

بنك البلاد
Bank Albilad



Establishing a *platform for* **Growth**

Annual Report **2019**



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

2019 AT A GLANCE

FINANCIAL HIGHLIGHTS

Net profit attributable before Zakat



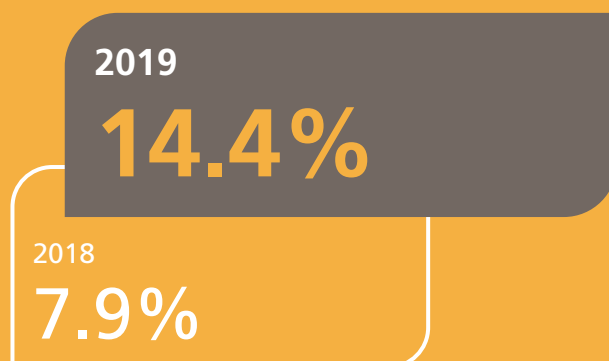
Total Equity



Net Finance



ROAE% After Zakat



Customers Deposits



EPS



OPERATING HIGHLIGHTS

70%

increase in customer registration on online channels

9,496

training hours

179

Enjaz centers

53%

increase in Mobile Banking transactions volume

91.5%

Saudization

+3,500

ambassadors

110

branches in the Kingdom

"BEST DIGITAL PRODUCT"

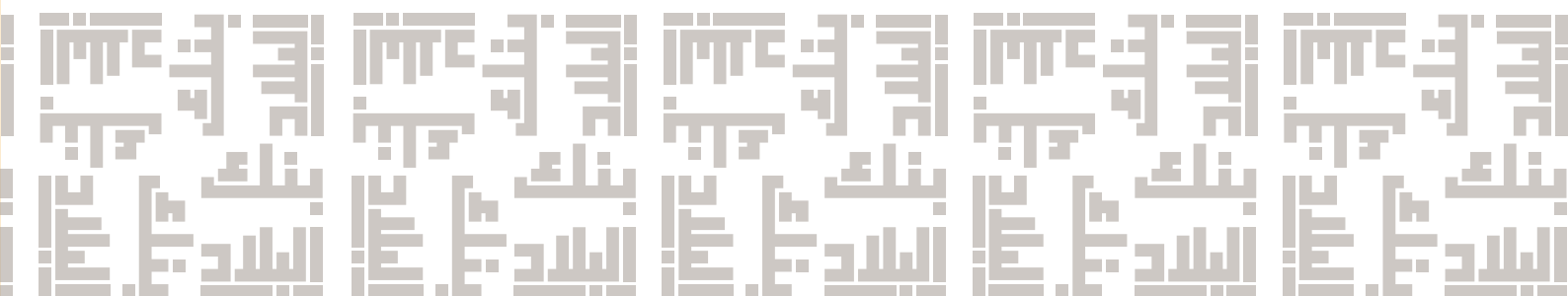
MEFTECH

The Best Performance Bank Award in the field of real estate financing
Ministry of Housing (Housing Program) / Real Estate Development Fund

"EXCELLENCE IN DIGITAL BANKING"



Most Innovative Credit Card Award
Tamkeen Credit Card
International Finance Award





Read our annual report online

CONTENTS

8 STRATEGIC REVIEW

- 10 About Us
- 12 Chairman's Statement
- 16 CEO's Statement
- 20 The Year in Review
- 22 Establishing our Platform for Growth
- 24 Our Strategy
- 28 Our Value Creation Story
- 30 Financial Review
- 32 Operating Review
- 38 Our Marketplace
- 40 Human Capital
- 42 Risk Management and Compliance
- 48 Sustainability
- 52 Shareholder Information

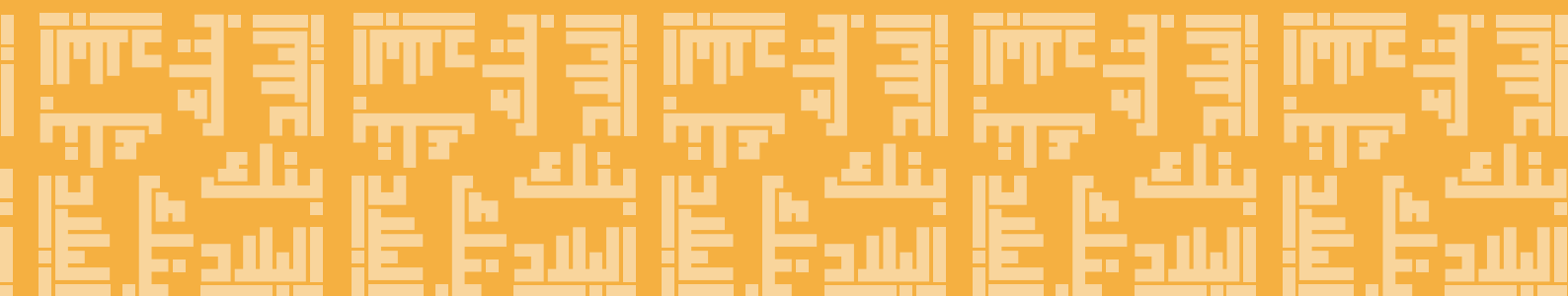
54 LEADERSHIP AND GOVERNANCE

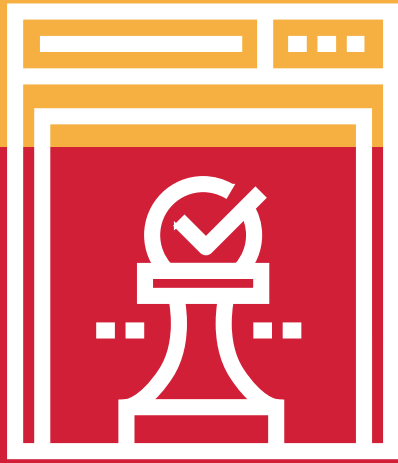
- 56 Board of Directors
- 58 Executive Management
- 60 Governance

112 FINANCIAL STATEMENTS

- 114 Independent Auditor's Report
- 119 Consolidated Statement of Financial Position
- 120 Consolidated Statement of Income
- 121 Consolidated Statement of Comprehensive Income
- 122 Consolidated Statement of Changes in Equity
- 124 Consolidated Statement of Cash Flows
- 126 Notes to the Consolidated Financial Statements

182 ISLAMIC BANKING GLOSSARY





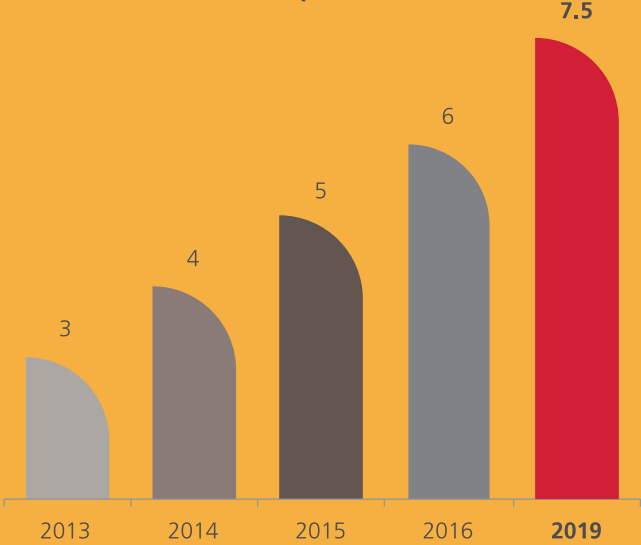
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تتيح
للعميل
التعامل
بسهولة
مع
خدمات
البنك

STRATEGIC REVIEW



ABOUT US

Increase in Capital (Billion SAR)



Bank Albilad is a Saudi joint stock company, established by Royal Decree in 1425H (corresponding to 2004) with a corporate capital of SAR 3,000,000,000.

It is the 11th bank in the Kingdom headquartered in Riyadh, Kingdom of Saudi Arabia, and listed (ALBILAD) on Tadawul, the Saudi Stock Exchange. The Bank operates over 110 branches across the Kingdom of Saudi Arabia, with 33 sections for women as well 5 sales centres and over 179 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

The first shareholders to invest in the Bank were 8 of the leading money exchangers in the country: 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 have contributed SAR 1.5 billion towards Bank Albilad, while the public also paid SAR 1.5 billion.

SUBSIDIARIES

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.

Vision

To be the preferred choice of innovative Islamic banking solutions

Mission

To leverage digital transformation, networks, 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 communities

Values

- Initiative and Innovation
- Care and Partnership
- Trust and Accountability



Abdulrahman bin Ibrahim Al-Humaid

Chairman

“ A core focus for us in 2019 was the extensive introduction of digital technology across our personal banking franchise, as well as the business as a whole. ”

CHAIRMAN'S STATEMENT

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

On behalf of the Board of Directors, I am pleased to present Bank Albilad's Annual Report for the fiscal year ended 31 December 2019. As the financial statements and business narratives in this report demonstrate, Bank Albilad again produced a strong annual performance. Revenues amounted to SAR 3,945 million, an increase of 15% over the previous year, with net profits before Zakat of SAR 1,387 million, a 25% increase since 2018.

The demand for digital delivery of financial services in Saudi Arabia is growing rapidly. Customers expect us and our national counterparts to match the capabilities of banks in highly advanced economies. Thus, a core focus for us in 2019 was the extensive introduction of digital technology across our personal banking franchise, as well as the business as a whole. The banking industry worldwide is being challenged and disrupted by new providers who can deliver seamless, efficient and convenient financial services, particularly to retail customers. It is therefore imperative that we stay ahead of this trend if we are to defend and grow our business. We invested heavily in this area of our operations, opened a number of new branches and other outlets and improved our branches network to give those customers seeking personal services the choice they continue to appreciate from us.

More broadly, it is generally recognized that the economic outlook for Saudi Arabia in the medium term is positive. Measures are being taken by the Government to open up the economy to foreign investment and allow all residents

greater participation across a wide spectrum of activities and social interaction. The second and final phase of Saudi Arabia's inclusion in the MSCI Emerging Markets Index highlights the willingness of the Kingdom to welcome international investors; a phase which, in 2019, saw the inclusion of Bank Albilad and that gives Tadawul a weight of 2.8% on the MSCI Index.

The Kingdom's leadership G-20 in 2020 is a strong evidence and the world is increasingly recognizing that Saudi Arabia has much to offer as a partner in trade, investment and co-operation across many spheres. All of this bodes well for the future prosperity and wellbeing of the country and its people – and for the achievement of the Saudi Vision 2030.

As the economy responds to the significant stimulus from the Government, we look forward to achieving further growth in our corporate business, which represents almost half of our balance sheet.

Despite the bank being one of the smaller Saudi national banks, we have demonstrated our dynamism and confidence through expanding our geographic presence and range of services.

The overall theme of Bank Albilad's strategy for 2020 is grounded in leveraging our channels, our network and expertise among our own people to support sustainable growth and boost our revenue streams. As our international ratings also demonstrate, we are seen as a strong and dependable business partner, committed to helping the Kingdom achieve its goals particularly with regard to important aspects of its national development program, including promoting the growth of SMEs and enabling Saudis to live in their own homes. For instance, we successfully reached an agreement with the Small and Medium Enterprises General Authority to enable entrepreneurs to grow their businesses. Our support for

the communities we serve was again reflected through a myriad of initiatives during the year by embracing social, environmental and humanitarian activities which is listed in details in this report.

On behalf of the members of the Board of Directors, the Executive Management and all our Albilad Ambassadors, I would like to express my sincere appreciation and gratitude to the Custodian of the Two Holy Mosques and his faithful Crown Prince – may Allah protect them – for their steadfast support and guidance to the banking sector. Moreover, I would like to thank the Ministry of Finance, Ministry of Commerce & Investment, Saudi Arabian Monetary Agency and Capital Market Authority for their support for the Bank's compliance with rules and regulations that ensure the stability of the Kingdom's banking system.

To our shareholders, partners and clients, we wish to offer our gratitude for their continued loyalty and confidence.

Finally, I would like to thank our Albilad Ambassadors for their diligence and trust in us, and for the hard work that they contribute on a daily basis to make Bank Albilad such a dynamic and successful business.



بنك البلاد
Bank Albilad

الثقة
والمسؤولية

المبادرة
والابتكار

الاستثمار
المتنوع والابتكار
البنكي

البنك
الذي يهتم
بكل العميل



Abdulaziz Mohammed AlOnaizan

Chief Executive Officer

“ Achieved excellent operational and financial results, by investing in information technology infrastructure and enhancing digital capabilities. ”

CEO'S STATEMENT

Ladies and Gentlemen, Bank Albilad Shareholders,

Peace be upon you

During 2019, Bank Albilad continued to implement its strategy of strengthening its readiness in the medium- and long-term as it achieved excellent operational and financial results, by investing in information technology infrastructure and enhancing its digital capabilities, in line with its digital transformation strategy, while ensuring information security and business continuity. Moreover, the Bank provided high-quality services to its customers, enhanced operational efficiency, and supported human resources development within an attractive and stimulating work environment.

Bank Albilad performance in 2019 was driven by one clear driving force - Our absolute belief that there are significant market opportunities. The theme of this report is Platform for Growth. This is not simply a question of tapping into specific customer segments, it is also about growing the efficiency of our operations in tandem with a sensible and conservative attitude to risk, so as to guarantee our long-term stability in light of economic changes and the challenges facing the financial and banking sector.

FINANCIAL PERFORMANCE

2019 was another landmark year for Bank Albilad in terms of financial performance despite ongoing economic volatility prevailing in the region and the impact of global trade uncertainties.

The Bank's Net Income grew 25% to SAR 1,387 million before Zakat, compared to SAR 1,110.5 million before Zakat the previous year. This was achieved on the back of total operating income growth which increased by 17% to SAR 59,363 million, resulting primarily from a significant jump

in investment income by 70% to account for SAR 10,987 million. The Bank's Total Assets grew by 17% to SAR 86,075 million, with Deposits up by 17%.

EXPAND OUR PRODUCTS AND SERVICES

The Bank endeavors to consistently provide excellent banking services through a deep understanding of customer needs and provide flexible and innovative solutions designed specifically for them. As the preferred partner for its many customers, several products and services have been developed to meet customer needs and expectations, whether through its branches located across the Kingdom or any of the Bank's multiple online channels. Furthermore, the Bank now offers a wide range of retail and institutional financing products. In addition, the Bank has committed to actively and continuously contribute towards achieving the Kingdom's Vision 2030 goals and aspirations.

In support of the national savings strategy, to increase the savings of Saudi households from 6% to 10% by 2030, the Bank has introduced various and innovative savings products. In addition, the Bank supports startups to increase their contribution to GDP through participation in programs and providing products for the MSME segment. Several real estate financing products and programs have also been launched, within the strategic partnership with the Ministry of Housing and the Real Estate Development Fund, aiming to increase our citizens' ownership of homes and housing units. For this, Bank Albilad has been honored as the "Best Performing Bank in Real Estate Finance 2019".

Enjaz centers, our money transfer and exchange service, continued to grow and enhance its performance by deploying self-service kiosks and POS devices. This will enable our customers to execute financial transfers immediately, in several languages, around the clock in convenient locations kingdom wide with ease and flexibility.

ENHANCE CUSTOMER EXPERIENCE THROUGH OUR OUTSTANDING SERVICES AND DIGITAL TRANSFORMATION

Our efforts are within the framework of enhancing the customer experience in using digital channels across all segments, not only by leveraging technology, but also by

developing the capabilities and skills of our employees. The Bank has improved the effectiveness of communication and agility across all units, increasing the speed of decision-making processes in achieving desired business outcomes and supporting change management across all levels.

As technology plays a major role in supporting the sustainable growth of our business and enhancing market position, we have invested in experienced human capital to build and developed digital channels across all businesses. The benefits of these have been seen most notably in personal banking services, thus becoming the first bank in the Kingdom to offer account opening services digitally for clients without visiting a bank branch or submitting physical documentation. In 2019, the Bank won two awards for its commitment to digital excellence.

PROMOTE A CULTURE OF OUTSTANDING PERFORMANCE AND SOCIAL RESPONSIBILITY

We believe in the importance of the relationship with the communities that we serve. We seek to employ the best talent and the Bank continuously strives to improve its work environment by creating a stimulating, evolving and attractive atmosphere for them. The Bank makes sure they are recognized. The Bank provides specialized training opportunities that motivate ambassadors to hone their talents and achieve their aspirations toward developing their careers. In addition, the Bank encourages employees to foster a strong sense of community by supporting participation in volunteer activities.

The Bank's corporate social responsibility programs and contributions have played a significant role in achieving sustainable development to support different segments of society. Bank Albilad sponsored the Chair for Environmental Sustainability and Food Security within the CSR program of King Faisal University and the Bank was a strategic sponsor as well of the International Day of Persons with Disabilities. Bank Albilad was awarded the "Best CSR initiative" by the Global Business Outlook Awards, for its Red Sea clean-up efforts. We have also entered into a partnership with the Social Development Bank to develop and implement several savings programs that will raise awareness and foster improved attitudes towards savings amongst citizens. Above all, we recognize that we have a duty of care to the country as a whole, and to the Government, in achieving its goals and aspirations.

IN CONCLUSION

The accomplishments achieved during the past 12 months would not have been possible without the guidance of the Board of Directors and the collective efforts of the Executive Management, and of Bank Albilad Ambassadors.

We will strive to sustain this growth momentum and achieve better results in 2020 by putting more efforts to raise the level of operational efficiency and flexibility. We will continue to enhance customer experience by offering the best innovative banking solutions. The Bank will sustain its investment in modern technologies, in the development of human capital and maintain its social responsibility programs.

I extend my sincere appreciation and gratitude to the Custodian of the Two Holy Mosques and the Crown Prince - may Allah protect them - and the Saudi Arabian Monetary Authority for the great support in all aspects of the national economy and the banking sector in particular. I also extend my sincere gratitude to all the Bank's shareholders and customers for their trust and support, which has had a profound impact on our continuous efforts to grow our business in line with their aspirations.

May Allah Bless Us All.

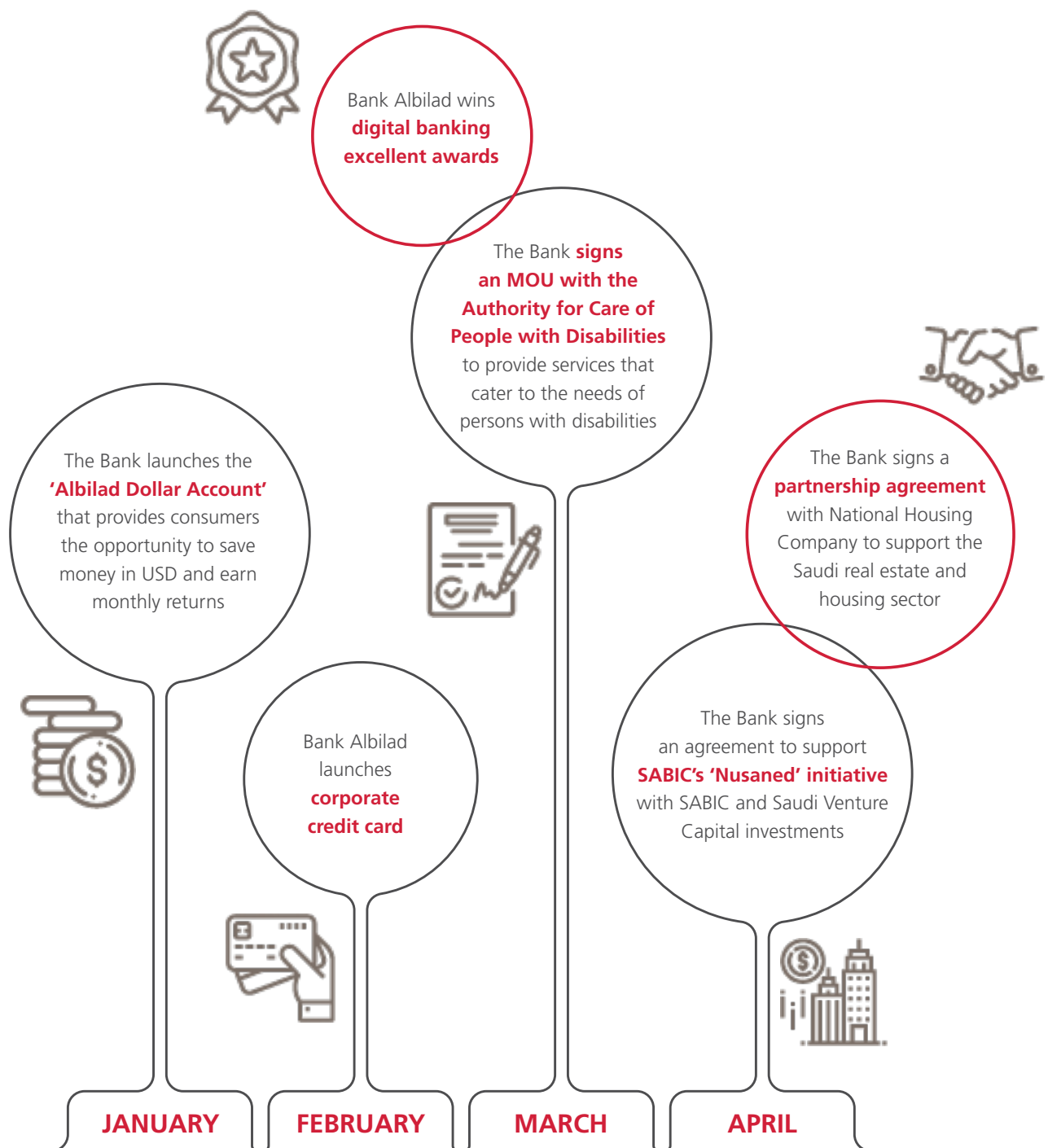


Account Name	Account Type	Balance	Interest Rate
Current Account	Current	10,000.00	3.00%
Savings Account	Savings	25,000.00	4.00%
Fixed Deposit	Fixed	100,000.00	5.00%
Term Deposit	Term	50,000.00	4.50%
Money Market	Money	15,000.00	3.50%
Government Bonds	Bonds	75,000.00	6.00%
Corporate Bonds	Bonds	30,000.00	5.50%
Real Estate	Real Estate	200,000.00	7.00%
Private Equity	Equity	50,000.00	8.00%
Venture Capital	Equity	20,000.00	10.00%
Commodities	Commodities	10,000.00	9.00%
Derivatives	Derivatives	5,000.00	11.00%
Options	Options	3,000.00	12.00%
Futures	Futures	2,000.00	13.00%
Swaps	Swaps	1,000.00	14.00%
Structured Products	Structured	10,000.00	15.00%
Structured Notes	Structured	5,000.00	16.00%
Structured Bonds	Structured	5,000.00	17.00%
Structured Equities	Structured	5,000.00	18.00%
Structured Commodities	Structured	5,000.00	19.00%
Structured Derivatives	Structured	5,000.00	20.00%

THE YEAR IN REVIEW

In 2019, Bank Albilad delivered strong financial performance despite uncertainty concerning regional economic outlook and a highly competitive environment.

It demonstrated continued progress in building a stronger, safer bank capable of delivering improved returns for shareholders.





ESTABLISHING OUR PLATFORM FOR GROWTH

The growth potential of any organization is underpinned by the strength of its foundations.

In the 15 years since its launch, Bank Albilad has created a diversified business model that has delivered solid and reliable returns to its shareholders year-on-year, an ever-increasing range of products and services to its customers and real value to society and the Kingdom as a whole.

The growth of the Bank will be sustained by extending the Bank Albilad franchise, comprising branches, Enjaz outlets and digital access for customers across the Kingdom. This will ensure that the Bank's distinctive services are tailored to the needs of customers, delivered in manner that serves them best.

Bank Albilad's business segments achieved robust double-digit growth in the past year and exhibits significant potential to further extend its reach and scope. Retail business is being transformed by the application of state-of-the-art technology and the Bank's investment program is prudent, but firmly set on a path for growth. The Bank is employing more people and has tripled its budget for training, both through its dedicated centre and online through the academy.

As the Bank looks to the future, it can be confident that this robust platform provides a firm footing for significant future success.





OUR STRATEGY

The strategy guiding Bank Albilad's operations covers all operational segments of the bank.

It takes into account the acceptable levels of risk in achieving the Bank's vision and objectives, which include increasing market share, achieving growth in earnings and net profits and expanding its capital base. In 2019, the Bank targeted the expansion of its digital delivery channels to personal and SME customers, diversifying its client base and increasing income from investments. Raising productivity is also a key element of the strategy, achievable through the improvement of procedures and staff performance, as well as the most effective distribution of branches.

In 2019, the Bank's capital was increased by SAR 1.5 billion with a total paid-up capital of SAR 7.5 billion through its aims to boost available resources.

The Bank's strategy in 2019 focused particularly on technology and innovation. Unprecedented levels of investment in new technology are delivering improved levels of digital services to customers, as well as enhancing the Bank's Treasury and Risk Management systems. At a secondary level, significant resources were placed into growing the mortgage lending book, resulting in record sales. The bank's strategy reflected on supporting its digital channels, which includes a roll out of new self service kiosks for Enjaz customers, and, for the first time in the Kingdom, a POS device enabling international money transfers.





The overall theme of Bank Albilad's strategy for 2020 is centered on leveraging our channels, networks and expertise to deliver sustainable growth. This will be supported by our ongoing efforts to achieve operational excellence and a performance-driven culture. Innovation is key to the success of our products and services which will be further diversified and enhanced to build a highly dynamic business structure.

The Bank will also continue its efforts with the aim of developing resources and making good use of its facilities to provide customers with convenient streamlined services, competitive value-added offers, thoughtful experiences and expert advice.



VISION

To be the preferred choice of innovative Islamic banking solutions



MISSION

To leverage digital transformation, networks, 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 communities



Flexible working environment

Adopting a culture based on performance and knowledge in a healthy, cooperative and effective work environment



Outstanding operations

Excellence in monitored operations, strategically appropriate and rely on measures, effectiveness and efficiency



Innovative products and channels

Provide Islamic innovative and profitable products through reliable and modern channels



Focus on the customer

High quality service increases customer satisfaction and the profitability of the customer base by strengthening their portfolios



VALUES

Initiative and Innovation

Care and Partnership

Trust and Accountability

OUR VALUE CREATION STORY

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

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,

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 continual efforts to stimulate growth and innovate has been a cornerstone of our success

Exceptional customer service
Customer centricity is in our DNA. Our continual 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

Leveraged across our business verticals

Retail Banking



Corporate Banking



Enjaz



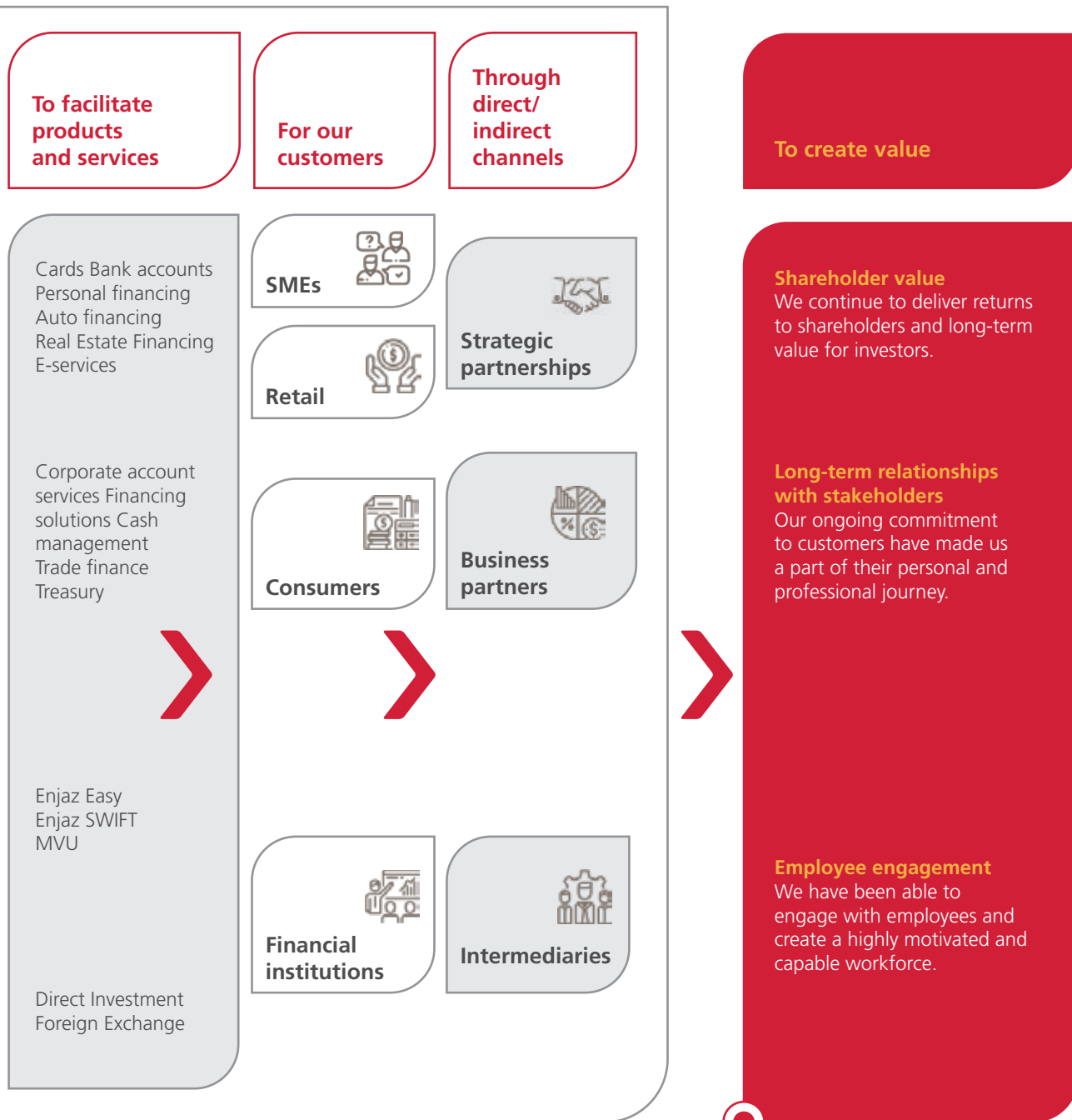
Treasury



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.

HOW WE CREATE VALUE



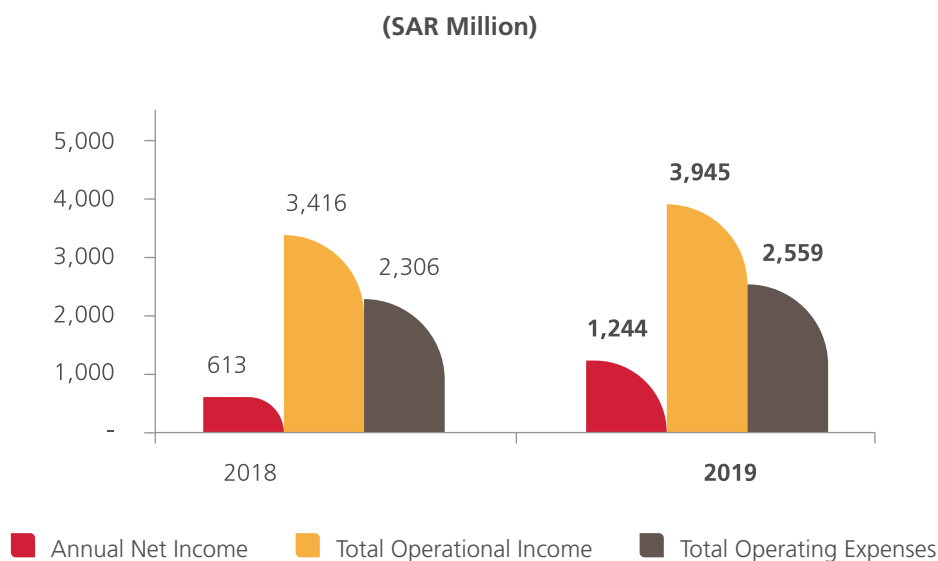
Underpinned by our strong risk management, best practice governance and work culture

FINANCIAL REVIEW

The annual financial results of Bank Albilad ending in 31 December 2019 showcase continuous growth of profits as a result of increased Bank activity in key segments, where its Net Income before Zakat increased by 25% to SAR 1,387 million compared to SAR 1,110.5 million for the same period in 2018.

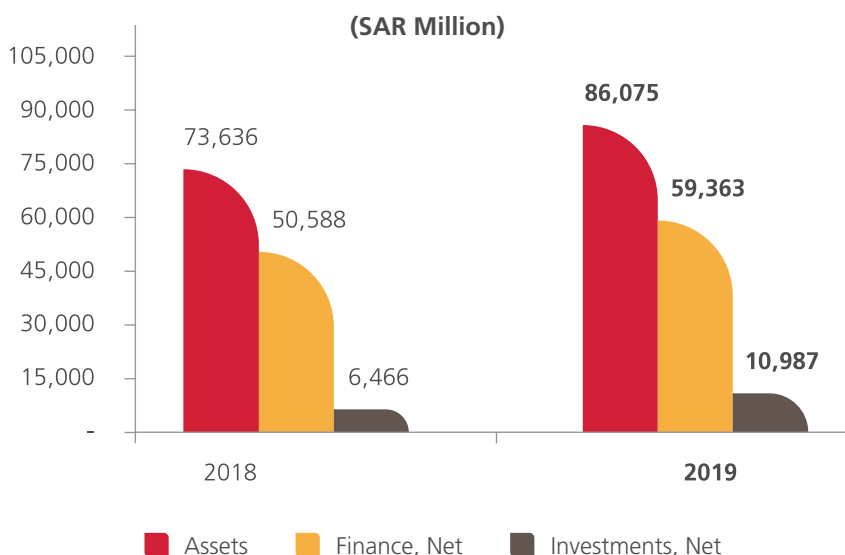
The Bank continued to achieve an increasing level of revenue which achieved an growth based on Total Operating Income of SAR 3,945 million which improved by 15%, resulting primarily from higher financing and investment revenues. On the other hand, the Total Operating Expenses increased by 11% to SAR 2,559 million as a result of the increase in consumption and other general and administrative expenses, as well as in the salaries and benefits of employees. The Bank achieved Net Profit, after Zakat deduction for the year, in 2019 amounting to SAR 1,243.7 million, compared to a Net Profit of SAR 612.7 million for the same period in 2018, an increase of 103%. In 2019, there were changes

made to the accounting policy for Zakat as the Bank has accounted for this on the income statement for 2019 and amended the financial statements for 2018 accordingly. As reported previously, Zakat was recorded in the list of changes in shareholders' equity. The adjusted income statement for the 2018 period also included its effect on the Bank in agreement with the General Authority of Zakat and Income on the settlement of Zakat claims for the previous fiscal years from 2006 to the end of the 2017 with the amount of SAR 393 million in addition to Zakat for 2018 at a value of SAR 105 million.



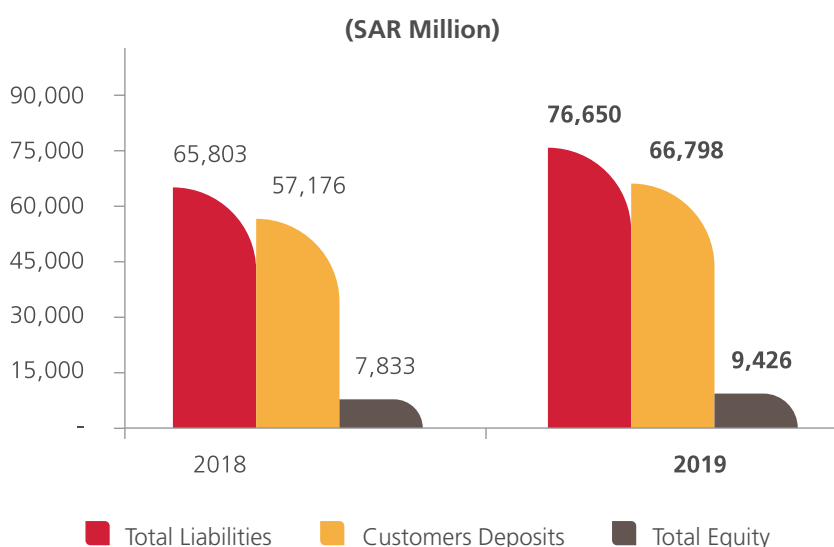
Regarding assets, Net Finance increased by 17% to SAR 59,363 million and investments grew by 70% to SAR 10,987 million compared to the same period in 2018, which led

to growth in the Bank's total assets by 17% to reach SAR 86,075 million.



In terms of liabilities, deposits increased by 17% to SAR 66,798 million compared to the same period in 2018. The Total Equity of SAR 9,426 million increased by SAR 1,593 million, an improvement of 20%, by the end of December

2019, compared to SAR 7,833 million at the end of December 2018, primarily 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 first pillar at the end of 2019 stood at 17.5%. After deducting Zakat, the bank achieved a Return on Average assets (ROA) of approximately 1.6%, while the Return on Average (ROA) shareholders' equity was 14.4%, and Earnings per Share (EPS) reached SAR 1.67 per share.

The Bank was able to achieve positive financial and operational results and growth during 2019, a result of exceeding goals set during the onset of 2019 and additional policies and business strategies implemented throughout the year.

Bank Albilad's operations fall into four categories: Retail, Corporate, Treasury and Investment & Brokerage.

RETAIL BANKING

Robust financial results were achieved in 2019 which lead to a growth in retail financing, real estate financing and deposits portfolios.

The Bank achieved a number of significant milestones through its increased digital delivery of retail services. Through its updated app, the Bank's mobile banking transactions grew by 53% during the year, resulting in a decrease in branch-based transactions. This allowed branch staff to focus on more value-added interaction with customers. The Bank was the first in the Kingdom – and the GCC/MENA region – to offer digital account opening via the website, removing the need for branch visitation or physical documentation. A prepaid card – Albilad Digital Card – was launched, providing customers with an easy and secure way to purchase items online.

A number of new services and products were launched throughout the year, including the Mada Pay service and Apple Pay. An exclusive design for National Day of the Mada and Prepaid Cards was launched as they were recognized as unique products in the market.

The credit card portfolio grew by 17% in comparison with the previous year. More than 8,000 additional POS systems were installed with merchants, bringing the total number to more than 20,000 across the country.

The branch network is now the 6th largest in the Kingdom. A redesign program was founded in 2019 to provide a better customer experience and provide branches with more prominence. This process includes the acquisition of

standalone buildings and the installation of additional 24/7 service availability.

The Government of Saudi Arabia is planning a significant expansion of housing across the Kingdom in the coming years; by some 400% as envisaged by the 2030 Vision. This is reflected in the emphasis the Bank has placed on mortgage products, which witnessed significant growth in market share for the year. The off-plan finance package was one of the Bank's most popular mortgage-based products in strategic cooperation with the Saudi Ministry of Housing and Real Estate fund.

BRANCHES NETWORK

The Bank operates 110 branches around the Kingdom, comprising 33 sections for women and 5 self-service centers. The Bank observed increased usage of its mobile and digital delivery channels throughout the year. While several branches were closed due to low critical mass, new outlets in centres of high potential footfall and transaction volumes were installed. The branch network now comprises 5 sales centres (Riyadh, Jeddah, Dhahran, Jubeil and Al Kharj) as well as specialized services for SMEs delivered through 10 of its offices and through Albilad Business phone banking. In addition to its branch network, the Bank rapidly grew the number and spread of its Enjaz units to 179. Enjaz self-service machines increased to reach a total of 94. As at 31 December 2019, the Bank operated 970 ATMs in the Kingdom.

ENJAZ

As a highly visible part of the Bank's retail franchise, Enjaz extends the Bank's geographic presence and share of the money transfer market. To enhance the use of e-channels and reduce cash handling in branches, Enjaz rolled out a network of self-service kiosks which contributed to the increase and spread of the achievement network in labour camps, industrial, agriculture, and hospitals, as well as mobile POS devices, the first of their kind to be established in the Kingdom during the year. The POS devices offer high levels of security, simplicity and efficiency in international money transfers to customers wherever they may be through the Bank's strategic partnership with Western Union that has been in place for the last 15 years. Furthermore, TRANSFAST enables transfers to more than 200 countries around the world, in almost one million locations. These initiatives have strengthened the Bank's position in the Kingdom's international exchange market, maintaining Bank Albilad's position in holding the highest market share.

CORPORATE BANKING

Bank Albilad's corporate business achieved growth in Net Profits of SAR 27% before Zakat in 2019, with net revenues reaching SAR 373 million compared to SAR 135 million in the previous year.

Corporate Banking's underlying strategy during the year was to reorganize and support in the differentiation its offerings with creative products in the local market. To this end, the Corporate Analytical unit was brought into the division – and supervision of Business Banking teams was transferred from Head Office to Area Managers.

Diversification was also a principal driver of the Corporate Banking strategy – with the aim of growing its footprint and producing new revenue streams. From this perspective, new customers were added to the corporate banking list to increase the diversity and support growth of the financing portfolio. Additionally, there was an effective contribution from the management of financial institutions and

specialized financing during the year as they contributed to the growth of funded assets. Transaction numbers increased in line with trade operations for 2019, amounting to SAR 12 billion with a growth rate of 40% compared to 2018. This paved the way for increased income from unfunded businesses and correspondent banks.

The Bank's SME lending falls within the Corporate business. Given its importance within the Vision 2030 plan (i.e. to increase its contribution to GDP from 20% to 35%) the Bank considers such measures critical in nature. Bank Albilad is ranked 5th in the Kingdom for implementing the Kafala loan guarantee program for SMEs and is well placed to grow this element of its loan book. Looking ahead, the Division plans to invest heavily in developing its SME client focus – and will introduce new technology to ensure that products and services are tailored to meet the specific needs of this group. This Division is also looking to create a separate business line for medium-sized corporate clients to comply with accomplishments and goals of the Kingdom's Vision 2030.





TREASURY

The objective of the Treasury's strategy for the year was to support the Bank's net earnings through operational as well as own-account activities, as well as to extend the duration of the Bank's investment portfolio, ironing out short-term shifts in yield curves and economic cycles.

The Treasury was able to deliver tremendous results during 2019 and contributed positively towards the Bank's net earnings through expanding & diversifying Bank's investment portfolio; riding short-term shifts in yield curves to secure increased value.

Treasury contributed SAR 349 million to the Bank's Net Income, an increase of 12% over the previous year. The Sukuk portion of this achieved exponential growth of 91% (SAR 8,372 billion compared to SAR 4,391 billion in 2019). This resulted largely from the Government's program of increasing debt issuance to compensate for lower proceeds from the energy market.

An additional highlight was the launch of the FX Forward Wa'ad product, allowing customers to hedge their FX risk through a Shariah compliant derivative product. Similarly, Treasury division teams were assigned infrastructure-related targets to assist in strengthening future revenue streams. The Treasury team was able to broaden interbank, investment and customer relationships that will support the Bank's growth and brand recognition.

A DIGITAL AGE

Digital maturity is seen as crucial to the future success of Bank Albilad as the local and international banking sector is undergoing a period of rapid technological change. In today's connected world, banking needs to be available at any time and in any location. This requires innovative, robust, secure and optimized solutions to meet the expectations of an increasingly tech-savvy customer that wants to be empowered to bank according to their individual desires. Digital banking presents many opportunities for customers, but also benefits the bank through physical cost reductions. In addition, the insights gathered through digital marketing and micro-segmentation platforms help improve customer targeting and enable dynamic tailored pricing and product bundling, supported by third-party integrations. 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 to the brand. This transformation will also improve customer acquisition rates whilst supporting the migration of physical branch transactions online which will reduce operating expenses.

Bank Albilad's digital transformation journey started in 2017 with following five 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 cornerstone of Albilad culture, products and service offerings.

3. Improve Customer Acquisition & Retention

Grow the customer base and increase loyalty.

4. Optimize Cost and Increase Profits

Drive efficiencies and income.

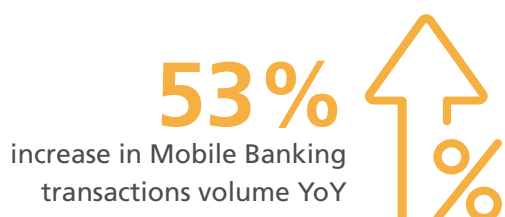
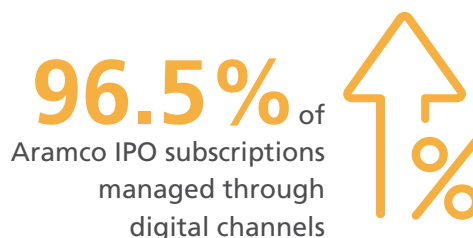
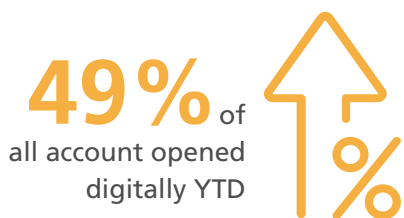
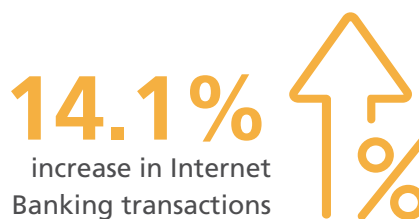
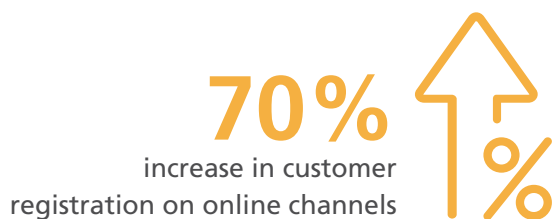
5. Enhance the Customer Experience

Ensure a consistent and seamless Customer journey.

Bank Albilad has successfully developed a diversified suite of innovative solutions covering all business lines within the bank. The following are some highlights from the digital transformation process:

1. First Bank in the Kingdom 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 getting facilities).
3. Introducing Mobile Application for Enjaz customers based on eCommerce payments (using Mada card) in eight different Languages.
4. Enabling Payment of Enjaz Remittances at ATMs using Mada cards, Mada Pay and Apple Pay (in the release stage)
5. Apple Pay enablement for customers.
6. ATM voice guidance service for visually impaired people.

The introduction of new solutions during 2019, as part of our digital transformation journey, resulted in the following milestones:



ALBILAD INVESTMENT COMPANY (ALBILAD CAPITAL)

2019 was significant year for Albilad Capital, as the company achieved distinguished results over the last 12 months which contributed to strengthening its positioning among investment companies in the Saudi market and had a noticeable positive impact on the Company's financial statements. The results have also contributed to the enhancement of the brand recognition among investors towards the Company's brand.

Albilad Capital has introduced a number of initiatives during 2019, aiming to enrich customer experiences, by offering innovative investment products designed to meet all the needs of individual and institutional investors in-line with their investment goals.

Pursuing to diversify investment selections, the company launched a variety of new and innovative investment funds that contributed to the increase of the company's assets under management, as well as enhancing trading services in Sukuk besides introducing new fixed income products.

The company also continued to expand Custody Services and became key player in the market. Moreover, Albilad Capital launched a completely new platform for Securities trading, which was another driver for its revenue growth during the year 2019.





In terms of numbers, net profit increased by 21% - before Zakat - compared to 2018, outperforming its peer group in the Kingdom in terms of the growth achieved. Assets under management in Public Funds and Discretionary Portfolios grew by 94% and 57% respectively year on year.

As an initiative of Albilad Capital to contribute to achieving the goals of the Kingdom's 2030 vision, the company started to create new investment opportunities in private equity by establishing Nusaned Fund, amounting to SAR 100 million. The fund is sponsored by strategic and reputable partners, including SABIC Investment Local Content Development Company and Saudi Venture Capital Company.

In the Public Funds sector, Albilad Capital obtained the Saudi Capital Market Authority approval to launch three public investment funds; Albilad Alameen Capital Protection Fund, Albilad Saudi Sovereign Sukuk ETF - the first of its kind in the Kingdom – as well as launching the company's first endowment fund in cooperation with Ensan Foundation for Orphans Care, which is Ensan Endowment Fund.

The company has also introduced another investment opportunity by launching Albilad USD Murabaha Fund, a money market low risk public fund.

Albilad Capital ended the year 2019 with three international awards - from CPI Financial - highlighting the Company's position and its ability to create innovative and modern investment products and services that contribute to the improvement of the investment sector in the Kingdom, and these awards included "Best Investment Fund Award" for Albilad Saudi Sovereign Sukuk ETF, the "Best Brokerage Solutions Provider in the Middle East", and the "Best Capital Market Transaction in the Middle East" for the acquisition of The Walk project by The Medical Village Fund.



Volatile oil prices continued to present a significant challenge to government budgeting in 2019.

The Brent oil price fell to \$55 a barrel in December 2018, rebounded to \$75 in April 2019, and was trading around \$60-66 at the end of the year. The Kingdom's cuts in oil production in 2019, as part of an OPEC+ agreement, contributed to a significant softening of the GDP to a projected 0.2% growth year-on-year in 2019 (from 2.9% in 2018).

Meanwhile, the non-oil sector provided a healthy up-tick of some 2.9%, supported by government spending. The fiscal deficit widened to a projected 6.5% of GDP in 2019 from

5.9% in 2018 as spending increased and in fact exceeded the budgeted amount and offset the increase in non-oil revenues.

The economic effects resulting from geopolitical tensions, Brexit and the threat of trade war remained limited, with sales of equities by foreign investors proving temporary and the appetite for Saudi bond issuances remaining strong.

The 2019 budget set out a medium-term consolidation path that still aims to balance the budget in 2023. According to the IMF, GDP growth in the Kingdom is expected to rise to 2.2% in 2021 as oil production cuts are reversed and ongoing diversification reforms yielded dividends. Saudi Arabia is to chair the G-20 in 2020, which is likely to stimulate additional progress on structural reforms.

The current account surplus is projected to widen with a shrinking trade surplus from lower oil exports receipts and higher private demand and Vision 2030-related infrastructure imports. Saudi Arabia is to chair the G-20 in 2020, which is likely to stimulate additional progress on structural reforms. Promoting non-oil growth and creating jobs for Saudi

nationals remain key challenges. Fiscal consolidation is needed to reduce vulnerabilities in Saudi Arabia's economic prospects.

The newly implemented public procurement law and associated reforms will help to improve the efficiency of government spending and reduce risks of corruption. The banking system is well capitalized and liquid, providing a strong platform for underlying economic growth potential. Capital market reforms have resulted in the Kingdom's inclusion in global equity and bond market indices. Fiscal reforms also include lowering the registration threshold for the VAT, adjusting gasoline prices on a quarterly basis, and increasing fiscal transparency. Reforms to the capital markets, legal framework, business environment, and SME sector were ongoing.

Banks in the Kingdom have significant opportunity to develop their retail businesses. At the end of 2018 Bain & Company conducted a survey of over 150,000 customers in 29 countries (almost 2,000 of them in the Kingdom) which showed vast potential in the Kingdom for growth in delivery of digital services. The survey evidenced that Saudi Arabia has one of the lowest of "digital first" customers (ie those who perform more than half of their banking online or via mobile services). The report indicated that digital customers are more loyal to their banks than traditional customers, but over half of Saudi customers already use a third-party payment solution. This indicates clearly the potential for Saudi banks to penetrate more effectively the sheer scale of digital services that are being sought by customers.



HUMAN CAPITAL

During the year, the HR division focused on its budget efficiency, both in terms of achieving optimum staffing levels and recruitment as well as remuneration.

The ambassadors council plays a vital role in raising the efficiency of staff, improving morale and strengthening productivity as well as helping staff across all businesses to

bring the Bank's values into their everyday work. Through training and mentoring their impact was further enhanced during the year. A total of 3,598 staff attended a total of 285 specialized training programs (representing 9,496 training hours) organized in association with number of leading training organizations.

The headquarters building incorporates an auditorium, which provides a valuable and versatile new facility for employees. It has, for instance, allowed the Bank to initiate a series of monthly briefings and staff-focused events with visiting experts to present on topics of value to the organization and its people. These include work/life balance: an area that the Bank has committed to improve for its staff. We monitor the amount of overtime worked and is seeking ways to ensure that staff have the means and opportunity to achieve their personal objectives within reasonable working hours.

Accreditation programs have been introduced for the most important functions in the branch network, namely regional directors, branch managers, branch operations





managers and customer relationship managers. These programs provide advanced training materials to develop the leadership abilities of those working in the branch network, as well as refining their knowledge of procedural aspects and controls related to their jobs. These programs aim to contribute effectively to improving the level of services provided to customers and provide succession opportunities for Albilad ambassadors. Significant investment was made in staff training, an effort was also made to promote Bank

Albilad through social media; highlighting the Bank's attractiveness as an employer and resulting in increased numbers of job applications.

During 2019 the Bank launched several initiatives and improvements to the way it compensates and incentivizes staff such as the market review benchmark to guarantee Bank Albilad competitiveness as an employer of choice.



Due to the nature of its activities, the Bank may be exposed to certain risks, both currently and in the future.

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 Arabian Monetary Authority (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 2019, 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 projected risks.

The Group's framework is based on three key pillars, namely the sound principles of risk management, the integrity of 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 sectors, 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, liquidity risk, operating risk and market 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 maximum 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 and financial institution 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 for each client category, such as SME and high solvency clients, as well as corporate clients. 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 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 the client. In addition to these measures, the Bank requires clients to provide such collateral as is deemed necessary against the facilities to be provided, preferably in a form that can be quickly liquidated and applied. There are many types of collateral against facilities, such as cash coverage, mortgage against investments and assets for the Bank, mortgage/reservation 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 granted 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 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.

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 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 profit margin rates and foreign exchange rates lead to negative or positive outcomes and may consequently result in losses or profits 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: Return rate risk or 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 share price fluctuations, which impacts both the Bank's profitability and shareholder rights and exposes to 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. **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).

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 an emergency 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. Receiving stress test results 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 2019, the Risk Management Group successfully improved the performance of IT systems that help measure liquidity risks and manage assets and liabilities, as well carried out relevant studies, reports and stress tests as part of a comprehensive system developed to measure all types of financial risks.

4. Operating Risk:

Operating risk is the risk of losses arising from the inadequacy or failure of internal operations, individuals,

technical systems or external incidents. This definition of operating risks includes legal risk – but excludes strategic risk and reputation risk. To this end, operating 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 operating risk in existing and new products, 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 operating risks is also part of this process. The following 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 or changes adopted by the Bank in its efforts to improve e-services.
- ii) Evaluating and detecting security gaps within the Bank's offering, by looking for any vulnerabilities existing in highly sensitive data systems, which may occur due to the digital transformation within the organization.
- iii) Overseeing 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. During 2019, 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 2020.

COMPLIANCE

Compliance is an independent function that identifies, assesses and provides advice, monitors and reports on risks of a bank's non-compliance related to its exposure to legal and administrative penalties, financial loss, or what may undermine the bank's reputation due to its failure to abide by the regulations and controls or sound standards of conduct and professional practice.

COMPLIANCE AND ANTI-MONEY LAUNDRY ROLE

The Compliance and Anti-Money Laundering division plays an essential role in maintaining the reputation, credibility, and interest of shareholders and depositors, and protecting them from penalties. Compliance and AML division has a number of broad roles and responsibilities. Some of the specific functions under this are:

- Prevention of risks, especially systematic, reputation and financial penalties risks
- Consolidate relations with regulatory entities
- Establish mechanisms and frameworks to ensure preventing any banking channels from being used to commit crimes such as money laundering and terrorist financing
- Reviewing and monitoring all the Bank's procedures, products, services, forms, contracts and agreements, to ensure they comply with all relevant laws and regulations
- Reporting on non-compliance issues and recommending processes to resolve the identified issues

MONITORING AND ASSESSMENT OF COMPLIANCE RISK

The Compliance and AML division responsible for the assessment and monitoring on the effectiveness of implementing all regulations, policies and rules issued by the regulatory and legislative authorities on the Bank's policies, manuals, procedures, products, and services.

COMPLIANCE INITIATIVES

Bank Albilad aims to enhance the culture of compliance and AML in its employees and the community.

One of the compliance functions is to organize the education and awareness of staff on compliance and AML subjects. The Bank continuously conducts training on compliance, including AML & CTF training to all employees to enhance their knowledge of all relevant compliance regulations, and to upgrade their skills and capabilities in the compliance area, such as professional certified training to compliance employees, online courses to the Bank's employees, and training for new hires which emphasizes compliance and AML. Further, our Compliance and AML training extends to the Board of Directors where we train relevant knowledge on Bank Albilad's compliance rules.

In addition, the Compliance and Anti-Money Laundering Division educates the community through 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.

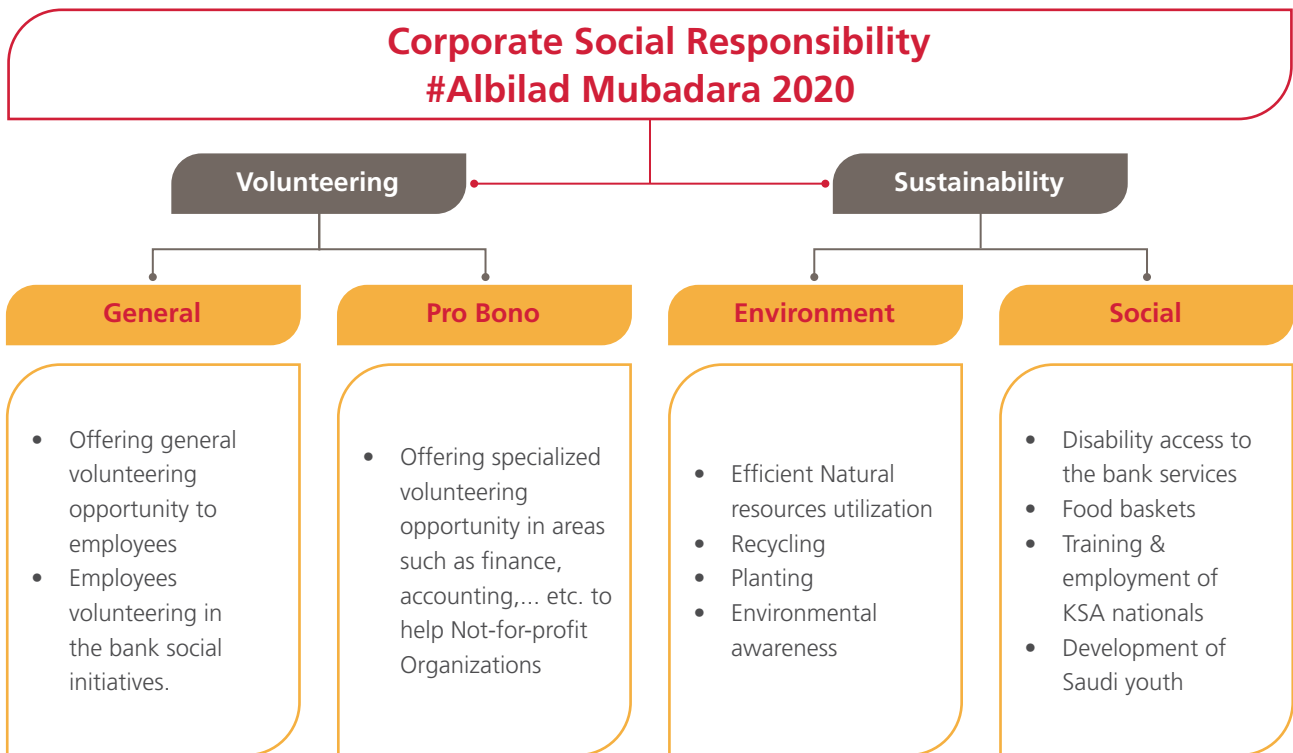
HUMAN RESOURCES POLICY

The Bank's commitment to rules, regulations, instructions and policies is one of the most important bases and factors of success, excellence and maintenance of its reputation and credibility. It is obligatory, therefore, that all the Bank's staff shall know and adhere to the regulations, instructions and policies related to the work and tasks assigned thereto, and apply them without any violation, breach or negligence.



SUSTAINABILITY

Bank Albilad strives for “sustainable growth” by making societal and environmental topics a priority. Contributing to sustainable growth entails an approach to managing both financial and non-financial performance metrics. As sustainability becomes more of a priority, we have a role to play in embedding such practices into the Bank’s strategy and across all activities.



COMMITMENT TO OUR COMMUNITIES

As a key bank in the Kingdom, we recognize the importance of supporting our community beyond our own banking services. We believe that long term value is created from the wider and deeper relationships we build with our communities and stakeholders. We are focused on generating sustainable growth by embedding sustainability into the way we do business and manage our own operations in a more sustainable way.

OUR INITIATIVES IN 2019

- A center for autism research**

Contributed to the establishment of the Riyadh Autism Center of Excellence, in which SAR 286 million was spent in partnership with the Ministry of Labor and Social Development and other Saudi banks. The center aims to build national capabilities in the field of autism, supporting research and specialized studies.

- **ATMs for visually impaired citizens**

Launched ATMs for visually impaired citizens in all branches in partnership with the Commission of Persons with Disabilities. The machines are equipped with braille keypads and voice-assisted interfaces that provide users ease, speed, security and privacy in conducting their transactions.

- **Sport events for differently abled citizens and senior citizens**

Sponsored Rowad Al-Amal (Pioneers of Hope) marathon, an event for people with disabilities, children with special needs and senior citizens, to encourage social inclusion and promote a healthier lifestyle. We also provided wheelchairs to senior citizens and differently disabled citizens.

- **Ramadan food baskets for people in need**

Distributed 8,000 complete food baskets across the country during the holy month of Ramadan.

- **Financial health advice for our community**

Launched a "savings awareness initiative" to educate citizens on the importance of saving money and living a stress-free life with financial freedom.

- **Afforestation conference in Makkah**

Conducted a symposium on afforestation initiatives in Makkah that would contribute to an increase in the city's green space, and discussed challenges maintaining green space in holy sites.

- **Albilad Research chair for environment Sustainability & food security**

Established a chair for Bank Albilad's environment, sustainability and food security, in partnership with King Faisal University in Al-Ahsa.

Our employees are engaged in sustainability initiatives from the beginning of their tenure at the Bank. We are especially proud of our 155-member Albilad voluntary team who has actively participated in all our CSR activities and has recorded more than 1200 volunteer hours.

AWARDS AND ACCOLADES IN 2019

Best Performance Bank in Real Estate Finance and mortgages
Ministry of Housing (Residential Program) / Real Estate Development Fund

Bank Albilad's Chief Executive Officer is ranked among the Top 10 CEOs in Islamic banks in the Arab Gulf region

Most Innovative Credit Card Tamkeen Credit Card Award
International Finance Awards

Bank Albilad is among the fastest growing brands in the financial institutions in KSA
Brand Finance

Best Community Initiative Award - Deep Waterfront cleaning Initiative (Jeddah)
Global Business Outlook Awards

Mada Saudi honored Bank Albilad on the occasion of reaching one billion transactions in Saudi payments

Excellence in Digital Banking
Finnovex

STAKEHOLDER ENGAGEMENT

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

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

Customers	Government and regulators	Shareholders and analysts	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 the key priorities of the Bank's senior management is to

ensure stakeholder needs are taken into consideration and that our environmental, social and governance (ESG) factors are managed efficiently.

1,475

INCIDENTS OF BREACH OF CUSTOMER PRIVACY DETECTED (AND PREVENTED)

120

TOTAL TRAINING HOURS AND ON ANTI-CORRUPTION

0%

INCIDENTS OF BREACH OF CYBER SECURITY

99%

OF SPENDING ON LOCAL SUPPLIERS

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 four areas that ensure detailed policies, practices and disclosures help 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 programmes are supported by policies & procedures that are championed by our management and board risk governance. Cyber threats are monitored and reviewed on regular intervals to ensure that 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 our staff to deal with potential risk and threats.

B. FINANCIAL INCLUSION

By serving underbanked individuals and Micro Small Medium Enterprises (MSMEs), we believe that we can benefit society and still improve our bottom line. This is implemented by bringing financial literacy and technological education to remote areas across KSA and providing affordable products and services to individuals and businesses that are excluded from traditional banking.

C. BUSINESS ETHICS

Our strong business ethics is the foundation for our relationships with our stakeholders and is a key 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 it integrates these values into the way we hire, procure, recognize and conduct financial transactions. Engagement with suppliers is guided by our Supplier Selection Procedures which sets out what we expect of vendors on issues such as ethics, anti-bribery and anti-corruption, human rights and environmental performance.

D. CORPORATE GOVERNANCE

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.

SHAREHOLDER INFORMATION

Bank Albilad shares trades at the Tadawul Stock Exchange, KSA. Ordinary Shares of 750 Million in Bank Albilad are listed on the Tadawul Stock Exchange.

Market: Tadawul
Symbol: 1140
ISIN: SA000A0D9HK3
Industry: Banks

SHAREHOLDER REGISTER

Major investors	No. of shares held	Ownership percentage
Mohammed Ibrahim Alsubaie & Sons Co.	145,087,155	19.3%
Abdullah I. AlSubaie Investment Co.	83,562,497	11.1%
Khalid A.S. Al-Rajhi	79,093,412	10.5%
Abdulrahman A. Al-Rajhi	49,312,662	6.6%
Mohamed S.H. Seirafi	38,137,781	5.1%

Investor type	No. of investors	No. of shares held	Ownership percentage
Retail	311,722	409,892,580	55%
Corporate	460	340,107,420	45%

Nationality	No. of investors	No. of shares held	Ownership percentage
Saudi	311,513	690,034,717	92%
Other	669	59,965,283	8%

DIVIDENDS

Dividend dates for 2019 are shown in the financial calendar on page 53. A first interim dividend is normally announced in July/August and a second interim dividend is normally announced in January/ February. Dividends are paid in SAR.

Further information on dividends declared can be found in the Shareholder Information section of Bank Albilad's website under the investor relations page at www.bankalbilad.com.

UNCLAIMED DIVIDENDS REGISTER

The Unclaimed Dividends Register provides information to shareholders relating to unclaimed dividends paid on Ordinary Shares and can be found under the investor relations page at www.bankalbilad.com

INVESTOR RELATIONS APP

The Bank Albilad IR app gives shareholders access to the Bank's share price and latest financial reports on smart phones and tablets.

This application provides a comprehensive view on Financial Indicators, KPIs, quarterly reporting, annual reports, daily and history stock price performance and investment calculator.

The App is available for download through the App Store and Google Play.



FINANCIAL CALENDAR

Event	Date
Annual General meeting (AGM)	9-Apr-2019
Bonus Shares (New Capital 750 Million Shares)	9-Apr-2019
Announcement of first quarter results	15-Apr-2019
Announcement of second quarter and half-year results for 2019	31-Jul-2019
First interim dividend for 2019	18-Jul-2019
Due date	25-Jul-2019
Payment date	8-Aug-2019
Announcement of third quarter results for 2019	21-Oct-2019
Financial year end	31-Dec-2019

INVESTOR RELATIONS PHONE NUMBER

00966 11 4798585

INVESTOR RELATIONS E-MAIL

For Shareholders inquiries

Email: shareholders@bankalbilad.com

For Investor inquiries

Email: IR@bankalbilad.com



LEADERSHIP AND GOVERNANCE



BOARD OF DIRECTORS



Dr. Abdulrhman Ibrahim AlHumaid
Chairman – Non-Executive



Mr. Nasser Mohammed AlSubeaei
Vice Chairman – Non-Executive



Mr. Abdulaziz Mohammed AlOnaizan
Member – Chief Executive Officer



Mr. Sameer Omar Baeisa
Member – Independent



Mr. Fahad Abdullah Bindekhayel
Member – Non-Executive



Mr. Khalid Abdulaziz AlMukairin
Member – Non-Executive



Dr. Zeyad Othman Alhekail
Member – Independent



Mr. Ahmed Abdulrahman Alhussan
Member – Independent



Mr. Khalid Abdulrahman AlRajhi
Member – Non-Executive



Mr. Adeb Mohammed Abanumai
Member – Independent



Mr. Haytham Sulaiman AlSuhaimi
Member – Non-Executive

EXECUTIVE MANAGEMENT



Mr. Abdulaziz Mohammed AlOnaizan
Chief Executive Officer



Mr. Saleh Suliman AlHabib
Executive 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
Executive Vice President of Enjaz



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.

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 Arabian Monetary Agency (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 Arabian Monetary Agency and the circulars and instructions issued by it and the basic system of the Bank. The most prominent accomplishments achieved in 2019 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 addition, there were certain amendments applied to the Nomination, Remuneration and Audit Committees, which also went through the Board of Directors' or General Assembly's approval. 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 2019 (PREVIOUS AND CURRENT SESSIONS)

No.	Name	Position	Classification
1	Dr. Abdulrhman Ibrahim AlHumaid*	Chairman	Non-Executive
2	Mr. Nasser Mohammed AlSubeaei*	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. Adeeb Mohammed Abanumai*	Member	Independent
10	Mr. Khalid Abdulrahman AlRajhi*	Member	Non-Executive
11	Mr. Haytham Sulaiman AlSuhaimi*	Member	Non-Executive
12	Mr. Saud bin Mohammed Al Fayez**	Member	Independent
13	Mr. Abdulrahman bin Mohammed Ramzi Addas**	Member	Independent
14	Eng. Omar bin Saleh Babaker**	Member	Independent
15	Mr. Khalid bin Sulaiman Al Jasser**	Member	Non-Executive
16	Mr. Fahad bin Abdullah Al Qasim**	Member	Non-Executive

*Board of Directors in the current session, whose membership started on 17 April 2019.

**Board of Directors in the previous session, whose membership ended on 16 April 2019.

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 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 is currently a member of the Board of Directors of the General Authority of Zakat and Income, and has been 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
Board Member of the Saudi Verified Clay Pipe Co.	Inside the Kingdom	Listed joint company	Board Member of Mohammed Abdulaziz AlRajhi & Sons Holding Co.	Inside the Kingdom	Closed 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 over 35 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 Chairman of Thakher Investment and Real Estate Development Co.	Inside the Kingdom	Closed joint company	Board Member of Dur Hospitality	Inside the Kingdom	Listed 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 California State University 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 branches network 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 Bindekhayel – Non-Executive Member

Mr. Fahad Abdullah Bindekhayel 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	Limited liability
Board Chairman of Wafaa Plastuc industries	Inside the Kingdom	Limited liability			
Board member of Family Investment Company	Inside the Kingdom	Limited liability			

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	Chamber of Commerce and Industry	Inside the Kingdom	Civil organization
			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 for 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		Previous Membership in Board of Directors' Committee or one of their Managers	Inside/ Outside the Kingdom	
		Legal Entity			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 State 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		Previous Membership in Board of Directors' Committee or one of their Managers	Inside/ Outside the Kingdom	
		Legal Entity			Legal Entity
Awqaf Sulaiman Bin Abdulaziz Al-Rajhi Holding Co.	Inside the Kingdom	Limited liability	Saudi Grains and Foder Holding Co. LLC	Inside the Company	Limited liability
Dyar Al Khozami Real Estate Development Co.	Inside the Kingdom	Close joint company			
Sulaiman Al-Rahji Real Estate Investment Company	Inside the Kingdom	Close joint company	National Aquaculture Group	Inside the Company	Close joint company
AlWatania Information Systems	Inside the Kingdom	Limited liability			
Jabal Omar Development Company	Inside the Kingdom	Listed joint company			
Al-Rajhi for Human Resources Development	Inside the Kingdom	Limited liability	Advanced Communications & Electronic Systems Co.	Inside the Kingdom	Close joint company
ALIF Segregated Portfolio Company	Outside of the Kingdom	Exempted segregated portfolio 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 worked in Samba Group as Assistant General Manager of the Treasury Sector, and as General Manager of Treasury and Investment in the Arab National Bank and Alinma Bank. Mr. Abdulaziz is currently the CEO and an Executive Member of Bank Albilad, and a Member 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
Albilad Investment Company	Inside the Kingdom	Limited liability	Alinma Investment	Inside the Kingdom	Closed joint company
			General Manager of Treasury and Investment at Alinma Bank	Inside the Kingdom	Limited liability
			General Manager of Treasury, Investment and Financial Institutions at Arab National Bank	Inside the Kingdom	Limited liability
			Assistant General Manager of Treasury Group at Samba Capital	Inside the Kingdom	Limited liability

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
Al-Ma'ather Reit Fund	Inside the Kingdom	Real Estate Investment Fund	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			

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 and Takween Advanced Industries, and Vice Chairman of the Risk Committee. In addition, he is Chairman of the Committee Investing in Walaa Cooperative Insurance Company and a Member of the Board of Directors of Albilad Investment Company. He also serves as CEO of Abdul Rahman Saleh Al-Rajhi & Partners Co. Ltd.

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
Board Chairman of Takween Advanced Industries	Inside the Kingdom	Listed joint company	Flynas	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 Investment 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

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, and has worked as an Investments Financial Analyst in private accounts. Mr. Haytham is currently the Vice President of Business Development at 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
NA	-	-	NA	-	-

Mr. Saud bin Mohammed Al Fayez – Previous Independent Board Member ended on 16 April 2019

Mr. Saud bin Mohammed Al Fayez holds a Bachelor's degree in Business Administration from the University of Jordan, and has wide experience in the fields of finance, banking and risk management. He previously held the position of CEO of the Arab Pipe 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	-	-	Board Member of National Industrialization Company (Tasnee)	Inside the Kingdom	Listed joint company
			Board Member of Al Shekat Tourism Saudi Company	Inside the Kingdom	Closed joint company
			Board Member of The Saudi Spanish Bank	Outside the Kingdom	Joint Bank

Mr. Abdulrahman bin Mohammed Ramzi Addas – Previous Independent Board Member ended on 16 April 2019

Mr. Abdulrahman holds a Master's degree in Business Administration with a major in Financial Management from the University of Denver and a Bachelor's degree in Business Administration from King Abdulaziz University. He has a license from the Ministry of Trade and Investment and works as a Financial Advisor on non-securities. He has also had extensive experience in all banking sectors including funding, investment and risk management. Additionally, he has experience in managing general and real estate. Mr. Abdulrahman has also served as a Managing Director for Real Estate Investments in SEDCO Holding.

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 Diyar Al Khayyal Real Estate Development Company	Inside the Kingdom	Closed joint company	Al-Sorayai Group	Inside the Kingdom	Listed joint company
Board Member of Arcoma Company	Inside the Kingdom	Limited liability	Board Member of Red Sea Markets	Inside the Kingdom	Limited liability
Board Chairman of The Tunisian Saudi Bank	Outside the Kingdom	A company owned by the Ministry of Finance in Saudi Arabia and Tunisia	Board Member of Abdulaziz Al Saghyir Holding	Inside the Kingdom	A financial company licensed by the Capital Market Authority/ Private company
			Board Member of Quantum Investment Bank	Outside the Kingdom	A financial company licensed by the Capital Market Authority

Eng. Omar bin Saleh Babaker – Previous Independent Board Member ended on 16 April 2019

Eng. Omar bin Saleh Babaker holds a Bachelor's degree in Civil Engineering from King Saud University. He has extensive experience in trade and contracting. Eng. Omar currently holds the position of Chairman of Babaker Group.

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 Ahlia for Cooperative Insurance	Inside the Kingdom	Listed joint company	Ishraq Real Estate Company	Outside the Kingdom	Listed joint company
Saleh Babker Sons Co.	Inside the Kingdom	Limited liability			
President of Babaker Supplies	Inside the Kingdom	Limited liability			
Board Chairman of Haikaliyah Contracting Company	Inside the Kingdom	Limited liability			
Binaa for Ready Mix Concrete Co.	Inside the Kingdom	Limited liability			
East Asia Development & Agriculture Investment Co.	Inside the Kingdom	Closed joint company			

Mr. Khalid bin Sulaiman Al Jasser – Non-Executive Board Member ended on 16 April 2019

Mr. Khalid bin Sulaiman Al Jasser holds a Bachelor's degree in Business Administration from King Saud University and has several diplomas and courses in management and banking. He has over 30 years' experience in banking, during which time he worked as CEO and Member of the Board of Directors of Bank Albilad, and Vice President of Human Resources at Riyadh Bank. He also served as a member of the Board of Directors of the Qassim Cement and as CEO and Member of the Board of Directors of Arabian Centres.

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
Albilad Investment Company	Inside the Kingdom	Closed joint company	Qassim Cement	Inside the Kingdom	Listed joint company
			Al Shekat Tourism Saudi Company	Inside the Kingdom	Limited liability
			Board Member of Al Ahlia for Cooperative Insurance	Inside the Kingdom	Listed joint company

Mr. Fahad bin Abdullah Al Qasim – Non-Executive Board Member ended on 16 April 2019

Mr. Fahad bin Abdullah Al Qasim holds a Bachelor's degree in Accounting from King Saud University. He is currently the Chairman of the Board of the Amwal Company for Financial Consultants and Advisor to the Board of Directors of Al Rajhi United Company. He has more than 20 years of experience in financial management, consulting and auditing. In cooperation with KPMG International, he was a member of the Executive Management of health institutions, retail and wholesale trade. Mr. Fahad also worked as Executive Director of Dallah Hospital and was a founder of the Al Qasim Office Certified Public Accountants.

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 Savola Group	Inside the Kingdom	Listed joint company			
Board Member of Jarir Marketing Company	Inside the Kingdom	Listed joint company	Al Abdullatif Holding Group	Inside the Kingdom	Closed joint company
Board Member of Dur Hospitality	Inside the Kingdom	Listed joint company			
Board Member of Dallah Health	Inside the Kingdom	Listed joint company			
Board Chairman of Fahed Abdullah Al-Qasim & Sons for Trade and Investment	Inside the Kingdom	Closed joint company			
Board Member of Dur for Saudi Heritage Hospitality	Inside the Kingdom	Close joint company			
Board Member of Dr. Mohammed Rashid Al Faqih & Partners	Inside the Kingdom	Close joint company	National General Automotive	Inside the Kingdom	Limited liability
Board Member of Rakeen Najd International Company	Inside the Kingdom	Close joint company			
Board Member representing Saudi Post in Naqel Logistics	Inside the Kingdom	Close joint company			
Board Chairman and Partner in Amwal Financial Consultants	Inside the Kingdom	Limited liability			
Board Chairman and Partner of Ariz Commercial Investment Company Ltd.	Inside the Kingdom	Limited liability	Raj Real Estate Company	Inside the Kingdom	Limited liability
Board Member of Rakeen Najd International Company	Inside the Kingdom	Limited liability			
Board Member of Saudi Post	Inside the Kingdom	Government limited liability			
Partner in Pearl Gate	Inside the Kingdom	Limited liability			
Partner in Al Tas-heelat	Inside the Kingdom	Limited liability			
Executive Member in AlRajhi United Company	Inside the Kingdom	Close joint company	Board Member of AlRajhi Alpha Investments	Inside the Kingdom	Limited liability
Partner in Century 21 for Real Estate Insurance	Inside the Kingdom	Close joint company			
Fincorp Company	Outside the Kingdom	Close joint company			

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 2019, 2 of which were held during the previous session which ended on 16 April 2019:

No.	Name	Meeting number and date					
		(77) 18/03/2019	(78) 09/04/2019	(79) 19/05/2019	(80) 18/07/2019	(81) 16/09/2019	(82) 16/11/2019
1	Dr. Abdulrhman Ibrahim AlHumaid*	✓	✓	✓	✓	✓	✓
2	Mr. Nasser Mohammed AlSubaei*	✓	✓	✓	✓	✓	✓
3	Mr. Sameer Omar Baeisa*	-	-	✓	✓	✓	✓
4	Mr. Fahad Abdullah Bindekhyel*	✓	✓	✓	✓	✓	✓
5	Mr. Khalid Abdulaziz AlMukairin*	✓	x	✓	✓	✓	✓
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*	-	-	✓	✓	✓	✓
12	Mr. Saud bin Mohammed Al Fayeز**	✓	✓	-	-	-	-
13	Mr. Abdulrahman bin Mohammed Ramzi Addas**	✓	✓	-	-	-	-
14	Eng. Omar bin Saleh Babaker**	✓	✓	-	-	-	-
15	Mr. Khalid bin Sulaiman Al Jasser**	✓	✓	-	-	-	-
16	Mr. Fahad bin Abdullah Al Qasim**	✓	✓	-	-	-	-

✓ Attended

x Not Attended

*Board of Directors in the current session, whose membership started on 17 April 2019.

**Board of Directors in the previous session, whose membership ended on 16 April 2019.

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 2019:

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	1,999	2,498	499	25%
2	Mr. Nasser Mohammed AlSubeaei	2,058,051	2,572,563	514,512	25%
3	Mr. Sameer Omar Baeisa	-	-	-	-
4	Dr. Zeyad Othman Alhekail	-	-	-	-
5	Mr. Fahad Abdullah Bindekhyel	1,500	1,875	375	25%
6	Mr. Khalid Abdulaziz AlMukairin	511,233	464,041	(47,192)	(9%)
7	Mr. Ahmed Abdulrahman Alhussan	1,500	1,875	375	25%
8	Mr. Abdulaziz Mohammed AlOnaizan	223,034	278,792	55,758	25%
9	Mr. Adeeb Mohammed Abanumai	-	-	-	-
10	Mr. Haytham Sulaiman AlSuhaimi	-	-	-	-
11	Mr. Khalid bin Abdulrahman AlRajhi	63,274,730	79,093,412	15,818,682	25%
12	Mr. Saud bin Mohammed Al Fayez*	2,400	2,400	-	-
13	Mr. Abdulrahman bin Mohammed Ramzi Addas*	3,998	3,998	-	-
14	Eng. Omar bin Saleh Babaker*	1,700,989	1,700,989	-	-
15	Mr. Khalid bin Sulaiman Al Jasser*	659,270	659,270	-	-
16	Mr. Fahad bin Abdullah Al Qasim*	1440	1440	-	-

*Board of Directors in the previous session, whose membership ended on 16 April 2019 and number of shares at the end of the period represents the number of shares at the end of the Board of Directors membership period.

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 Business Officer of Bank Albilad	Bachelor	30 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 Financial 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	Executive Vice President of Operations	General Manager of Corporate at Bank Albilad	Bachelor	25 years	Accounting
Eng. Omar Abdul Rahman AlHussain	Executive Vice President of Injaz	Assistant Managing Director of Injaz	Master	21 years	Business Administration
Mr. Abdullah Mohammed Alarifi	Executive Vice President of Risk	General Manager 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 General Manager Corporate – 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 2019:

No.	Stakeholder name	Position	Number of shares at the beginning of 2019	Number of shares at the end of 2019	Net Change	Change %
1	Mr. Abdulaziz Mohammed AlOnaizan	Chief Executive Officer	223,034	278,792	55,758	25%
2	Mr. Abdullah Mohammed Alarifi	Executive Vice President of Risk	60,644	75,805	15,161	25%
3	Mr. Hisham Ali AlAkil	Executive Vice President of Finance	3,554	4,442	888	25%
4	Mr. Saleh Suliman AlHabib	Executive Vice President of Operations	82,627	103,283	20,656	25%
5	Mr. Haitham Medainy AlMedainy	Executive Vice President of Human Resources	6,771	6,463	(308)	(4.5%)
6	Mr. Samer Mohammed Farhoud	Executive Vice President of Treasury	30,745	5,000	(25,745)	(84%)
7	Eng. Omar Abdul Rahman AlHussain	Executive Vice President of Injaz	3,555	4,442	887	25%
8	Mr. Ehab Mahmoud Hassoubah	Executive Vice President of Retail Banking	14,398	-	(14,398)	(100%)

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 2020.

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, reviewal 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 14 meetings during 2019. The following is the attendance record with names of the current and previous Committee Members:

Name	Nature of the Membership	Meeting number and date													
		(151) 15/01/2019	(152) 10/02/2019	(153) 17/03/2019	(154) 09/04/2019	(155) 16/5/2019	(156) 29/05/2019	(157) 26/06/2019	(158) 16/07/2019	(159) 25/08/2019	(160) 10/09/2019	(161) 08/10/2019	(162) 06/11/2019	(163) 16/11/2019	(164) 24/12/2019
Dr. Abdulrhman Ibrahim AlHumaid	Non-Executive Committee Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Nasser Mohammed AlSubeaei	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x
Mr. Fahad Abdullah Bindekhayel	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Khalid Abdulaziz AlMukairin	Non-Executive Member	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Khalid Abdulrahman AlRajhi	Non-Executive Member	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓	✓
Mr. Abdulaziz Mohammed AlOnaizan*	Executive Member	✓	x	✓	✓										

✓ Attended

x Not Attended

*Board of Directors in the previous session, whose membership ended on 16 April 2019.

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 that comply with the Sharia 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. In addition, the Committee reviews tasks related to the roles and human resources structures, and provides recommendations on those matters to the Board of Directors.

The current Committee consists of 1 Board Member and 2 Non-Board Members, and held 4 meetings during 2019. The following are the biographies of previous and current 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. He held the position of Executive Director of Human and Administrative Resources Development in the joint services of, previously, "Al-Faisaliah Group". Mr. Khalid currently holds the position of Chairman of the Board of Directors of Muzon Real Estate Investment Company.

Mr. Bleihed Nasser bin AlBleihed

Mr. Bleihed Nasser bin AlBleihed holds a Bachelor's degree in Business Administration. He has more than 30 years of experience in administrative transformation and human resources. He previously worked as a consultant to the Board of Directors of the National Commercial Bank. Mr. Bleihed currently holds the position of General Manager at Ejada for Management Consultancy.

Mr. Bashar Zakria Al Masha'al

Mr. Bashar Zakria Al Masha'al holds a Master's degree in Management Science and Public Administration from Harvard University and a Bachelor's degree in Computer Engineering from the University of North America. He is a Management Consultant in recruiting and evaluating Chief Executive Officers and members of the Board.

The Committee held 4 meetings during 2019, 2 of which were held with the previous committee. The following are attendance records with names of the Members of the Committee:

Name	Nature of Membership	Meeting number and date			
		(53) 11/02/2019	(54) 11/03/2019	(55) 08/09/2019	(56) 08/12/2019
Mr. Sameer Omar Baeisa*	Committee Chairman - Independent	-	-	✓	✓
Mr. Khalid Saleh AlHathal*	Non-Executive Member - Not a Board Member	✓	✓	✓	✓
Mr. Bleihed Nasser bin AlBleihed*	Independent Member - Not a Board Member	-	-	✓	✓
Mr. Abdulrahman bin Mohammed Ramzi Addas**	Committee Chairman - Independent	✓	✓	-	-
Mr. Khalid Abdulaziz AlMukairin**	Non-Executive Member	✓	✓	-	-
Eng. Omar bin Saleh Babaker**	Independent Member	✓	✓	-	-
Mr. Bashar Zakria Al Masha'al**	Independent Member - Not a Board Member	✓	✓	-	-

✓ Attended

x Not Attended

*Board of Directors in the current session, whose membership started on 17 April 2019.

**Board of Directors in the previous session, whose membership ended on 16 April 2019.

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. This includes the Bank's capacity and ability to bear risks. The Committee also supervises the Executive Management's implementation of these objectives. 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. It likewise provides a periodic review on risk limitations and new products, and ensures the availability of compliance with the regulatory authorities.

The current Committee consists of 2 members of the Board and 1 Non-Board member, and held 4 meetings during 2019. 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 in Management Information Systems from King Fahd University of Petroleum and Minerals. He worked as a Senior Treasury Risk Advisor at the Saudi British Bank. Mr. Muath is currently the Managing Director and Founder of Ehata Financial Company.

Mr. Abdulrahman bin Mohammed Ramzi Addas

Mr. Abdulrahman bin Mohammed Ramzi Addas holds a Master's degree in Business Administration with a major in Financial Management from the University of Denver, and a Bachelor's degree in Business Administration from King Abdulaziz University. He has a license from the Ministry of Trade and Investment and works as a financial advisor on non-securities. He also has extensive experience in all banking sectors including funding, investment and risk management. Additionally, he has experience in managing general and real estate. Mr. Abdulrahman has also served as a Managing Director for Real Estate Investments in SEDCO Holding.

Mr. Mohammed bin Sulaiman Al-Hujailan

Mr. Mohammed bin Sulaiman Al-Hujailan holds a Bachelor's degree in Economics from the Emporia State University. He has extensive experience in banking, most notably as the General Director of Emirates NBB branch in the Kingdom of Saudi Arabia.

The following is the attendance record of Committee Members' meetings in 2019:

Name	Nature of Membership	Meeting number and date				Notes
		04/03/2019 (01/19)	02/05/2019 (02/19)	26/08/2019 (03/19)	25/11/2019 (04/19)	
Mr. Saud bin Mohammed Al Fayez*	Chairman	✓	-	-	-	
Mr. Fahad bin Abdullah Al Qasim*	Member	✓	-	-	-	
Mr. Mohammed bin Sulaiman Al-Hujailan*	Member	✓	-	-	-	
Mr. Ahmed Abdulrahman Alhussan**	Chairman	-	✓	✓	✓	
Mr. Haytham Sulaiman AlSuhaimi**	Member	-	✓	✓	✓	
Mr. Abdulrahman bin Mohammed Ramzi Addas***	Member	-	✓	✓	-	His membership ended on 13/10/2019
Mr. Muath Abdulrahman Al Hussaini**	Member	-	-	-	✓	

✓ Attended

x Not Attended

*Board of Directors in the previous session, whose membership ended on 16 April 2019.

**Board of Directors in the current session, whose membership started on 17 April 2019.

***Due to his candidacy for the membership of the Board of Directors of one of the Saudi banks, Mr. Abdulrahman bin Mohammed Ramzi Addas, who was a member of the Compliance and Governance Committee and the Risk Committee (outside the Board), resigned on 13 October 2019.

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 regulatory authorities. It monitors the adequacy, effectiveness and independence of the compliance sector and the money laundering mechanism in relation to the implementation of the compliance policy and guidelines. It also reviews compliance reports, periodic and annual AML/CTF 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 Independent External Member, and it held 4 meetings in 2019. The following are the biographies of previous and current Non-Board members:

Mr. Abdulfattah Ibrahim AlTaweel

Mr. Abdulfattah Ibrahim AlTaweel holds a Master's degree in Business Administration from the University of Texas. He has vast experience and held several positions in the banking field. Mr. Abdulfattah is currently the CEO of IT Consultation Company.

Mr. Muath Abdulrahman Al Hussaini

Mr. Muath Abdulrahman Al Hussaini holds a Bachelor's degree in Management Information Systems from King Fahd University of Petroleum and Minerals. He worked as a Senior Treasury Risk Advisor at the Saudi British Bank. Mr. Muath is currently the Managing Director and Founder of Ehata Financial Company.

Mr. Abdulrahman bin Mohammed Ramzi Addas

Mr. Abdulrahman bin Mohammed Ramzi Addas holds a Master's degree in Business Administration with a major in Financial Management from the University of Denver, and a Bachelor's degree in Business Administration from King Abdulaziz University. He has a license from the Ministry of Trade and Investment and works as a financial advisor on non-securities. He also has wide experience in all banking sectors including funding, investment and risk management. Additionally, he has experience in managing general and real estate. Mr. Abdulrahman has also served as a Managing Director for Real Estate Investments in SEDCO Holding.

Name	Nature of Membership	Meeting number and date			
		11/03/2019 (15)	12/05/2019 (16)	11/09/2019 (17)	18/12/2019 (18)
Mr. Abdulrahman bin Mohammed Ramzi Addas***	Chairman/then a Member	✓	✓	✓	-
Mr. Abdulfattah Ibrahim AlTaweel*	Member	✓	-	-	-
Mr. Adeeb Mohammed Abanumai*	Member	✓	-	-	-
Dr. Zeyad Othman Alhekail**	Chairman	-	✓	✓	✓
Muath Abdulrahman Al Hussaini**	Member	-	✓	✓	✓
Mr. Sameer Omar Baeisa**	Member	-	-	-	✓

✓ Attended

x Not Attended

*Board of Directors in the previous session, whose membership ended on 16 April 2019.

**Board of Directors in the current session, whose membership started on 17 April 2019.

***Previous Chairman but a current member in the Committee and submitted his resignation on 13 October 2019.

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 external auditors, assesses their performance and verifies their independence. The Committee reviews the contracts and transactions proposed by the Bank with related parties, in addition to the other supervisory work that falls 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 Independent External Members. It held 9 meetings in 2019. The following are the biographies of previous and 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 is an Internal Auditor accredited by the Association of Internal Auditors and a certified Risk Analyst from the American Financial Management Association. 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.

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, specializing in Zakat and Tax operations, and worked as CFO of Awqaf Sulaiman AlRajhi Holding Company. Mr. Mohammed is currently the Executive Partner of United Accountants.

Dr. Ahmed Abdullah Al Maghames

Dr. Ahmed Abdullah Al Maghames holds a PhD in Business Administration in Accounting from the Mississippi State University, a Master's degree from University of Bridgeport and a Bachelor's in Accounting from King Saud University. He worked as an Assistant Professor at King Saud University, and participated in review committees in several companies including Saudi Cement Company, Saudi Telecom Company and Saudi National Shipping Company. Mr. Ahmed currently works as the General Secretary of the Saudi Organization for Certified Public Accountants.

Mr. Sulaiman bin Nasser Al-Hatlan

Mr. Sulaiman bin Nasser Al-Hatlan holds a Master's degree in Professional Accounting and a Bachelor's degree in Accounting. He worked as a member of the Training Authority at the Institute of Public Administration and has great experience in the areas of accounting, internal auditing, financial reports, mergers and acquisitions, administrative organization and corporate evaluation. Mr. Sulaiman currently works as CEO of the National Consulting House.

The following is the attendance record of Committee Members' meetings in 2019:

Name	Nature of Membership	Number of Meetings (9)								
		1st Meeting 27 Jan 2019	2nd Meeting 7 Mar 2019	3rd Meeting 11 Apr 2019	4th Meeting 1 May 2019	5th Meeting 23 May 2019	6th Meeting 17 July 2019	7th Meeting 2 Sept 2019	8th Meeting 17 Oct 2019	9th Meeting 12 Dec 2019
Mr. Ahmed Abdulrahman Alhussan*	Chairman - Independent	✓	✓	✓	-	-	-	-	-	-
Dr. Ahmed Abdullah Al Maghames*	Independent Member	✓	✓	✓	-	-	-	-	-	-
Mr. Sulaiman bin Nasser Al-Hatlan*	Independent Member	✓	✓	✓	-	-	-	-	-	-
Mr. Adeen Mohammed Abanumai**	Chairman - Independent	-	-	-	✓	✓	✓	✓	✓	✓
Mr. Jasser Abdulkarim Jasser**	Independent Member	-	-	-	✓	x	✓	✓	✓	✓
Mr. Mohammed Farhan bin Nader**	Independent Member	-	-	-	✓	✓	✓	✓	✓	✓

- The Committee held 3 meetings at the beginning of 2019.

- The Committee held 6 meetings after restructuring it starting from the 4th meeting until the end of 2019.

*Board of Directors in the previous session, whose membership ended on 16 April 2019..

**Board of Directors in the current session, whose membership started on 17 April 2019..

REMUNERATIONS AND COMPENSATIONS

Remunerations, compensations and disclosure process thereof shall 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 and related approved international standards. The Bank shall also adhere to its disclosure policy under the disclosure requirements in the Board of Directors' report. 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 standards and policies for Board Members, Board Committees are subjected to rules 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 circulations and principles set up of the SAMA as well as the Bank's Article of Associations. 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 control stipulated in the corporate law, controls and regulatory procedures for the corporate law, Companies Governance Regulation, principles and circulated instructions from SAMA, 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 preceding 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 circulations of the Saudi Arabian Monetary Authority, 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 Member of a Board Committee (external) 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 circulations of the Saudi Arabian Monetary Authority, 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 SAMA 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 Arabian Monetary Authority in connection with remunerations, incentives and the standards of the Financial Stability Board (FSB).

Pursuant to SAMA'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 SAMA 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

Name	Fixed Remunerations					Remunerations for the Chairman or Managing Director or Secretary If one of them were Members	Total
	Curtain 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*	225,778	20,000	15,000	-	-	-	260,778
2. Mr. Ahmed Abdulrahman Alhussan	320,000	30,000	24,000	-	-	-	374,000
3. Dr. Zeyad Othman Alhekail**	225,778	20,000	15,000	-	-	-	260,778
4. Mr. Adeen Mohammed Abanumai**	225,778	20,000	23,000	-	-	-	268,778
5. Mr. Adeen Mohammed Abanumai*	94,222	10,000	5,000	-	-	-	109,222
6. Mr. Abdulrahman bin Mohammed Ramzi Addas*	94,222	10,000	15,000	-	-	-	119,222
7. Eng. Omar bin Saleh Babaker*	94,222	10,000	10,000	-	-	-	114,222
Total	1,280,000	120,000	107,000	-	-	-	1,507,000
2nd: Non-Executive Members							
1. Dr. Abdulrhman Ibrahim AlHumaid	320,000	30,000	70,000	-	-	-	420,000
2. Mr. Nasser Mohammed AlSubeaei	320,000	30,000	65,000	-	-	-	415,000
3. Mr. Fahad Abdullah Bindekhyel	320,000	30,000	70,000	-	-	-	420,000
4. Mr. Khalid Abdulaziz AlMukairin	320,000	25,000	75,000	-	-	-	420,000
5. Mr. Khalid Abdulrahman AlRajhi	320,000	30,000	65,000	-	-	-	415,000
6. Mr. Haytham Sulaiman AlSuhaimi**	225,778	20,000	15,000	-	-	-	260,778
7. Mr. Khalid bin Sulaiman Al Jasser*	94,222	10,000	-	-	-	-	104,222
8. Mr. Fahad bin Abdullah Al Qasim*	94,222	10,000	5,000	-	-	-	109,222
Total	2,014,222	185,000	365,000	-	-	-	2,564,222
3rd: Executive Members							
1. Mr. Abdulaziz Mohammed AlOnaizan	225,778	20,000	-	-	-	-	245,778

Clarifications:

*Board of Directors in the current session, whose membership started on 17 April 2019.

**Board of Directors in the previous session, whose membership ended on 16 April 2019.

Changing Remunerations

Profit	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Shares granted	Total	End of Service Gratuity	Grand Total	Expenses Allowances
0.021	70,000	-	-	-	70,000	-	330,778	
0.030	182,500	-	-	-	182,500	-	556,500	
0.021	82,500	-	-	-	82,500	-	343,278	
0.022	227,500	-	-	-	227,500	-	496,278	
0.009	27,500	-	-	-	27,500	-	136,722	
0.010	82,500	-	-	-	82,500	-	201,722	17,696
0.009	30,000	-	-	-	30,000	-	144,222	
0.121	702,500	-	-	-	702,500	-	2,209,500	17,696
0.03	110,000	-	-	-	110,000	-	500,000	
0.03	55,714	-	-	-	55,714	-	470,714	
0.03	60,000	-	-	-	60,000	-	480,000	
0.03	85,714	-	-	-	85,714	-	500,000	
0.03	55,714	-	-	-	55,714	-	470,714	
0.02	45,000	-	-	-	45,000	-	305,777	
0.01	-	-	-	-	-	-	104,222	
0.01	15,000	-	-	-	15,000	-	124,222	
0.21	427,142	-	-	-	427,142	-	2,955,649	
0.02	-	-	-	-	-	-	245,778	

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**	55,000	10,000	65,000
Total	220,000	40,000	260,000
Audit Committee Members:			
1. Mr. Jasser Abdulkarim Jasser*	66,667	15,000	81,667
2. Mr. Mohammed Farhan bin Nader**	80,000	18,000	98,000
3. Dr. Ahmed Abdullah Al Maghames**	40,000	9,000	49,000
4. Mr. Sulaiman bin Nasser Al-Hatlan**	40,000	9,000	49,000
Total	226,667	51,000	277,667
Risk Committee Members:			
1. Mr. Muath Abdulrahman Al Hussaini*	27,500	5,000	32,500
2. Mr. Abdulrahman bin Mohammed Ramzi Addas***	55,000	10,000	65,000
3. Mr. Mohammed bin Sulaiman Al-Hujailan**	27,500	5,000	32,500
Total	110,000	20,000	130,000
Compliance and Governance Committee Members:			
1. Mr. Muath Abdulrahman Al Hussaini*	82,500	15,000	97,500
2. Mr. Abdulrahman bin Mohammed Ramzi Addas***	55,000	10,000	65,000
3. Mr. Abdulfattah Ibrahim AlTaweel**	27,500	5,000	32,500
Total	165,000	30,000	195,000
Executive Management Committee Members:			
1. Mr. Abdulaziz Mohammed AlOnaizan**	23,571	15,000	38,571
Total	23,571	15,000	38,571

Clarifications:

*Board of Directors in the current session, whose membership started on 17 April 2019 and are not re-elected for the current Board membership.

**Board of Directors in the previous session, whose membership ended on 16 April 2019.

***After ending his membership as previous Board member, he was a member of Compliance and Governance Risk Committees from outside the Board, then submitted his resignation on 13 October 2019.

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

Statement	7 Senior Executives including CEO and CFO SAR' 000
Salaries and compensations	13,910
Annual and periodic allowances and remunerations	15,041
Total	28,951

MECHANISMS AND METHODS USED TO EVALUATE THE PERFORMANCE OF THE BOARD AND COMMITTEES MEMBERS

The Board of Directors depends on the annual evaluation on the performance of its members and the Committee Members through a mechanism and forms that makes the Nomination and Remunerations Committee, due to its specialty. The Committee conducts studies and discussions to focus points of strength and work on improving the points of weakness. Thereafter, the Committee is to provide a summary with the results and recommendations to the Board of Directors. An outsourced center was assigned to handle the evaluation process. The Nomination and Remuneration Committee has approved that the General Secretariat and Governance prepare the evaluation process for 2019 based on the updated forms and mechanism.

*Training courses were conducted for the Board of Directors and its Committees.

SHARIA COMMITTEE

Based on the Bank's policy and its approach with adherence to the Islamic Sharia principles, the General Assembly of the Bank has selected the members of the Sharia Committee and approved its regulations, which stipulates the Board being independent from the Bank. Among other prominent clauses of such regulations are as follows:

- The Bank shall not implement any product, conclude contract or agreement without the consent of the Sharia Committee
- Sharia Committee's decisions are binding on the all managements and subsidiaries of the Bank
- Sharia Committee and the Sharia Division participate in the product development process, in accordance with the Sharia provisions
- Sharia Committee and the Sharia Division promotes spreading awareness of the Islamic banking

The Sharia Committee consists of 5 members who are professionals in the fields of jurisprudence of financial and business transactions as below:

1. **His Excellency Sheikh Abdullah Bin Suleiman Al Manea – Chairman**
2. **His Excellency Sheikh Dr. Abdullah Bin Mohamed Al Mutlaq – Deputy**
3. **His Eminence Sheikh Dr. Abdullah Ibn Musa Al-Amar – Member**
4. **His Eminence Sheikh Dr. Muhammad Ibn Saud Al-Osaimi – Member**
5. **His Eminence Sheikh Prof. Dr. Yusuf Al-Shubaili – Member**

The preparatory Committee consists of several members for the Sharia Committee and performs several tasks. Most notably: Studying the issues received from the Bank in order to be submitted to the Sharia Committee to reach a decision; studying the Sharia inquiries related to the financial and banking matters received from the Bank's employees and customers and providing guidance thereon; and studying initial ideas for products and providing guidance in this regard. In 2019, the Sharia Committee held 5 meetings and the Preparatory Committee held 20 meetings.

The Sharia Division of the Bank exercises its functions through the Sharia Studies and Research Management, Sharia Supervisory Management and the Support Unit. Sharia Studies and Research Management prepares the subjects received by the Sharia Committee and the necessary studies and research, in addition to participating in the development of Islamic Banking products and their clearances and spreading awareness of Islamic Banking.

The Sharia Supervisory Management works on verifying the Bank's commitment to the decisions of the Sharia Committee by implementing supervisory field visits to audit all the Bank's business on a regular basis, to make sure of the Bank's commitment to the Sharia Committee's decisions and controls.

The Support Unit works on arranging and coordinating the meetings of the Sharia Board and serving its results, in addition to monitoring, executing projects and business that contributes to spreading the awareness of Islamic Banking inside and outside the Bank. This includes printing a scientific research project that the Sharia Division has contributed to since its establishment in printing research that aims to spread Sharia knowledge in connection with jurisprudence of financial transactions and Islamic economy. In 2019, the Division issued a thesis which includes:

- Licensing the described in contemporary applications
- Provisions on credit facilities in Islamic jurisprudence

In addition to the knowledge-sharing project that aims to link the theoretical part to the practical part in financial transactions and understanding the Sharia forms, Islamic Banking products are offered to teachers and students of the universities during their visit to the Sharia Division.

INTERNAL AUDIT

The internal audit is an independent and objective function that its reports are submitted directly to the Audit Committee formed by the Bank's General Assembly and aims to provide reasonable assurances to the Bank's Audit and Management Committee regarding the adequacy and effectiveness of the internal control system, through implementation of a systematic approach to assessing and improving the effectiveness of governance, risk management and control processes. The internal audit sector follows the audit methodology based on the risks in the planning and implementation of audit work, it also follows up on correcting the observations in the audit reports to ensure from their implementation according to the schedule and specific procedures that provides safety of internal controls. The internal audit sector depends on continuous development of its employees in order to invest in their capabilities. The sector also verifies the application of internal audit standards through a program quality assurance that covers all internal audit activities.

The scope of the internal audit sector includes all the activities and departments of the Bank, as in 2019 the sector carried out internal audit work according to the plan approved by the Audit Committee, which is based on an integrated study and comprehensive risk assessment of the units subject to the audit at a level the bank. In addition, the internal audit sector carried out many other tasks assigned to it by the Bank or the monetary agency management.

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 affiliated 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 and simplification of 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 Management. It is responsible for assessing and verifying the effectiveness of the Internal Audit System, including the compliance with policies and procedures, and the contribution to the ongoing effectiveness of the Internal Control System. Furthermore, reports on significant and specific weaknesses detected and corrective measures recommended in the Internal Audit System are to be submitted to the Audit Committee and Senior Management. The function of the Audit Committee is to effectively monitor 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 2019, 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. 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 2019. 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; 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 Arabian Monetary Authority (SAMA), 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 remainder would be used as per the Board of Directors' recommendation and the General Assembly's decision.
- On 9 April 2019, the 9th Irregular General Assembly approved the recommendation received from the Board of the Directors on increasing the Bank's capital by granting 1 share for every 4 owned shares, so that the capital increases to SAR 7,500 million instead of SAR 6,000 million, with an increase of 25%.
 - According to the Board of Directors' decision on 18 July 2019, interim profits of SAR 300 million at 40 Halala per share with 4% of the nominal share value were disbursed for the first half of the quarter of 2019.

MAJOR STAKEHOLDERS

The Bank's major stakeholders who owned more than 5% of shares as at the end of trading on 31 December 2019 as follows:

No.	Stakeholder name	Percentage (%)
1	Mohammed Alsubeaei & Sons Investments Company (MASIC)	19.24
2	Abdullah Ibrahim Alsubaie investing company	11.14
3	Mr. Khalid Saleh AlRajhi	10.55
4	Mr. Abdulrahman Abdulaziz Saleh AlRajhi	6.58
5	Mr. Mohammed Saleh Hamza Sairafi	5.09

GENERAL ASSEMBLY'S MEETINGS DURING 2019

Bank Albilad held an Extraordinary General Assembly meeting for its shareholders during the fiscal year 2019. The 9th meeting was held on 4 Sha'aban 1440 AH (9 April 2019) for the aim of confirming the approval on the capital increase.

A. Attendance record of Board of Directors and Committee Chairs Members for the General Assembly meeting 2019

Bank Albilad held the General Assembly meeting in 2019 on 04/08/2019 AH, 9 April 2019 (before the end of the previous session). The attendance record was as follows:

No.	Name	Attendance
1	Dr. Abdulrhman Ibrahim AlHumaid – Board of Directors Chairman – Executive Management Chairman	✓
2	Mr. Nasser Mohammed AlSubeaei	✓
3	Mr. Saud bin Mohammed Al Fayez – Chairman of Risk Committee	✓
4	Mr. Abdulrahman bin Mohammed Ramzi Addas – Chairman of Nomination and Remuneration Committee – Chairman of Compliance and Governance Committee	✓
5	Mr. Fahad Abdullah Bindekhayel	✓
6	Mr. Khalid Abdulaziz AlMukairin	Not Attended
7	Mr. Ahmed Abdulrahman Alhussan – Head of Audit Committee	✓
8	Eng. Omar bin Saleh Babaker	✓
9	Mr. Khalid bin Sulaiman Al Jasser	✓
10	Mr. Fahad bin Abdullah Al Qasim	✓
11	Mr. Khalid Abdulrahman AlRajhi	✓

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

1. Approval on the report of the Board of Directors for the fiscal year ending on 31 December 2018.
2. Approval on the Auditors' report for the fiscal year ending on 31 December 2018.
3. Approval of the financial statements for the financial year ending on 31 December 2018.
4. Approval on the appointment of the Price PWC and KPMG Al-Fawzan & Partners, 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 2019, as well as determine their fees.
5. Approval on the recommendation of the Board of Directors to increase capital by granting free shares according to:
(a) the total amount of SAR 1,500 increase (b) the capital before the SAR 6,000 increase, as it will reach SAR 7,500 which is a 25% increase (c) the number of shares is 600 million shares increasing to 750 million shares (d) the aim of this recommendation is to increase the capital to enhance the Bank's financial solvency and retain its resources in the operating activities (e) the increases will be applied by capitalizing the amount of SAR (1,144,135,000) from the statutory reserve item and the amount of SAR (355,565,000) from the retained earnings item, by granting one share per four granted shares (f) in the case of the issues with the shares, they will be collected in one portfolio for all shareholders and will be sold at the market price and their value will be distributed to all eligible shareholders depending on each percentage, within a period not exceeding (30) days from the date determined for the new shared for each shareholder (g) and the eligibility will be for the shareholders who own shares at the end of the trading of the Extraordinary General Assembly, and for the registered shareholders at the depository center at the end of the second day of trading following the meeting.
6. Approval to absolve the Board of Directors' Members from liability for the fiscal year ending on 31 December 2019.

7. 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 2019. Also, to determine the maturity and disbursement date according to the organizational procedures issued in implementation of the corporate system which comply with the Bank's financial status, cash flows, expansion and investment plans.
8. 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 2018.
9. Approval on the election of 11 from among approved candidates for the membership of the Board of Directors for the next session, which will start a period of 3 years from 17 April 2019 until 16 April 2022. The result of the voting, based on cumulative voting, is shown below. The following names are ranked according to the highest votes received:
 1. Mr. Nasser Mohammed AlSubeaei
 2. Dr. Abdulrhman Ibrahim AlHumaid
 3. Mr. Khalid Abdulaziz AlMukairin
 4. Mr. Fahad Abdullah Bindekhayel
 5. Mr. Haytham Sulaiman ALSuhaimi
 6. Mr. Ahmed Abdulrahman Alhussan
 7. Dr. Zeyad Othman Alhekail
 8. Mr. Khalid Abdulrahman AlRajhi
 9. Mr. Abdulaziz Mohammed AlOnaizan
 10. Mr. Adeen Mohammed Abanumai
 11. Mr. Sameer Omar Baeisa
10. Approval on the formation of the tasks, work control and Members' remuneration of the Audit Committee for the next session, which will be for a period of 3 years and will start on 17 April 2019 until 16 April 2022.
 1. Mr. Adeen Mohammed Abanumai
 2. Mr. Jasser Abdulkarim Jasser
 3. Mr. Mohammed Farhan bin Nader
11. Approval on the formation of the Sharia Committee, which will start for a period of 3 years from 17 April 2019 until 16 April 2022 as the follows:
 1. His Excellency Sheikh Abdullah bin Sulaiman Al Maneea .
 2. His Excellency Sheikh Dr. Abdullah bin Mohammed AlMutlaq
 3. Sheikh Dr. Abdullah bin Misa Al Ammar
 4. Sheikh Dr. Mohammed bin Saud Al-Osaimi
 5. Sheikh Dr. Yousef bin Abdullah Al-Shabaili
12. Approval on amending Article No.7 related to the Bank's system applied by the capital according to the proposed increase in the Bank's capital if the Extraordinary General Assembly approves item No. 5 related to the capital increase.
13. Approval on amending Article No. 14 from the Bank's basic system related to capital reduction.
14. Approval on amending Article No. 18 from the Bank's basic system related the Board's authorizations and specialties.
15. Approval on amending Article No. 19 from the Banks basic system related to the Board's Committees and Audit Committee.
16. Approval on amending Article No. 21 from the Bank's basic system related the Board Chairman, Managing Director and Secretary authorizations and specialties.
17. Approval on amending Article No. 29 from the Bank's basic system related to holding stakeholders' General Assemblies.
18. Approval on amending Article No. 32 from the Bank's basic system related to the quorum of the Extraordinary General Assemblies.
19. Approval on amending Article No. 38 from the Bank's basic system related to the Auditors' responsibilities.
20. Approval on amending Article No. 40 from the Bank's basic system related to the financial documents.
21. Approval on amending Article No. 41 from the Bank's basic system related to the profit distributions.

22. Approval on amending Article No. 44 from the Bank's basic system related to the Company's losses.
23. Approval on amending Article No. 45 from the Bank's basic system related to the Company's liquidation mechanisms.
24. Approval on removing Article No.46 from the Bank's basic system related to the Company's seal (and amending the following Article related to companies' systems and related regulations, after numbering it as 46).
25. Approval on the work and contracts that will be done in cooperation with Muhammed bin Ibrahim Alsubeaei & Sons Co., where Mr. Nasser Mohammed Alsubeaei is a direct partner, as well as the Deputy Chairman of its Board of Directors. The approval includes location rental for the ATM in Riyadh for SAR 102,000 annually, with a contract that starts on 3 July 2019 until 2 July 2025, and there are no preferential terms in these contracts.
26. Approval on the work and contracts that will be done in cooperation with Muhammed bin Ibrahim Alsubeaei & Sons Co., which Mr. Nasser Mohammed Alsubeaei (Non-executive Member) is a direct partner in, as well as the Deputy Chairman of its Board of Directors. The approval includes location rental for Enjaz Center – AlKhalidya South branch – Dammam, for SAR 174,790 annually with a contract that starts on 6 April 2015 until 4 December 2026, and there are no preferential terms in these contracts.
27. Approval on the work and contracts that will be done in cooperation with Mohammed bin Ibrahim Alsubeaei & Sons Co., which Mr. Nasser Mohammed Alsubeaei (Non-executive Member) is a direct partner in, as well as the Deputy Chairman of its Board of Directors. The approval includes (location rental for Enjaz Industrial Center 2 – Riyadh) for SAR 472,000 annually with a contract starts on 6 April 2016 until 5 April 2026), and there are no preferential terms in these contracts.
28. Approval on the work and contracts that will be done by Albilad Investment Company in cooperation with Khalid Abdulaziz AlMukairin & Sons Holding Co., where Mr. Khalid Abdulaziz AlMukairin (Non-executive Member) is the owner, as well as the Chairman of its Board of Directors. The approval includes (two offices (101) and (102) in Riyadh) for SAR 1,168,200 annually with a contract that starts on 1 January 2013 until 31 December 2019), and there are no preferential terms in these contracts.
29. Approval on the work and contracts that will be done by Albilad Investment Company in cooperation with Khalid Abdulaziz AlMukairin & Sons Holding Co., where Mr. Khalid Abdulaziz AlMukairin (Non-executive Member) is the owner, as well as the Chairman of its Board of Directors. The approval includes two offices (103) and (104) in Riyadh for SAR 1,089,000 annually, with a contract that starts on 1 January 2013 until 31 December 2019, and there are no preferential terms in these contracts.
30. Approval on the work and contracts that will be done by the Bank in cooperation with Library Shops Company, where Mr. Khalid Abdulaziz AlMukairin (Non-Executive Member) is an indirect partner as he is the Chairman of its Board of Directors. The approval includes the supply of furniture for the Country Tower on King Fahed St.in Riyadh for SAR 17,545,864 annually, with a contract that starts on 21 November 2017 until 21 November 2018, and there are no preferential terms in these contracts.
31. Approval on the work and contracts that will be done by the Bank in cooperation with Mr. Abdulrahman Saleh AlRajhi, Co. which Mr. Khalid Abdulrahman Saleh AlRajhi is (Non-executive Member) is a direct partner in, as he is the owner's son. The approval includes Enjaz Center rental – Al Khafji Governate for SAR 150,000 annually, with a contract that starts on 8 August 2016 until 10 April 2020, and there are no preferential terms in these contracts.
32. Approval on the work and contracts that will be done by the Bank in cooperation with Jarir Marketing Company, which Mr. Fahad Abdullah Al Qassim is (Non-Executive Member) is a direct partner in, as he is a Member of the Board of Directors. The approval includes stationary for the Bank for SAR 2,348,716.3 annually, with a contract that starts on 22 April 2018 until 8 April 2021, and there are no preferential terms in these contracts.
33. Approval on the work and contracts that will be done by Albilad Investment Company in cooperation with Jarir Marketing Company, in which Mr. Fahad Abdullah AL Qassim is (Non-Executive Member) is a direct partner, as he is a Member of the Board of Directors. The approval includes the furniture supply to Albilad Investment Company for SAR 1,187,420 annually, with a contract that starts on 19 December 2017 until 28 February 2018), and there are no preferential terms in these contracts.

34. Approval on the work and contracts will be done by the Bank in cooperation with Mr. Abdulrahman bin Abdulaziz Saleh Al Rajhi, as he is a major stakeholder, on the rental of Enjaz Center in Yanbou for SAR 180,000 annually, with a contract that starts on 9 August 2015 until 8 August 2025, and there are no preferential terms in these contracts.
35. Approval on the work and contracts that will be done by the Bank in cooperation with Mr. Abdulrahman bin Abdulaziz Saleh Al Rajhi, as he is a major stakeholder, on the rental of the Bank's branch in Buraidah for SAR 400,000 annually, with a contract that starts on 1 June 2015 until 31 May 2025, and there are no preferential terms in these contracts.
36. Approval on the work and contracts that will be done by the Bank in cooperation with Mr. Abdulrahman bin Abdulaziz Saleh Al Rajhi, as he is a major stakeholder, on the rental of the Bank's branch in Dammam for SAR 500,000 annually, with a contract that starts on 15 September 2010 until 14 September 2025, and there are no preferential terms in these contracts.
37. Approval on the work and contracts that will be done by the Bank in cooperation with 21 Century as it is the it is real estate partner which Mr. Fahad Abdullah Al Qassim (Non-Executive Member) and a partner in it, on (providing real estate appraisal services) for SAR 1,205,663 annually with a contract starts on 26 August 2018 until 27 August 2019, and there are no preferential terms in these contracts.

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, improving its businesses and reputation as well as its logo/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 SAMA and CMA. 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.

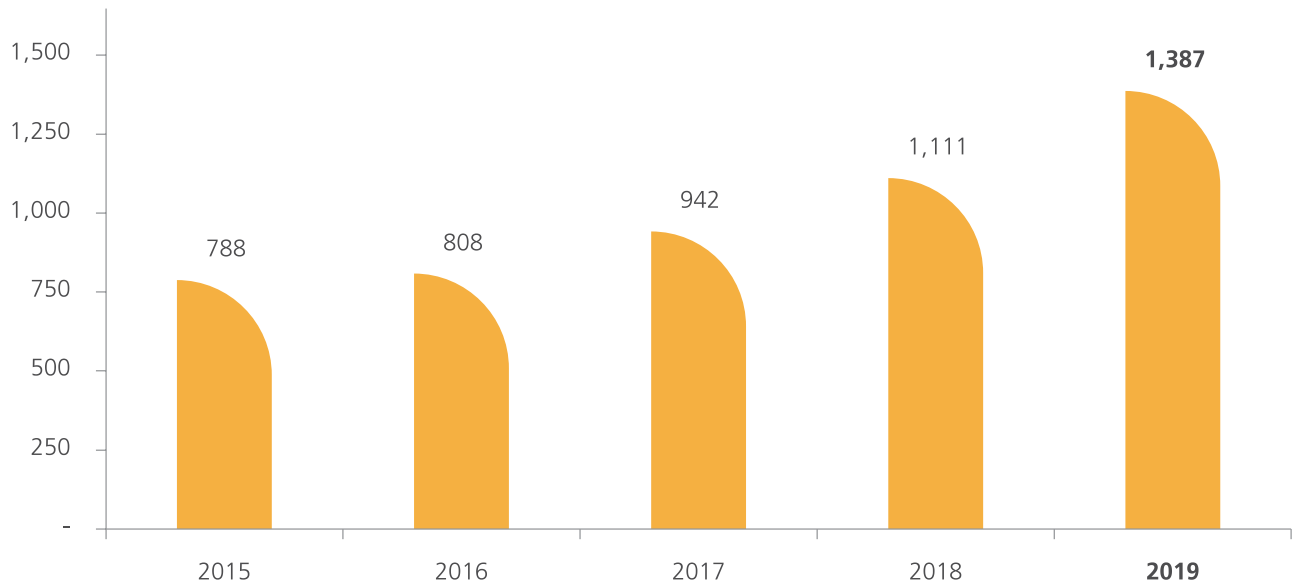
Trust, honesty, respect and responsibility are essential foundations on which this reputation has been established, and a source for the value the Bank effortlessly provides to customers. The Bank imposes obligations on itself with regards to numerous stakeholders, to carry on and maintain its well-established 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

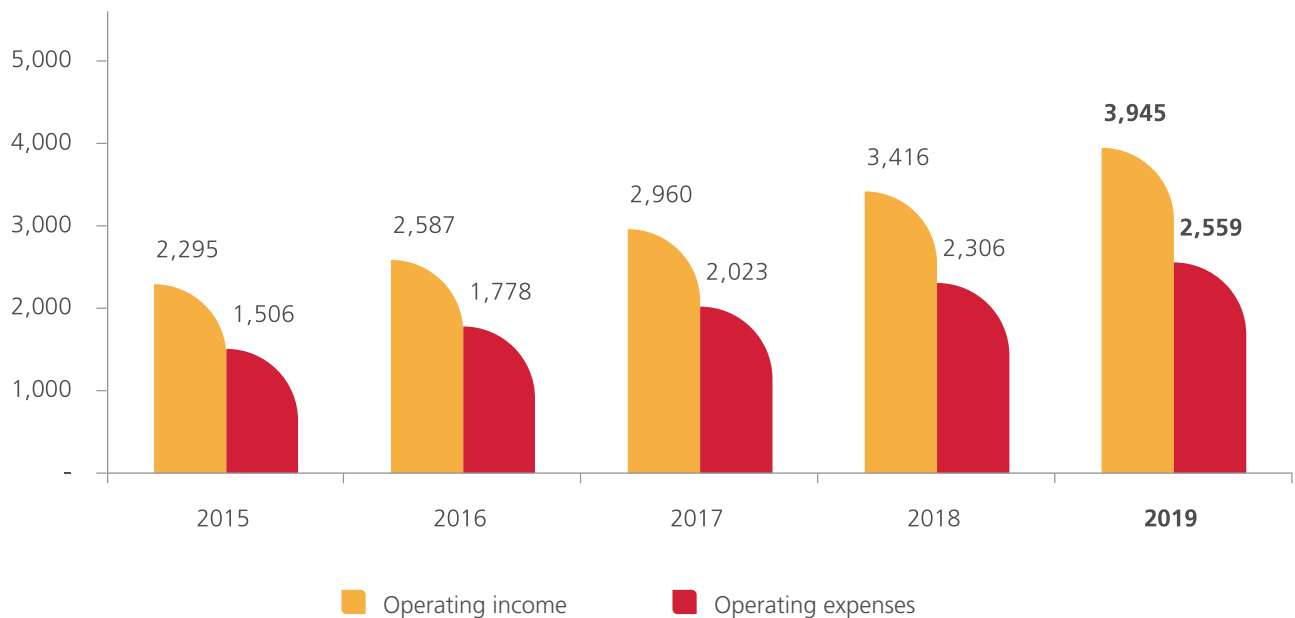
During the year 2019, the Bank earned a net profit of SAR 1,243.7 million after Zakat, compared to a net profit of SAR 612.7 million in 2018. This is an increase of 103% as a result of changing the Zakat calculation method, by adjusting the effect retroactively in line with the standard IFRS 8 for accounting policies, and by confirming Zakat in the income statement and being consistent with the IFRS.

Further, the Bank earned a net profit during the year 2019 before Zakat of SAR 1,386.7 million, compared to a net profit of SAR 1,110.5 million in the previous year, i.e. an increase of SAR 276.2 million or 24.9%. This growth was due to the increase of total operating income by 15.5%, as a result of the net income of investment and financing assets increase by 25.5%, to reach SAR 2,717 million. On the other hand, the total operating expenses increased by 11% to reach SAR 2,559 million, as a result of the increase in consumption and other general and administrative expenses, as well as in the employees' salaries and benefits.

Net income return to the Bank's shareholders in the past 5 years before zakat (SAR million)



(SAR million)

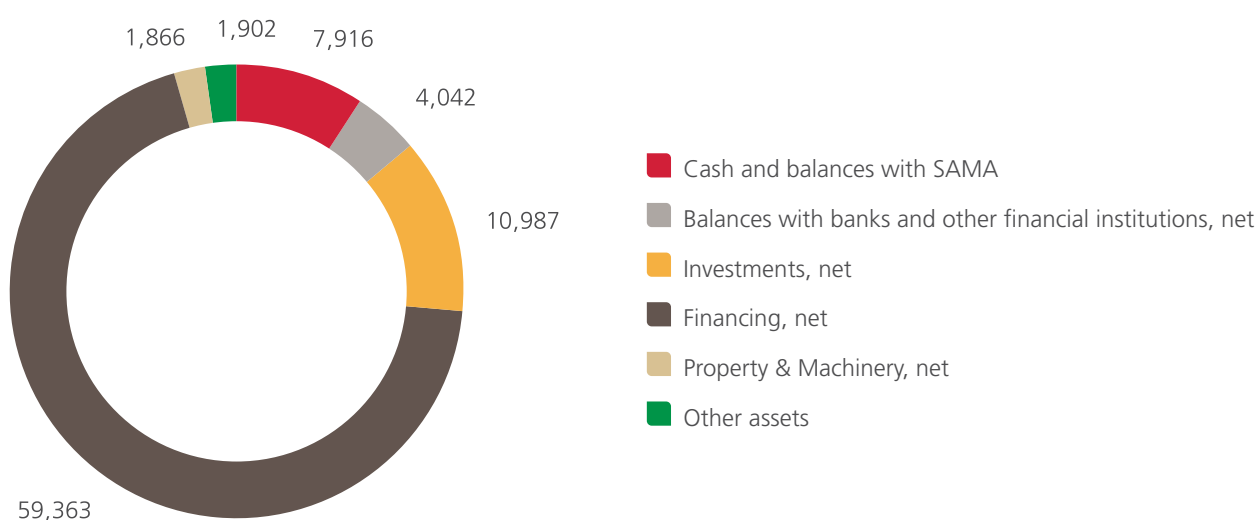


FINANCIAL POSITION

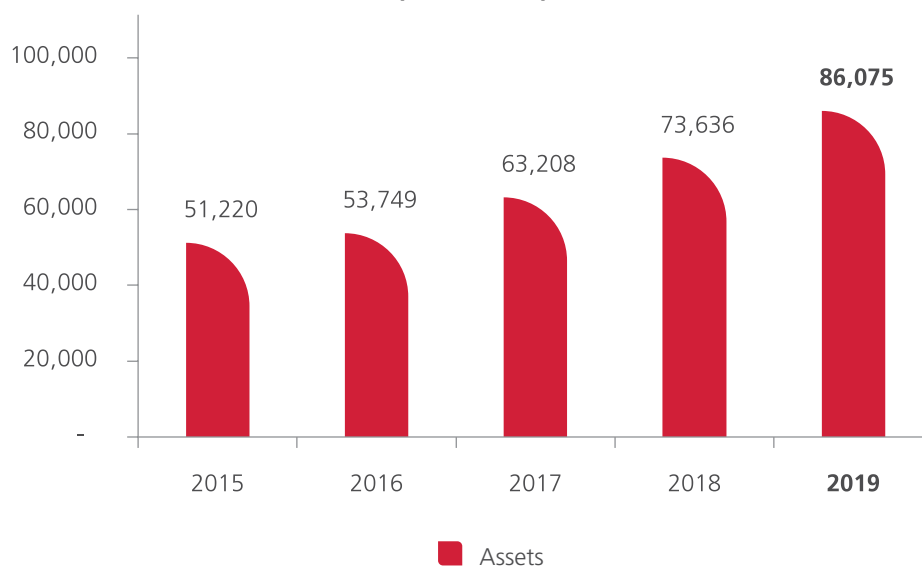
ASSETS

By the end of the year 2019, the Bank's assets amounted to SAR 86,075 million, compared to SAR 73,636 million in 2018, i.e. an increase of SAR 12,439 million or 16.9% over last year. The increase in financial assets is due to the increase in the Bank's financing and investments.

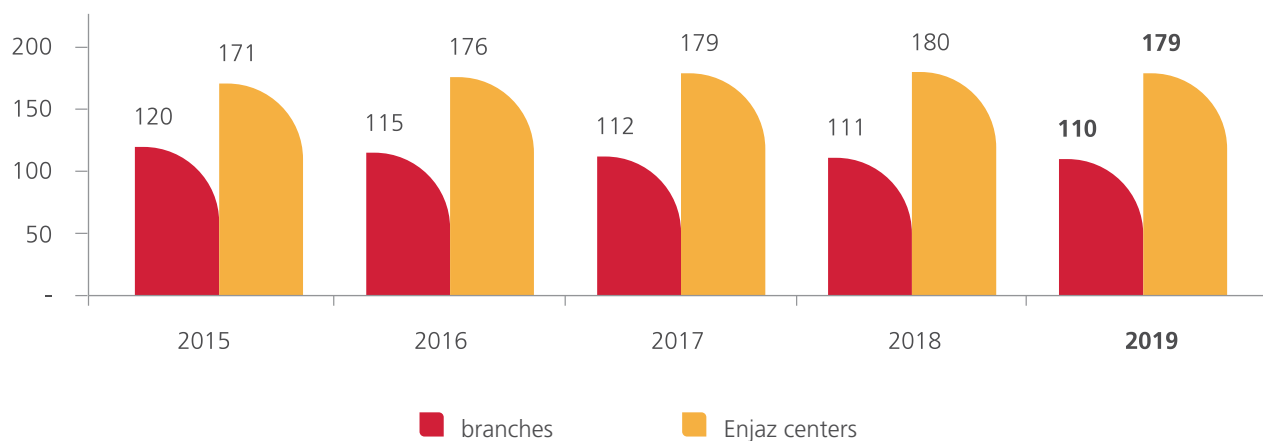
Composition of assets (SAR million)



(SAR million)



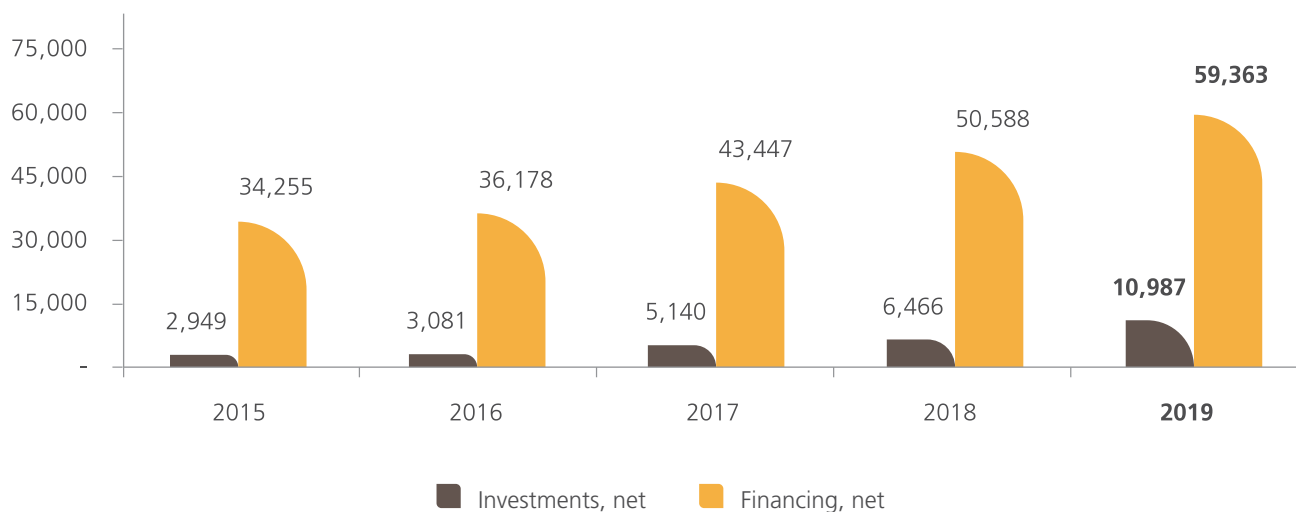
Albilad branches and Enjaz centers during the past 5 years



NET FINANCING AND INVESTMENT

The net financing portfolio increased by SAR 8,774 million or 17.3% to reach SAR 59,363 million at the end of December 2019. Likewise, the investment portfolio recorded an increase of SAR 4,521 million or 70%, to reach SAR 10,987 million.

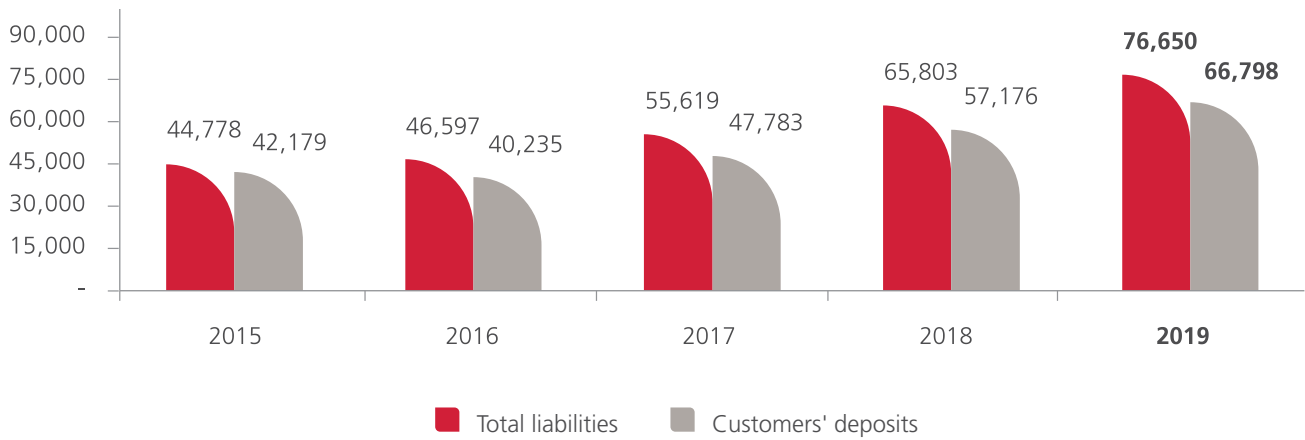
Net Finance and Investment (SAR million)



CUSTOMERS' DEPOSITS

The customers' deposits increased by SAR 9,622 million or 16.8%, to reach SAR 66,798 million by the end of the year 2019, compared to SAR 57,176 million by the end of the year 2018.

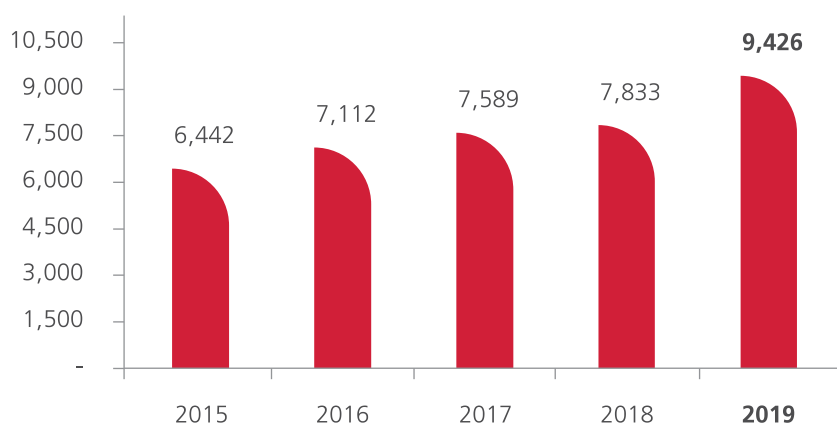
Customers Deposits (SAR million)



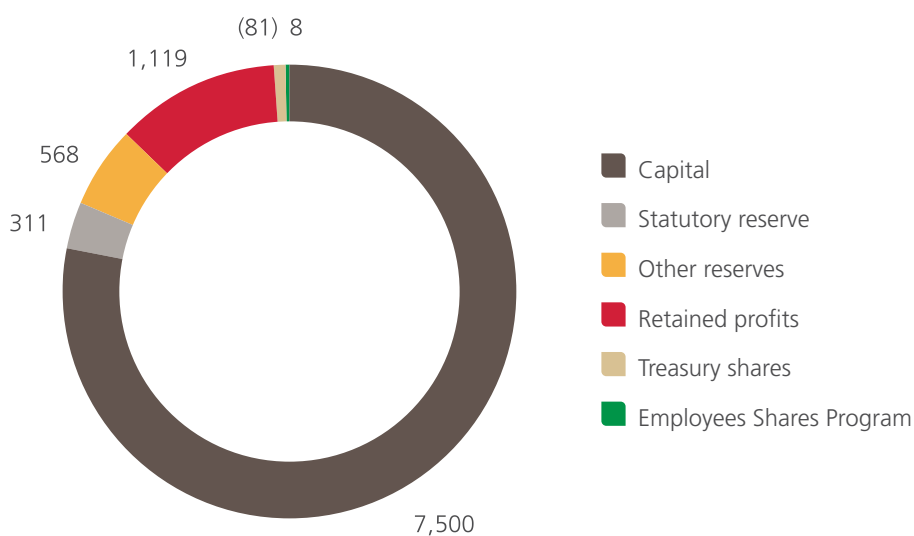
SHAREHOLDERS' EQUITY

Total owners' equity recorded an increase in the amount of SAR 1,593 million, or 20.3%, to reach SAR 9,426 million by the end of December 2019, compared to SAR 7,833 million by the end of December 2018. This is mainly attributed to the increase of the Bank's net income. Issued common shares totaled 750 million. The capital adequacy rate reached 17.5% by the end of 2019. The Bank's return on average assets reached 1.56%, whereas return on average owners' equity reached 14.4% and earnings per share amounted to SAR 1.67.

Total Shareholders' Equity for the Last 5 Years



Composition of returns on shareholders' equity (SAR million)



FINANCIAL STATISTICS

THE FOLLOWING IS AN ANALYSIS OF THE MOST IMPORTANT ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

(SAR million)	2019	2018	2017	2016	2015
Investments, net	10,987	6,466	5,140	3,081	2,949
Financing, net	59,363	50,588	43,447	36,178	34,255
Total assets	86,075	73,636	63,208	53,749	51,220
Customers' deposits	66,798	57,176	47,783	40,235	42,179
Total liabilities	76,650	65,803	55,619	46,597	44,778
Total shareholders' equity returns to the Bank's shareholders	9,426	7,833	7,589	7,112	6,442

(SAR million)	2019	2018	Change	Change %
Investments, net	10,987	6,466	4,521	69.9%
Financing, net	59,363	50,588	8,774	17.3%
Total assets	86,075	73,636	12,439	16.9%
Customers' deposits	66,798	57,176	9,622	16.8%
Total liabilities	76,650	65,803	10,847	16.5%
Total shareholders' equity returns to the Bank's shareholders	9,426	7,833	1,593	20.3%

ANALYSIS OF THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT:

(SAR million)	2019	2018	2017	2016	2015
Net income from investment & financing Assets	2,717	2,164	1,739	1,408	1,162
Fees & commissions income, net	804	843	834	812	779
Foreign exchange gains, net	314	316	310	311	317
Total operating income	3,945	3,416	2,960	2,587	2,295
Provision for decline of financing & other financial assets	536	490	379	238	92
Total operating expenses	2,559	2,306	2,023	1,778	1,506
Net year income before Zakat	1,387	1,111	936	809	788
Zakat	143	498	-	-	-
Net year income	1,244	613	936	809	788
Returns to:					
Bank's shareholders	1,244	613	942	808	788
Uncontrolled share/holding/quota	-	-	(6)	1	-
Net year income	1,244	613	936	809	788

(SAR million)	2019	2018	Change	Change %
Net income from investment & financing assets	2,717	2,164	553	25.5%
Fees & commissions income, net	804	843	(39)	(4.6%)
Foreign exchange gains, net	314	316	(2)	(0.6%)
Total operating income	3,945	3,416	529	15.5%
Provision for decline of financing & other financial assets	536	490	46	9.4%
Total operating expenses	2,559	2,306	253	11.0%
Net year income before Zakat	1,387	1,111	276	24.8%
Zakat	143	498	(355)	(71.3%)
Net year income	1,244	613	631	103.0%

APPLIED ACCOUNTING STANDARDS

In accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and other issues issued by Saudi Organization for Certified Public Accountants.

The consolidated financial statements for the 12 months ending on 31 March 2019 and 31 December 2018, consecutively, have been prepared as per the international standards for financial reporting. They were amended by the Saudi Arabian Monetary Agency (SAMA) for calculating Zakat and income tax in compliance with the International Standard No. (12) "Income tax," and the explanation of the International Financial Reporting Standards Committee No. 21 - "Taxes," in relation to Zakat and Income Tax (along with the Banking Control Regulation and the Companies Law in the Kingdom of Saudi Arabia).

On 17 July 2019, SAMA instructed banks in the Kingdom to provide proof of Zakat in the income statement. This should be in line with the International Financial Reporting Standards and the explanations issued by the International Accounting Standards Board, certified in the Kingdom of Saudi Arabia, along with other standards and releases approved by the Saudi Organization for Certified Public Accountants (referred to collectively as "International Financial Reporting Standards accepted in the Kingdom of Saudi Arabia").

As a result, on June 30 2019, the Group changed its Zakat calculation method, by adjusting the effect retrospectively in line with IFRS No.8 related to accounting policies and accounting estimates and errors. The effect of this change is shown in disclosure No. 23 of Bank Albilad's consolidated annual financial statements of the year 2019.

INTERNATIONAL FINANCIAL REPORTING STANDARDS NO. 16 (LEASING CONTRACTS)

The Bank adopted the International Standard for Financial Report No. 16 (Leasing Contract) as of 1 January 2019, and the change in accounting policies as a result of this new standard was disclosed, along with Zakat calculation in the Discloser No. 3, in the annual Consolidated Financial Statements of Bank Albilad for the year 2019.

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

The Bank and its subsidiaries practice the following activities:

Retail banking:	Includes services and products provided to individuals, such as deposits, finance for individuals, remittances and foreign exchange.
Corporate banking:	Includes services and products provided to companies and legal person customers, such as deposits, finance and business services to customers.
Treasury:	Includes Capital Market and the provision of treasury services.
Investment banking and brokerage:	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:

2019 (SAR million)	Activity	Revenue %
Retail banking	2,281,817	58%
Corporate banking	1,057,032	27%
Treasury	426,592	11%
Investment banking and brokerage	179,906	4%
Total	3,945,347	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 2019	2,341	928	676	3,945

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 100,000	SAR 50 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 DECEMBER 31 2019:

2019 SAR	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	36,097,504	30,556,136	18,623,502	798,289	86,075,431
Total liabilities	52,405,238	12,866,552	11,175,488	202,230	76,649,508
Net income from investment and financing assets	1,517,395	922,037	263,710	13,829	2,716,971
Net income from fees, commission and others	764,422	134,995	162,882	166,077	1,228,376
Total operating income	2,281,817	1,057,032	426,592	179,906	3,945,347
Net provision decrease in financing and other financial assets	159,547	372,360	3,020	696	535,623
Depression 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 before Zakat	575,718	373,100	349,290	88,615	1,386,723

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 2019, 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 supervisory authorities:

Penalty subject	2019		2018	
	Number of penal decisions	Total amount of financial penalties SAR	Number of penal decisions	Total amount of financial penalties
Penalties of not committing to SAMA's instructions	14	1,266,000	10	135,000
Penalties of not committing to SAMA's instructions related to customers' safety	3	40,000	2	15,000
Penalties of not committing to SAMA's instructions on due diligence	1	15,000	-	-
Penalties of not committing to the instructions of SAMA's related to enhancing ATMs and POS devices	-	-	1	47,000
Penalties on not committing to the instructions of SAMA to prohibit money laundry and terrorism finance	-	-	-	-
Total	18	1,321,000	13	197,000

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
Ministry of Municipal & Rural Affairs	73	482,100	<ul style="list-style-type: none"> • 3 penalties from Riyadh Municipality related to violation on boards in countries branches • 37 penalty from Riyadh Municipality on boards and posters related to Enjaz • 32 penalty from Riyadh Municipality related to ATMs • Unclarity of road signage and boards at the work area
Capital Markets Authority of Saudi Arabia	1	10,000	The Bank didn't commit in providing CMA with enough information related to the fiscal year by 31 December 2018
SADAD Payment System	1	96,776	A penalty from SADAD Payment System due to failure in achieving the targeted requirements in the first quarter of 2019
Ministry of Labor	2	20,000	Penalties on not committing to Ministry of Labor's rules and regulations
Total	77	608,876	

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.

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

QUALITATIVE DISCLOSURE

During 2019, Bank Albilad completed the expansion policy for the MSME Sector. On one hand, expansion serves as a contribution to and implementation of the Kingdom Vision 2030; on the other, it is intended to meet the banking needs of the sector. To this end, financing programs, especially tailored banking solutions, have been provided for the public and private sectors. The Bank increased its contribution to "Kafalah" program and signed a new cooperation agreement intended to encourage maximum utilization of "Kafalah" program for small, medium and micro enterprises. To add on, a number of new strategic partnerships have been discussed with some regulatory agencies. Furthermore, the Bank continues to consolidate relationship with the clients by providing them with the best banking practices through conducting many specialized workshops delivered by experts in trade, financing, and electronic services. Different questionnaires were conducted to get feedbacks on quality of services provided, and to assess the customers' experience for working on further improvements.

QUANTITATIVE DISCLOSURE

(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%
Direct and indirect facilities				
Number direct and indirect facilities customers	190	213	560	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	318

(SAR million – 2018)

Details	Micro	Small	Medium	Total
Direct facilities provided to MSMEs	22	1,250	1,643	2,914
Indirect facilities provided to MSMEs (face value)	22	301	351	674
Direct facilities provided to MSMEs as percentage to total direct facilities	0.04%	2.42%	3.18%	5.65%
Indirect facilities provided to MSMEs as percentage to total indirect facilities	0.40%	5.47%	6.39%	12.26%
Number of direct and indirect facilities				
Number direct and indirect facilities customers	44	261	157	462
Number of direct and indirect facilities guaranteed by Kafalah Program	8	77	9	94
Total direct and indirect facilities guaranteed by Kafalah Program	10	234	68	312

FINANCING AND ISSUED SUKUK

In its financing activities, Bank Albilad normally deals as usual with other banks and the Saudi Arabian Monetary Authority (SAMA).

On August 30, 2016 the Bank issued 2,000 enhanced Sukuk certificates with a value of SAR1,000,000 each, payable on quarterly basis - 29 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. 2019 and 2018 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 2019, and 746 shares in 2017) after Treasury shares were excluded.

END OF SERVICE GRATUITY

The bank's employees end of service is provided according to the Saudi labor system 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 SAMA. 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 SAMA, 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 are as follows:

Details	2019
Product date	3 March 2019
Due date	1 January 2020 25% 1 January 2021 25% 1 January 2022 50%
Number of shares generated at the date of grants	482,698
Share price on the day of grant (SAR)	24.63
Shares value granted on the date of grants (SAR 000)	11,889
Maturity period	3 years
Grant condition	Current employees
Payment method	Shares
The following statement of variation of employees shares program during the year:	
	2019
At the beginning of the year	1,139,410
Shares granted during the year	603,401
Relinquished shares	(138,337)
Disbursed shares	(466,024)
After capital increase in 2019	168,387
At the end of the year	1,306,837

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 Bank deals with related parties by conducting transactions that are subjected to the controls stipulated in the Banks Control System and the instructions issued by SAMA. Nature and balances of these transactions for the year ended in 31 December 2019 are illustrated below (all amounts are in SAR 000):

The nature and balances of these transactions ended on 31 December 2019 are as follows:

A. BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT, SENIOR STAKEHOLDERS AND THEIR SUBSIDIARY COMPANIES:

Details	2019 SAR
Finance*	3,230,862
Finance**	5,654,914
Commitments and contingencies	122,549
Deposits	271,235

*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 Arabian Monetary Agency.

B. GROUP'S INVESTMENT FUNDS

This item represents balances with the Group's investment funds as on 31 December 2019:

Details	2019 SAR
Customers deposits	32,954
Investments - units	428,552

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 2019:

Details	2019 SAR
Revenues	242,665
Expenses	10,936

D. TOTAL COMPENSATIONS PAID TO SENIOR MANAGEMENT STAFF DURING THE YEAR AS THE FOLLOWING:

Details	2019 SAR
Staff benefits	75,802

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 on the activities and contracts to which the Bank was a party and in which any of the Board Members, Senior Executives or any person related to any of them has interest in, during 2019 (all amounts in SAR).

No.	Nature of the contract	Name of the relevant party	Contract duration	Annual contract value (SAR)
1	Lease contract for ATM location – Riyadh., owned by Mr. Mohammed bin Ibrahim Alsubeaei & Sons Company	Board of Directors Member - Mr. Nasser Mohammed Alsubeaei (He is the Vice Chairman and partner in the company)	03/07/2015 to 02/07/2025	102,000
2	Lease contract of ENJAZ center of the southern branch of southern Khalidiyah district in Dammam, owned by Mohammed Bin Ibrahim Alsubeaei & Sons Company	Board of Directors Member - Mr. Nasser Mohammed Alsubeaei (He is the Vice Chairman and partner in the company)	05/12/2016 to 04/11/2026	174,790
3	A lease contract for the second Industrial ENJAZ Center - Riyadh City, owned by Mohammed bin Ibrahim Alsubeaei & Sons Company.	Board of Directors Member - Mr. Nasser Mohammed Alsubeaei (He is the Vice Chairman and partner in the company)	06/04/2016 to 05/04/2026	472,000
4	A lease ATM contract – Riyadh, owned by Masic Logistics	Board of Directors Member - Mr. Nasser Mohammed Alsubeaei (He is the Vice Chairman and partner in the company)	18/03/2018 to 03/17/2028	60,000
5	A lease ATM contract – Riyadh, owned by Mohammed Ibrahim Alsubeaei & Sons Co.	Board of Directors Member - Mr. Nasser Mohammed Alsubeaei (He is the Vice Chairman and partner in the company)	01/12/2019 to 30/12/2029	25,000
6	A lease ATM contract – AL jubail, owned by Byoot Al Arjaan Company	Board of Directors Member - Mr. Nasser Mohammed Alsubeaei (He is the Vice Chairman and partner in the company)	05/08/2018 to 04/08/2025	90,000
7	A lease ATM contract Yanbou, owned by Byoot Al Arjaan Company	Board of Directors Member - Mr. Nasser Mohammed Alsubeaei (He is the Vice Chairman and partner in the company)	01/09/2018 to 31/08/2025	80,000
8	A lease contract for main Enjaz Center Yanbou, owned by Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi (Major shareholder)	09/08/2015 to 08/08/2025	180,000
9	A lease contract for Bank Albilad- Al Khubayb, Buraidah branch owned by Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi (Major shareholder)	01/06/2015 to 31/05/2025	400,000
10	A lease contract for the main Bank Albilad branch – Dammam owned by Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi	Mr. Abdulrahman Abdulaziz bin Saleh AlRajhi (Major shareholder)	15/09/2010 to 14/09/2025	500,000
11	A lease contract for Enjaz Center – Al Khafji Governate, owned by Mr. Khaled Abdulrahman AlRajhi	Board of Directors Member - Mr. Khalid Abdulrahman AlRajhi (Property owner's son)	08/08/2016 to 10/04/2020	150,000
12	Lease contract for offices No. (101) and (102), with Albilad Investment Company, located on King Fahed Road in Riyadh (Smart Tower), owned by Khalid Abdulaziz AlMukairin & Sons Holding Company.	Board of Directors Member - Mr. Khalid Abdulaziz AlMukairin (Chairman and owner of the company)	01/01/2013 to 31/12/2019	1,168,200
13	Lease contract for offices No. (103) and (104), with Albilad Investment Company, located on King Fahed Road in Riyadh (Smart Tower), owned by Khalid Abdulaziz AlMukairin & Sons Holding Company.	Board of Directors Member - Mr. Khalid Abdulaziz AlMukairin (Chairman and owner of the company)	01/01/2013 to 31/12/2019	1,089,000

Outstanding statutory payments:

Details	2019 (SAR million)
Legal Zakat (1)	143
General Organization for Social Insurance (GOSI) (2)	8.0

- (1) Legal Zakat – As per the Zakat Acknowledgement, the Bank estimated the outstanding Zakat for 2019 with SAR 143 million (2018: SAR 105 million).
- (2) The Bank estimated the outstanding amount due to the General Organization for Social Insurance (GOSI) for 2019 with SAR 8 million (2018 SAR 7.6 million) to be paid during January 2020.

Value of statutory paid and accrued payments for the period ending on 31 December 2019:

Item	Bank Albilad (SAR)		Brief	Reasons
	Paid	Accrued until the end of the annual fiscal year and not paid		
Zakat*	25,171	142,983	Zakat payment for the fiscal year of 2018 and accrued Zakat for 2019	Legal Zakat on income
Zakat settlement for the past years	62,851	251,403	Zakat settlement for past fiscal years as of 2006 until the end of fiscal year of 2017	Legal Zakat won income
VAT	41,665	3,540	VAT paid for 2019 which is accrued on December 2019	VAT paid for 2019 and accrued on December 2019
Tax*	5,074	-	Tax payment claims for 2019	Tax payment claims for November 2019
General Organization for Social (GOSI)	85,130	7,213	Employees' social insurance payments for 2019 which will be accrued on December 2019	Social insurance payments for 2019 which will be accrued on December 2019
Government fees	9,387	-	Government claims payments for 2019	Government fees

(* Including the Bank and its subsidiaries companies)

Albilad Investment Company		(SAR)		
Brief	Paid	Accrued until the end of the annual fiscal year and not paid	Brief	Reasons
Tax	270	-	Tax on non-residents in KSA	Tax on non-residents in KSA
General Organization for Social Insurance (GOSI)	4,347	373	Social insurance paid during 2019	Social insurance paid during December 2019
Passports and visa expenses	41	-	Renewal of residence visa, exit and return and sponsorship transfer fees	Renewal of foreign employees' residence visa, exit and return, and sponsorship transfer fees
Labor office fees	75	-	Foreign employees' permit fees	Renewal of foreign employees' residence visa, exit and return, and sponsorship transfer fees
Capital Market Authority	350	-	Capital Market Authority Fees	Capital Market Authority Fees and employees' registration fees
Secretariat of Riyadh	10	-	Annual municipal fees	Annual municipal fees

Capital adequacy

In managing the capital, the Group's objective is to comply with the capital requirements set up by the Saudi Arabian Monetary Authority (SAMA). 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. SAMA 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 SAMA. 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	2019 SAR
Credit Weighted-Risk Assets	63,300,773
Operation Weighted-Risk Assets	6,384,244
Market Weighted-Risk Assets	414,729
Total Weighted-Risk for the 1st Pillar	70,099,746
Core Capital	9,473,031
Supplementary Capital	2,791,260
Total of Core Capital and Supplementary Capital	12,264,291
Capital Adequacy Ratio	
Core Capital Ratio	13.51%
Core Capital and Supplementary Capital Ratio	17.50%

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 the 4th of Sha'aban 1440H, corresponding to 11 April 2019, PWC and KPMG Al Fowzan have been appointed as external auditors of the Bank for the fiscal year 2019. As for the year 2019, the auditors will be appointed at the meeting of the General Assembly scheduled to be held in the early second quarter 2020.

BANK'S ADUTIORS REPORT

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	Stable

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 SAMA, 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 in the local newspapers, and 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. Also, one of the most important developments that occurred in 2019 was launching the Investor Relations application for phones and tablets.

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 and one executive member.

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	04/02/2019	Bank procedures
2	04/03/2019	Bank procedures
3	02/04/2019	Bank procedures
4	02/05/2019	Bank procedures
5	10/06/2019	Bank procedures
6	02/07/2019	Bank procedures
7	02/07/2019	Bank procedures
8	29/07/2019	Profits file
9	04/08/2019	Bank procedures
10	02/09/2019	Bank procedures
11	02/10/2019	Bank procedures
12	04/11/2019	Bank procedures
13	02/12/2019	Bank procedures
14	02/01/2019	Bank procedures

COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

The Bank abides by the updated Corporate Governance Regulation issued by the Capital Market Authority on 31 February 2017 and its updates. Furthermore, the Bank complies with the regulatory controls and procedures issued on 17 October 2016 on the basis 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 Arabian Monetary Authority (SAMA) 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 applied all the Articles of the aforementioned Corporate Governance Regulation, issued by the Capital Market Authority.

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 – may Allah protect him. We also thank the Ministry of Finance, the Ministry of Commerce and Investment, the Saudi Arabian Monetary Authority (SAMA) 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 AUDITOR'S REPORT



KPMG Al Fozan & Partners
Certified Public Accountants

Independent auditors' report to the shareholders of Bank Albilad (A Saudi Joint Stock Company)

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 2019, 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, including a summary of significant accounting policies.

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 2019, 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.



KPMG Al Fozan & Partners
Certified Public Accountants

Independent auditors' report to the shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of financing</p> <p>As at 31 December 2019, the gross financing of the Group amounted to SAR 61.3 billion against which an expected credit loss ("ECL") allowance of SAR 1.9 billion was maintained.</p> <p>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. The key areas of judgement include:</p> <ol style="list-style-type: none"> 1. Categorisation of financing into Stages 1, 2 and 3 based on the identification of: <ol style="list-style-type: none"> (a) exposures with significant deterioration in credit quality since their origination; and (b) individually impaired / defaulted exposures. 2. Assumptions used in the ECL model such as financial condition of the counterparty, expected future cash flows, forward looking macroeconomic factors, etc. 3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the ECL model. <p><i>Refer to the summary of significant accounting policy note [3(a)] for the impairment of financial assets; note [2(d)(i)] which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note [8] which contains the disclosure of impairment against financing; and note [29] for details of credit quality analysis and key assumptions and factors considered in the determination of ECL.</i></p>	<ul style="list-style-type: none"> • We have obtained an understanding of management's assessment of impairment of financing including the Group's internal rating model, impairment allowance policy and ECL modelling methodology. • We compared the Group's impairment allowance policy and ECL methodology with the requirements of IFRS 9, and assessed the underlying assumptions and the data inputs used. • We assessed the design and implementation, and tested the operating effectiveness of the key controls over: <ul style="list-style-type: none"> - the modelling process, including governance over the monitoring of the model and approval of key assumptions; - the classification of borrowers into various stages and timely identification of significant increase in credit risk ("SICR"); and - the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: <ul style="list-style-type: none"> - the internal ratings determined by management based on the Group's internal rating model; - the staging as identified by management; and - management's computations for ECL. • We checked the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into the relevant stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the Group's staging categorisation. • We assessed the reasonableness of the forward looking assumptions used by the Group in the ECL calculations. • Where management overlays were used, we assessed those overlays and the governance process around such overlays. • We checked the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2019. • Where relevant, we involved specialists to assist us in reviewing model calculations and data integrity. • We assessed the adequacy of the disclosures in the consolidated financial statements.



KPMG Al Fozan & Partners
Certified Public Accountants

Independent auditors' report to the shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the audit of the consolidated financial statements (continued)

Other information included in the Group's 2019 annual report

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 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, 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 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.



KPMG Al Fozan & Partners
Certified Public Accountants

Independent auditors' report to the shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the audit of the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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 the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.



KPMG Al Fozan & Partners
Certified Public Accountants

Independent auditors' report to the shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the audit of the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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.

PricewaterhouseCoopers

P.O. Box 8282
 Riyadh 11482
 Kingdom of Saudi Arabia

Bader L. Benmohareb
Certified Public Accountant
License Number 471

KPMG Al Fozan & Partners
Certified Public Accountants

P.O. Box 92876
 Riyadh 11663
 Kingdom of Saudi Arabia

Nasser Ahmed Al Shutairy
Certified Public Accountant
License Number 454

18 Jamad Thani 1441H
(12 February 2020)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019 AND 2018

	Note	2019 SAR' 000	2018 SAR' 000
ASSETS			
Cash and balances with SAMA	5	7,915,852	6,438,201
Due from banks and other financial institutions, net	6	4,041,751	8,334,284
Investments, net	7	10,987,123	6,465,710
Financing, net	8	59,362,536	50,588,115
Property and equipment, net	9	1,866,329	1,146,848
Other assets	10	1,901,840	662,968
Total assets		86,075,431	73,636,126
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	11	645,120	3,100,791
Customers' deposits	12	66,797,565	57,175,594
Sukuk	13	2,007,768	2,008,587
Other liabilities	14	7,199,055	3,518,205
Total liabilities		76,649,508	65,803,177
Equity			
Share capital	15	7,500,000	6,000,000
Statutory reserve	16	310,935	-
Other reserves	18	568,280	(69,832)
Retained earnings		1,118,890	483,441
Proposed issuance of bonus shares	15	-	1,500,000
Treasury shares		(80,660)	(90,780)
Employees' share plan reserve	24	8,478	10,120
Total equity		9,425,923	7,832,949
Total liabilities and equity		86,075,431	73,636,126

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	2019 SAR' 000	2018 SAR' 000 Restated
INCOME			
Income from investing and financing assets	20	3,355,200	2,723,748
Return on deposits and financial liabilities	21	(638,229)	(559,515)
Income from investing and financing assets, net		2,716,971	2,164,233
Fee and commission, net	22	804,474	842,900
Exchange income, net		313,788	315,693
Dividend income		23,004	22,611
Gain on fair value through profit or loss (FVTPL) investments, net		54,496	43,838
Other operating income		32,614	26,745
Total operating income		3,945,347	3,416,020
EXPENSES			
Salaries and employee related expenses	24	1,146,785	1,052,360
Rent and premises related expenses		103,775	248,106
Depreciation and amortization	9	248,924	108,092
Other general and administrative expenses		523,517	406,499
Impairment charge for credit and other financial assets, net		535,623	490,453
Total operating expenses		2,558,624	2,305,510
Net income for the year before Zakat		1,386,723	1,110,510
Zakat for the year	23	142,983	497,817
Net income for the year after Zakat		1,243,740	612,693
Basic and diluted earnings per share (attributable to ordinary equity holders of the Bank) (Saudi Riyals)	25	1.67	0.82

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	2019 SAR' 000	2018 SAR' 000 Restated
Net income for the year after Zakat		1,243,740	612,693
Other comprehensive income			
Items that cannot be reclassified to consolidated statement of income in subsequent periods			
• Fair Value through Other Comprehensive Income (FVOCI) equity investments:			
• Net change in fair value		33,686	(20,121)
• Actuarial gains (losses) on defined benefit pension plans	27	3,486	-
Items that can be reclassified to consolidated statement of income in subsequent periods			
• Debt instrument at Fair Value through Other Comprehensive Income (FVOCI):			
• Net changes in fair value		600,940	(42,848)
Total other comprehensive income / (loss) for the year		638,112	(62,969)
Total comprehensive income for the year		1,881,852	549,724

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019 SAR' 000	Note	Share capital
Balance at the beginning of the year		6,000,000
Net changes in fair value of FVOCI equity instruments		
Actuarial gains (losses) on defined benefit pension plans	27	
Net changes in fair value of FVOCI debt instruments		
Total other comprehensive income		
Net income for the year after Zakat		
Total comprehensive income for the year		-
Realized gain from sale of FVOCI investments		
Treasury shares		
Employees' share plan reserve		
Cash dividend	17	
Issuance of bonus shares	15	1,500,000
Transfer to statutory reserve	16	
Balance at end of the year		7,500,000

2018 SAR' 000	Note	Share capital	Statutory reserve
Balance at the beginning of the year - as previously reported		6,000,000	866,508
Impact of adoption of new standards at 1 January 2018			
Restated balance at 1 January 2018		6,000,000	866,508
Changes in the equity for the year			
Net movement in fair value reserve (equity instruments) / realized losses			
Net movement in FVOCI reserve for investments			
Total other comprehensive loss			
Net income for the year after Zakat (restated)	23		
Total comprehensive income for the year (restated)		-	-
Treasury shares			
Employees' share plan reserve			
Cash dividend	17		
Proposed issuance of bonus shares	15		(1,144,135)
Transfer to statutory reserve	16		277,627
Balance at end of the year		6,000,000	-

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Statutory reserve	Other reserves	Retained earnings	Proposed issuance of bonus shares	Treasury shares	Employees' share plan reserve	Total equity
-	(69,832)	483,441	1,500,000	(90,780)	10,120	7,832,949
	33,686					33,686
	3,486					3,486
	600,940					600,940
	638,112					638,112
		1,243,740				1,243,740
-	638,112	1,243,740	-	-	-	1,881,852
		2,644				2,644
				10,120		10,120
					(1,642)	(1,642)
		(300,000)				(300,000)
			(1,500,000)			-
310,935		(310,935)				-
310,935	568,280	1,118,890	-	(80,660)	8,478	9,425,923

Other reserves	Retained earnings	Proposed cash dividend	Proposed issuance of bonus shares	Treasury shares	Employees' share plan	Total equity
47,420	530,805	240,000	-	(104,575)	8,635	7,588,793
(54,283)	(26,345)					(80,628)
(6,863)	504,460	240,000	-	(104,575)	8,635	7,508,165
(20,121)	(220)					(20,341)
(42,848)						(42,848)
(62,969)	(220)					(63,189)
	612,693					612,693
(62,969)	612,473	-	-	-	-	549,504
				13,795		13,795
					1,485	1,485
		(240,000)				(240,000)
	(355,865)		1,500,000			-
	(277,627)					-
(69,832)	483,441	-	1,500,000	(90,780)	10,120	7,832,949

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	2019 SAR' 000	2018 SAR' 000
OPERATING ACTIVITIES			
Net income before Zakat for the year		1,386,723	1,110,510
Adjustments to reconcile net income to net cash from / (used in) operating activities:			
Profit on sukuk	21	95,391	86,780
Realized gains on FVTPL investments, net		(53,950)	(43,838)
Loss/ (gains) from disposal of property and equipment, net		3,365	(214)
Depreciation and amortization	9	248,924	108,092
Impairment charge for expected credit losses, net		535,623	490,453
Employees' share plan		8,478	15,280
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(402,071)	(416,044)
Due from banks and other financial institutions maturing after 90 days from the date of acquisition		(300,091)	(452,790)
Commodity murabaha with SAMA maturing after 90 days from the date of acquisition		(299,746)	298,314
Financing		(9,306,307)	(7,689,673)
Other assets		(1,238,872)	(313,475)
Net increase / (decrease) in operating liabilities:			
Due to SAMA		-	(2,012,518)
Due to banks and other financial institutions		(2,455,671)	1,351,854
Customers' deposits		9,621,971	9,392,635
Other liabilities		3,005,401	1,253,112
Net cash generated from operating activities		849,168	3,178,478
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments held as FVOCI		298,618	60,193
Purchase of investments held as FVOCI		(2,916,869)	(2,364,314)
Proceeds from sales and maturities of investments held as FVTPL		30,224	614,934
Purchase of investments held as FVTPL		(441,391)	(274,881)
Purchase of investments held as amortized cost		(801,330)	-
Proceeds from sale of property and equipment		28,299	280
Purchase of property and equipment		(314,631)	(379,582)
Net cash used in investing activities		(4,117,080)	(2,343,370)

	Note	2019 SAR' 000	2018 SAR' 000
FINANCING ACTIVITIES			
Distributed Sukuk profit		(96,210)	(84,768)
Dividend paid	17	(300,000)	(240,000)
Cash payment for principle portion of lease liability		(152,972)	-
Net cash used in financing activities		(549,182)	(324,768)
Net change in cash and cash equivalents		(3,817,094)	510,340
Cash and cash equivalents at the beginning of the year		9,574,966	9,064,626
Cash and cash equivalents at the end of the year	26	5,757,872	9,574,966
Supplemental information			
Income received from investing and financing assets		3,262,870	2,451,402
Return paid on deposits and financial liabilities		632,116	561,975
Total other comprehensive income/ (loss)		638,112	(62,969)

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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 4 November 2004) in accordance with the Counsel of Ministers' resolution No. 258 dated 18 Ramadan 1425H (corresponding to 1 November 2004). The Bank operates under Commercial Registration No.1010208295 dated 10 Rabi Al Awal 1426H (corresponding to 19 April 2005). The Bank provides these services through 110 banking branches (31 December 2018: 111) and 179 exchange and remittance centers (31 December 2018: 180) in the Kingdom of Saudi Arabia.

The 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 a 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 Islamic Shariah and within the provisions of the 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 period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with the IFRS respectively, as modified by Saudi Arabiam Monetary Authority (SAMA) for the accounting of Zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to Zakat and income tax) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed the banks in the Kingdom of Saudi Arabia to account for the Zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the SOCPA (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, beginning period ended 30 June 2019, the Group changed its accounting treatment for Zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors and the effects of this change are disclosed in note 23 to the consolidated financial statements.

The Bank has adopted IFRS 16 Leases from 1 January 2019. The change in accounting policies due to this new standard and treatment of Zakat are disclosed in the Note 3.

B. BASIS OF MEASUREMENT AND PRESENTATION

The consolidated financial statements are prepared 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, liabilities for cash-settled-share based payments and defined benefit obligations recorded at the present value.

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

C. FUNCTIONAL AND PRESENTATION CURRENCY

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

D. CRITICAL ACCOUNTING JUDGMENTS, 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 judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice, and expectations of future events that are believed to be reasonable under the circumstances.

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

i) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgment, 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 judgments and estimates include:

- 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;
- e. Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- f. Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

- ii) Fair value measurement (note 32)
- iii) Impairment of FVOCI debt investments (note 7)
- iv) Classification of investments at amortized cost (note 3)
- v) Determination of control over investees (note 3)
- vi) Depreciation and amortization (note 9)
- vii) Defined benefit plan (note 24)

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 Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new standard and other amendments to the accounting treatment of Zakat mentioned below. Except for adoption of new accounting treatment of Zakat and adoption of IFRS 16, these amendments and adoption have had no material impact on the consolidated financial statements of the Group on the current period or prior periods and is expected to have an insignificant effect in future periods.

- **Adoption of New Standards**

Effective from 1 January 2019, the Group has adopted one new accounting standard and an amendment to the accounting treatment for Zakat, the impact of the adoption of these standards is explained below:

IFRS 16 Leases

Prior to 1 January 2019, the Bank applied the following policy for the accounting of leases:

- i) Where the Bank is the lessee

Leases that do not transfer to the Group substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Consequently, all of the leases entered into by the Group are operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

- ii) Where the Bank is the lessor

When assets are transferred under the Ijara Muntahia Bittamleek contract, the present value of the lease payments is recognized as a receivable and disclosed under "Financing". The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

The Bank adopted IFRS 16 Leases. This standard replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Bank's statement of financial position, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Bank has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability.

The Bank applied the weighted average incremental borrowing rate to lease liabilities recognized in the statement of financial position at the date of initial application.

- **Change in the accounting for Zakat**

As mentioned above, the basis of preparation has been changed beginning the period ended June 30, 2019 as a result of the issuance of latest instructions from SAMA dated July 17, 2019. Previously, Zakat was recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated April 11, 2017. With the latest instructions issued by SAMA dated July 17, 2019, Zakat is recognized in the consolidated statement of income. The Group has accounted for this change in the accounting for Zakat retrospectively and the effects of the change to the consolidated financial statements are disclosed below. The change has resulted in reduction of reported income of the Group, while the change has had no impact on the statement of cash flows for the year ended 31 December 2018.

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

- **Classification of financial assets**

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

Financial asset at amortized 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 recognized in OCI. Profit income and foreign exchange gains and losses are recognized 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 assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the 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 changes the classification of the remaining financial assets held in that business model.

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 SPPI

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 irrevocably designated certain financial assets at FVTPL. Before 1 January, 2018, 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**

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset expires.

In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

On derecognition, any cumulative gain or loss previously recognized in the consolidated statement of comprehensive income is included in the consolidated statement of income for the period. 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 rather it is transferred directly from other reserves to retained earnings.

- **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 with the difference recognized as a de-recognition gain or loss 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 case the modification of asset does not result in 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.

- **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 amortized cost;
- debt instruments assets measured at FVOCI;
- financial guarantee contracts issued; and
- financing commitments issued

No impairment loss is recognized on 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 instruments 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; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognized in profit and loss and changes between the amortized cost of the assets and their fair value are recognized in OCI

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 are initially recognized in the consolidated financial statements at fair value in other liabilities, being the value of the premium received.

The Bank has issued no loan commitments that are measured at FVTPL, and for other loan commitments the Bank recognizes loss allowance.

- **Rendering of services**

The Group provides various services to its customers. 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 a 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

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as set forth in note 1. The financial statements of the subsidiaries are prepared for the same reporting period 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 ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank.

Inter-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

- **FOREIGN CURRENCIES**

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

Transactions in foreign currencies are translated into SAR at exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into SAR 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

• 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.

The calculation of effective yield takes into account all contractual terms of the financial instruments including all fees, transaction costs and discounts that are an integral part of the effective yield method but does not include the future financing loss. Transactional costs are incremental costs that are directly attributable to acquisition of financing assets and financial liabilities.

• Fees and commission income

Fees and commission income that are integral to the effective yield rate are included in the measurement of the relevant assets.

Fees and commission income 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 on a time-proportionate basis
- 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 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. 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 expenses relate mainly to transaction and service fees, which are expensed as the transaction is completed or the service is received

• Exchange income / (loss)

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

• 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 at fair value at each statement of financial position date.

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 best economic interest.

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, to mitigate its risks on financial assets. 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. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's quarterly reporting schedule. However, some collateral, for example, cash or securities is valued daily.

The Bank's accounting policy for collateral assigned to it through its lending arrangements are in line with the requirements of IFRS 9. 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.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, audited financial statements, and other independent sources.

Collateral repossessed

The Bank's accounting policy for collateral repossession is in line with the requirements of IFRS 9. 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 consumer 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 is stated at cost less accumulated depreciation, and impairment, if any. The cost of property and equipment is depreciated using 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, furniture and motor vehicles	4 to 6 years
Computer hardware	5 years

The assets' residual values 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 and 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. Carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

- **Provisions for liabilities and charges**

The Group receives legal claims against it in the normal course of business. Management has exercised 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 RoU asset at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- 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.

- **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 SAMA excluding statutory deposit, and due from banks and other financial institutions with original maturities of 3 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 SAMA, 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 SAMA. 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 SAMA, 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.

- **Zakat and withholding tax**

As mentioned in note 2, the basis of preparation has been changed beginning the period ended 30 June 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, Zakat was recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, Zakat is recognized in the consolidated statement of income.

The Group has accounted for this change in the accounting for Zakat retrospectively and the effects of the change to the consolidated financial statements are disclosed in note 23. The change has resulted in reduction of reported income of the Group, while the change has had no impact on the statement of cash flows for the year ended 31 December 2018.

The Group is subject to Zakat in accordance with the regulations of GAZT. Zakat expense is charged to the statement of income. 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.

- **Going concern**

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

5. CASH AND BALANCES WITH SAMA

	Note	2019 SAR' 000	2018 SAR' 000
Statutory deposit	5.1	3,553,372	3,151,301
Cash in hand		1,669,426	1,702,065
Other balances	5.2	2,693,054	1,584,835
Total		7,915,852	6,438,201

5.1 In accordance with the Banking Control Law and Regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, saving, time and other deposits, calculated based on end of day monthly average balance. The statutory deposit with SAMA 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 SAMA.

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2019 SAR' 000	2018 SAR' 000
Demand	210,763	188,592
Commodity murabaha - performing	3,832,058	8,147,578
Commodity murabaha - non performing	-	90,923
	3,832,058	8,238,501
Less : ECL allowance	(1,070)	(92,809)
Total	4,041,751	8,334,284

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

31 December 2019 SAR' 000	12 month ECL	Lifetime 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 lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net reversal for the year	(816)	-	-	(816)
Write-offs	-	-	(90,923)	(90,923)
Loss allowance as at 31 December 2019	1,070	-	-	1,070

31 December 2018 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2018	2,590	6	90,923	93,519
Transfers to 12 month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net reversal for the year	(704)	(6)	-	(710)
Write-offs	-	-	-	-
Loss allowance as at 31 December 2018	1,886	-	90,923	92,809

7. INVESTMENTS, NET

A. INVESTMENTS AS AT 31 DECEMBER COMPRISE THE FOLLOWING:

	2019				
	Domestic		International		Total SAR' 000
	Quoted SAR' 000	Unquoted SAR' 000	Quoted SAR' 000	Unquoted SAR' 000	
Fair value through other comprehensive income (FVOCI)					
Equities	290,447	165,876	-	-	456,323
Sukuk	623,339	6,627,199	72,030	248,933	7,571,501
	913,786	6,793,075	72,030	248,933	8,027,824
Fair value through profit or loss (FVTPL)					
Mutual funds	326,443	395,170	-	144,679	866,292
Amortized cost					
Commodity Murabaha with SAMA	-	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	1,521,054	8,813,112	259,345	393,612	10,987,123

	2018				
	Domestic		International		Total SAR' 000
	Quoted SAR' 000	Unquoted SAR' 000	Quoted SAR' 000	Unquoted SAR' 000	
Fair value through other comprehensive income (FVOCI)					
Equities	215,619	165,893	-	-	381,512
Sukuk	760,373	3,367,461	14,685	248,332	4,390,851
	975,992	3,533,354	14,685	248,332	4,772,363
Fair value through profit or loss (FVTPL)					
Mutual funds	21,509	360,489	-	18,085	400,083
Amortized cost					
Commodity Murabaha with SAMA	-	1,293,264	-	-	1,293,264
Total	997,501	5,187,107	14,685	266,417	6,465,710

B. THE ANALYSIS OF INVESTMENTS BY COUNTERPARTY IS AS FOLLOWS:

	2019 SAR' 000	2018 SAR' 000
Government and quasi government	7,708,424	4,611,162
Corporate	3,278,699	1,854,548
Total	10,987,123	6,465,710

- C. Equities include unquoted shares of SAR 165.9 million (2018: SAR 165.9 million) carried at cost as management believes that cost of such investments approximate their fair value. Management also believes cost of commodity murabaha with SAMA 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:

31 December 2019 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2018	10,909	-	-	10,909
Transfers to 12 month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net charge for the year	3,450	-	-	3,450
Write-offs	-	-	-	-
Loss allowance as at 31 December 2019	14,359	-	-	14,359

31 December 2018 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2018	5,927	-	-	5,927
Transfers to 12 month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net charge for the year	4,982	-	-	4,982
Write-offs	-	-	-	-
Loss allowance as at 31 December 2018	10,909	-	-	10,909

8. FINANCING, NET

A. HELD AT AMORTIZED COST

2019 SAR' 000	Commercial	Consumer	Total
Performing	32,229,091	28,311,232	60,540,323
Non-performing	452,224	283,689	735,913
Total	32,681,315	28,594,921	61,276,236
Allowance for impairment	(1,507,344)	(406,356)	(1,913,700)
Financing, net	31,173,971	28,188,565	59,362,536

2018 SAR' 000	Commercial	Consumer	Total
Performing	30,235,333	21,339,772	51,575,105
Non-performing	563,618	165,008	728,626
Total	30,798,951	21,504,780	52,303,731
Allowance for impairment	(1,352,102)	(363,514)	(1,715,616)
Financing, net	29,446,849	21,141,266	50,588,115

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

31 December 2019 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2019	359,313	549,426	806,877	1,715,616
Transfers to 12 month ECL	112,953	(84,158)	(28,795)	-
Transfers to lifetime ECL not credit impaired	(50,357)	53,722	(3,365)	-
Transfers to lifetime ECL credit impaired	(117,030)	(94,261)	211,291	-
Net charge / (reversal) for the year	(87,687)	523,311	96,262	531,886
Write-offs	-	-	(333,802)	(333,802)
Loss allowance as at 31 December 2019	217,192	948,040	748,468	1,913,700

31 December 2018 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2018	467,969	314,648	529,140	1,311,757
Transfers to 12 month ECL	6,665	(6,665)	-	-
Transfers to lifetime ECL not credit impaired	(302,568)	304,778	(2,210)	-
Transfers to lifetime ECL credit impaired	(111,428)	(116,073)	227,501	-
Net charge for the year	298,675	52,738	134,768	486,181
Write-offs	-	-	(82,322)	(82,322)
Loss allowance as at 31 December 2018	359,313	549,426	806,877	1,715,616

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2019 and that are still subject to enforcement activity is SAR 334 million (2018: SAR 82 million).

B. FINANCING INCLUDING FINANCE LEASE RECEIVABLES, WHICH ARE AS FOLLOWS:

	2019 SAR' 000		2018 SAR' 000	
	Consumer	Commercial	Consumer	Commercial
Gross receivables from ijarah financing:				
Less than 1 year	580,044	-	409,036	-
1 to 5 years	776,363	464,647	904,861	209,917
Over 5 years	163,146	-	108,032	-
	1,519,553	464,647	1,421,929	209,917
Unearned finance income on ijarah financing	(330,157)	422	(319,521)	(3,540)
Net receivables from ijarah financing	1,189,396	465,069	1,102,408	206,377

	2019 SAR' 000		2018 SAR' 000	
	Consumer	Commercial	Consumer	Commercial
Net receivables from ijarah receivables:				
Less than 1 year	465,984	-	332,911	-
1 to 5 years	609,631	465,069	704,798	206,377
Over 5 years	113,781	-	64,699	-
	1,189,396	465,069	1,102,408	206,377

9. PROPERTY AND EQUIPMENT, NET

SAR' 000	Land and building	Leasehold improvements	Equipment, furniture and motor vehicles	Computer hardware	Right of Use (ROU) Asset	Total 2019	Total 2018
Cost:							
As at the beginning of the year	691,536	712,474	416,110	441,027	-	2,261,147	1,882,546
Additions during the year	189,934	22,066	47,665	54,966	685,438	1,000,069	379,582
Disposals	(31,323)	(155)	(709)	(8,244)	-	(40,431)	(981)
As at 31 December	850,147	734,385	463,066	487,749	685,438	3,220,785	2,261,147
Accumulated depreciation:							
At the beginning of the year	11,810	451,340	292,088	359,061	-	1,114,299	1,007,122
Charge for the year	15,655	28,292	48,575	41,993	114,409	248,924	108,092
Disposals	(16)	-	(709)	(8,042)	-	(8,767)	(915)
As at 31 December	27,449	479,632	339,954	393,012	114,409	1,354,456	1,114,299
Net book value:							
As at 31 December 2019	822,698	254,753	123,112	94,737	571,029	1,866,329	
As at 31 December 2018	679,726	261,134	124,022	81,966	-		1,146,848

Leasehold improvements include work in progress as at 31 December 2019 amounting to SAR 21.3 million (2018: SAR 18.1 million).

MOVEMENT IN RIGHT-OF-USE-ASSETS (ROU):

SAR' 000	Land and Building	Leasehold improvements	Equipment, furniture and motor vehicles	Computer hardware
Balance at beginning of the year	-	-	-	-
Add: Additions	676,954	-	8,484	-
Depreciation/amortization	(112,712)	-	(1,697)	-
Balance at the end of the year	564,242	-	6,787	-

10. OTHER ASSETS

	2019 SAR' 000	2018 SAR' 000
Prepaid expenses and advances to suppliers	87,735	120,233
Management fee receivable	120,217	63,379
Assets in transit subject to financing	593,814	207,530
Others	1,100,074	271,826
Total	1,901,840	662,968

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019 SAR' 000	2018 SAR' 000
Demand	212,045	278,675
Direct investment	433,075	2,822,116
Total	645,120	3,100,791

12. CUSTOMERS' DEPOSITS

	2019 SAR' 000	2018 SAR' 000
Demand	33,669,863	29,290,547
Direct investment	12,456,218	11,023,615
Albilad account (Mudarabah)	19,315,147	15,781,512
Others	1,356,337	1,079,920
Total	66,797,565	57,175,594

The above includes foreign currency deposits as follows:

	2019 SAR' 000	2018 SAR' 000
Demand	494,939	469,169
Direct investment	1,722,333	401,896
Albilad account (Mudarabah)	81,900	-
Others	48,120	48,533
Total	2,347,292	919,598

13. SUKUK

On 30 August, 2016, the Bank issued 2,000 Sukuk Certificates (Sukuk) of SR 1 million each, payable quarterly in arrears on 28 February, 30 May, 30 August, 30 November each year until 30 August 2026, on which Sukuk will be redeemed. The Bank has a call option which can be exercised on or after 30 August 2021, upon meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon if certain other conditions, as per the terms specified in the related offering circular occur. The Bank has not defaulted on any payments (profit / principal) due during the year. The expected profit distribution on the sukuk is the base rate for 3 months in addition to the profit margin of 2%.

14. OTHER LIABILITIES

	2019 SAR' 000	2018 SAR' 000
Accounts payable	3,544,777	999,615
Accrued expenses	747,190	619,270
Lease liability	532,465	-
Others	2,374,623	1,899,320
Total	7,199,055	3,518,205

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 2018: 600 million shares of SAR 10 each).

The Board of Directors recommended in its meeting held on 17 December 2018, to the Extra-ordinary General Assembly an issuance of bonus shares of 1 share for every 4 shares held, thus increasing the Bank's capital from SAR 6,000 million to SAR 7,500 million, which was approved in the Extraordinary General Assembly meeting held on 9 April 2019.

The increase was done through capitalization of SAR 1,144 million and SAR 356 million from the statutory reserve and the retained earnings, respectively. The number of shares outstanding after the bonus issuance has increased from 600 million shares to 750 million shares.

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 311 million (2018: SAR 278 million) has been transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

The statutory reserve has been utilized for the issuance of bonus shares during the year ended 31 December 2018 as detailed in note 15.

17. DIVIDENDS

On 18 July 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 8 August 2019.

18. OTHER RESERVES

2019	FVOCI (Sukuk) SAR' 000	FVOCI (Equity) SAR' 000	Defined benefit (EOSB) SAR' 000	Total SAR' 000
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

2018	FVOCI (Sukuk) SAR' 000	FVOCI (Equity) SAR' 000	Defined benefit (EOSB) SAR' 000	Total SAR' 000
Restated balance at beginning of the year	(4,202)	(2,661)	-	(6,863)
Net movement during the year	(42,848)	(20,121)	-	(62,969)
Balance at end of the year	(47,050)	(22,782)	-	(69,832)

19. COMMITMENTS AND CONTINGENCIES

A. LEGAL PROCEEDINGS

As at 31 December 2019 and 2018, 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 31 December 2019, the Bank had capital commitments of SAR 63 million (2018: SAR 124 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:

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

2018 SAR' 000	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	469,188	321,070	35,640	-	825,898
Letters of guarantee	707,086	2,177,617	1,199,203	192,251	4,276,157
Acceptances	417,740	36,309	362	-	454,411
Irrevocable commitments to extend credit	-	-	496,104	-	496,104
Total	1,594,014	2,534,996	1,731,309	192,251	6,052,570

The outstanding unused portion of commitments as at 31 December 2019 which can be revoked unilaterally at any time by the Group amounts to SAR 11.4 billion (2018: SAR 7.7 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:

	2019 SAR' 000	2018 SAR' 000
Corporate	6,656,231	4,571,693
Financial institutions	1,462,649	1,392,324
Others	81,382	88,553
Total	8,200,262	6,052,570

20. INCOME FROM INVESTING AND FINANCING ASSETS

	2019 SAR' 000	2018 SAR' 000
Income from investments and due from banks and other financial institutions		
Income from commodity murabaha with:		
SAMA	50,842	53,883
Banks and other financial institutions	160,257	189,261
Income from sukuk	242,403	118,302
Income from financing	2,901,698	2,362,302
Total	3,355,200	2,723,748

21. RETURN ON DEPOSITS AND FINANCIAL LIABILITES

	2019 SAR' 000	2018 SAR' 000
Return on:		
Due to banks and other financial institutions	19,502	61,130
Deposits	523,336	411,605
Sukuk	95,391	86,780
Total	638,229	559,515

22. FEES AND COMMISSION INCOME, NET

	2019 SAR' 000	2018 SAR' 000
Fees and commission income		
Remittance	454,656	453,171
ATM and point of sale	274,583	247,362
Facilities management fee	73,516	100,798
Letters of credit and guarantee	48,337	44,060
Management fee (mutual fund and others)	84,181	81,162
Brokerage income	53,747	51,769
Documentation fee	110,275	89,713
Others	57,491	75,599
Total fees and commission income	1,156,786	1,143,634
Fees and commission expenses		
ATM and point of sale	182,797	183,166
Brokerage expenses	21,066	23,314
Remittance	10,733	7,435
Others	137,716	86,819
Total fees and commission expenses	352,312	300,734
Fees and commission income, net	804,474	842,900

23. ZAKAT EXPENSE

23.1 During the year 2018, the Group reached an agreement with the General Authority of Zakat and Tax on the settlement of Zakat claims for the prior years from 2006 up to the end of the fiscal year of 2017, the settlement amount is SAR 392.8 million.

23.2 The change in the accounting treatment for Zakat (as explained in note 3) has the following impact on the line items of the statements of income, statement of financial position and changes in equity:

Financial statement impacted	Account	Before the restatement for the year ended 31 December 2018	Effect of restatement	Effect of issuance of bonus shares	As restated as at and for the year ended 31 December 2018
Statement of changes in equity	Provision for Zakat (retained earnings)	497,817	(497,817)	-	-
Statement of income	Zakat expense	-	497,817	-	497,817
Statement of income	Earnings per share	1.85	(0.82)	(0.21)	0.82

24. SALARIES AND EMPLOYEE RELATED BENEFITS

The following table summarizes compensation practices and includes total of fixed and variable compensation paid to employees during the year ended 31 December 2019 and 2018, and the form of such payments:

2019	Number of employees	Fixed compensation SAR' 000	Variable compensation paid		
			Cash	Shares	Total
			SAR' 000		
Senior executives requiring SAMA no objection	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		124,423			
Other employee related benefits		264,304			
Total salaries and employee related expenses		1,146,785			

2018	Number of employees	Fixed compensation SAR' 000	Variable compensation paid		
			Cash	Shares SAR' 000	Total
Senior executives requiring SAMA no objection	9	14,385	9,285	3,110	12,395
Employees engaged in risk taking activities	267	88,567	19,305	1,171	20,476
Employees engaged in control functions	278	80,272	11,066	1,590	12,656
Other employees	2,998	440,576	61,596	3,237	64,833
Outsourced employees	680	93,269	64	-	64
Total	4,232	717,069	101,316	9,108	110,424
Variable compensation accrued		124,826			
Other employee related benefits		210,465			
Total salaries and employee related expenses		1,052,360			

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:

i) Senior executive requiring SAMA no objection:

Members of Management Committee whom appointment is subject to approval of SAMA, such as: CEO, CFO (EVP Finance), COO (EVP Operations Management), CRO (EVP Risk Management), EVP Retail Banking, EVP Human Resource, etc.

ii) 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.

iii) 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.

iv) Other employees:

All regular employees other than those mentioned in (a) to (c) above.

v) 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 SAMA 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 3 year vesting period.

- **Fix Components:**

Provide a competitive salary or wage according to annual market alignment. Including (Basic, Housing, Transportation and Fix allowance) which is written in the employee's contract.

- **Variable Components:**

Taking into account the risk associated with the Bank's performance and individual performance appraisal, all these factors are assessed on a 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 and 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 the following share-based payment plans outstanding at the end of the year. Significant features of these plans are as follows:

	2019	2018
Grant date	3 March 2019	29 April 2018
Maturity date	25% 1 January 2020	25% 1 January 2019
	25% 1 January 2021	25% 1 January 2020
	50% 1 January 2022	50% 1 January 2021
Number of shares offered on the grant date	482,698	475,319
Share price on the grant date (SAR)	24.63	19.20
Value of shares offered on grant date (SAR' 000)	11,889	9,126
Vesting period	3 years	3 years
Vesting condition	Employees to be in service	Employees to be in service
Method of settlement	Equity	Equity

	2019	2018
The movement in the number of shares, during the year, under employees' share plan is as follows:		
Beginning of the year	1,139,410	1,117,089
Granted during the year	603,401	475,319
Forfeited	(138,337)	(40,179)
Exercised	(466,024)	(412,819)
After capital increase conducted in 2019	168,387	-
End of the year	1,306,837	1,139,410

The shares are granted only under service condition with no market condition associated with them.

25. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2019 and 2018 is calculated by dividing the net income for the period attributable to the equity holders by the weighted average number of outstanding shares 2019: 746 million shares (2018: 746 million shares) during the period adjusted for treasury shares. Also see note 23.

26. CASH AND CASH EQUIVALENTS

	Note	2019 SAR' 000	2018 SAR' 000
Cash and balances with SAMA (excluding statutory deposit)	5	4,362,480	3,286,900
Due from banks and other financial institutions (maturing within 90 days from acquisition)		1,395,392	5,988,016
Held at amortized cost (maturing within 90 days from acquisition)		-	300,050
Total		5,757,872	9,574,966

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:

	2019 SAR' 000	2018 SAR' 000
Defined benefit obligation at the beginning of the year	223,590	201,316
Current service cost	36,707	34,658
Finance cost	12,565	8,902
Benefits paid	(22,641)	(21,286)
Unrecognized actuarial loss / (gain)	(3,486)	-
Defined benefit obligation at the end of the year	246,735	223,590

C. CHARGE /(REVERSAL) FOR THE YEAR

	2019 SAR' 000	2018 SAR' 000
Current service cost	37,611	34,634
Past service cost	(904)	24
	36,707	34,658

D. PRINCIPAL ACTUARIAL ASSUMPTIONS (IN RESPECT OF THE EMPLOYEE BENEFIT SCHEME)

	2019 SAR' 000	2018 SAR' 000
Discount rate	4.60%	4.90%
Expected rate of salary increase	4.50%	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 31 December 2019 and 2018 to the discount rate 4.60% (2018: 4.90%), salary escalation rate 4.5% (2018: 4.50%), withdrawal assumptions and mortality rates.

SAR' 000			
Impact on defined benefit obligation – Increase / (Decrease)			
2019 Base Scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(27,333)	32,655
Expected rate of salary increase	1%	32,350	(27,599)
Normal retirement age	20%	3,850	3,786

SAR' 000			
Impact on defined benefit obligation – Increase / (Decrease)			
2018 Base Scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(21,995)	32,694
Expected rate of salary increase	1%	32,509	(22,303)
Normal retirement age	20%	166	5,519

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 31 December 2018.

For management purposes, the Group is divided into the following 5 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 /(loss), for the years ended 31 December 2019 and 2018 for each segment are as follows:

2019 SAR' 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	36,097,504	30,556,136	18,623,502	798,289	86,075,431
Total liabilities	52,405,238	12,866,552	11,175,488	202,230	76,649,508
Net income from investing and financing assets	1,517,395	922,037	263,710	13,829	2,716,971
Fee, commission and other income, net	764,422	134,995	162,882	166,077	1,228,376
Total operating income	2,281,817	1,057,032	426,592	179,906	3,945,347
Impairment charge for credit and other financial assets, net	159,547	372,360	3,020	696	535,623
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

2018 SAR' 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	28,182,812	27,273,497	17,316,949	862,868	73,636,126
Total liabilities	41,433,181	11,755,989	12,268,513	345,494	65,803,177
Net income from investing and financing assets	1,081,276	842,301	225,270	15,386	2,164,233
Fee, commission and other income, net	815,228	120,556	164,528	151,475	1,251,787
Total operating income	1,896,504	962,857	389,798	166,861	3,416,020
Impairment charge for credit and other financial assets, net	222,248	263,934	3,738	533	490,453
Depreciation and amortization	94,366	8,522	2,596	2,608	108,092
Total operating expenses	1,577,615	554,310	78,437	95,148	2,305,510
Net income for the year before Zakat	318,889	408,547	311,361	71,713	1,110,510

b. Credit exposure by operating segments is as follows:

2019 SAR' 000	Retail	Corporate	Treasury	Total
Total assets	28,188,565	31,173,971	13,706,259	73,068,795
Commitments and contingencies	-	3,525,780	-	3,525,780

2018 SAR' 000	Retail	Corporate	Treasury	Total
Total assets	21,146,184	29,446,849	14,018,980	64,612,013
Commitments and contingencies	-	2,720,263	-	2,720,263

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 SAMA 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 arrive 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. In addition, the Group uses external ratings from major rating agencies, 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 businesses. 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 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 of financings.

The Group regularly reviews its risk management policies and systems to reflect changes in market products and emerging best practice.

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 31 December:

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 SAMA	7,835,872	10,521	4,064	64,986	284	125	7,915,852
Cash in hand	1,589,446	10,521	4,064	64,986	284	125	1,669,426
Balances with SAMA	6,246,426	-	-	-	-	-	6,246,426
Due from banks and other financial institutions	2,373,518	509,765	1,052,284	18	57,143	49,023	4,041,751
Demand	-	65,000	39,567	18	57,143	49,023	210,751
Commodity murabaha	2,373,518	444,765	1,012,717	-	-	-	3,831,000
Investments, net	10,334,624	628,783	-	23,716	-	-	10,987,123
FVOCI	7,706,861	320,963	-	-	-	-	8,027,824
FVTPL	721,613	120,963	-	23,716	-	-	866,292
Amortized cost	1,906,150	186,857	-	-	-	-	2,093,007
Financing, net	59,362,536	-	-	-	-	-	59,362,536
Consumer	28,188,565	-	-	-	-	-	28,188,565
Commercial	31,173,971	-	-	-	-	-	31,173,971
Other assets	1,719,493	-	-	-	-	-	1,719,493
Total	81,626,043	1,149,069	1,056,348	88,720	57,427	49,148	84,026,755
Liabilities							
Due to banks 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	66,797,565	-	-	-	-	-	66,797,565
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	1,356,337	-	-	-	-	-	1,356,337
Sukuk	2,007,768	-	-	-	-	-	2,007,768
Other liabilities	6,428,090	-	-	-	-	-	6,428,090
Total	75,259,818	368,326	-	1,394	189,953	59,052	75,878,543
Commitments and contingencies							
Letters of credit	1,199,941	-	-	-	-	-	1,199,941
Letters 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

2018 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 SAMA	6,372,971	7,404	3,953	53,205	548	120	6,438,201
Cash in hand	1,636,835	7,404	3,953	53,205	548	120	1,702,065
Balances with SAMA	4,736,136	-	-	-	-	-	4,736,136
Due from banks and other financial institutions	6,302,702	732,851	1,177,377	43,936	36,746	40,672	8,334,284
Demand	-	40,016	27,174	43,936	36,746	40,672	188,544
Commodity murabaha	6,302,702	692,835	1,150,203	-	-	-	8,145,740
Investments, net	6,184,143	263,482	-	18,085	-	-	6,465,710
FVOCI	4,508,881	263,482	-	-	-	-	4,772,363
FVTPL	381,998	-	-	18,085	-	-	400,083
Amortized cost	1,293,264	-	-	-	-	-	1,293,264
Financing, net	50,588,115	-	-	-	-	-	50,588,115
Consumer	21,141,266	-	-	-	-	-	21,141,266
Commercial	29,446,849	-	-	-	-	-	29,446,849
Other assets	463,666	-	-	-	-	-	463,666
Total	69,911,597	1,003,737	1,181,330	115,226	37,294	40,792	72,289,976
Liabilities							
Due to banks and other financial institutions	2,714,499	364,705	762	-	4,069	16,756	3,100,791
Demand	-	257,088	762	-	4,069	16,756	278,675
Direct investment	2,714,499	107,617	-	-	-	-	2,822,116
Customer deposits	57,175,594	-	-	-	-	-	57,175,594
Demand	29,290,547	-	-	-	-	-	29,290,547
Direct investment	11,023,615	-	-	-	-	-	11,023,615
Albilad account (Mudarabah)	15,781,512	-	-	-	-	-	15,781,512
Other	1,079,920	-	-	-	-	-	1,079,920
Sukuk	2,008,587	-	-	-	-	-	2,008,587
Other liabilities	3,225,575	-	-	-	-	-	3,225,575
Total	65,124,255	364,705	762	-	4,069	16,756	65,510,547
Commitments and contingencies							
Letters of credit	825,898	-	-	-	-	-	825,898
Letters of guarantee	4,276,157	-	-	-	-	-	4,276,157
Acceptances	454,411	-	-	-	-	-	454,411
Irrevocable commitments to extend credit	496,104	-	-	-	-	-	496,104
	6,052,570	-	-	-	-	-	6,052,570
Credit risk (stated at credit equivalent amounts) on commitments and contingencies	2,720,263	-	-	-	-	-	2,720,263

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 SAMA. 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 impairment is set out as below:

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 financing impairment	1,913,700	-	-	-	-	-	1,913,700
Impaired other financial assets	-	-	-	-	-	-	-
Allowance for impairment for other financial assets	16,010	516	-	1	5	-	16,532

2018 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Non-Performing financing	728,626	-	-	-	-	-	728,626
Allowance for financing impairment	1,715,616	-	-	-	-	-	1,715,616
Impaired available for sale investments and commodity murabaha	-	90,923	-	-	-	-	90,923
Allowance for impairment for other financial assets	11,227	91,652	802	5	12	20	103,718

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, 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 2019 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Due from banks 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 2018 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Due from banks and other financial institutions				
Investment grade	8,287,166	-	90,923	8,378,089
Non-investment grade	33,685	-	-	33,685
Unrated	15,318	-	-	15,318
Carrying amount	8,336,169	-	90,923	8,427,092

31 December 2019 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Financing to customers at amortized cost				
Commercial				
Grades 1-15: Low – fair risk	22,323,028	4,709,859	-	27,032,887
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	-	-	349,591	349,591
Consumer				
Unrated	28,146,891	164,341	283,689	28,594,921
Carrying amount	51,885,134	8,655,188	735,914	61,276,236

31 December 2018 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Financing to customers at amortized cost				
Commercial				
Grades 1-15: Low – fair risk	20,949,078	5,371,121	-	26,320,199
Grades 16-20: Watch list	1,520,627	2,394,507	100,174	4,015,308
Grades 21: Substandard	-	-	58,023	58,023
Grades 22: Doubtful	-	-	40,696	40,696
Grades 23: Loss	-	-	364,726	364,726
Consumer				
Unrated	21,128,920	152,129	228,648	21,509,697
Carrying amount	43,598,625	7,917,757	792,267	52,308,649

31 December 2019 SAR in 000	12 month ECL	Lifetime 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 2018 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at amortized cost				
Investment grade	1,294,422	-	-	1,294,422
Carrying amount	1,294,422	-	-	1,294,422

31 December 2019 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at FVOCI				
Investment grade	7,366,097	-	-	7,366,097
Unrated	217,322	-	-	217,322
Carrying amount	7,583,419	-	-	7,583,419

31 December 2018 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at FVOCI				
Investment grade	4,049,487	-	-	4,049,487
Unrated	351,116	-	-	351,116
Carrying amount	4,400,603	-	-	4,400,603

31 December 2019 SAR' 000	12 month ECL	Lifetime 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

31 December 2018 SAR' 000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Commitments and contingencies				
Grades 1-15: Low – fair risk	5,008,057	387,135	-	5,395,192
Grades 16-20: Watch list	208,540	341,170	-	549,710
Grades 21: Substandard	-	-	23,304	23,304
Grades 22: Doubtful	-	-	-	-
Grades 23: Loss	-	-	84,364	84,364
Carrying amount	5,216,597	728,305	107,668	6,052,570

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

- 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

All exposures

- 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 4 aforementioned bucket created for consumer 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 the following steps in order to generate 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 into 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 provides 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;
- 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 consumer 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 period, no material losses were recognized on modification or restructuring of any facility.

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 consumer 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 banks 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 2 or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters.

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 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 8 to 10 years.

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.

Measurement of ECL

For Consumer 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 consumer 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.

- Economic Sector risk concentration for the financing and allowance for impairment are as follows

SAR' 000	2019				2018			
	Performing	Credit-impaired	Allowance for impairment	Financing, net	Performing	Credit-impaired	Allowance for impairment	Financing, net
Commercial	4,444,231	150,721	(540,373)	4,054,579	4,633,522	283,649	(426,887)	4,490,284
Industrial	5,611,212	82,256	(218,691)	5,474,777	5,639,354	104,174	(224,377)	5,519,151
Building and construction*	12,462,784	36,534	(340,702)	12,158,616	10,872,621	73,853	(307,470)	10,639,004
Transportation and communication	1,581,507	144	(20,344)	1,561,307	1,570,853	144	(5,700)	1,565,297
Electricity, water, gas and health services	572,582	1,402	(15,830)	558,154	1,172,915	2,125	(3,956)	1,171,084
Services	2,146,330	19,520	(128,804)	2,037,046	1,423,689	19,259	(77,458)	1,365,490
Agriculture and fishing	1,262,881	-	(4,342)	1,258,539	759,342	-	(14,106)	745,236
Mining and quarrying	1,025,127	-	(1,351)	1,023,776	32,420	-	(125)	32,295
Consumer	28,311,232	283,689	(406,356)	28,188,565	21,339,772	165,007	(363,514)	21,141,265
Other	3,122,437	161,647	(236,907)	3,047,177	4,130,617	80,415	(292,023)	3,919,009
Total	60,540,323	735,913	(1,913,700)	59,362,536	51,575,105	728,626	(1,715,616)	50,588,115

* The building and construction economic sector includes concentration for the financing and allowance for impairment real estate and rental.

- **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 consumer 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 2019 are as follows:

SAR' 000	2019	2018
Total amount of collateral	31,770,287	29,817,363

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 31 December:

SAR' 000	2019		2018	
	Saudi Riyal	Foreign currency	Saudi Riyal	Foreign currency
Assets				
Cash and balances with SAMA	7,835,872	79,980	6,372,968	65,233
Due from banks and other financial institutions, net	3,642,538	399,213	7,957,037	377,247
Investments, net	9,658,094	1,329,029	5,802,294	663,416
Financing, net	58,628,406	734,130	50,330,280	257,835
Other assets	1,829,093	72,747	638,273	24,695
Liabilities and equity				
Due to banks and other financial institutions	135,909	509,211	2,477,006	623,785
Customer deposits	64,450,273	2,347,292	56,255,996	919,598
Sukuk	2,007,768	-	2,008,587	-
Other liabilities	7,188,079	10,979	3,513,164	5,041
Equity	9,373,859	52,064	7,841,066	(8,117)

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 1 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:

	2019 SAR' 000 Long/(short)	2018 SAR' 000 Long/(short)
US Dollars	(345,234)	(172,436)
Kuwaiti Dinars	5,390	4,198
Pakistani Rupees	60,665	26,423
Euro	(50,188)	(43,709)
UAE Dirhams	13,965	28,351
Bangladeshi Takas	9,499	(4,118)
Others	1,456	9,410
Total	(304,447)	(151,881)

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	31 December 2019		31 December 2018	
	Change in investment price %	Effect in SAR' 000	Change in investment price %	Effect in SAR' 000
Equity				
Quoted	±10	29,045	±10	21,562
Unquoted	±2	3,318	±2	3,318
Mutual Funds				
Quoted	±10	32,644	±10	2,151
Unquoted	±2	10,797	±2	7,571
Sukuk				
Quoted	±10	116,351	±10	77,506
Unquoted	±2	144,164	±2	72,316

31. LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its net funding requirements. 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 SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2018: 7%) of total monthly average demand deposits and 4% (2018: 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 SAMA.

• **ANALYSIS OF DISCOUNTED FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY EXPECTED MATURITIES**

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

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 SAMA	4,362,480	-	-	-	3,553,372	7,915,852
Cash in hand	1,669,426	-	-	-	-	1,669,426
Balances with SAMA	2,693,054	-	-	-	3,553,372	6,246,426
Due from banks and other financial institutions	2,964,680	505,371	571,700	-	-	4,041,751
Demand	210,751	-	-	-	-	210,751
Commodity murabaha	2,753,929	505,371	571,700	-	-	3,831,000
Investments, net	-	248,933	981,728	8,433,847	1,322,615	10,987,123
FVOCI	-	248,933	981,728	6,340,840	456,323	8,027,824
FVTPL	-	-	-	-	866,292	866,292
Amortized cost	-	-	-	2,093,007	-	2,093,007
Financing, net	7,566,426	10,653,513	27,066,150	14,076,447	-	59,362,536
Consumer	1,125,074	3,335,214	13,281,670	10,446,607	-	28,188,565
Commercial	6,441,352	7,318,299	13,784,480	3,629,840	-	31,173,971
Other assets	-	-	-	-	1,719,493	1,719,493
Total assets	14,893,586	11,407,817	28,619,578	22,510,294	6,595,480	84,026,755
Liabilities						
Due to banks 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	-	-	54,341,347	66,797,565
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	-	-	-	-	1,356,337	1,356,337
Sukuk	-	-	-	2,007,768	-	2,007,768
Other liabilities	-	-	-	-	6,428,090	6,428,090
Total liabilities	10,772,446	2,328,892	-	2,007,768	60,769,437	75,878,543
Commitments and contingencies	1,720,735	2,801,909	2,168,166	1,509,452	-	8,200,262

The cumulative maturities of commitments and contingencies are given in note 19 of the financial statements.

2018 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 SAMA	3,286,900	-	-	-	3,151,301	6,438,201
Cash in hand	1,702,065	-	-	-	-	1,702,065
Balances with SAMA	1,584,835	-	-	-	3,151,301	4,736,136
Due from banks and other financial institutions	6,885,787	75,261	1,373,236	-	-	8,334,284
Demand	188,544	-	-	-	-	188,544
Commodity murabaha	6,697,243	75,261	1,373,236	-	-	8,145,740
Investments, net	-	248,811	706,647	4,728,657	781,595	6,465,710
FVOCI	-	248,811	706,647	3,435,393	381,512	4,772,363
FVTPL	-	-	-	-	400,083	400,083
Amortized cost	-	-	-	1,293,264	-	1,293,264
Financing, net	12,270,364	10,796,460	22,200,108	5,321,183	-	50,588,115
Consumer	1,397,947	3,860,325	11,709,970	4,173,023	-	21,141,265
Commercial	10,872,417	6,936,135	10,490,138	1,148,160	-	29,446,850
Other assets	-	-	-	-	463,666	463,666
Total assets	22,443,051	11,120,532	24,279,991	10,049,840	4,396,562	72,289,976
Liabilities						
Due to banks and other financial institutions	2,912,798	187,993	-	-	-	3,100,791
Demand	278,675	-	-	-	-	278,675
Direct investment	2,634,123	187,993	-	-	-	2,822,116
Customer deposits	9,309,766	1,713,849	-	-	46,151,979	57,175,594
Demand	-	-	-	-	29,290,547	29,290,547
Direct investment	9,309,766	1,713,849	-	-	-	11,023,615
Albilad account (Mudarabah)	-	-	-	-	15,781,512	15,781,512
Other	-	-	-	-	1,079,920	1,079,920
Sukuk	-	-	-	2,008,587	-	2,008,587
Other liabilities	-	-	-	-	3,225,575	3,225,575
Total liabilities	12,222,564	1,901,842	-	2,008,587	49,377,554	65,510,547
Commitments and contingencies	1,594,015	2,534,995	1,731,309	192,251	-	6,052,570

The cumulative maturities of commitments and contingencies are given in note 19 of the financial statements.

A. ANALYSIS OF FINANCIAL LIABILITIES BY THE REMAINING UNDISCOUNTED CONTRACTUAL MATURITIES AS AT 31 DECEMBER, ARE AS FOLLOWS:

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2019 and 2018 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.

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 and other financial institutions	645,617	-	-	-	-	645,617
Customers' deposits	10,177,569	2,411,922	-	-	54,341,347	66,930,838

2018 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 and other financial institutions	2,914,620	190,903	-	-	-	3,105,523
Customers' deposits	9,324,034	1,737,470	-	-	46,151,979	57,213,483

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 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	8,027,824	985,816	-	7,042,008	8,027,824
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	4,041,751	-	-	4,041,751	4,041,751
Investments held at amortized cost	2,093,007	468,140	-	1,624,867	2,093,007
Financing, net	59,362,536	-	-	59,268,946	59,268,946

31 December 2018 SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Held as FVTPL	400,083	21,509	378,574	-	400,083
Held as FVOCI	4,772,363	990,676	-	3,781,687	4,772,363
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	8,334,284	-	-	8,334,284	8,334,284
Investments held at amortized cost	1,293,264	-	-	1,293,264	1,293,264
Financing, net	50,588,115	-	-	50,014,077	50,014,077

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 and other financial institutions	645,120	-	-	645,120	645,120
Customers' deposits	66,797,565	-	-	66,797,565	66,797,565
Sukuk	2,007,768	-	-	2,007,768	2,007,768

31 December 2018 SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	3,100,791	-	-	3,100,791	3,100,791
Customers' deposits	57,175,594	-	-	57,175,594	57,175,594
Sukuk	2,008,587	-	-	2,008,587	2,008,587

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 SAMA, due from banks with maturity of less than 90 days and other short-term receivables 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.

• RECONCILIATION OF LEVEL 3 FAIR VALUES HELD AS FVOCI

	31 December 2019 SAR' 000	31 December 2018 SAR' 000
Balance at the beginning of the year	3,781,687	1,714,107
Purchase	3,354,947	2,086,171
Gain / (loss) included in OCI		
Net changes in fair value (unrealised)	(94,625)	(18,591)
Total	7,042,009	3,781,687

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 SAMA.

The nature and balances of transactions with the related parties for the years ended 31 December are as follows:

A. DIRECTORS, KEY MANAGEMENT PERSONNEL, OTHER MAJOR SHAREHOLDERS AND THEIR AFFILIATES BALANCES:

	2019 SAR' 000	2018 SAR' 000
Financing	3,230,862	2,274,067
Commitments and contingencies	122,549	78,726
Deposits	271,235	227,408

B. GROUP'S MUTUAL FUNDS:

These are the outstanding balances with Group's mutual funds as of 31 December:

	2019 SAR' 000	2018 SAR' 000
Customers' deposits	32,954	8,758
Investments – units	428,552	221,307

C. INCOME AND EXPENSE:

Directors, Key management personnel, other major shareholders and their affiliates and mutual funds managed by the Group:

	2019 SAR' 000	2018 SAR' 000
Income	242,665	114,106
Expenses	10,936	15,683

D. THE TOTAL AMOUNT OF COMPENSATION PAID TO KEY MANAGEMENT PERSONAL DURING THE YEAR IS AS FOLLOWS:

	2019 SAR' 000	2018 SAR' 000
Employee benefits	75,802	76,300

34. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA; 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. SAMA 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 SAMA. 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:

	2019 SAR' 000	2018 SAR' 000
Credit Risk RWA	63,300,773	55,268,406
Operational Risk RWA	6,384,244	5,572,623
Market Risk RWA	414,729	231,436
Total Pillar-I RWA	70,099,746	61,072,465
Tier I Capital	9,473,031	7,890,012
Tier II Capital	2,791,260	2,690,855
Total Tier I and II Capital	12,264,291	10,580,867
Capital Adequacy Ratio %		
Tier I ratio	13.51%	12.92%
Tier I and Tier II ratio	17.50%	17.33%

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 9 public mutual funds (2018: 7 public mutual funds) with assets under management (AUM) totaling SAR 1,995 million (2018: SAR 1,053 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 1,994 million (2018: SAR 1,240 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. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.

37. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were authorized for issue by the Board of Directors on 12 Jumada "Al Thani 1441H (corresponding to 6 February 2020)."

ISLAMIC BANKING GLOSSARY

MURABAHA

The concept of Murabaha in Islamic Fiqh differs from the concept of Murabaha to the purchase orderer used in banks. That is, Murabaha in Islamic Fiqh is a type of trust sales [e.g. Wadhi'ah (a sale with a specified loss), Tawliyyah (to sell as per the purchasing price without making profit), and Murabaha] in which the seller shall disclose to the buyer any factors affecting the commodity price such as the price of purchase, and whether it will be paid on a deferred basis or on the spot, and so on. Murabaha to the purchase orderer, however, is a finance instrument composed of a number of steps that begin with the client's request to purchase a commodity with a promise to purchase that commodity with a specified profit margin from the Bank if the bank purchases this commodity. This sale to the client may be a Murabaha sale in accordance with the Islamic Fiqh concept, which is the most preferable, or it may be a Musawamah (bargain) sale.

IJARAH FINANCING

It is a financing instrument that comprised of a number of steps that begin with a promise by the client to rent a commodity from the Bank, and the Bank then buys that commodity and rent it to the client with a specified rental fare and period, All terms of the Ijarah will apply throughout this period. If the client pays all rental installments and does not breach any of its obligation in the relevant agreement, the Bank then shall convey the ownership of the commodity to the client by sale based on a prior promise to sell or a gift, as it specified in the relevant agreement.

MUSHARAKA

It is a investment partnership in which all partners are entitle to receive a portion of the profits of a certain project with mutually agreed percentage to each partner. Losses also will be shared between partner in proportion to the amount invested, and all partners shall participate in any amounts paid related to the relevant losses. One of Musharaka contract's forms the following:

Musharaka contract may involve import the commodities of Musharaka. Accordingly, the bank enters into partnership with the client, in the uncovered part, to buy the commodity, then, the bank sells its share to the client on the basis of deferred sale after the bank takes acquisition of title to, and Qabd (taking possession) of its share, provided that the sale to the client (the partner) shall not be based on a binding promise, or stipulated in the Musharaka (partnership) contract, and that there shall be no prior contractual commitment between the client and the original supplier of the commodities.

THE MUDARABA

Contract of Mudaraba in which the bank (Mudarib) and the client who is provider of the capital (rab al-maal) share

the returns of investment transactions resulting from the amounts deposited in the account of Mudaraba. The profits are distributed between them based on their agreement. Moreover, it is not permissible to stipulate guarantee of the capital or a specific portion of the income on the Mudarib.

THE GHARAR

Uncertainty and lack of knowledge of the specific sale descriptions, and this uncertainty can be either in the sold item or in the price of this item.

CURRENT ACCOUNT

Any amounts in current accounts are juristically considered as being Qards (loans) to the bank. The bank shall make such amounts available to the owner of a current account on demand. In addition, it is permissible for the bank (the debtor) to invest the money of current accounts owners (loaner) provided that the bank shall be under obligation to return such amounts of these accounts on demand without the client being eligible for the profits achieved by the bank.

SUKUK

Sukuk are certificates representing undivided shares in ownership of tangible assets, usufructs and services or (in the ownership of) the assets of particular projects.

RAHEN

A contract to hold an asset in favor of the creditor as a security of a certain debt, provided that the creditor (mortgagee) is entitle to possess this asset as either physically or a constructively. In the event of default by the debtor (the mortgagor) , the creditor has the right to sell the relevant asset without obtaining the Mortgagor's approval.

QARD HASSAN

Qard Hasan (free-interest loan) is giving free money to the one who wants to get benefit of it and return it without interest.

LETTER OF GUARANTEE

A letter issued by the bank based on the request of its client, according to which the bank pledges to pay a certain amount in favor of a specific entity for a specific purpose within a specified period.

KHIYAR-ASSHART

Khiyarush-Shart (sale with termination option) is a condition that gives either or both of the contracting parties the right to cancel the contract during the period of option.

ZAKAT

A financial obligation to be paid to its designated purposes. It is imposed legally (Compliance with Sharia) on those who have money that reached the nisab (designated amount) and was transferred.

Bank Albilad

Tel No: +966 11 479 8888

Fax: +966 11 291 5101

P.O Box 140, Postal Code 11411

381 Salah Addeen Street, Malaz

Riyadh, Kingdom of Saudi Arabia