees to perform their job functions and duties towards customers and all counterparties in a way that maintains respect to others, reflects a good image of the Bank and its employees, ensures preservation of the good reputation of the Bank, and endeavor not to expose the Bank to any damages resulting from disrespectful behavior inside or outside the Bank, within the Kingdom or abroad. By the same token, all Bank employees are required to treat others with honor and dignity, being liable for their deeds, and compliant to the prevailing laws, literally and non-literally. They are also required to be open-minded, frank, and honest for high and factual decision-making processes.

OPERATIONAL RESULT

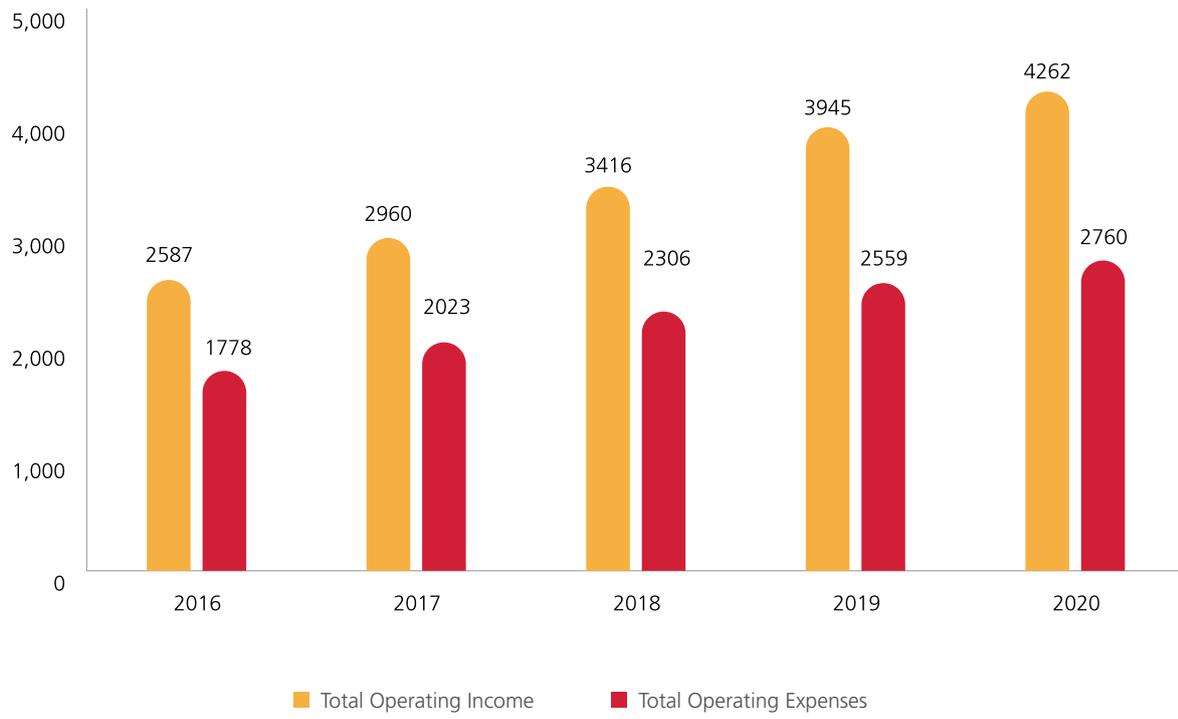
During the year 2020, the Bank earned a net profit of SAR 1,348.5 million after Zakat compared to a net profit of SAR 1,243.7 million in 2019. This is an increase of 8%.

Further, the Bank earned a net profit during the year 2020 before Zakat of SAR 1,501.7 million compared to a net profit of SAR 1,386.7 million 2019, i.e. an increase of SAR 115 million or 8.3%. This growth was due to the increase of total operating income by 8%, as a result of the net income of investment and financing assets increase by 16.6%, to reach SAR 3,292.6 million. On the other hand, the total operating expenses increased by 7.9% to reach SAR 2,760.4 million, as a result of the increase in the provision for the credit losses and other general and administrative expenses, as well as in the employees' salaries and the like, depreciation and amortization.

Net Income Return to the Bank's Shareholders In the Past Five Years (SAR Million)



(SAR Million)

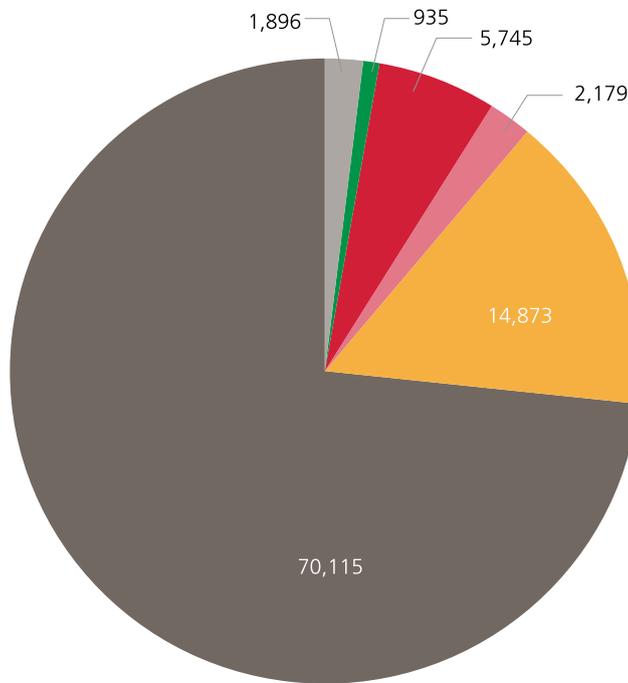


FINANCIAL POSITION:

Assets

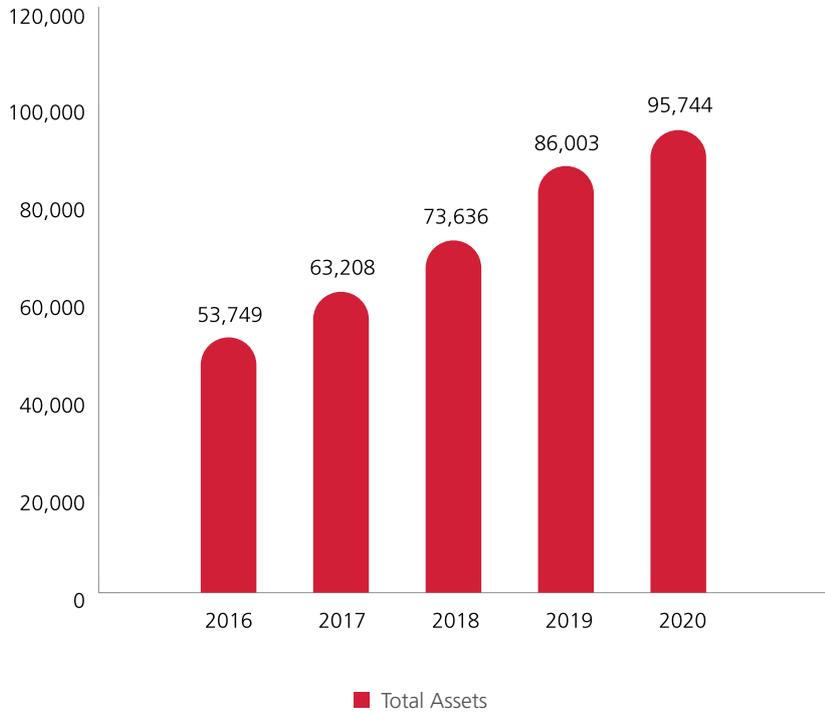
By the end of the year 2020, the bank's assets amounted to SAR 95,744 Million, compared to SAR 86,003 Million in the 2019, i.e. an increase of SAR 9,741 million or 11.3% over last year. The increase in financial assets is due to the increase in the bank's financing and investments.

Composition of Asset (SAR Million)

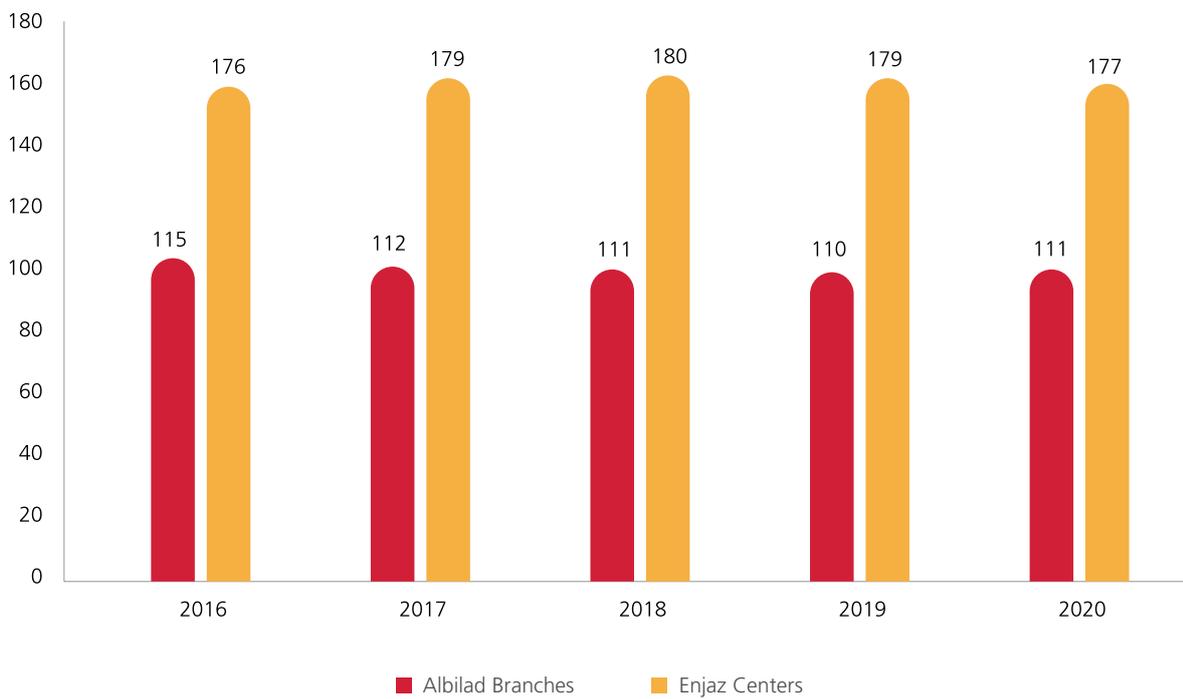


- Cash and balances with SAMA
- Balances with banks and other financial institutions, net
- Investments, net
- Finance, net
- Property, equipment and right to use assets, net
- Other assets

(SAR Million)

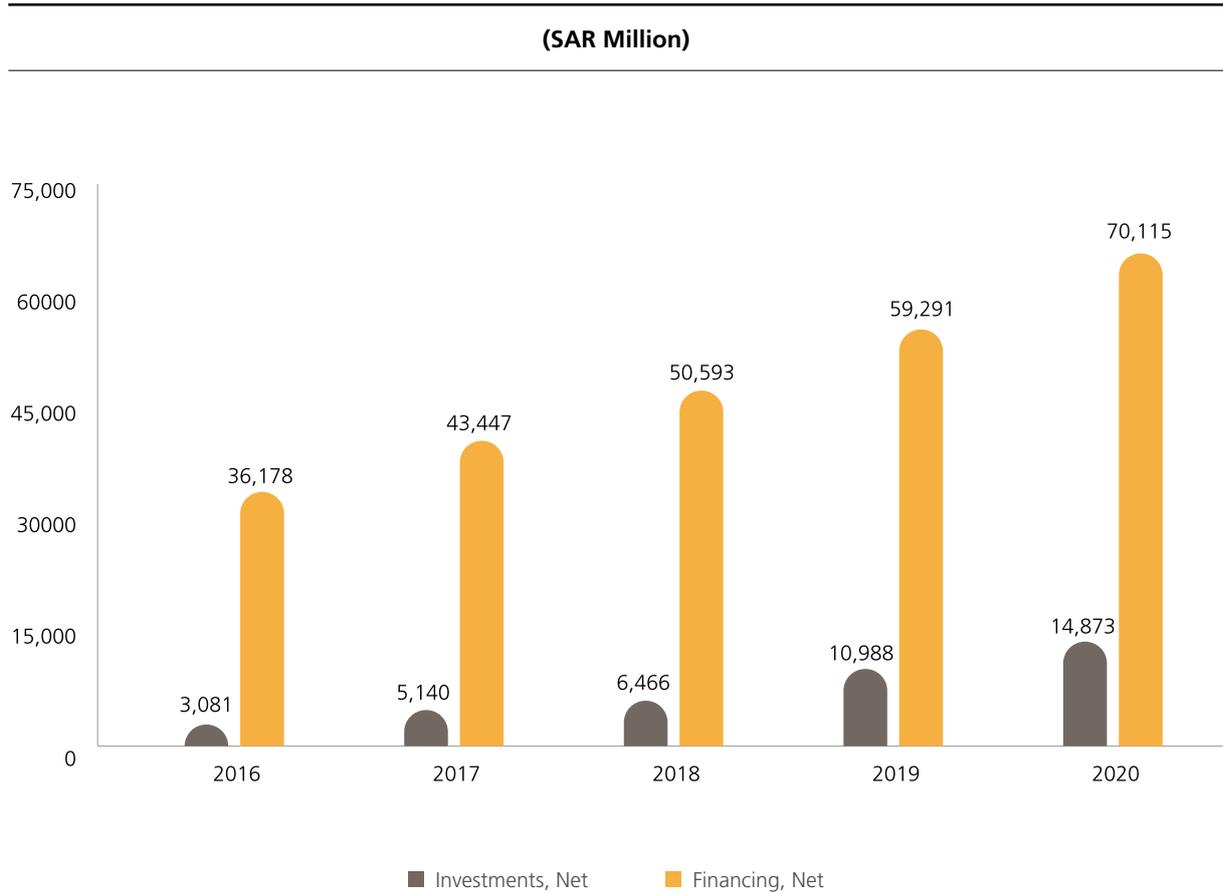


(SAR Million)



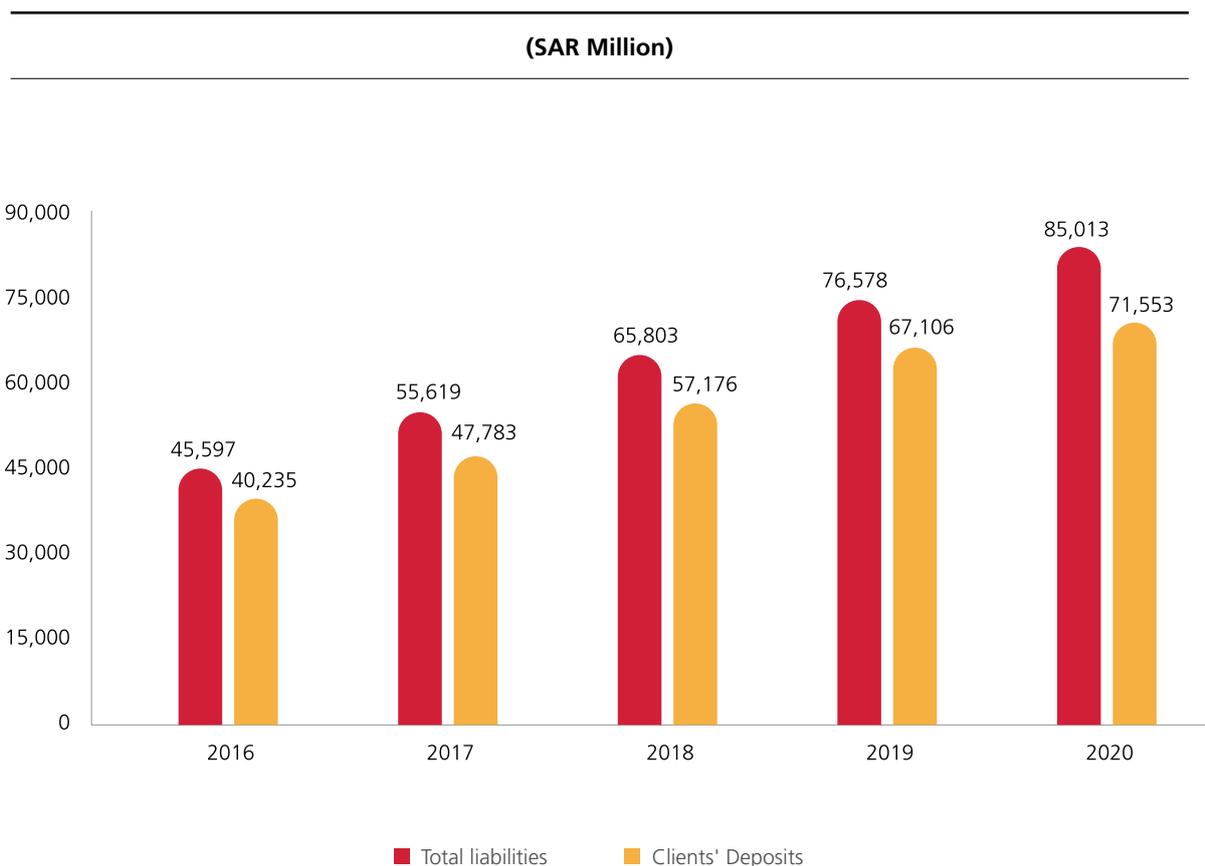
NET FINANCING AND INVESTMENT

The net financing portfolio increased by SAR 10,824 Million or 18.3% to reach SAR 70,115 Million at the end of December 2020. Likewise, the investment portfolio recorded an increase of SAR 3,885 Million or 35.4% to reach SAR 14,873 Million.



CLIENTS' DEPOSITS:

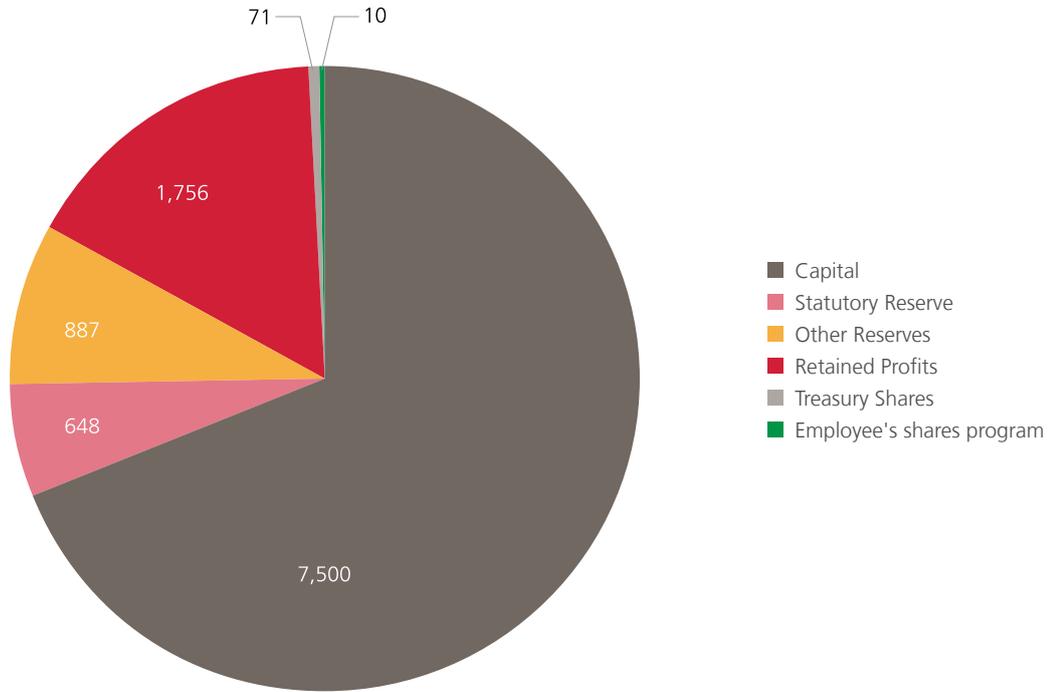
The clients' deposits increased by SAR 4,447 Million or 6.6%, to reach SAR 71,553 Million by the end of the year 2020, compared to SAR 67,106 Million by the end of the year 2019.



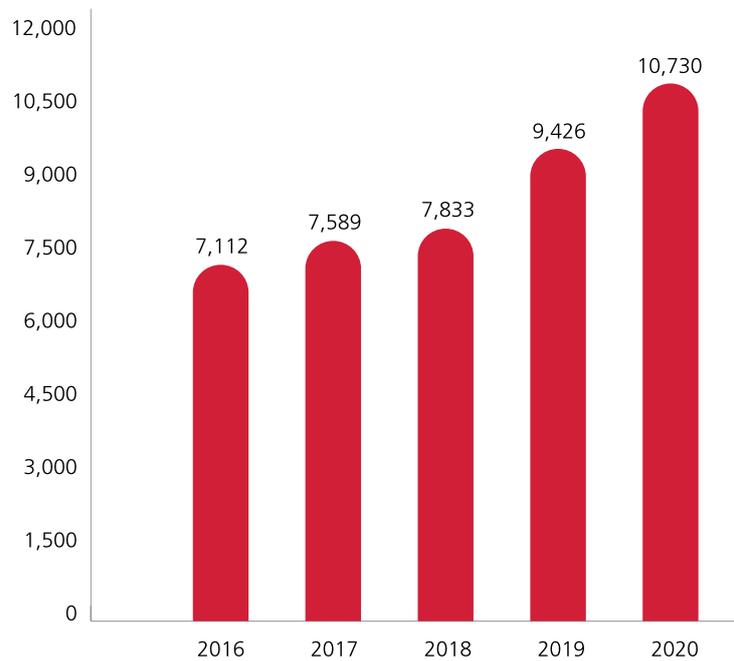
OWNERS' EQUITY:

Total owners' equity recorded an increase in the amount of SAR 1,304 Million, or 13.8% to reach SAR 10,730 Million by the end of December 2020, compared to SAR 9,426 Million by the end of December 2019. This is mainly attributed to the increase of the bank's net income. Issued common shares totaled 750 Million shares. Capital adequacy rate reached 17.95% by the end of 2020. The bank's return on average assets reached 1.48% less the zakat, whereas return on average owners' equity reached 13.4% and earnings per share amounted to SAR 1.81.

Composition of Returns on Owners' Equity (SAR Million)



Composition of Returns on Owners' Equity (SAR Million)



FINANCIAL STATISTICS

The following is an analysis of the most important items in the consolidated statement of financial position:

(SAR million)	2020	2019	2018	2017	2016
Investments, net	14,873	10,988	6,466	5,140	3,081
Financing, net	70,115	59,291	50,588	43,447	36,178
Total assets	95,744	86,003	73,636	63,208	53,749
Clients' deposits	71,553	67,106	57,176	47,783	40,235
Total liabilities	85,013	76,578	65,803	55,619	46,597
Total owners' equity returns to the Bank's shareholders	10,730	9,426	7,833	7,589	7,112

(SAR million)	2020	2019	Change	Change %
Investments, net	14,873	10,988	3,885	35.4%
Financing, net	70,115	59,291	10,824	18.3%
Total assets	95,744	86,003	9,741	11.3%
Clients' deposits	71,553	67,106	4,447	6.6%
Total liabilities	85,013	76,578	8,435	11.0%
Total owners' equity returns to the Bank's shareholders	10,730	9,426	1,304	13.8%

Analysis of the main items of the consolidated income statement:

(SAR million)	2020	2019	2018	2017	2016
Net income from investment & financing Assets	3,293	2,824	2,164	1,739	1,408
Fees & commissions income, net	627	677	843	834	812
Foreign exchange gains, net	362	314	316	310	311
Total operating income	4,262	3,945	3,416	2,960	2,587
Provision for decline of financing & other financial assets, net	694	543	490	379	238
Total operating expenses	2,760	2,559	2,306	2,023	1,778
Net year income before Zakat	1,502	1,387	1,111	936	809
Zakat	153	143	498	-	-
Net year income	1,349	1,244	613	936	809
Belonging to					
Returns to Bank's shareholders	1,349	1,244	613	942	808
Uncontrolled share/holding/quota	-	-	-	(6)	1
Net year income	1,349	1,244	613	936	809

(SAR million)	2020	2019	Change	Change %
Net income from investment & financing assets	3,293	2,824	469	17%
Fees & commissions income, net	627	677	(50)	(7%)
Foreign exchange gains, net	362	314	48	15%
Total operating income	4,262	3,945	317	8%
Provision for decline of financing & other financial assets	694	543	151	28%
Total operating expenses	2,760	2,559	202	8%
Net year income before Zakat	1,502	1,387	115	8%
Zakat	153	143	10	7%
Net year income	1,349	1,244	105	8%

APPLIED ACCOUNTING STANDARDS:

The consolidated financial statements of the Group have been prepared:

- In accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and publications issued by the Saudi Organization for Certified Public Accountants
- In accordance with the provisions of the Banking Control Law, the Companies Law in the Kingdom of Saudi Arabia, and the Bank's Articles of Association.

The consolidated financial statements of the Group were prepared as on and for the year ended on 31 December 2020 and 31 December 2019 in accordance with international financial reporting standards, other standards and publications approved by the Saudi Organization for Certified Public Accountants, the Banking Control Law and the Companies Law in the Kingdom of Saudi Arabia.

Key business sectors and activities of the Bank and its subsidiaries:

The Bank and its subsidiaries practice the following activities:

Retail banking activity:

Includes services and products provided to individuals, such as deposits, finance for individuals, remittances and foreign exchange.

Corporate banking activity:

Includes services and products provided to companies and legal person customers, such as deposits, finance and business services to customers.

Treasury activity:

Includes Capital Market and the provision of treasury services.

Investment and brokerage services activity:

Includes investment management services and assets management activities associated with the services of handling, management, arrangement, counseling and maintenance of securities.

Impact of key activities on the Bank businesses and total revenues are illustrated as follows:

2020 (SAR million)	Activity Revenues	%
Retail sector	2,614,932	%61
Corporate sector	1,004,515	%24
Treasury sector	461,244	%11
Investment and brokerage services sector	181,356	%4
Total	4,262,047	%100

Geographical analysis of the Bank income and its subsidiaries:

Analysis of the total earnings by region:

(SAR Million)	Central	Western	Eastern	Total
Total Income for the Year 2020	2,506	1,030	726	4,262

Most of Bank Albilad's earnings (including its subsidiaries) are mainly achieved inside the Kingdom of Saudi Arabia. The Bank has no branches or companies operating outside the Kingdom of Saudi Arabia.

BANK SUBSIDIARIES:

Bank Albilad owns 2 subsidiaries as the following:

Company name	Establishment date	Main activity	Capital	Country of operations	Country of establishment	Ownership (%)
Albilad Investment Company (Albilad Capital)	20 November 2007	Performs investment services and assets management activities represented in arranging, managing, counseling and holding securities.	SAR 200 million	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	100%
Albilad Real Estate Company Ltd	17 September 2006	Carries out registration procedures related to real estate guarantees provided to the Bank by its customers as collaterals.	SAR 500,000	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	100%

STRATEGIC INVESTMENT:

Company Name	Establishment date	Main activity	Authorized capital	Paid capital	Country of operations	Country of establishment	Ownership (%)
Bayan Credit Information Company	28 December 2015	The Company provides credit information services, valuation services, credit valuation and consultation for companies and businesses.	SAR 100 million	SAR 100 million	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	%15

Summary of the financial results of the Bank and its subsidiaries (Group) as of 31 December 2020:

2020 (SAR thousand)	Retail sector	Corporate sector	Treasury sector	Investment & brokerage services	Total
Total assets	43,684,277	33,586,851	17,597,933	874,731	95,743,792
Total liabilities	55,560,854	14,912,087	14,336,957	203,491	85,013,389
Net income from investment and financing assets	1,960,032	942,015	384,974	5,611	3,292,632
Net income from fees, commission and others	654,900	62,500	76,270	175,745	969,415
Total operating income	2,614,932	1,004,515	461,244	181,356	4,262,047
Net provision decrease in financing and other financial assets	98,492	590,988	3,431	1,600	694,511
Depreciation and amortization	198,855	52,242	6,158	3,170	260,425
Total operating expenses	1,697,365	885,433	80,757	96,802	2,760,357
Net income before Zakat	917,567	119,082	380,487	84,554	1,501,690

Consolidated financial statements include all financial statements of the Bank and its subsidiaries, which are Albilad Investment Company and Albilad Real Estate Company, collectively referred to as the "Group".

Penalties imposed on the Banks and its subsidiaries by the Supervisory Authorities:

During the year 2020, financial penalties were imposed on the Bank and its subsidiaries because of violations in the operating activities. All of which have been remedied.

The table below illustrates the penalties imposed on the Bank by the Saudi Central Bank:

Penalty subject	2020		2019	
	Number of penal decisions	Total amount of financial penalties SAR	Number of penal decisions	Total amount of financial penalties SAR
Penalties of not committing to the instructions given by the Saudi Central Bank	14	1,591,000	14	1,266,000
Penalties of not committing to the instructions given by the Saudi Central Bank related to customers' safety	3	2,007,800	3	40,000
Penalties of not committing to the instructions given by the Saudi Central Bank on due diligence	-	-	1	15,000
Penalties of not committing to the instructions given by the Saudi Central Bank related to enhancing ATMs and POS devices	-	-	-	-
Penalties on not committing to the instructions given by the Saudi Central Bank to prohibit money laundry and terrorism finance	1	400,000	-	-
Total	18	3,998,800	18	1,321,000

The table below illustrates the penalties imposed on the Bank from supervisory and regulatory authorities:

Supervisory authorities	Number of penalties	Total number of penalties SAR	Penalties brief
Riyadh Municipality	75	506,000	Violations related to Flag billboards contrary to the requirements prescribed for the transfer companies dealing with Enjaz sector, non-renewal of the necessary licenses to install advertising boards and violation of building regulations and installation requirements (ATM)
Central organization for social insurance	1	149,208	Late payment for 8 months
General Directorate of Civil Defense	1	5,000	A violation related to the lack of plans of the fire system approved by the Civil Defense in the Al-Malaz branch
Total	77	660,208	-

The Bank seeks to avoid the recurrence of these penalties by adopting policies and allocating the necessary resources in line with the instructions of the supervisory and regulatory authorities.

SMALL, MEDIUM AND MICRO ENTERPRISES

Qualitative disclosure

In 2020, the bank was keen on completing its expansion policy in this sector, as a contribution and implementation of the Kingdom's vision 2030 and to meet the needs of this sector in banking terms by providing financing programs and specialized banking solutions to many governmental and private sectors. The bank provided more contribution to Kafalah program and signed a cooperation agreement with Monshaat Authority to stimulate the maximum benefit from Kafalah programs for the small, medium and micro enterprises sector. The Bank has studied a number of strategic partnerships with some supervisory and regulatory authorities, and the bank continued to consolidate its relationship with clients and provide them with best banking practices through conducting a number of specialized workshops for them presented by a number of specialists in the field of trade finance and electronic services, it has conducted a number of questionnaires about the provided services in order to know the customers' viewpoints, evaluate their experience with the bank, and cause to improve it.

Quantitative Disclosure

(SAR million – 2020)				
Details	Micro	Small	Medium	Total
Direct facilities provided to MSMEs	33	1,305	8,912	10,251
Indirect facilities provided to MSMEs (face value)	518	255	984	1,757
Direct facilities provided to MSMEs as percentage to total direct facilities	0.05%	1.81%	12.37%	14.23%
Indirect facilities provided to MSMEs as percentage to total indirect facilities	7.03%	3.46%	13.37%	23.86%
Direct and indirect facilities				
Number direct and indirect facilities customers	767	267	233	1,267
Number of direct and indirect facilities guaranteed by Kafalah Program	19	137	47	203
Total direct and indirect facilities guaranteed by Kafalah Program	22	304	385	710

(SAR Million – 2019)				
Details	Micro	Small	Medium	Total
Direct facilities provided to MSMEs	32	1,059	1,997	3,088
Indirect facilities provided to MSMEs (face value)	381	228	583	1,192
Direct facilities provided to MSMEs as percentage to total direct facilities	0.05%	1.75%	3.30%	5.11%
Indirect facilities provided to MSMEs as percentage to total indirect facilities	5.40%	3.23%	8.27%	16.91%
Number of direct and indirect facilities				
Number direct and indirect facilities customers	560	213	190	963
Number of direct and indirect facilities guaranteed by Kafalah Program	17	105	22	144
Total direct and indirect facilities guaranteed by Kafalah Program	23	187	109	319

FINANCING AND ISSUED SUKUK:

In the course of its normal activities, Bank Albilad exchanges finance with other banks and the Saudi Central Bank.

On August 30, 2016 the Bank issued 2,000 Sukuk certificates with a value of SAR1,000,000 each, payable on quarterly basis - 28 February, 30 May, 30 August, and 30 November, of every year until 30 August 2026, the date set for repayment. The Bank has the right to redeem on or after 30 August 2021 upon satisfaction of certain conditions as per the provisions outlined in the Bulletin of Issuance. Sukuk certificates may also be redeemed under certain conditions specified in the abovementioned bulletin. The Bank didn't face issues in make payments (profits / actual amounts) due during the year. The expected profit of Sukuk is the basic rate for 3 months, in addition to 2% profit margin.

PROFITABILITY OF SHARES:

The basic and reduced profits of the shares for years ending on 31 Dec. 2020 and 2019 were calculated by dividing the net income of the Bank shareholders by weighted - average number of standing shares of the year (746 million shares in 2020, and 746 shares in 2019) after Treasury shares were excluded.

END OF SERVICE GRATUITY:

The bank's employees end of service is provided according to the Saudi labor law and is included among other liabilities in the consolidated statement of financial position.

EMPLOYEES' SHARE PROGRAM:

The Bank offers its eligible employees an equity-settled share-based payment plan as approved by the Saudi Central Bank. As per the plan, eligible employees of the Bank are offered stocks to be withheld out of their annual bonus payments.

The cost of the plan is measured by reference to the fair value at the date on which the stocks are granted. The cost of the plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the stock option ('the vesting date'). The cumulative expense recognized for the plan at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The Bank, with the approval from the Saudi Central Bank, has an agreement with an independent third-party for custody of the shares under the plan, in addition to any benefits accrued to those shares.

Important incentives generated from the program as the following:

Details	2020
Product date	01 March 2020
Due date	1 January 2020 25% 1 January 2021 25% 1 January 2022 50%
Number of shares generated at the date of grants	576,525
Share price on the day of grant (SAR)	25.84
Shares value granted on the date of grants (SAR 000)	14,897
Maturity period	3 years
Grant condition	Current employees
Payment method	Shares
The following statement of variation of employees shares program during the year:	2020
At the beginning of the year	1,306,837
Shares granted during the year	576,525
Relinquished shares	(55,246)
Disbursed shares	(622,823)
At the end of years	1,205,293

These shares are granted only under service conditions and are not relied on the market conditions.

TRANSACTIONS WITH RELATED PARTIES:

In the course of conducting its day-to-day business, the group deals with related parties by conducting transactions that are subjected to the controls stipulated in the Banks Control System and the instructions issued by the Saudi Central Bank. Nature and balances of these transactions for the year ended in 31 December 2020 are illustrated below (all amounts are in SAR 000):

The nature and balances of these transactions ended on 31 December 2020 as the following:

A. Board of Directors, Executive Management, Senior stakeholders and their subsidiary companies:

Details	2020 SAR
Finance *	5,021,041
Finance**	4,410,995
Commitments and contingencies	113,211
Deposits	353,817

* The amounts of credit facilities used according to the definition of the related parties according to the international financial reporting standards.

** The values of the amounts of the credit facilities used according to the definition of the related parties in accordance with the international standards for financial reports and the regulations of the Capital Market Authority and the Saudi Central Bank.

B. Group's Investment Funds:

This item represents balances with the Group's investment funds as on 31 December 2020:

Details	2020 SAR
Customers deposits	313
Investments - units	473,888

C. Revenues and Expenses:

The following is an analysis of the income and expenses relating to transactions with related parties that are included in the Consolidated Income Statement for the year ended 31 December 2020:

Details	2020 SAR
Revenues	225,517
Expenses	10,325

D. Total compensations paid to senior management staff during the year as the following:

Details	2020 SAR
Staff benefits	89,264

The Group deals through the course of its ordinary business with related parties. These transactions are subject to the rules and regulations set by the regulations and policies of the relevant regulatory bodies and according to the Bank's approved mechanisms available in governance documents.

On the other hand, the major shareholders are those who own 5% or more of the bank's capital. Senior executives mean those persons who have the authority and responsibility to carry out the planning, direction and supervision of the Bank's direct and indirect activities.

The following table lists information of the activities and contracts to which the Bank was a party and in which any of the Board Members or Senior Executive or any person related to any of them has interest in, during 2020 (all amounts in SAR).

No.	Related Party	Member/ party having direct or indirect interest	Reason	Nature of the relationship/ conflict	Annual contract value (SAR)	Contract duration
1	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	Father of a member in the Board of Directors of AL Bilad Bank	A lease contract for Enjaz Center, Khafji, owned by Mr. Abdulrahman bin Saleh AlRajhi	150,000	From 11/04/2010 to 10/04/2024
2	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	(Major shareholder)	A lease contract for main Enjaz Center, Yanbu Governorate, owned by Mr. Abdulrahman bin Saleh AlRajhi	180,000	From 09/08/2010 to 08/08/2025
3	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	(Major shareholder)	A lease contract for AlBilad branch in Al- Khubayb - Buraidah city, owned by Mr. Abdulrahman bin Saleh AlRajhi	400,000	From 01/06/2005 to 31/05/2025
4	Mohammed Alsubeaei & Sons Investments Company (MASIC)	Dr. Abdulrahman bin Ibrahim Al-Hamid	Board Chairman of the Board of Directors of Bank Albilad Board member in MASIC	A lease ATM contract – Riyadh, owned by Mohammed Ibrahim Alsubeaei & Sons Co.	25,000	From 01/12/2019 to 30/11/2029
		Mohammed Ibrahim Alsubeaei	Vice Chairman of the Board of Directors of Bank Albilad Board member in MASIC			
		Mohammed Alsubeaei & Sons Investments Company (MASIC)	Major shareholder			
		Mr. Khalid Saleh Al-Hathal	Member of the Nomination and Remuneration Committee, Bank Albilad Member of Albilad Capital's Board of Directors Member of the Board of Directors of MASIC			
5	MASIC Logistics	Mr. Nasser Mohammed AlSubeaei	Vice Chairman of the Board of Directors of Bank Albilad Vice Chairman of the Board of Directors of MASIC	A lease ATM contract – Riyadh, owned by MASIC Logistics	60,000	From 18/03/2018 to 17/03/2028
6	Byoot Al Arjaan	Mr. Nasser Mohammed AlSubeaei	Vice Chairman of the Board of Directors of Albilad Member of the Board of Directors of Byoot Al Arjaan Company	A lease ATM contract – AL Jubail, owned by Byoot Al Arjaan Company	90,000	From 05/08/2018 to 04/08/2025

No.	Related Party	Member/ party having direct or indirect interest	Reason	Nature of the relationship/ conflict	Annual contract value (SAR)	Contract duration
7	Byoot Al Arjaan	Mr. Nasser Mohammed AlSubeaei	Vice Chairman of the Board of Directors of Albilad Member of the Board of Directors of Byoot Al Arjaan Company	A lease ATM contract – Yanbu, owned by Byoot Al Arjaan Company	80,000	From 01/09/2018 to 31/08/2025
8	Byoot Al Arjaan	Mr. Nasser Mohammed AlSubeaei	Vice Chairman of the Board of Directors of Albilad Member of the Board of Directors of Byoot Al Arjaan Company	A lease ATM contract – Yanbu, owned by Byoot Al Arjaan Company	80,000	From 01/09/2018 to 31/08/2025
9	Mohammed Alsubeaei & Sons Investments Company (MASIC)	Dr. Abdulrahman bin Ibrahim Al-Hamid	Chairman of the Board of Directors of Bank Albilad Board member in MASIC	A lease contract for Enjaz Center – Southern Khalidiya Branch - Dammam, owned by Mohammed Ibrahim Alsubeaei & Sons Co.	174,790	From 05/12/2016 to 04/12/2026
		Nasser Mohammed Alsubeaei	Vice Chairman of the Board of Directors of Albilad Member of the Board of Directors of MASIC			
		Mohammed Alsubeaei & Sons Investments Company (MASIC)	Major shareholder in Al Bilad			
		Mr. Khalid Saleh Al-Hathal	Member of the Nomination and Remuneration Committee, Bank Albilad Member of Albilad Capital's Board of Directors Member of the Board of Directors of MASIC			

No.	Related Party	Member/ party having direct or indirect interest	Reason	Nature of the relationship/ conflict	Annual contract value (SAR)	Contract duration
10	Mohammed Alsubeaei & Sons Investments Company (MASIC)	Dr. Abdulrahman bin Ibrahim Al-Hamid	Chairman of the Board of Directors of Bank Albilad Board member in MASIC	A lease ATM contract – Riyadh, owned by Mohammed Ibrahim Alsubeaei & Sons Co.	100,000	From 03/07/2015 to 02/07/2025
		Nasser Mohammed Alsubeaei	Vice Chairman of the Board of Directors of Albilad Member of the Board of Directors of MASIC			
		Mohammed Alsubeaei & Sons Investments Company (MASIC)	Major shareholder in Al Bilad			
		Mr. Khalid Saleh Al-Hathal	Member of the Nomination and Remuneration Committee, Bank Albilad Member of Albilad Capital's Board of Directors Member of the Board of Directors of MASIC			
11	Mohammed Alsubeaei & Sons Investments Company (MASIC)	Dr. Abdulrahman bin Ibrahim Al-Hamid	Chairman of the Board of Directors of Bank Albilad Board member in MASIC	A lease contract for Enjaz Center, 2nd Industrial, Riyadh, owned by Mohammed Alsubeaei & Sons Investments Company	472,000	From 01/01/2019 to 31/12/2028
		Nasser Mohammed Alsubeaei	Vice Chairman of the Board of Directors of Albilad Member of the Board of Directors of MASIC			
		Mohammed Alsubeaei & Sons Investments Company (MASIC)	Major shareholder in Al Bilad			
		Mr. Khalid Saleh Al-Hathal	Member of the Nomination and Remuneration Committee, Bank Albilad Member of Albilad Capital's Board of Directors Member of the Board of Directors of MASIC			

No.	Related Party	Member/ party having direct or indirect interest	Reason	Nature of the relationship/ conflict	Annual contract value (SAR)	Contract duration
12	Kinan International For Real Estate Development Company	Mr. Saleh bin Suleiman Al-Habib	Member of the Board of Directors of Kinan International For Real Estate Development Company	Lease contract for AlBilad branch, Danah Mall, 729 First three years SAR 133,504 Second three years SAR 146,020 Last four years SAR 158,536	133,504	From 01/01/2019 to 31/12/2028
13	Riyadh Development Company	Mr. Nasser Mohammed Alsubeaei	Vice Chairman of the Board of Directors of Bank Albilad Kinship (father) with Mr. Majid bin Nasser Alsubeaei, Member of the Board of Directors, Riyadh Development Company	Auto Auction Agreement	Separate prices	From 05/04/2020 to 04/04/2021
14	Riyadh Development Company	Mr. Nasser Mohammed Alsubeaei	Vice Chairman of the Board of Directors of Bank Albilad Kinship (father) with Mr. Majid bin Nasser Alsubeaei, Member of the Board of Directors, Riyadh Development Company	Money transfer and counting services	Separate prices	From 28/12/2019 to 27/12/2020
15	Khalid Abdul Aziz Al Mukairin & Sons Holding Co	Khalid Abdul Aziz Al Mukairin	Member of the Board of Directors of Bank Albilad	Lease contract for offices No. (101,102,103,104) leased to Al-Bilad Capital, located on King Fahd Road in Riyadh (Smart Tower), Khalid Abdul Aziz Al Mukairin & Sons Holding Co has the right to lease the property	2,154,600	From 01/01/2020 to 31/12/2020
16	Al-Bilad Capital Company	Al-Bilad Capital Company	Al-Bilad Capital is fully-owned by Bank AlBilad	Support services contract	2,500,000	From 01/01/2017 till now
17	Al-Bilad Capital Company	Al-Bilad Capital Company	Al-Bilad Capital is fully-owned by Bank AlBilad	Lease of an office inside the Takhasusi branch in Riyadh, Bank Al-Bilad	281,964	No contract signed between Al-Bilad Capital and Bank AlBilad

No.	Related Party	Member/ party having direct or indirect interest	Reason	Nature of the relationship/ conflict	Annual contract value (SAR)	Contract duration
18	Al-Bilad Capital Company	Al-Bilad Capital Company	Al-Bilad Capital is fully-owned by Bank AlBilad	Lease of an office inside Al Rayan branch in Riyadh, Bank Al-Bilad	151,698	No contract signed between Al-Bilad Capital and Bank AlBilad
19	Al-Bilad Capital Company	Al-Bilad Capital Company	Al-Bilad Capital is fully-owned by Bank AlBilad	Issuance of a letter of guarantee amounting to SAR 100 M from Bank Albilad	137,500	No contract signed between Al-Bilad Capital and Bank AlBilad
20	Al-Bilad Capital Company	Al-Bilad Capital Company	Al-Bilad Capital is fully-owned by Bank AlBilad	Concluding a forward sale contract with Bank Albilad for the purpose of margin financing product	20,672,000	From 24/06/2019 to 18/06/2020
21	Mrs. Al-Jawhara bint Fahd bin Dakhil	Mr. Fahd bin Abdullah bin intruder	Daughter of the Chairman of the Board of Directors of Al-Bilad Capital Company	Margin financing contract	30,719,036	From 19/01/2020 to 18/01/2021
22	Mrs. Al-Jawhara bint Fahd bin Dakhil	Mr. Fahd bin Abdullah bin intruder	Daughter of the Chairman of the Board of Directors of Al-Bilad Capital Company	Margin financing contract	15,199,984	From 05/05/2019 to 04/05/2020
23	Mrs. Al-Jawhara bint Fahd bin Dakhil	Mr. Fahd bin Abdullah bin intruder	Daughter of the Chairman of the Board of Directors of Al-Bilad Capital Company	Margin financing contract	34,500,000	From 19/01/2020 to 18/01/2021
24	Mrs. Lamia bint Mishary Al-Anqari	Mr. Fahd bin Abdullah bin intruder	Wife of the Chairman of the Board of Directors of Al-Bilad Capital Company	Margin financing contract	2,499,955	From 19/01/2020 to 18/01/2021
25	Mr. Khalid Abdulrahman AlRajhi	Himself	Member of the Board of Directors of Al-Bilad Capital Company	Margin financing contract	683,952	From 20/05/2020 to 08/11/2020

No.	Related Party	Member/ party having direct or indirect interest	Reason	Nature of the relationship/conflict	Annual contract value (SAR)	Contract duration
26	Mr. Khalid Abdulrahman AlRajhi	Himself	Member of the Board of Directors of Al-Bilad Capital Company	Margin financing contract	868,871	From 20/11/2019 to 17/05/2020
27	Mr. Khalid Abdulrahman AlRajhi	Himself	Member of the Board of Directors of Al-Bilad Capital Company	Margin financing contract	707,523	From 03/12/2019 to 08/11/2020
28	Mr. Khalid Abdulrahman AlRajhi	Himself	Member of the Board of Directors of Al-Bilad Capital Company	Margin financing contract	1,352,800	From 17/05/2020 to 20/05/2020
29	Al-Bilad Capital Company	Al-Bilad Capital Company	Al-Bilad Capital is fully-owned by Bank AlBilad	Bank Albilad portfolio management contract	644,698 Administration fee for 2020	From 10/12/2016 The contract ends subject to a letter from Bank Albilad
30	Al-Bilad Capital Company	Al-Bilad Capital Company	Al-Bilad Capital is fully-owned by Bank AlBilad	Management contract for bonds custody of Bank Albilad	120,000 Custody fees for 2020	From 30/08/2016 to 30/08/2026

OUTSTANDING STATUTORY PAYMENTS:

	(SAR million) 2020
Details	
Legal Zakat (1)	153
General Organization for Social Insurance (GOSI) 2)	8.0

1. Legal Zakat – As per the Zakat Acknowledgement to be submitted for 2020, the Bank estimated the outstanding Zakat for 2020 with SAR 153 million (2019: SAR 143 million).
2. The Bank estimated the outstanding amount due to the General Organization for Social Insurance (GOSI) for 2020 with SAR 8.0 million (2019 SAR 8.0 million) to be paid during January 2021.

Value of statutory paid and accrued payments for the period ending on 31 December 2020:

Bank Albilad (SAR thousand)				
Item	Accrued until the end of the annual fiscal year and not paid		Brief	Reasons
	Paid	not paid		
Zakat	205,832	153,172	Annual Zakat for 2019 plus the annual installment of settlement for 2020	Zakat for 2020 which will be paid in Apr 2021
Withholding tax for non-residents	12,259	432	Withholding tax for non-residents	December 2020 tax which will be paid in Jan 2021
VAT	73,725	9,548	VAT	December 2020 tax which will be paid in Jan 2021
General Organization for Social (GOSI)	92,144	7,584	Social insurance payments paid during 2020	Social insurance payments for December 2020 which will be paid in Jan 2021
Visa and passport costs	2,890	-	Renewal of residency fees, exit and return fees, and sponsorship transfer	Renewal of foreign employee residency, exit and return fees, and sponsorship transfer
Capital Market Authority	1,748	-	Fees for Capital Market Authority	Fees of the Capital Market Authority in addition to fees for registering employees with it
Municipality fees	3,715	-	Annual Municipality fees	Annual Municipality fees

**Albilad Capital Company:
(SAR thousand)**

Brief	Accrued until the end of the annual fiscal year and		Brief	Reasons
	Paid	not paid		
Zakat	8,861	8,455	Zakat due for 2020	Annual zakat for 2020
Tax	349	-	Tax for non-residents	Tax for non-residents
VAT	14,330	4,765	VAT	VAT due for Dec 2020
General Organization for Social (GOSI)	4,842	422	Social insurance payments paid during 2020	Social insurance payments for December 2020 which will be paid in Jan 2021
Visa and passport costs	20	-	Renewal of residency fees, exit and return fees, and sponsorship transfer	Renewal of foreign employee residency, exit and return fees, and sponsorship transfer
Labor office fees	117	-	Work permit fees for foreign employees	Work permit fees for foreign employees
Capital Market Authority	267	-	Fees for Capital Market Authority	Fees of the Capital Market Authority in addition to fees for registering employees with it
Secretariat of Riyadh	10	-	Annual Municipality fees	Annual Municipality fees

CAPITAL ADEQUACY:

In managing the capital, the Group's objective is to comply with the capital requirements set up by the Saudi Central Bank. Such requirements aim at securing the Group's capability for continuing and maintaining a strong capital base.

The Group regularly monitors capital adequacy and usage of the statutory capital. The Saudi Central Bank stipulated the minimum of the statutory capital so that its ratio to the weighted-risk assets be around the agreed upon minimum or higher than 8%.

The Group reviews capital adequacy using the ratios prescribed by the Saudi Central Bank. Thus, capital adequacy is measured by comparing the Group's qualified capital items with the assets included in the Consolidated Financial Position Statement and potential liabilities using weighted-risk balances to show its relative risks.

Summary of the Group's First Pillar of Weighted-Risk Assets Core Capital, Supplementary Capital and Capital Adequacy Ratio:

Details	2020 (SAR thousand)
Credit Weighted-Risk Assets	67,979,379
Operation Weighted-Risk Assets	7,243,454
Market Weighted-Risk Assets	839,000
Total Weighted-Risk for the 1st Pillar	76,061,833
Core Capital	10,801,732
Supplementary Capital	2,849,742
Total of Core Capital and Supplementary Capital	13,651,474
Capital Adequacy Ratio	
Core Capital Ratio	14.20%
Core Capital and Supplementary Capital Ratio	17.95%

Basel Notes – Third Pillar

These notes have been prepared by virtue of SAMA's requirement of quantitative and qualitative notes related to Basel Third Pillar. For reviewing these notes, please visit the Bank's website: www.bankalbilad.com.

Independent Auditors' Report:

In the General Assembly meeting held on 03 Ramadan 1441H, corresponding to 26 April 2020, KPMG Al Fowzan and Ernst & Young have been appointed as external auditors of the Bank for the fiscal year 2020. As for the year 2021, the auditors will be appointed at the meeting of the General Assembly scheduled to be held in the early second quarter 2021.

The auditors submitted unqualified audit report on the Bank's consolidated financial statements for the current fiscal year.

CREDIT RATING:

The below table illustrates the credit rating for the Bank:

Rating Agency	Long-term	Short-term	Future overview
Moody's	A3	P-2	Negative

COMMUNICATION MEANS WITH SHAREHOLDERS:

The Bank is keen on strengthening its relationship with all its shareholders, investors and customers. The Bank also believes in information disclosure and transparency to investors. Based on the foregoing, the Board works tirelessly to promote these principles, including governance principles, which lead to ensuring fair treatment for all shareholders. They also determine the responsibility of the Board of Directors towards the Bank and its shareholders. To this end, the Bank complies with regulations, standards and guidelines of the Saudi Central Bank, CMA, and the Basel Committee's recommendations on corporate governance. The Bank provides comprehensive information on all of its activities and businesses outlined in its annual reports and brief financial statements published on the Tadawul website and the Bank's website (www.bankalbilad.com), which contains additional information and news about the Bank. In addition to other information such as capital increases and dividends distributed to shareholders, the Bank also gives priority to inquiries received from the shareholders and responds promptly. Moreover, the Bank encourages shareholders to attend the annual General Assembly meetings either in person or by remote voting. The Bank seeks to continuously develop its website to offer what is best in this regard.

ACTIONS TAKEN BY THE BOARD OF DIRECTORS TO INFORM ITS MEMBERS REGARDING SHAREHOLDERS' FEEDBACK ABOUT THE BANK AND ITS PERFORMANCE:

The Bank always works on protecting the rights of the stakeholders, especially the shareholders. These rights are detailed in the Bank's articles of association or in the policies, handbooks and relevant procedures. The most important relevant right is the right to attend the ordinary and extraordinary General Assembly meetings, and to discuss its topics and direct questions with the Board, auditors and the Executive Management. They have the right to submit their recommendations and notes regarding the Company and its performance as per the specified mechanisms. The Board members shall get answers for their questions, whether through General Assembly meetings, by reading the minutes of the meetings that include the details or by being informed in the first meeting of the Board. The recommendations submitted by the shareholders and others through the specified channels should be included in the minutes of the meetings, if available, knowing that all the Board Members are currently Non-Executives or independent.

VOTING SHARES INTERESTS:

There are no interest rights for individuals in the category of voting shares except for the Bank's Board members, Senior Executives and their spouses and minor children, informed the Bank with these rights.

WAIVER OF THE INTERESTS RIGHTS OF THE SHAREHOLDERS, BOARD MEMBERS OR SENIOR EXECUTIVES:

- There are no arrangements or agreement with any one of the Board Members or the Senior Executives for waiver of salaries, remunerations or compensations.
- There are no arrangements or agreement with any one of the shareholders for waiver of profit rights.

NUMBER OF BANK'S REQUESTS FOR SHAREHOLDERS' REGISTRATION WITH DATES AND REASONS:

No.	Property File Date	Request Reason
1	02/01/2020	Bank procedures
2	03/02/2020	Bank procedures
3	02/03/2020	Bank procedures
4	02/04/2020	Bank procedures
5	26/04/2020	General Assembly
6	04/05/2020	Bank procedures
7	12/05/2020	General Assembly
8	02/06/2020	Bank procedures
9	02/07/2020	Bank procedures
10	06/07/2020	Bank procedures
11	07/07/2020	Bank procedures
12	06/08/2020	Bank procedures
13	02/09/2020	Bank procedures
14	04/10/2020	Bank procedures
15	04/10/2020	Bank procedures
16	02/11/2020	Bank procedures
17	02/12/2020	Bank procedures

COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS:

The Bank abides by the updated Corporate Governance Regulation issued by the Capital Market Authority on 13/02/2017 and its updates. Furthermore, the Bank complies with the regulatory controls and procedures issued in implementation of the Companies Law provisions pertaining to the listed joint stock companies, and their updates. Moreover, the Bank adheres to the general principals of governance of the banks working in the Kingdom of Saudi Arabia, and their updates. The Saudi Central Bank has issued the first update in March 2014. In addition, the Bank follows the directions compatible with the Companies Law, its regulations and updates as well as the Bank's policies.

The Bank has complied with all the provisions of the aforementioned Corporate Governance Regulations with the exception of sub-paragraph B related to (disclosure of the remuneration of senior executives) of sub-paragraph (4) of paragraph (a) of Article (93) and the provisions of paragraph B of the same article, if It has been partially complied with by disclosing the total remuneration for the aforementioned senior executives

THE BOARD ACKNOWLEDGMENTS:

The Bank's Board of Directors affirms that:

- The accounts' records have been prepared properly
- The internal control system has been built on solid grounds and effectively applied
- There are no doubts that will have an effect on the Bank continuing its activities

The Board of Directors, Chief Executive Officer and all Bank employees are honored to extend their gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud – may Allah protect him, and the Crown Prince HRH Prince Mohammed bin Salman bin Abdulaziz , Deputy Prime Minister and Minister of Defense–may Allah protect him. We also thank the Central Bank and the Capital Market Authority (CMA) for the assistance, support and encouragement received by the banks and the Financial Institutions Sector.

The Chairman and Members of the Board are also pleased to express their gratitude and appreciation to all shareholders and customers for their precious support and trust. The Board also thanks the ambassadors (employees) for their consistent and sincere efforts to develop and improve performance and achieve the Bank's purposes and desired objectives.

FINANCIAL STATEMENTS





INDEPENDENT AUDITORS' REPORT



KPMG Al Fozan & Partners
Certified Public Accountants



Independent auditors' report to the shareholders of Bank Albilad Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bank Albilad ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "the IFRS as endorsed in the Kingdom of Saudi Arabia").

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context.

Key audit matter**How our audit addressed the key audit matter****Expected credit loss allowance against financing**

As at 31 December 2020, the gross financing of the Group amounted to SAR 72.47 billion against which an expected credit loss ("ECL") allowance of SAR 2.36 billion was recorded.

We considered this as a key audit matter, as the determination of ECL involves significant management judgement and this has a material impact on the consolidated financial statements of the Group. Furthermore, the COVID-19 pandemic has resulted in heightened uncertainty regarding the economic outlook and hence, has increased the level of judgement needed to determine the ECL. The key areas of judgement include:

1. Categorisation of loans into Stages 1, 2 and 3 based on the identification of:
 - a) exposures with a significant increase in credit risk ("SICR") since their origination; and
 - b) individually impaired/ defaulted exposures.

The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR despite the various government support programs that resulted in deferrals to certain counterparties. The deferrals were not deemed to have triggered SICR by themselves.

2. Assumptions used in the ECL model for determining the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of counterparty, expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages.

- We obtained and updated our understanding of management's assessment of ECL allowance against financing including the Group's internal rating model, accounting policy, model methodology including any key changes made in light of the COVID-19 pandemic.
- We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9 Financial Instruments.
- We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) over:
 - the ECL model, including governance over the model and its validation including approval of key assumptions and overlays;
 - the classification of borrowers into various stages and timely identification of SICR and the determination of default / individually impaired exposures;
 - the IT systems and applications underpinning the ECL model; and
 - the data inputs into the ECL model.
- For a sample of customers, we assessed:
 - the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in light of the external market conditions and available industry information in particular, with reference to the impacts of the COVID-19 pandemic and also assessed that these! were consistent with the ratings used as input in the ECL model;
 - the staging as identified by management; and
 - management's computations for ECL.
- We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's financing portfolio including for customers who were eligible for deferral of instalments under government support programs with specific focus on customers operating in sectors most affected by the COVID-19 pandemic.

Expected credit loss allowance against financing continued

3. The need to apply overlays using expert credit judgement to reflect all relevant risk factors that might not be captured by the ECL model.

Application of these judgements, particularly in light of the global pandemic, have given rise to greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2020.

Refer to the summary of significant accounting policies note 3 for the impairment of financial assets; note 2 (e) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to ECL on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of allowance for expected credit losses against financing; and note 29 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.

- We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise.
- We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic.
- We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2020.
- Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating inputs and assessing reasonableness of assumptions used in ECL model particularly around the macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions underpinning the overlays.
- We assessed the adequacy of disclosures in the consolidated financial statements.

SAMA support program and related government grant

In response to the COVID-19 pandemic, the Saudi Central Bank ("SAMA") launched a number of initiatives including the liquidity support programme for banks and the Private Sector Financing Support Program ("PSFSP"). The PSFSP was launched in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME"). The PSFSP included the deferred payments program whereby the Group deferred the instalments payable by MSMEs during a period from 14 March 2020 to 31 March 2021.

In order to compensate the Group with respect to the losses incurred in connection with the above PSFSP and for the liquidity support programme, the Group received various profit-free deposits of varying maturities amounting in aggregate to SAR 4.7 billion as at 31 December 2020. The difference between the market value of deposits calculated using market rates of deposits of similar size and tenure, and the profit-free deposits has been considered as a government grant and accounted for in accordance with the International Accounting Standard 20: Government Grants ("IAS 20").

- We obtained an understanding of the various programs and initiatives taken by SAMA and considered the objectives of the various deposits received by the Group in order to assess whether the IAS 20 criteria were met for government grant recognition.
- We inspected the details of the deposit amounts received during the year by the Group.

Key audit matter	How our audit addressed the key audit matter
SAMA support program and related government grant continued	
<p>We considered the accounting treatment of the SAMA support programme and government grant as a key audit matter because:</p> <ul style="list-style-type: none"> • These represent significant events and material transactions that occurred during the period and thereby required significant auditors' attention; and • the recognition and measurement of government grant involved significant management judgement including but not limited to: <ul style="list-style-type: none"> - determining the appropriate discount rate to be used to calculate the grant income on the deposit; and - identifying the objective of each individual deposit to determine the timing of recognition of the grant. <p>Refer to the significant accounting policies note 3 to the consolidated financial statements which details the government grant accounting policy; note 2 (e) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the government grant recognition and note 37 which contains the disclosure of SAMA support programs and details of the government grant received over the year from SAMA.</p>	<ul style="list-style-type: none"> • We assessed the reasonableness of the relevant discount rate used for the computation of the government grant. • We tested the accuracy of the government grant computation and assessed the basis for the timing of recognition of the government grant being at a point in time or over a period thereby matching the expense/ related costs for which the government grant was intended to compensate. • We assessed the adequacy of the disclosures included by management in the consolidated financial statements in relation to government grant as required by IAS 20.

Other information included in the Group's 2020 annual report

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended 31 December 2020.

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 Certified Public Accountant
 License Number 277



3 Rajab 1442H
 15 February 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020 AND 2019

	Note	2020 SAR' 000	2019 SAR' 000
ASSETS			
Cash and balances with central banks	5	5,745,353	7,915,852
Due from banks and other financial institutions, net	6	2,179,430	4,041,404
Investments, net	7	14,873,185	10,988,226
Financing, net	8	70,114,980	59,290,537
Property, equipment and right of use assets, net	9	1,896,092	1,866,329
Other assets	10	934,752	1,901,084
Total assets		95,743,792	86,003,432
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks, central bank and other financial institutions	11	5,402,930	645,120
Customers' deposits	12	71,552,889	67,105,543
Sukuk	13	2,004,876	2,007,768
Other liabilities	14	6,052,694	6,819,078
Total liabilities		85,013,389	76,577,509
Equity			
Share capital	15	7,500,000	7,500,000
Treasury shares		(70,527)	(80,660)
Statutory reserve	16	648,065	310,935
Other reserves	18	886,569	568,280
Retained earnings		1,755,951	1,118,890
Employees' share plan reserve		10,345	8,478
Total equity		10,730,403	9,425,923
Total liabilities and equity		95,743,792	86,003,432

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Note	2020 SAR' 000	2019 SAR' 000
INCOME:			
Income from investing and financing assets	20	3,626,568	3,461,992
Return on deposits and financial liabilities	21	(333,936)	(638,229)
Income from investing and financing assets, net		3,292,632	2,823,763
Fee and commission, net	22	627,395	676,632
Exchange income, net		362,194	313,788
Dividend income		15,465	23,004
(Loss)/ gain on fair value through profit or loss (FVTPL) investments, net		(64,447)	54,496
Other operating income		28,808	53,664
Total operating income		4,262,047	3,945,347
EXPENSES:			
Salaries and employee related expenses	23	1,164,756	1,146,785
Depreciation and amortisation	9	260,425	248,924
Other general and administrative expenses		640,665	619,822
Operating expenses before expected credit losses		2,065,846	2,015,531
Impairment charge for expected credit losses, net		694,511	543,093
Total operating expenses		2,760,357	2,558,624
Net income for the year before zakat		1,501,690	1,386,723
Zakat for the year		153,172	142,983
Net income for the year after zakat		1,348,518	1,243,740
Basic and diluted earnings per share (SAR)	25	1.81	1.67

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Note	2020 SAR' 000	2019 SAR' 000
Net income for the year		1,348,518	1,243,740
Other comprehensive income:			
Items that will not be reclassified to the consolidated statement of income in subsequent periods			
- Net changes in fair value of FVOCI (equity instruments)		(25,548)	36,330
- Re-measurement of employees "End of Service Benefits ("EOSB")	27	(1,069)	3,486
Items that may be reclassified to consolidated statement of income in subsequent periods			
- Net changes in fair value of FVOCI (debt instruments)		345,579	600,940
Total other comprehensive income for the year		318,962	640,756
Total comprehensive income for the year		1,667,480	1,884,496

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

2020 SAR' 000	Note	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Employees' share plan reserve	Total equity
Balance at the beginning of the year		7,500,000	(80,660)	310,935	568,280	1,118,890	8,478	9,425,923
Net changes in fair value of FVOCI (equity instruments)		-	-	-	(25,548)	-	-	(25,548)
Re-measurement of employees "End of Service Benefits ("EOSB")	27	-	-	-	(1,069)	-	-	(1,069)
Net changes in fair value of FVOCI (debt instruments)		-	-	-	345,579	-	-	345,579
Total other comprehensive income		-	-	-	318,962	-	-	318,962
Net income for the year		-	-	-	-	1,348,518	-	1,348,518
Total comprehensive income for the year		-	-	-	318,962	1,348,518	-	1,667,480
Realized gain from sale of FVOCI investments (equity instruments)		-	-	-	(673)	673	-	-
Treasury shares		-	10,133	-	-	-	(10,133)	-
Employees' share plan reserve		-	-	-	-	-	12,000	12,000
Cash dividends	17	-	-	-	-	(375,000)	-	(375,000)
Transfer to statutory reserve	16	-	-	337,130	-	(337,130)	-	-
Balance at end of the year		7,500,000	(70,527)	648,065	886,569	1,755,951	10,345	10,730,403

2019 SAR' 000	Note	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed issuance of bonus shares	Employees' share plan	Total equity
Balance at the beginning of the year		6,000,000	(90,780)	-	(69,832)	483,441	1,500,000	10,120	7,832,949
Net changes in fair value of FVOCI (equity instruments)		-	-	-	36,330	-	-	-	36,330
Re-measurement of employees "End of Service Benefits ("EOSB")	27	-	-	-	3,486	-	-	-	3,486
Net changes in fair value of FVOCI (debt instruments)		-	-	-	600,940	-	-	-	600,940
Total other comprehensive income		-	-	-	640,756	-	-	-	640,756
Net income for the year		-	-	-	-	1,243,740	-	-	1,243,740
Total comprehensive income for the year		-	-	-	640,756	1,243,740	-	-	1,884,496
Realized gain from sale of FVOCI investments (equity instruments)		-	-	-	(2,644)	2,644	-	-	-
Treasury shares		-	10,120	-	-	-	-	(10,120)	-
Employees' share plan reserve		-	-	-	8,478	8,478	-	-	-
Cash dividends	17	-	-	-	-	(300,000)	-	-	(300,000)
Issuance of bonus shares	15	1,500,000	-	-	-	-	(1,500,000)	-	-
Transfer to statutory reserve	16	-	-	310,935	-	(310,935)	-	-	-
Balance at end of the year		7,500,000	(80,660)	310,935	568,280	1,118,890	-	8,478	9,425,923

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Note	2020 SAR' 000	2019 SAR' 000
OPERATING ACTIVITIES			
Net income for the year before zakat		1,501,690	1,386,723
Adjustments to reconcile net income to net cash from / (used in) operating activities:			
Return on sukuk	21	70,406	95,391
Loss/ (gains) on FVTPL investments, net		64,447	(54,496)
(Gains)/ loss from disposal of property and equipment, net		(88)	3,365
Depreciation and amortization	9	260,425	248,924
Impairment charge for expected credit losses, net		694,511	543,093
Employees' share plan		12,000	8,478
Net (increase) / decrease in operating assets:			
Statutory deposit with central bank		(450,752)	(402,071)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		1,332,053	(299,744)
Bai Alajel with central bank maturing after ninety days from the date of acquisition		297,403	(299,582)
Financing		(11,513,975)	(9,194,330)
Other assets		966,332	(1,238,516)
Net increase / (decrease) in operating liabilities:			
Due to banks, central bank and other financial institutions		4,757,810	(2,455,671)
Customers' deposits		4,447,346	9,929,949
Other liabilities		(837,726)	2,581,462
Net cash from operating activities		1,601,882	852,975
INVESTING ACTIVITIES			
Proceeds/ (purchase) of investments held as FVOCI		241,752	(2,622,631)
(Purchase) of investments held as FVTPL		(4,827)	(411,713)
(Purchase) of investments held as amortized cost		(3,868,653)	(800,211)
(Purchase) of property and equipment		(258,810)	(286,332)
Net cash (used in) investing activities		(3,890,538)	(4,120,887)
FINANCING ACTIVITIES			
Distributed Sukuk profit		(73,298)	(96,210)
Dividend paid	17	(375,000)	(300,000)
Payment of lease liabilities		(114,189)	(152,972)
Net cash used in(financing activities		(562,487)	(549,182)
Net decrease in cash and cash equivalents		(2,851,143)	(3,817,094)
Cash and cash equivalents at the beginning of the year		5,757,872	9,574,966
Cash and cash equivalents at the end of the year	26	2,906,729	5,757,872
Supplemental information			
Income received from investing and financing assets during the year		3,758,685	3,369,662
Return paid on deposits and financial liabilities during the year		379,964	632,116

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1. GENERAL

a) Incorporation and operation

Bank Albilad ("the Bank"), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated 21 Ramadan 1425H (corresponding to November 4, 2004) in accordance with the Counsel of Ministers' resolution No. 258 dated 18 Ramadan 1425H (corresponding to November 1, 2004). The Bank operates under Commercial Registration No.1010208295 dated 10 Rabi Al Awwal 1426H (corresponding to April 19, 2005). The Bank provides these services through 111 banking branches (December 31, 2019: 110) and 177 exchange and remittance centers (December 31, 2019: 179) in the Kingdom of Saudi Arabia.

The registered address of the Bank's head office is as follows:

Bank Albilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, "Albilad Investment Company" and "Albilad Real Estate Company" (collectively referred to as "the Group"). Albilad Investment Company and Albilad Real Estate Company are 100% owned by the Bank. All subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Group's objective is to provide full range of banking and investment services and conduct, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in compliance with the Shariah Committee resolutions and directions and within the provisions of the Bank's By-laws and the Banking Control Law.

b) Shariah Authority

The Bank has established a Shariah Authority ("the Authority"). It ascertains that all the Bank's activities are subject to its approval and control.

2. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated financial statements of the Group have been prepared:

- in accordance with the '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 Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Bank.

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 and 31 December 2019, were prepared in compliance with the International Financial Reporting Standards ("IFRS"), and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

b) Basis of measurement and presentation

The consolidated financial statements are prepared on going concern basis under the historical cost convention except for the financial instruments held at Fair Value through Profit or Loss (FVTPL), Fair Value through Other Comprehensive Income (FVOCI) investments and defined benefit obligations.

The statement of financial position is stated in order of liquidity.

c) Going concern

In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources etc.

d) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. Except otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand.

e) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Group continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Group believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and fair value measurement.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i) Expected credit losses ("ECL") on financial assets

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

1. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:
 - a) The Bank's internal credit grading model, which assigns Probability of default (PD) to the individual grades;
 - b) The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
 - c) The segmentation of financial assets when their ECL is assessed on a collective basis;
 - d) Development of ECL models, including the various formulas and the choice of inputs; and
 - e) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.
 - ii) Fair value measurement (note 32).
 - iii) Impairment of FVOCI debt investments (note 7).
 - iv) Classification of investments at amortised cost (note 3).
 - v) Determination of control over investees (note 3).
 - vi) Depreciation and amortization (note 9).
 - vii) Defined benefit plan (note 27).
 - viii) Government grant (note 3).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2019. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2020 replacing, amending or adding to the corresponding accounting policies set out in 2019 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after January 1, 2020. The management has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

- Amendments to IFRS 3: Definition of a Business.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.

Accounting Standards issued but not yet effective

- COVID-19 – Related Rent Concessions (Amendments to IFRS 16).
- IFRS 17 – “Insurance contracts”, applicable for the period beginning on or after January 1, 2023.
- Amendments to IAS 1 – “Classification of Liabilities as Current or Non-current”, applicable for the period beginning on or after January,1, 2022.
- Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37).
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).

- **Classification of financial assets**

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVTPL.

Financial Asset at amortised cost

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

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

Financial Asset at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income and foreign exchange gains and losses are recognised in profit or loss.

Equity Instruments on initial recognition, for an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument (i.e. share-by-share) basis.

Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- 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 Bank'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 realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

Assessments whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank 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 Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

Designation at fair value through profit or loss

At initial recognition, the Bank has designated certain financial assets at FVTPL. Before January 1, 2019, the Bank also designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

- **Classification of financial liabilities**

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

- **Derecognition**
- **Financial assets**

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

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

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, as the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

- **Financial liabilities**

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

• **Modifications of financial assets and financial liabilities**

- **Financial assets**

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as income from investing and financing assets.

- **Financial liabilities**

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in consolidated statement of income.

- **Impairment**

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are measured at amortised cost;
- Debt instruments assets measured at FVOCI;
- Financial guarantee contracts issued; and
- Financing commitments issued.

No impairment loss is recognized on FVOCI equity investments.

The Bank 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 Bank 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 ECL 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.

Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank 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;
- Undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and the ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of financing by the Bank on terms that the Bank would not consider otherwise.
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance; and
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the financing commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Financing and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

- **Financial guarantees and financing commitments**

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Financing commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market profit rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured as follows:

- at the higher of this amortized amount and the amount of loss allowance; and

The Bank has issued no financing commitments that are measured at FVTPL. For other financing commitments:

- the Bank recognizes loss allowance.

- **Government grant**

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in the statement of income on a systematic basis over the period in which the Group recognizes as expenses the related costs for which the grant is intended to compensate. The grant income is only recognized when the beneficiary is the Group. Where the customer is the beneficiary, the Group only records the respective receivable and payable amounts.

- **Revenue / expenses recognition**

- **Income on investing and financing assets, and return on financial liabilities**

Income on investing and financing assets, and return on financing liabilities is recognized in the consolidated statement of income using the effective yield method on the outstanding balance over the term of the contract.

When calculating the effective yield rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective yield rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective yield rate includes transaction costs and fees and points paid or received that are an integral part of the effective yield rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

- **Measurement of amortized cost and special commission income**

The 'amortized 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 amortization using the effective yield method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating yield income and expense, the effective yield rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, yield income is calculated by applying the effective yield rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of yield income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, yield income is calculated by applying the credit-adjusted effective yield rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

- **Rendering of services**

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services.

The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for free services related to credit card, the Bank recognizes revenue over the period of time.

- **Customer loyalty program**

The Bank offers customer loyalty program (reward points) which allows card members to earn points that can be redeemed for certain Partner outlets. The Bank allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand-alone selling price.

The amount of revenue allocated to reward points is deferred and released to the income statement when reward points are redeemed.

The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

4. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries as set forth in note 1. The financial statements of subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group balances, transactions, income and expenses are eliminated in full in preparing these consolidated financial statements.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

- **Foreign currencies**

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Bank's and group companies' functional currency.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot rates prevailing transactions dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at exchange rates prevailing at the reporting date.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of income.

- **Revenue / expenses recognition**

- **Exchange income / (loss)**

Exchange income/ (loss) is recognized as detailed in foreign currencies policy above.

- **Fees and commission income**

Fees and commission income and expenses that are integral to the effective yield rate on a financial assets or financial liability are included in the income from investing and financing assets.

Fees and commission income and expense that are not integral part of the effective yield calculation on a financial asset or liability are recognized when the related service is provided as follows:

- Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually over the period of time.
- Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognized over the period when the service is being provided.
- Performance linked fees or fee components are recognized at point in time when the performance criteria are fulfilled.
- Financing commitment fees for financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective yield on the financing at a point in time when the performance obligation is fulfilled. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognized on a straight-line basis over the commitment period.
- Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the transaction is completed or the service, is received.

- **Dividend income**

Dividend income from investment is recognized when the Group's right to receive the dividend is established.

Fair value measurement

The Group measures financial instruments, such as, equity instruments and non-financial assets, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its financing arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

- **Property and equipment**

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Freehold land is not depreciated. Changes in the expected useful life are accounted for by changing the period or method, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. On-going repairs and maintenance are expensed as incurred.

The cost of other property and equipment is depreciated and amortised on the straight-line method over the estimated useful lives of the assets as follows:

Building	33 years
Leasehold improvements	Over lease period or economic life (10 years), whichever is shorter
Equipment and furniture and motor vehicles	4 to 6 years
Computer hardware	5 years

The assets' residual values depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

- **Provisions**

Provisions are recognised when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

- **Accounting for leases**

- **Right of Use ("RoU") Asset / Lease liability**

On initial recognition at the inception of the contract, the Bank shall assess whether the contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Control is identified if most of the benefits are flowing to the Bank and the Bank can direct the usage of such assets.

- **Right of Use Asset**

The Bank applies cost model and measures the right of use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any re-measurement of the lease liability for lease modifications.

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

- Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Bank measures the lease liability by:

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

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

• Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, balances and murabaha with central bank excluding statutory deposit, and due from banks and other financial institutions with original maturities of three months or less from the date of acquisition which is subject to insignificant changes in their fair value.

• Treasury shares

Treasury shares are recorded at cost and presented as a deduction from the equity as adjusted for any transaction costs, dividends and gains or losses on sale of such stocks. Subsequent to their acquisition, these shares are carried at the amount equal to the consideration paid.

These shares are acquired by the Bank with the approval of central bank, primarily for discharging its obligation under its share-based payment plans.

• Employees' share plan

The Bank offers its eligible employees an equity-settled share-based payment plan as approved by central bank. As per the plan, eligible employees of the Bank are offered stocks to be withheld out of their annual bonus payments.

The cost of the plan is measured by reference to the fair value at the date on which the stocks are granted.

The cost of the plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the stock option ('the vesting date'). The cumulative expense recognized for the plan at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The Bank, with the approval from central bank, has entered into an agreement with an independent third-party for custody of the shares under the plan, plus any benefits accrued there-on.

- **Defined benefit plan**

The Bank operates an end of service benefit plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected unit method in accordance with the periodic actuarial valuation.

- **Short term employee benefits**

Short term employee benefits are measured on an undiscounted basis and is expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- **Zakat and withholding tax**

The Group is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Withholding tax is withheld from payments made to non-resident vendors for services rendered and goods purchased according to the tax law applicable in Saudi Arabia and are directly paid to the GAZT on a monthly basis.

- **Investment management services**

The Group offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors. The Group's share of these funds is included in the FVTPL investment and fees earned are disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

- **Islamic banking products**

Financing comprises of Bei-ajel, Installment Sales, Musharakah, and Ijarah originated or acquired by the Group and are initially recognized at fair value including acquisition costs and is subsequently measured at amortized cost less any amounts written off and the allowance for expected credit losses, if any. Financing is recognized when cash is advanced to borrowers, and is derecognized when either the customers repay their obligations, or the financing is sold or written off, or substantially all the risks and rewards of ownership are transferred.

Bei-ajel and installment sales are financing contracts based on Murabaha whereby the Group sells to customers a commodity or an asset which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Bei ajel is used for corporate customers whereas installment sale is used for retail customers.

Ijarah muntahia bittamleek is an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent and for a specific period. Ijarah could end by transferring the ownership of the leased asset to the lessee.

Musharakah is an agreement between the Group and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

5. CASH AND BALANCES WITH CENTRAL BANKS

	Note	2020 SAR' 000	2019 SAR' 000
Statutory deposit	5.1	4,004,124	3,553,372
Cash in hand		1,582,322	1,669,426
Other balances	5.2	158,907	2,693,054
Total		5,745,353	7,915,852

5.1 In accordance with the Banking Control Law and Regulations issued by central bank, the Bank is required to maintain a statutory deposit with central bank at stipulated percentages of its demand, saving, time and other deposits, calculated based on end of day monthly average balance. The statutory deposit with central bank is not available to finance the Bank's day to day operations and therefore is not part of cash and cash equivalents.

5.2 This includes mainly cash management account with central bank.

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2020 SAR' 000	2019 SAR' 000
Demand	575,467	210,763
Commodity murabaha	1,604,743	3,832,058
	2,180,210	4,042,821
Less : loss allowance	(780)	(1,417)
Total	2,179,430	4,041,404

An analysis of changes in loss allowance for Due from banks and other financial institutions is, as follows:

31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2020	1,417	-	-	1,417
Transfers to 12 month ECL	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-
Net reversal for the year	(637)	-	-	(637)
Write-offs	-	-	-	-
Loss allowance as at 31 December 2020	780	-	-	780

31st December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2019	1,886	-	90,923	92,809
Transfers to 12 month ECL	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-
Net reversal for the year	(469)	-	-	(469)
Write-offs	-	-	(90,923)	(90,923)
Loss allowance as at 31 December 2019	1,417	-	-	1,417

7. INVESTMENTS, NET

a) Investments as at December 31 comprise the following:

2020 SAR' 000	Domestic		International		Total
	Quoted	Unquoted	Quoted	Unquoted	
Fair Value Through Other Comprehensive Income (FVOCI)					
Equities	298,855	167,143	-	-	465,998
Sukuk	660,677	6,905,826	74,705	-	7,641,208
	959,532	7,072,969	74,705	-	8,107,206
Fair value through profit or loss (FVTPL)					
Mutual funds	307,718	366,470	-	132,484	806,672
Amortized Cost					
Bai Alajel with central bank	-	1,295,422	-	-	1,295,422
Sukuk	1,899,386	2,309,777	204,969	249,753	4,663,885
	1,899,386	3,605,199	204,969	249,753	5,959,307
Total	3,166,636	11,044,638	279,674	382,237	14,873,185

2019 SAR' 000	Domestic		International		Total
	Quoted	Unquoted	Quoted	Unquoted	
Fair Value Through Other Comprehensive Income (FVOCI)					
Equities	291,550	165,876	-	-	457,426
Sukuk	623,339	6,627,199	72,030	248,933	7,571,501
	914,889	6,793,075	72,030	248,933	8,028,927
Fair value through profit or loss (FVTPL)					
Mutual funds	326,443	395,170	-	144,679	866,292
Amortized Cost					
Bai Alajel with central bank	-	1,292,796	-	-	1,292,796
Sukuk	280,825	332,071	187,315	-	800,211
	280,825	1,624,867	187,315	-	2,093,007
Total	1,522,157	8,813,112	259,345	393,612	10,988,226

b) The analysis of investments by counterparty is as follows:

	2020 SAR' 000	2019 SAR' 000
Government and quasi government	11,897,000	7,708,424
Corporate	2,976,185	3,279,802
Total	14,873,185	10,988,226

c) Equities include unquoted shares of SAR 167 million (2019: SAR 166 million) carried at cost as management believes that cost of such investments approximate their fair value. Management also believes cost of Bai Alajel with central bank and unquoted sukuk approximates its fair value.

An analysis of changes in loss allowance for Debt instruments carried at FVOCI and amortized cost, is as follows:

31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2020	14,359	-	-	14,359
Transfers to 12 month ECL	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-
Net charge for the year	4,076	-	-	4,076
Write-offs	-	-	-	-
Loss allowance as at 31 December 2020	18,435	-	-	18,435

31st December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2019	10,509	-	-	10,509
Transfers to 12 month ECL	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-
Net charge for the year	3,850	-	-	3,850
Write-offs	-	-	-	-
Loss allowance as at 31 December 2019	14,359	-	-	14,359

8. FINANCING, NET

a) Held at amortized cost

2020 SAR' 000	Commercial	Retail	Total
Performing	35,812,045	35,821,656	71,633,701
Non-performing	564,361	280,831	845,192
Gross financing	36,376,406	36,102,487	72,478,893
Allowance for expected credit losses	(1,925,690)	(438,223)	(2,363,913)
Financing, net	34,450,716	35,664,264	70,114,980

2019 SAR' 000	Commercial	Retail	Total
Performing	32,229,091	28,168,320	60,397,411
Non-performing	452,224	283,689	735,913
Gross financing	32,681,315	28,452,009	61,133,324
Allowance for expected credit losses	(1,418,939)	(423,848)	(1,842,787)
Financing, net	31,262,376	28,028,161	59,290,537

The following tables further explains changes in gross carrying amount for financing portfolio to help explain their significance to the changes in the loss allowance for the same portfolio:

Commercial 31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2020	23,738,244	8,490,847	452,224	32,681,315
Transfers to 12 month ECL	390,387	(390,387)	-	-
Transfers to Life time ECL not credit impaired	(1,541,949)	1,541,949	-	-
Transfers to Life time ECL credit impaired	(5,486)	(68,318)	73,804	-
Net change for the year	4,311,501	(654,743)	81,670	3,738,428
Write-offs	-	-	(43,337)	(43,337)
Gross carrying amount as at 31 December 2020	26,892,697	8,919,348	564,361	36,376,406

Retail 31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2020	28,003,979	164,341	283,689	28,452,009
Transfers to 12 month ECL	84,188	(59,866)	(24,322)	-
Transfers to Life time ECL not credit impaired	(92,077)	95,884	(3,807)	-
Transfers to Life time ECL credit impaired	(102,029)	(43,624)	145,653	-
Net change for the year	7,787,412	(16,552)	(55,370)	7,715,490
Write-offs	-	-	(65,012)	(65,012)
Gross carrying amount as at 31 December 2020	35,681,473	140,183	280,831	36,102,487

Total 31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2020	51,742,223	8,655,188	735,913	61,133,324
Transfers to 12 month ECL	474,575	(450,253)	(24,322)	-
Transfers to Life time ECL not credit impaired	(1,634,026)	1,637,833	(3,807)	-
Transfers to Life time ECL credit impaired	(107,515)	(111,942)	219,457	-
Net change for the year	12,098,913	(671,295)	26,300	11,453,918
Write-offs	-	-	(108,349)	(108,349)
Gross carrying amount as at 31 December 2020	62,574,170	9,059,531	845,192	72,478,893

An analysis of changes in loss allowance for Financing is, as follows:

Commercial 31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2020	91,250	872,864	454,825	1,418,939
Transfers to 12 month ECL	5,901	(5,901)	-	-
Transfers to Life time ECL not credit impaired	(72,541)	72,541	-	-
Transfers to Life time ECL credit impaired	(4,740)	(66,026)	70,766	-
Net charge for the year	193,148	272,009	84,931	550,088
Write-offs	-	-	(43,337)	(43,337)
Loss allowance as at 31 December 2020	213,018	1,145,487	567,185	1,925,690

Commercial 31st December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2019	246,113	484,648	550,215	1,280,976
Transfers to 12 month ECL	5,767	(5,767)	-	-
Transfers to Life time ECL not credit impaired	(33,050)	33,050	-	-
Transfers to Life time ECL credit impaired	(61,611)	(117,738)	179,349	-
Net (reversal)/ charge for the year	(65,969)	478,671	11,209	423,911
Write-offs	-	-	(285,948)	(285,948)
Loss allowance as at 31 December 2019	91,250	872,864	454,825	1,418,939

Retail 31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2020	138,229	59,130	226,489	423,848
Transfers to 12 month ECL	1,003	(735)	(268)	-
Transfers to Life time ECL not credit impaired	(28,044)	28,952	(908)	-
Transfers to Life time ECL credit impaired	(78,798)	(38,801)	117,599	-
Net charge/ (reversal) for the year	127,681	(4,726)	(43,568)	79,387
Write-offs	-	-	(65,012)	(65,012)
Loss allowance as at 31 December 2020	160,071	43,820	234,332	438,223

Retail 31st December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2019	123,430	59,554	204,207	387,191
Transfers to 12 month ECL	1,013	(776)	(237)	-
Transfers to Life time ECL not credit impaired	(32,181)	33,592	(1,411)	-
Transfers to Life time ECL credit impaired	(82,755)	(33,166)	115,921	-
Net charge/ (reversal) for the year	128,722	(74)	(44,137)	84,511
Write-offs	-	-	(47,854)	(47,854)
Loss allowance as at 31 December 2019	138,229	59,130	226,489	423,848

Total 31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2020	229,479	931,994	681,314	1,842,787
Transfers to 12 month ECL	6,904	(6,636)	(268)	-
Transfers to Life time ECL not credit impaired	(100,585)	101,493	(908)	-
Transfers to Life time ECL credit impaired	(83,538)	(104,827)	188,365	-
Net charge for the year	320,829	267,283	41,363	629,475
Write-offs	-	-	(108,349)	(108,349)
Loss allowance as at 31 December 2020	373,089	1,189,307	801,517	2,363,913

Total 31st December 2019 SAR' 000	2020		2019	
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2019	369,543	544,202	754,422	1,668,167
Transfers to 12 month ECL	6,780	(6,543)	(237)	-
Transfers to Life time ECL not credit impaired	(65,231)	66,642	(1,411)	-
Transfers to Life time ECL credit impaired	(144,366)	(150,904)	295,270	-
Net charge/ (reversal) for the year	62,753	478,597	(32,928)	508,422
Write-offs	-	-	(333,802)	(333,802)
Loss allowance as at 31 December 2019	229,479	931,994	681,314	1,842,787

The contractual amount outstanding on financial assets that were written off during the year ended December 31, 2020 and that are still subject to enforcement activity is SAR 108 million (2019: SAR 334 million).

b) Financing include finance lease receivables, which are as follows:

	2020 SAR'000		2019 SAR'000	
	Retail	Commercial	Retail	Commercial
Gross receivables from ijarah financing :				
Less than 1 year	83,833	-	580,044	-
1 to 5 years	1,230,800	-	776,363	464,647
Over 5 years	154,062	440,525	163,146	-
	1,468,695	440,525	1,519,553	464,647
Unearned finance income on ijarah financing	(280,278)	(387)	(330,157)	422
Net receivables from ijarah financing	1,188,417	440,138	1,189,396	465,069

	2020 SAR'000		2019 SAR'000	
	Retail	Commercial	Retail	Commercial
Net receivables from ijarah financing:				
Less than 1 year	79,477	-	465,984	-
1 to 5 years	1,005,561	-	609,631	465,069
Over 5 years	103,379	440,138	113,781	-
	1,188,417	440,138	1,189,396	465,069

9. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

SAR' 000	Land and building	Leasehold improvements	Equipment, furniture and motor vehicles	Computer hardware	Right of Use (ROU) Asset	Total 2020	Total 2019
Cost:							
As at the beginning of the year	850,147	734,385	463,066	487,749	685,438	3,220,785	2,261,147
Additions during the year	124,935	31,055	25,060	77,854	31,290	290,194	1,000,069
Disposals	-	-	-	(1,149)	-	(1,149)	(40,431)
As at December 31	975,082	765,440	488,126	564,454	716,728	3,509,830	3,220,785
Accumulated depreciation:							
At the beginning of the year	27,449	479,632	339,954	393,012	114,409	1,354,456	1,114,299
Charge for the year	16,031	27,237	49,632	50,462	117,063	260,425	248,924
Disposals	-	-	-	(1,143)	-	(1,143)	(8,767)
As at December 31	43,480	506,869	389,586	442,331	231,472	1,613,738	1,354,456
Net book value:							
As at December 31, 2020	931,602	258,571	98,540	122,123	485,256	1,896,092	
As at December 31, 2019	822,698	254,753	123,112	94,737	571,029		1,866,329

Leasehold improvements include work in progress as at December 31, 2020 amounting to SAR 39.7 million (2019: SAR 21.3 million).

Movement in right-of-use-assets (ROU):

SAR' 000	Land and building	Equipment, furniture and motor vehicles	Total
Balance at beginning of the year	564,242	6,787	571,029
Add: Additions	31,290	-	31,290
Depreciation	(115,366)	(1,697)	(117,063)
Balance at the end of the year	480,166	5,090	485,256

10. OTHER ASSETS

	2020 SAR' 000	2019 SAR' 000
Prepaid expenses and advances to suppliers	95,057	87,735
Management fee receivable	123,701	120,217
Assets in transit subject to financing	185,930	593,814
Others	530,064	1,099,318
Total	934,752	1,901,084

11. DUE TO BANKS, CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS

	2020 SAR' 000	2019 SAR' 000
Demand	81,046	212,045
Direct investment	5,321,884	433,075
Total	5,402,930	645,120

12. CUSTOMERS' DEPOSITS

	2020 SAR' 000	2019 SAR' 000
Demand	40,185,062	33,669,863
Direct investment	9,522,087	12,456,218
Albilad account (Mudarabah)	19,800,317	19,315,147
Others	2,045,423	1,664,315
Total	71,552,889	67,105,543

The above include foreign currency deposits as follows:

	2020 SAR' 000	2019 SAR' 000
Demand	813,164	494,939
Direct investment	2,985,160	1,722,333
Albilad account (Mudarabah)	123,163	81,900
Others	72,881	48,120
Total	3,994,368	2,347,292

13. SUKUK

On August 30, 2016, the Bank issued 2,000 Sukuk Certificates (Sukuk) of SAR 1 million each, payable quarterly in arrears on February 28, May 30, August 30 and November 30 each year until August 30, 2026, on which Sukuk will be redeemed. The Bank has a call option which can be exercised on or after August 30, 2021, upon meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the offering circular. The Bank has not defaulted on any of payments (profit / principal) due during the year. The expected profit distribution on the sukuk is the base rate for three months in addition to the profit margin of 2%.

14. OTHER LIABILITIES

	2020 SAR' 000	2019 SAR' 000
Accounts payable	2,168,203	3,544,777
Accrued expenses	578,559	491,176
Lease liability	449,566	532,465
Loss allowance on financing commitment and financial guarantee contracts	131,438	88,405
Others	2,724,928	2,162,255
Total	6,052,694	6,819,078

An analysis of changes in loss allowance for financing commitment and financial guarantee contracts is, as follows:

31st December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2020	11,407	9,844	67,154	88,405
Transfers to 12 month ECL	3,230	(3,230)	-	-
Transfers to Life time ECL not credit impaired	(1,560)	1,560	-	-
Transfers to Life time ECL credit impaired	(24,222)	-	24,222	-
Net charge / (reversal) for the year	44,401	1,510	(2,878)	43,033
Write-offs	-	-	-	-
Loss allowance as at 31 December 2020	33,256	9,684	88,498	131,438

31st December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2019	13,445	5,225	52,455	71,125
Transfers to 12 month ECL	84	(84)	-	-
Transfers to Life time ECL not credit impaired	(5,189)	5,189	-	-
Transfers to Life time ECL credit impaired	-	(14,699)	14,699	-
Net charge for the year	3,067	14,213	-	17,280
Write-offs	-	-	-	-
Loss allowance as at 31 December 2019	11,407	9,844	67,154	88,405

15. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 750 million shares of SAR 10 each (31 December 2019: 750 million shares of SAR 10 each).

The Board of Directors recommended in its meeting held on December 17, 2018 to the Extra-ordinary General Assembly an issuance of bonus shares of one share for every four shares held, thus increasing the Bank's capital from SAR 6,000 million to SAR 7,500 million, which has been approved in the Extraordinary General Assembly meeting held on April 9, 2019. The increase has been done through capitalization of SAR 1,500 million from the statutory reserve and the retained earnings. The number of shares outstanding after the bonus issuance has increased from 600 million shares to 750 million shares.

The Bank intends to purchase 5 million shares of its own shares, based on the Board of Directors' resolution dated April 16, 2020 to be allocated within the employee share plan, and that has been approved in the Extra Ordinary General Assembly meeting held on May 12, 2020 corresponding to Ramadan 19, 1441.

16. STATUTORY RESERVE

In accordance with Article 13 of the Banking Control Law, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 337 million (2019: SAR 311 million) has been transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

17. DIVIDENDS

On July 18, 2019, the Board of Directors resolved on the distribution of cash dividend of SAR 300 million (SAR 0.4 per share). This was paid on August 8, 2019.

The Board of Directors' recommended to the General Assembly to distribute cash dividends of SAR 375 million to shareholders for the second half of 2019 in the meeting held on February 10, 2020 corresponding to Jumada Al-Thani 16, 1441. The dividends distribution has been approved in the Ordinary General Assembly meeting that has been held in April 26, 2020 corresponding to Ramadan 3, 1441, and dividends have been distributed to the registered shareholder's starting from May 4, 2020 corresponding to Ramadan 11, 1441.

18. OTHER RESERVES

2020 SAR' 000	FVOCI (Sukuk)	FVOCI (Equity)	Defined Benefit Obligation	Total
Balance at beginning of the year	553,890	10,904	3,486	568,280
Net movement during the year	345,579	(26,221)	(1,069)	318,289
Balance at end of the year	899,469	(15,317)	2,417	886,569

2019 SAR' 000	FVOCI (Sukuk)	FVOCI (Equity)	Defined Benefit Obligation	Total
Balance at beginning of the year	(47,050)	(22,782)	-	(69,832)
Net movement during the year	600,940	33,686	3,486	638,112
Balance at end of the year	553,890	10,904	3,486	568,280

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2020 and 2019, there were legal proceedings outstanding against the Bank. Provisions have been made for some of these legal cases based on the assessment of the Bank's legal advisers.

b) Capital commitments

As at December 31, 2020, the Bank had capital commitments of SAR 111 million (2019: SAR 63 million) relating to leasehold improvements and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent unused portions of authorization to extend credit, principally in the form of financing, guarantees or letters of credit. With respect to credit risk relating to commitments to extend credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The amount of any related loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) Contractual maturity structure of the Group's commitments and contingencies:

2020 SAR' 000	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	636,946	705,505	1,127	-	1,343,578
Letters of guarantee*	814,184	2,440,559	1,921,996	426,434	5,603,173
Acceptances	390,903	25,945	-	-	416,848
Irrevocable commitments to extend credit	-	-	-	2,192,171	2,192,171
Total	1,842,033	3,172,009	1,923,123	2,618,605	9,555,770

2019 SAR' 000	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	567,280	608,662	23,999	-	1,199,941
Letters of guarantee	713,390	2,159,162	2,144,167	479,957	5,496,676
Acceptances	319,594	34,085	-	-	353,679
Irrevocable commitments to extend credit	120,471	-	-	1,029,495	1,149,966
Total	1,720,735	2,801,909	2,168,166	1,509,452	8,200,262

The outstanding unused portion of commitments as at December 31, 2020 which can be revoked unilaterally at any time by the Group amounts to SAR 10.9 billion (2019: SAR 11.4 billion).

* This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature.

ii) Commitments and contingencies by counterparty:

	2020 SAR' 000	2019 SAR' 000
Corporate	7,890,282	6,656,231
Financial institutions	1,585,195	1,462,649
Others	80,293	81,382
Total	9,555,770	8,200,262

20. INCOME FROM INVESTING AND FINANCING ASSETS

	2020 SAR' 000	2019 SAR' 000
Income from investments and due from banks and other financial institutions		
Income from bai alajel with central bank	109,930	50,842
Income from murabaha with banks and other financial institutions	70,951	160,257
Income from sukuk	340,684	242,403
Income from financing	3,105,003	3,008,490
Total	3,626,568	3,461,992

21. RETURN ON DEPOSITS AND FINANCIAL LIABILITIES

	2020 SAR' 000	2019 SAR' 000
Return on:		
Due to banks, central bank and other financial institutions	11,005	19,502
Deposits	252,525	523,336
Sukuk	70,406	95,391
Total	333,936	638,229

22. FEES AND COMMISSION INCOME, NET

	2020 SAR' 000	2019 SAR' 000
Fees and commission income		
Remittance	370,577	454,656
ATM and point of sale	231,021	274,583
Letters of credit and guarantee	51,647	48,337
Management fee (mutual fund and others)	68,801	84,181
Brokerage income	130,905	53,747
Others	96,914	57,491
Total fees and commission income	949,865	972,995
Fees and commission expenses		
ATM and point of sale	172,193	182,797
Brokerage expenses	48,694	21,066
Remittance	6,022	10,733
Others	95,561	81,767
Total fees and commission expenses	322,470	296,363
Fees and commission income, net	627,395	676,632

23. SALARIES AND EMPLOYEE RELATED EXPENSES

The following table summarizes compensation practices and includes total of fixed and variable compensation paid to employees during the year ended December 31, 2020 and 2019, and the form of such payments:

2020 SAR' 000	Number of employees	Fixed compensation	Variable compensation paid		
			Cash	Shares	Total
Senior executives	9	17,120	20,009	7,198	27,207
Employees engaged in risk taking activities	284	95,824	29,526	1,182	30,708
Employees engaged in control functions	308	86,511	18,242	1,376	19,618
Other employees	2,946	435,607	70,740	3,290	74,030
Outsourced employees	744	123,469	-	-	-
Total	4,291	758,531	138,517	13,046	151,563
Variable compensation accrued, and other employee related benefits*		406,225			
Total salaries and employee related expenses		1,164,756			

2019 SAR' 000	Number of employees	Fixed compensation	Variable compensation paid		
			Cash	Shares	Total
Senior executives	9	16,213	11,658	3,832	15,490
Employees engaged in risk taking activities	254	91,103	27,319	1,490	28,809
Employees engaged in control functions	303	85,832	14,617	1,200	15,817
Other employees	3,053	457,806	61,263	3,253	64,516
Outsourced employees	761	107,104	-	-	-
Total	4,380	758,058	114,857	9,775	124,632
Variable compensation accrued, and other employee related benefits*		388,727			
Total salaries and employee related expenses		1,146,785			

* Other employee related benefits include, insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.

Employees Compensation and Benefits

1. Quantitative Disclosure

This disclosure has to be bifurcated between the following categories, whereby the meaning of each category is mentioned below:

a) Senior executives:

Members of Management Committee whom appointment is subject to approval of central bank, such as: CEO, CFO (EVP Finance), COO (EVP Operations Management), CRO (EVP Risk Management), EVP Retail Banking, EVP Human Resource, etc.

b) Employees engaged in risk taking activities:

This comprises of management staff within various business lines i.e. corporate, retail, treasury, trade services, private banking etc. who are responsible for executing and implementing the business strategy of the bank.

c) Employees engaged in control functions:

This comprises of employees working in divisions that are not involved in risk taking activities but engaged in review functions i.e. risk management, compliance, internal audit, treasury operations, finance and accounting, etc.

d) Other employees:

All regular employees other than those mentioned in (a) to (c) above.

e) Outsourced employees:

This includes staff employed by various agencies who supply services to the Bank on a full time basis in non-critical roles. None of these roles require risk undertaking or control.

2. Qualitative Disclosure

The Bank has developed a Compensation Policy based on the 'Rules on Compensation Practices' issued by central bank as well as the guidelines provided by the Financial Stability Board and the Basel Committee on Banking Supervision in this respect.

The Compensation Policy has been approved by the Board of Directors (BOD). The BOD have also established a Nominations and Remuneration Committee to oversee the implementation of the Policy.

The mandate of the Committee is to oversee the compensation system design and operation, prepare and periodically review the Compensation Policy and evaluate its effectiveness in line with the industry practice.

Policy Objectives

The policy sets guidelines for determination of both fixed and variable compensation to be paid to the employees of the Group. The scope of the Policy includes all compensation elements, approval and reporting process, stock options, bonus and its deferral, etc.

The objective of the Policy is to ensure that the compensation is governed by the financial performance evaluation and is linked to the various risks associated, at an overall level. Key staff members of the Bank are eligible to variable compensation which is derived from Risk Adjusted Net Income of the Bank which accounts for significant existing and potential risks in order to protect the Bank's Capital Adequacy and to mitigate the risk of potential future losses.

Compensation Structure

The compensation structure of the Bank is based on appropriate industry benchmarking and includes both fixed and variable components. The variable component is designed to ensure key employee retention and is based on three year vesting period.

- **Fix Components:**

Provide a competitive salaries or wage according to annual market alignment, including (basic, housing, transportation and fixed allowances) which are written in the employee's contract.

- **Variable Components:**

Taking into account the risk associated with the Bank's performance & individual performance appraisal, all these factors are assessed on periodical basis and the results are shared with the stakeholders based on which the incentive is announced at the close of each accounting period. Including (LTIP and deferral bonus & STIP as Incentives scheme and Annual Bonus).

Performance Management System

The performance of all employees is measured by way of a balance score card methodology taking into consideration, financial, customer, process and people factors with appropriate weightage to each factor based on the respective assignments.

The Bank has following share-based payment plans outstanding at the end of the year. Significant features of these plans are as follows:

	2020	2019
Grant date	1 Mar 2020	3 Mar 2019
Maturity Date	25% 1 Jan 2021 25% 1 Jan 2022 50% 1 Jan 2023	25% 1 Jan 2020 25% 1 Jan 2021 50% 1 Jan 2022
Number of shares offered on the grant date	576,525	482,698
Share price on the grant date (SAR)	25.84	24.63
Value of shares offered on grant date (SAR' 000)	14,897	11,889
Vesting period	3 years	3 years
Vesting condition	On duty staff	On duty staff
Method of settlement	Equity	Equity

The movement in the number of shares, during the year, under employees' share plan is as follows:

	2020	2019
Beginning of the year	1,306,837	1,139,410
Granted during the year	576,525	603,401
Forfeited	(55,246)	(138,337)
Exercised	(622,823)	(466,024)
After capital increase conducted in 2019	-	168,387
End of the year	1,205,293	1,306,837

The shares are granted only under service condition with no market condition associated with them.

24. ZAKAT SETTLEMENT

As a major event, in the year 2018, the Bank reached a settlement agreement with the General Authority for Zakat & Income Tax (GAZT), to settle the zakat liability amounting to SAR 392.8 million for previous years and until the end of the financial year 2017. The settlement agreement requires the Bank to settle the 20% of the agreed zakat liability in the year 2018 and the remaining to be settled over the period of five years, accordingly the Bank have adjusted zakat for the previous years and until the end of financial year 2017, through its retained earnings. As a result of the settlement agreement the Bank have agreed to withdraw all of the previous appeals which were filed with the competent authority with respect to zakat.

25. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 is calculated by dividing the net income for the year attributable to the equity holders by the weighted average number of outstanding shares 2020: 746 million shares (2019: 746 million shares) during the year adjusted for treasury shares.

26. CASH AND CASH EQUIVALENTS

	Note	2020 SAR' 000	2019 SAR' 000
Cash and balances with central bank (excluding statutory deposit)	5	1,741,229	4,362,480
Due from banks and other financial institutions (maturing within ninety days from acquisition)		865,471	1,395,392
Held at amortized cost (maturing within ninety days from acquisition)		300,029	-
Total		2,906,729	5,757,872

27. EMPLOYEE BENEFIT OBLIGATION

a) General description

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

b) The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2020 SAR' 000	2019 SAR' 000
Defined benefit obligation at the beginning of the year	246,735	223,590
Current service cost	40,069	36,707
Finance cost	10,755	12,565
Benefits paid	(16,701)	(22,641)
Unrecognized actuarial loss / (gain)	1,069	(3,486)
Defined benefit obligation at the end of the year	281,927	246,735

c) Charge /(reversal) for the year

	2020 SAR' 000	2019 SAR' 000
Current service cost	40,069	37,611
Past service cost	-	(904)
Finance cost	10,755	12,565
	50,824	49,272

d) Principal actuarial assumptions (in respect of the employee benefit scheme)

	2020 SAR' 000	2019 SAR' 000
Discount rate	2.80%	4.60%
Expected rate of salary change	3.00%	4.50%
Normal retirement age		
• Male	60 years	60 years
• Female	55 years	55 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

e) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2020 to the discount rate 2.80% (2019: 4.60%), salary escalation rate 3.00% (2019: 4.50%), withdrawal assumptions.

	Impact on defined benefit obligation – Increase / (Decrease)		
	Change in assumption SAR' 000	Increase in assumption SAR' 000	Decrease in assumption SAR' 000
2020 Base Scenario			
Discount rate	1%	(29,538)	32,996
Expected rate of salary change	1%	32,570	(29,744)
Withdrawal assumptions	20%	(6,717)	5,052

2019 Base Scenario	Impact on defined benefit obligation – Increase / (Decrease)		
	Change in assumption SAR' 000	Increase in assumption SAR' 000	Decrease in assumption SAR' 000
Discount rate	1%	(27,333)	32,655
Expected rate of salary change	1%	32,350	(27,599)
Withdrawal assumptions	20%	(3,850)	3,786

The above sensitivity analyses are based on a change in an assumption keeping all other assumptions constant.

28. SEGMENTAL INFORMATION

Operating segments, based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) in order to allocate resources to the segments and to assess its performance. The Group's main business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the basis of segmentation or the measurements basis for the segment profit or loss since December 31, 2019.

For management purposes, the Group is divided into the following four operating segments:

Retail banking

Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking

Services and products to corporate customers including deposits, financing and trade services.

Treasury

Money market and treasury services.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Transactions between the above operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to other operating segments, based on an approved criteria.

a) The Group total assets and liabilities, together with its total operating income and expenses, and net income, for the years ended December 31, 2020 and 2019 for each segment are as follows:

2020 SAR' 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	43,684,277	33,586,851	17,597,933	874,731	95,743,792
Total liabilities	55,560,854	14,912,087	14,336,957	203,491	85,013,389
Net income from investing and financing assets	1,960,032	942,015	384,974	5,611	3,292,632
Fee, commission and other income, net	654,900	62,500	76,270	175,745	969,415
Total operating income	2,614,932	1,004,515	461,244	181,356	4,262,047
Impairment charge for expected credit losses, net	98,492	590,988	3,431	1,600	694,511
Depreciation and amortization	198,855	52,242	6,158	3,170	260,425
Total operating expenses	1,697,365	885,433	80,757	96,802	2,760,357
Net income for the year before zakat	917,567	119,082	380,487	84,554	1,501,690

2019 SAR' 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	35,937,100	30,644,541	18,623,502	798,289	86,003,432
Total liabilities	52,244,834	12,954,957	11,175,488	202,230	76,577,509
Net income from investing and financing assets	1,550,670	995,554	263,710	13,829	2,823,763
Fee, commission and other income, net	731,147	61,478	162,882	166,077	1,121,584
Total operating income	2,281,817	1,057,032	426,592	179,906	3,945,347
Impairment charge for expected credit losses, net	167,017	372,360	3,020	696	543,093
Depreciation and amortization	190,221	48,966	6,503	3,234	248,924
Total operating expenses	1,706,099	683,932	77,302	91,291	2,558,624
Net income for the year before zakat	575,718	373,100	349,290	88,615	1,386,723

b) Credit exposure by operating segments is as follows:

2020 SAR' 000	Retail	Corporate	Treasury	Total
Total assets	35,664,264	34,450,716	15,779,945	85,894,925
Commitments and contingencies	-	4,847,022	-	4,847,022

2019 SAR' 000	Retail	Corporate	Treasury	Total
Total assets	28,028,161	31,262,376	13,705,912	72,996,449
Commitments and contingencies	-	3,525,780	-	3,525,780

Group credit exposure is comprised of due from bank and other financial institutions, investments and financing. The credit equivalent value of commitments and contingencies are included in credit exposure as calculated in accordance with central bank regulations.

29. FINANCIAL RISK MANAGEMENT

CREDIT RISK

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Risk Committee which has the responsibility to monitor the overall risk process within the Bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, limits and review of the policies.

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in financing and investment activities. There is also credit risk in off-balance sheet financial instruments, such as letters of credit, letter of guarantees and financing commitments.

The Group assesses the probability of default of counterparties using internal rating tools. Also the Group uses the external ratings of the major rating agency, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify, to set appropriate risk limits, and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group seeks to manage its credit risk exposure through diversification and managing undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant facilities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The Group regularly reviews its risk management policies and systems to reflect changes in market products and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counter-party is provided in note 7. For details of the composition of financing refer to note 8. Information on credit risk relating to commitments and contingencies in note 19. The information on Bank's maximum credit exposure by business segment is given in note 28.

Concentration of risks of financial assets with credit risk exposure and financial liabilities

a) Geographical concentration

The geographical distribution of assets, liabilities, commitments and contingencies and credit risk exposure as of December 31:

2020 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with central banks	5,745,353	-	-	-	-	-	5,745,353
Cash in hand	1,582,322	-	-	-	-	-	1,582,322
Balances with central bank	4,163,031	-	-	-	-	-	4,163,031
Due from Banks and other financial institutions	1,022,877	68,166	874,049	35,903	78,947	99,488	2,179,430
Demand	-	68,166	292,942	35,903	78,947	99,488	575,446
Commodity murabaha	1,022,877	-	581,107	-	-	-	1,603,984
Investments, net	14,221,245	621,228	-	30,712	-	-	14,873,185
FVOCI	8,032,501	74,705	-	-	-	-	8,107,206
FVTPL	684,158	91,802	-	30,712	-	-	806,672
Amortized cost	5,504,586	454,721	-	-	-	-	5,959,307
Financing, net	70,114,980	-	-	-	-	-	70,114,980
Retail	35,664,264	-	-	-	-	-	35,664,264
Commercial	34,450,716	-	-	-	-	-	34,450,716
Other assets	725,383	-	-	-	-	-	725,383
Total	91,829,838	689,394	874,049	66,615	78,947	99,488	93,638,331
Liabilities							
Due to banks, central bank and other financial institutions	4,901,037	334,195	-	-	122,669	45,029	5,402,930
Demand	-	73,490	-	-	758	6,798	81,046
Direct investment	4,901,037	260,705	-	-	121,911	38,231	5,321,884
Customer deposits	71,552,889	-	-	-	-	-	71,552,889
Demand	40,185,062	-	-	-	-	-	40,185,062
Direct investment	9,522,087	-	-	-	-	-	9,522,087
Albilad account (Mudarabah)	19,800,317	-	-	-	-	-	19,800,317
Other	2,045,423	-	-	-	-	-	2,045,423
Sukuk	2,004,876	-	-	-	-	-	2,004,876
Other liabilities	5,241,305	-	-	-	-	-	5,241,305
Total	83,700,107	334,195	-	-	122,669	45,029	84,202,000
Commitments and contingencies							
Letters of credit	1,343,578	-	-	-	-	-	1,343,578
Letter of guarantee	5,603,173	-	-	-	-	-	5,603,173
Acceptances	416,848	-	-	-	-	-	416,848
Irrevocable commitments to extend credit	2,192,171	-	-	-	-	-	2,192,171
	9,555,770	-	-	-	-	-	9,555,770
Credit risk (stated at credit equivalent amounts) on commitments and contingencies	4,847,022	-	-	-	-	-	4,847,022

2019 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with central banks	7,915,852	-	-	-	-	-	7,915,852
Cash in hand	1,669,426	-	-	-	-	-	1,669,426
Balances with central abank	6,246,426	-	-	-	-	-	6,246,426
Due from Banks and other financial institutions	2,373,171	509,765	1,052,284	18	57,143	49,023	4,041,404
Demand	-	65,000	39,567	18	57,143	49,023	210,751
Commodity murabaha	2,373,171	444,765	1,012,717	-	-	-	3,830,653
Investments, net	10,335,727	628,783	-	23,716	-	-	10,988,226
FVOCI	7,707,964	320,963	-	-	-	-	8,028,927
FVTPL	721,613	120,963	-	23,716	-	-	866,292
Amortized cost	1,906,150	186,857	-	-	-	-	2,093,007
Financing, net	59,290,537	-	-	-	-	-	59,290,537
Retail	28,028,161	-	-	-	-	-	28,028,161
Commercial	31,262,376	-	-	-	-	-	31,262,376
Other assets	1,719,493	-	-	-	-	-	1,719,493
Total	81,634,780	1,138,548	1,052,284	23,734	57,143	49,023	83,955,512
Liabilities							
Due to banks, central bank and other financial institutions	26,395	368,326	-	1,394	189,953	59,052	645,120
Demand	-	140,331	-	1,394	11,268	59,052	212,045
Direct investment	26,395	227,995	-	-	178,685	-	433,075
Customer deposits	67,105,543	-	-	-	-	-	67,105,543
Demand	33,669,863	-	-	-	-	-	33,669,863
Direct investment	12,456,218	-	-	-	-	-	12,456,218
Albilad account (Mudarabah)	19,315,147	-	-	-	-	-	19,315,147
Other	1,664,315	-	-	-	-	-	1,664,315
Sukuk	2,007,768	-	-	-	-	-	2,007,768
Other liabilities	6,102,620	-	-	-	-	-	6,102,620
Total	75,242,326	368,326	-	1,394	189,953	59,052	75,861,051
Commitments and contingencies							
Letters of credit	1,199,941	-	-	-	-	-	1,199,941
Letter of guarantee	5,496,676	-	-	-	-	-	5,496,676
Acceptances	353,679	-	-	-	-	-	353,679
Irrevocable commitments to extend credit	1,149,966	-	-	-	-	-	1,149,966
	8,200,262	-	-	-	-	-	8,200,262
Credit risk (stated at credit equivalent amounts) on commitments and contingencies	3,525,780	-	-	-	-	-	3,525,780

Credit equivalent amounts reflect the amounts that result from translating the Group's commitments and contingencies into the risk equivalent of financing facilities using credit conversion factors prescribed by central bank. Credit conversion factor is used to capture the potential credit risk resulting from the Group meeting its commitments.

b) The geographical distribution of the impaired financial assets and the allowance for expected credit losses are set out as below:

2020 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Non-Performing financing	845,192	-	-	-	-	-	845,192
Allowance for expected credit losses	2,363,913	-	-	-	-	-	2,363,913
Impaired other financial assets	-	-	-	-	-	-	-
Allowance for expected credit losses	20,583	501	411	1	2	13	21,511

2019 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Non-Performing financing	735,913	-	-	-	-	-	735,913
Allowance for expected credit losses	1,842,787	-	-	-	-	-	1,842,787
Impaired other financial assets	-	-	-	-	-	-	-
Allowance for expected credit losses	16,010	516	-	1	5	-	16,532

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

31 December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Due from bank and other financial institutions				
Investment grade	1,876,223	-	-	1,876,223
Non-investment grade	303,987	-	-	303,987
Carrying amount	2,180,210	-	-	2,180,210

31 December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Due from bank and other financial institutions				
Investment grade	3,935,200	-	-	3,935,200
Non-investment grade	48,908	-	-	48,908
Unrated	58,713	-	-	58,713
Carrying amount	4,042,821	-	-	4,042,821

31 December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Financing to customers at amortized cost				
Commercial	26,892,697	8,919,348	564,361	36,376,406
Grades 1-15: Low – fair risk	25,686,690	3,727,384	-	29,414,074
Grades 16-20: Watch list	1,206,007	5,191,964	-	6,397,971
Grades 21: Substandard	-	-	69,410	69,410
Grades 22: Doubtful	-	-	86,392	86,392
Grades 23: Loss	-	-	408,559	408,559
Retail				
Unrated	35,681,473	140,183	280,831	36,102,487
Carrying amount	62,574,170	9,059,531	845,192	72,478,893

31 December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Financing to customers at amortized cost				
Commercial	23,738,244	8,490,847	452,224	32,681,315
Grades 1-15: Low – fair risk	22,323,029	4,709,859	-	27,032,888
Grades 16-20: Watch list	1,415,215	3,780,988	-	5,196,203
Grades 21: Substandard	-	-	45,428	45,428
Grades 22: Doubtful	-	-	57,206	57,206
Grades 23: Loss	-	-	349,590	349,590
Retail				
Unrated	28,003,979	164,341	283,689	28,452,009
Carrying amount	51,742,223	8,655,188	735,913	61,133,324

31 December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at amortized cost				
Investment grade	5,967,248	-	-	5,967,248
Carrying amount	5,967,248	-	-	5,967,248

31 December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at amortized cost				
Investment grade	2,095,448	-	-	2,095,448
Carrying amount	2,095,448	-	-	2,095,448

31 December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at FVOCI				
Investment grade	7,457,564	-	-	7,457,564
Unrated	194,139	-	-	194,139
Carrying amount	7,651,703	-	-	7,651,703

31 December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at FVOCI				
Investment grade	7,366,098	-	-	7,366,098
Unrated	217,322	-	-	217,322
Carrying amount	7,583,420	-	-	7,583,420

31 December 2020 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Commitments and contingencies				
Grades 1-15: Low – fair risk	8,507,153	294,897	-	8,802,050
Grades 16-20: Watch list	182,031	342,624	-	524,655
Grades 21: Substandard	-	-	85,885	85,885
Grades 22: Doubtful	-	-	-	-
Grades 23: Loss	-	-	143,180	143,180
Carrying amount	8,689,184	637,521	229,065	9,555,770

31 December 2019 SAR' 000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Commitments and contingencies				
Grades 1-15: Low – fair risk	7,168,044	300,298	-	7,468,342
Grades 16-20: Watch list	114,527	468,901	-	583,428
Grades 21: Substandard	-	-	1,800	1,800
Grades 22: Doubtful	-	-	48,315	48,315
Grades 23: Loss	-	-	98,377	98,377
Carrying amount	7,282,571	769,199	148,492	8,200,262

Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The point in time PD at the reporting date; with
- The Point in time PD estimated at the time of initial recognition of the exposure.

In addition to the above, other major quantitative consideration include days past due and rating of customer.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The assessment of significant increase in credit risk, is assessed taking on account of:

- Days past due;
- Change in risk of default occurring since initial recognition;
- Expected life of the financial instrument; and
- Reasonable and supportable information, that is available without undue cost or effort that may affect credit risk.

Lifetime expected credit losses are recognized against any material facility which has experienced significant increase in credit risk since initial recognition. Recognition of lifetime expected credit losses will be made if any facility is past due for more than 30 days.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Credit risk grades

For the wholesale portfolio, the bank allocates each exposure (either through reliance on internal rating or external rating agencies) to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Commercial exposures	Retail exposures	All exposures
<ul style="list-style-type: none"> • Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, and compliance with covenants, quality management, and senior management changes. • Data from credit reference agencies, press articles, changes in external credit ratings • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities • Business analysis of the borrower, including business risk, management, financial document and support, stability and behavior. • Industry analysis in which the borrower is operating, including the phase of industry growth and industry failure rate. 	<ul style="list-style-type: none"> • Internally collected data and customer behavior – e.g. utilization of credit card facilities. • Affordability metrics. • External data from credit reference agencies including industry-standard credit. 	<ul style="list-style-type: none"> • Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilization of the granted limit • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades (or the four aforementioned bucket created for retail portfolio) are a primary input into the determination of the term structure of PD for exposures.

Using the realized default data for each grade or bucket, the bank employs statistical models to generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The Bank employs following steps in order to generated term structure of the PD:

The Bank first calculates the observed default rates for its portfolios which involves monitoring customer behavior over next 12 months, then classifying default, which is then forecasted using acceptable actuarial method and thereafter adjusted for macroeconomic outlook (see below).

The Bank factors in forward looking information in its PD calibration through macroeconomic models for each portfolio. The impact of macroeconomic variables on default rates has been calculated using a multiple scenario-based modeling framework which factors upturn, downturn and baseline scenarios' forecast in to the probability of default. This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors. The forecast is used to estimate the impact on the PD over the upcoming years.

The "Point in Time" PD, and later adjusted for macroeconomic overly to make it forward looking. Transition matrix approach is used to forecast grade wise PDs over the upcoming years transition matrix. This provide the grade wise PD over the upcoming years, thus the term structure of the PD.

Definition of 'Default'

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank.

In assessing whether a borrower is in default. The Bank considers indicators that are:

- Qualitative- e.g. breaches of covenant;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources; and
- inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Modified financial assets

The contractual terms of a financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing whose terms have been modified may be derecognized and the renegotiated financing recognized as a new financing at fair value in accordance with the accounting policy.

When the terms of the financial assets are modified that does not result into de-recognition, the Bank will recalculate the gross carrying amount of the asset by discounting the modified contractual cash flows using EIR prior to the modification. Any difference between the recalculated amount and the existing gross carrying amount will be recognized in statement of income for asset modification.

To measure the Significant Increase in Credit Risk (for financial assets not de-recognized during the course of modification), the Bank will compare the risk of default occurring at the reporting date based on modified contract terms and the default risk occurring at initial recognition based on original and unmodified contract terms. Appropriate ECL will be recorded according to the identified staging after Asset Modification i.e. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3.

The Bank renegotiates financing to customers in financial difficulties referred to as "forbearance activities" to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, financing forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing covenants. Both retail and commercial financing are subject to the forbearance policy.

The asset will be provided appropriate treatment according to the identified staging after Asset Modification i.e. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3. No Asset Modification to be considered if the same were not driven by Credit Distress situation of Obligor.

During the year, no material losses were recognized on modification or restructuring of any facility apart from the modification of financing related to the deferred payments program of SAMA (Note 37).

Incorporation of forward looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

For the purpose of ECL measurement with respect to the retail and commercial (including SME) portfolios, this is done through application of macroeconomic models which have been developed for the various portfolios of the banks. Through the macroeconomic models the Bank assesses the impact of the macroeconomic variables on the default rates. The forecasts of the variables is gathered from the external sources.

The Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by independent external agencies.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The economic scenarios used as at 31 December included the following ranges of key indicators.

Economic Indicators	2020	2019
	Upside 30%	Upside 30%
	Base case 40%	Base case 40%
Oil prices and GDP	Downside 30%	Downside 30%

The Bank has updated its forward-looking variables (key economic drivers), refer above table.

a) Scenario assumptions:

As at 31 December 2020, the scenario assumptions are updated to reflect the current situation of COVID-19. This included an assessment of the support of the Government's actions, the response of business and customers (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn.

b) Probability weightings

The Bank considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the continuing impact of COVID-19.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 7 to 10 years. To account for the impact of COVID-19, the Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	Forecast calendar years used in 2020 ECL model			Forecast calendar years used in 2019 ECL model		
	2021	2022	2023	2021	2022	2023
GDP (SAR in Billions)	2,676	2,750	2,820	3,432	3,508	3,609
Oil prices (USD per barrel)	53.22	61.59	63.77	67.41	67.91	68.95
Inflation (Consumer Price Index)	99.20	100.75	102.50	115.41	117.78	120.04

With respect to the listed, sovereign and Financial Institutions, the bank utilizes a Credit Default Swap based methodology, which incorporates the market's forward looking view in order to arrive at the ECL.

COVID-19 overlays

The prevailing economic conditions do require the Bank to continue to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Bank in the estimation of ECL or revisions to the scenario probabilities currently being used by the Bank. As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes sector-based analysis depending on the impacted portfolios and macroeconomic analysis. The Bank has therefore recognised overlays of SAR 73 million as at 31 December 2020. The Bank will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Sensitivity of ECL allowance

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Bank's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the year end:

Assumptions sensitized	ECL impact 2020 SAR' 000
Macro-economic factors:	
Decrease in \$10 oil price per barrel	147,645
Decrease in \$20 oil price per barrel	295,291
Increase in Private sector GDP contraction by 5%	100,414
Increase in Private sector GDP contraction by 8%	160,662

Where modeling of a parameter is carried out on a collective basis, the financial instruments are assessed on the basis of shared risk characteristics that include:

- Product type
- Delinquency
- Employer (Government & Private segmentation)
- Income (Salary & Non salary transfer)
- Collateral type;

Measurement of ECL

For retail and commercial (including SME exposures), the key inputs into the measurement of ECL are the term structure of the following variables:

- a) Probability of default (PD);
- b) Loss given default (LGD); and
- c) Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD is calculated on a discounted cash flow basis using the contractual profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance, terminate a financing commitment, or guarantee.

For retail overdrafts and credit card facilities that include both a financing and an undrawn commitment component, the Bank measures ECL over a period of contractual maturity, as the bank considers that it has the contractual ability to demand repayment and cancel the undrawn commitment. Although these facilities do not have a fixed term or repayment structure and are managed on a collective basis, there is an annual review of the limits, where these can be cancelled.

For portfolios, such as listed exposures, Sovereign and FI exposures, in respect of which the Bank has limited historical data, credit default swap spreads are utilized to determine the Expected Credit Loss amount.

The PD, EAD and LGD models are subject to the Bank's IFRS 9 model validation policy that stipulates periodic model monitoring, periodic revalidation.

During the year, the Bank has validated and redeveloped some models where necessitates based on updated default data / macroeconomic information.

- Economic Sector risk concentration for the financing and allowance for ECL are as follows:

SAR '000	2020				2019			
	Performing	Credit-impaired	Allowance for expected credit losses	Financing, net	Performing	Credit-impaired	Allowance for expected credit losses	Financing, net
Commercial	3,868,235	240,367	(730,831)	3,377,771	4,444,231	150,721	(539,633)	4,055,319
Industrial	6,465,488	78,279	(330,703)	6,213,064	5,611,212	82,256	(211,774)	5,481,694
Building and construction	1,820,092	60,530	(217,549)	1,663,073	1,811,273	36,534	(172,268)	1,675,539
Real estate and rental	11,564,601	-	(211,018)	11,353,583	10,651,511	-	(104,591)	10,546,920
Transportation and communication	1,825,000	-	(15,722)	1,809,278	1,581,507	144	(20,051)	1,561,600
Electricity, water, gas & health services	1,430,328	-	(11,432)	1,418,896	572,582	1,402	(15,829)	558,155
Services	1,898,124	26,310	(88,792)	1,835,642	2,146,330	19,520	(105,419)	2,060,431
Agriculture and fishing	1,279,689	-	(27,482)	1,252,207	1,262,881	-	(4,341)	1,258,540
Mining & Quarrying	2,196,346	-	(4,342)	2,192,004	1,025,127	-	(1,351)	1,023,776
Retail	35,821,656	280,831	(438,223)	35,664,264	28,168,320	283,689	(423,848)	28,028,161
Other	3,464,142	158,875	(287,819)	3,335,198	3,122,437	161,647	(243,682)	3,040,402
Total	71,633,701	845,192	(2,363,913)	70,114,980	60,397,411	735,913	(1,842,787)	59,290,537

- Collateral**

The banks in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the financing. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and retail financing and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of commercial collateral held as security for financing that are credit-impaired as at 31 December 2020 are as follows:

SAR '000	2020	2019
Total fair value of collateral	206,451	162,154

30. MARKET RISK

Market risk is the risk that the fair value to future cash flows of the financial instruments will fluctuate due to changes in market variables such as profit rate, foreign exchange rates and equity prices.

a) Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Group does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the consolidated financial statements at amortized cost. In addition to this, a substantial portion of the Group's financial liabilities are non-profit bearing.

b) Foreign exchange rate risk

Foreign exchange rate risk represents the risk of change in the value of financial instruments due to change in exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on both its financial position and on its cash flows. The Group's management sets limits on the level of exposure by individual currency and in total for intra day positions, which are monitored daily.

The Group had the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2020		2019	
	Saudi Riyal SAR' 000	Foreign currency SAR' 000	Saudi Riyal SAR' 000	Foreign currency SAR' 000
Assets				
Cash and balances with central banks	5,702,217	43,136	7,835,872	79,980
Due from banks and other financial institutions, net	1,415,677	763,753	3,642,191	399,213
Investments, net	12,188,718	2,684,467	9,659,197	1,329,029
Financing, net	68,289,460	1,825,520	58,556,407	734,130
Other assets	912,206	22,546	1,828,337	72,747
Liabilities and equity				
Due to banks, central bank and other financial institutions	4,783,675	619,255	135,909	509,211
Customer deposits	67,558,521	3,994,368	64,758,251	2,347,292
Sukuk	2,004,876	-	2,007,768	-
Other liabilities	6,045,986	6,708	6,808,099	10,979
Equity	10,730,403	-	9,373,859	52,064

A substantial portion of the net foreign currency exposure to the Group is in US Dollars, where SAR is pegged to US Dollar. The other currency exposures are not considered significant to the Group's foreign exchange rate risks and as a result the Group is not exposed to major foreign exchange rate risks.

The Bank has performed a sensitivity analysis over one year time horizon for the probability of changes in foreign exchange rates, other than US Dollars, using historical average exchange rates and has determined that there is no significant impact on its net foreign currency exposures.

Currency position

At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2020	2019
	SAR' 000 Long/(short)	SAR' 000 Long/(short)
US Dollars	710,125	(345,234)
Kuwaiti Dinars	8,320	5,390
Pakistani Rupees	32,652	60,665
Euro	(5,361)	(50,188)
UAE Dirhams	22,506	13,965
Bangladeshi Takas	21,591	9,499
Others	41,321	1,456
Total	831,154	(304,447)

c) Investment price risk

Investment risk refers to the risk of decrease in fair values of equities, mutual funds and sukuk in the Group's FVOCI investment portfolio as a result of possible changes in levels of market indices and the value of individual stocks.

The effect on the Group's investments due to reasonable possible change in market indices, with all other variables held constant is as follows:

Security types	December 31, 2020		December 31, 2019	
	Change in investment price %	Effect in SAR' 000	Change in investment price %	Effect in SAR' 000
Equity				
Quoted	±10	29,886	±10	29,155
Unquoted	±2	3,343	±2	3,318
Mutual Funds				
Quoted	±10	30,772	±10	32,644
Unquoted	±2	9,979	±2	10,797
Sukuk				
Quoted	±10	283,974	±10	116,351
Unquoted	±2	189,307	±2	144,164

31. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Assets Liability Committee (ALCO). Daily reports cover the liquidity position of both the Bank and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by central bank, the Bank maintains a statutory deposit with central bank equal to 7% (2019: 7%) of total monthly average demand deposits and 4% (2019: 4%) of monthly average time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its total deposits, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through special investment arrangements facilities with central bank.

a) Analysis of discounted financial assets and financial liabilities by expected maturities:

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2020 SAR' 000	Within 3 Months	3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	1,741,229	-	-	-	4,004,124	5,745,353
Cash in hand	1,582,322	-	-	-	-	1,582,322
Balances with central bank	158,907	-	-	-	4,004,124	4,163,031
Due from Banks and other financial institutions	1,415,857	392,821	370,752	-	-	2,179,430
Demand	575,446	-	-	-	-	575,446
Commodity murabaha	840,411	392,821	370,752	-	-	1,603,984
Investments, net	1,069,525	-	1,968,490	10,562,500	1,272,670	14,873,185
FVOCI	-	-	1,968,490	5,672,718	465,998	8,107,206
FVTPL	-	-	-	-	806,672	806,672
Amortized cost	1,069,525	-	-	4,889,782	-	5,959,307
Financing, net	9,968,623	11,784,088	27,154,766	21,207,503	-	70,114,980
Retail	867,525	3,633,424	15,464,869	15,698,446	-	35,664,264
Commercial	9,101,098	8,150,664	11,689,897	5,509,057	-	34,450,716
Other assets	-	-	-	-	725,383	725,383
Total assets	14,195,234	12,176,909	29,494,008	31,770,003	6,002,177	93,638,331
Liabilities						
Due to banks, central bank and other financial institutions	688,727	2,720,153	1,994,050	-	-	5,402,930
Demand	81,046	-	-	-	-	81,046
Direct investment	607,681	2,720,153	1,994,050	-	-	5,321,884
Customer deposits	8,541,495	705,781	274,811	-	62,030,802	71,552,889
Demand	-	-	-	-	40,185,062	40,185,062
Direct investment	8,541,495	705,781	274,811	-	-	9,522,087
Albilad account (Mudarabah)	-	-	-	-	19,800,317	19,800,317
Other	-	-	-	-	2,045,423	2,045,423
Sukuk	-	-	-	2,004,876	-	2,004,876
Other liabilities	-	-	-	-	5,241,305	5,241,305
Total Liabilities	9,230,222	3,425,934	2,268,861	2,004,876	67,272,107	84,202,000
Commitments & contingencies*	1,842,033	3,172,009	1,923,123	2,618,605	-	9,555,770

* The cumulative maturities of commitments & contingencies are given in note 19 of the financial statements.

2019 SAR' 000	Within 3 Months	3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	4,362,480	-	-	-	3,553,372	7,915,852
Cash in hand	1,669,426	-	-	-	-	1,669,426
Balances with central bank	2,693,054	-	-	-	3,553,372	6,246,426
Due from Banks and other financial institutions	2,964,333	505,371	571,700	-	-	4,041,404
Demand	210,751	-	-	-	-	210,751
Commodity murabaha	2,753,582	505,371	571,700	-	-	3,830,653
Investments, net	-	250,036	981,728	8,433,847	1,322,615	10,988,226
FVOCI	-	250,036	981,728	6,340,840	456,323	8,028,927
FVTPL	-	-	-	-	866,292	866,292
Amortized cost	-	-	-	2,093,007	-	2,093,007
Financing, net	7,494,427	10,653,513	27,066,150	14,076,447	-	59,290,537
Retail	964,670	3,335,214	13,281,670	10,446,607	-	28,028,161
Commercial	6,529,757	7,318,299	13,784,480	3,629,840	-	31,262,376
Other assets	-	-	-	-	1,719,493	1,719,493
Total assets	14,821,240	11,408,920	28,619,578	22,510,294	6,595,480	83,955,512
Liabilities						
Due to banks, central bank and other financial institutions	645,120	-	-	-	-	645,120
Demand	212,045	-	-	-	-	212,045
Direct investment	433,075	-	-	-	-	433,075
Customer deposits	10,127,326	2,328,892	-	-	54,649,325	67,105,543
Demand	-	-	-	-	33,669,863	33,669,863
Direct investment	10,127,326	2,328,892	-	-	-	12,456,218
Albilad account (Mudarabah)	-	-	-	-	19,315,147	19,315,147
Other	-	-	-	-	1,664,315	1,664,315
Sukuk	-	-	-	2,007,768	-	2,007,768
Other liabilities	-	-	-	-	6,102,620	6,102,620
Total Liabilities	10,772,446	2,328,892	-	2,007,768	60,751,945	75,861,051
Commitments & contingencies*	1,720,735	2,801,909	2,168,166	1,509,452	-	8,200,262

* The cumulative maturities of commitments & contingencies are given in note 19 of the financial statements.

b) Analysis of financial liabilities by the remaining undiscounted contractual maturities as at December 31, are as follows:

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2020 and 2019 based on contractual undiscounted repayment obligations whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As investment and financing profit payments up to contractual maturity are included in the table, totals do not match with the statement of financial position.

2020 SAR' 000	Within 3 Months	3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks, central bank and other financial institutions	688,781	2,730,499	2,194,422	-	-	5,613,702
Customers' deposits	8,546,047	708,089	277,708	-	62,030,802	71,562,646

2019 SAR' 000	Within 3 Months	3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks, central bank and other financial institutions	645,617	-	-	-	-	645,617
Customers' deposits	10,177,569	2,411,922	-	-	54,649,325	67,238,816

32. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the consolidated financial statements.

- **Determination of fair value and fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

31 December 2020 SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial asse/ts measured at fair value					
Held as FVTPL	806,672	307,718	498,954	-	806,672
Held as FVOCI (equity instruments)	465,998	298,855	-	167,143	465,998
Held as FVOCI (debt instruments)	7,641,208	735,380	-	6,905,828	7,641,208
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,179,430	-	-	2,179,430	2,179,430
Investments held at amortized cost	5,959,307	2,104,355	-	3,854,952	5,959,307
Financing, net	70,114,980	-	-	70,006,017	70,006,017

31 December 2019 SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Held as FVTPL	866,292	326,443	539,849	-	866,292
Held as FVOCI (equity instruments)	457,426	291,550	-	165,876	457,426
Held as FVOCI (debt instruments)	7,571,501	695,369	-	6,876,132	7,571,501
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	4,041,404	-	-	4,041,404	4,041,404
Investments held at amortized cost	2,093,007	468,140	-	1,624,867	2,093,007
Financing, net	59,290,537	-	-	59,268,946	59,268,946

31 December 2020 SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities not measured at fair value					
Due to banks, central bank and other financial institutions	5,402,930	-	-	5,402,930	5,402,930
Customers' deposits	71,552,889	-	-	71,552,889	71,552,889
Sukuk	2,004,876	-	-	2,004,876	2,004,876

31 December 2019 SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities not measured at fair value					
Due to banks, central bank and other financial institutions	645,120	-	-	645,120	645,120
Customers' deposits	67,105,543	-	-	67,105,543	67,105,543
Sukuk	2,007,768	-	-	2,007,768	2,007,768

The fair values of financial instruments which are not measured at fair value in these consolidated financial statements are not significantly different from the carrying values included in the consolidated financial statements.

Cash and balances with central banks, due from banks with maturity of less than 90 days and other short-term receivable are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature.

The fair values, of profit bearing customer deposits, held at amortized cost investment, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from and due to banks and other financial institutions or a combination of both. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

Financing classified as level 3 have been valued using expected cash flows discounted at relevant SIBOR.

Fair Value Through Other Comprehensive Income (FVOCI) investments classified as level 3 include unlisted sukuk which have been measured by the management at fair value using broker quotes or estimating present value by discounting cash flows using adjusted discount rate. The adjusted discount rate is calculated using CDS of a similar entity using publicly available information. The valuation method has been approved by ALCO.

During the current year, no financial assets / liabilities have been transferred between level 1 and / or level 2 fair value hierarchy.

- **Impact of COVID-19 on assessment of fair value of the Bank's unquoted investments**

The COVID-19 led management to expand the inputs and analysis to support the current fair value methodology for its unquoted investments. The Bank used following additional criteria, in the absence of recent pricing activity and based on availability of information with the Bank:

- review of performance of investments against budgets in the period before COVID-19 and following onset of COVID-19 related lockdowns and restrictions;
- cost reduction and cash flow measures put in place by the investee management to limit COVID-19 impact; and
- trajectory of the businesses through the recovery period following COVID-19 lockdown period and impact on long-term revenue generating potential.

The revised procedures and ongoing COVID-19 impact has not led to a change in the fair value of the Bank's unquoted investments.

- **Reconciliation of level 3 fair values held as FVOCI**

	31 December 2020 SAR' 000	31 December 2019 SAR' 000
Balance at the beginning of the year	7,042,008	3,782,086
Purchase	1,250	3,022,876
Sale	(248,933)	-
Gain / (loss) included in OCI		
Net changes in fair value (unrealised)	278,645	237,046
Total	7,072,970	7,042,008

33. RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of activities, the Group transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and the regulations issued by central bank.

The nature and balances of transactions with the related parties for the years ended December 31 are as follows:

a) Directors, key management personnel, other major shareholders and their affiliates balances:

	2020 SAR' 000	2019 SAR' 000
Financing	5,021,041	5,384,531
Commitments and contingencies	113,211	122,549
Deposits	353,817	271,235

b) Group's mutual funds:

These are the outstanding balances with Group's mutual funds as of December 31:

	2020 SAR' 000	2019 SAR' 000
Customers' deposits	313	32,954
Investments - units	473,888	428,552

c) Income and expense:

Directors, Key management personnel, other major shareholders and their affiliates and mutual funds managed by the Group:

	2020 SAR' 000	2019 SAR' 000
Income	225,517	272,728
Expenses	10,325	10,936

d) The total amount of compensation paid to key management personnel during the year is as follows:

	2020 SAR' 000	2019 SAR' 000
Employee benefits	89,264	75,802

34. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by central bank; to safeguard the Group's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management. central bank requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

The Group monitors the adequacy of its capital using ratios established by central bank. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

The following table summarizes the Group's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios.

	2020 SAR' 000	2019 SAR' 000
Credit Risk RWA	67,979,379	63,300,773
Operational Risk RWA	7,243,454	6,384,244
Market Risk RWA	839,000	414,729
Total Pillar-I RWA	76,061,833	70,099,746
Tier I Capital	10,801,732	9,473,031
Tier II Capital	2,849,742	2,791,260
Total Tier I & II Capital	13,651,474	12,264,291
Capital Adequacy Ratio %		
Tier I ratio	14.20%	13.51%
Tier I + Tier II ratio	17.95%	17.50%

35. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank offers investment management services to its customers through its subsidiary, Albilad Investment Company. These services include the management of nine public mutual funds (2019: nine public mutual funds) with assets under management (AUM) totaling SAR 3,066 million (2019: SAR 1,995 million). Al bilad Investment acts as the fund manager of these funds. All of these funds comply with Shariah rules and are subject to Shariah controls on a regular basis. Some of these mutual funds are managed in association with external professional investment advisors.

The Group also manages private investment portfolios on behalf of its customers amounting to SAR 826.5 million (2019: SAR 1,994 million). The financial statements of these funds and private portfolios are not included in the consolidated financial statements of the Group. However, the transactions between the Group and the funds are disclosed under related party transactions (see note 33).

36. IBOR TRANSITION (PROFIT RATE BENCHMARK REFORMS)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition.

Management is running a project on the Bank's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

37. SAMA SUPPORT PROGRAMS AND INITIATIVES

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro, Small, and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompass the following programs:

- Deferred payments program;
- Funding for lending program;
- Facility guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA, the Bank was required to defer payments for a total of nine months (original deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months and then further deferring the installments falling due within the period from 15 September 2020 to 14 December 2020 for a period of three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net financing income.

Further to the above, SAMA on December 2020 extended the deferred payment program until March 31, 2021. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Bank recognising an additional modification loss of SAR 41 million.

As a result of the above program and related extensions, the Bank has deferred the payments amounting to SAR 2.8 billion on MSMEs portfolio and accordingly, has recognised total modification losses of SAR 115 million during the year. The total exposures against these customers amounted to SAR 8.9 billion as at the year end.

The Bank generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

The Bank continues to monitor the lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves; however, management has recorded SAR 73 million of overlays to reflect potential further credit deterioration.

The Bank has booked SAR 22.9 million incremental total ECL for the MSME portfolio having total exposure of SAR 8.9 billion.

If the balance of COVID-19 support packages in stage (1) move to stage (2), additional ECL provisions would be needed during 2021 based on the credit facility - level assessment and the ability to repay amounts due after the deferral period ends.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received in aggregate SAR 2.1 billion of profit free deposit in number of tranches from SAMA during the year ended 31 December 2020, with varying maturities. Management had determined based on the communication from SAMA, that the profit free deposits primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 233 million, of which SAR 114 million has been recognised in the statement of income and SAR 119 million has been deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the year ended 31 December 2020, SAR 12.2 million has been charged to the statement of income relating to unwinding of the day 1 income.

As at December 31, 2020, the Bank has participated in SAMA's facility guarantee programs and the accounting impact for the year is immaterial.

Furthermore, during the year ended December 31, 2020, the Bank has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 9.2 million.

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during the year ended December 31, 2020, the Bank received SAR 2.6 billion profit free deposit with one-year maturity. Management has determined based on the communication received from SAMA, that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 25.5 million, of which SAR 15.2 million has been recognised in the statement of income for the year ended December 31, 2020 and with the remaining amount deferred.

Bank's initiative - Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This resulted in the Bank recognizing a day 1 modification loss of SAR 28.8 million during the year ended December 31, 2020, which was presented as part of the net income from investing and financing assets.

38. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.

39. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were authorized for issue by the Board of Directors on 29 Jumada Al Akhir 1442H (corresponding to February 11, 2021).

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