SUPPORT
EMPOWER
GROW

Annual Report 2020

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بسم الله الرحمن الرحيم

King Abdulaziz bin Abdulrahman Al Faisal Al Saud
The Founder

King Salman Bin Abdulaziz Al Saud
The Custodian of the Two Holy Mosques

Prince Muhammad Bin Salman Bin Abdulaziz Al Saud
His Royal Highness, Crown Prince, Deputy Prime Minister,
Minister of Defense of the Kingdom of Saudi Arabia

EUROMONEY AWARDS FOR EXCELLENCE 2020

Best Private Bank in Saudi Arabia for High Net Worth Clients (US$ 5 million to US$ 30 million)

Best Private Bank in Saudi Arabia for Super Affluent Clients (US$ 1 million to US$ 5 million)

Best Private Bank in Saudi Arabia for Serving Business Owners

THE NEXT 100 GLOBAL AWARDS 2020

QuickPay – winner in the Remittances category

INTERNATIONAL ORGANIZATION FOR STANDARDIZATION

First Saudi Bank to obtain BSI's ISO Business Continuity Certificate ISO22301:2019

THE BANKER FT – TOP 1000 WORLD BANKS 2020

One of the Top 100 Banks in the World (94th)

Number 1 in Saudi Arabia for Tier 1 Capital

Number 1 in Saudi Arabia for Assets

Number 4 in the Middle East for Tier 1 Capital

MADA & SAUDI PAYMENTS AWARDS

Saudi Payments Award for Highest Growth in NFC Transactions 2019

Saudi Payments Award for Highest Growth in Sadad Transactions 2018

MINISTRY OF HUMAN RESOURCES AND SOCIAL DEVELOPMENT AWARD

Best Saudi Bank in supporting The Ministry's Social Fund

FORBES TOP 100 COMPANIES 2020

Number 6 in the Top 100 Companies in the Middle East

One of the Top 40 Arab Companies in the World

Top Saudi Bank being the 3rd Strongest Saudi Company in the Top 100 Companies in the Middle East

MINISTRY OF HOUSING AWARD

One of Best Real Estate Financers as a Partner in Realizing Vision 2030

HEALTH ENDOWMENT FUND AWARD

Best Saudi Bank in supporting the Health Endowment Fund

INTERNATIONAL FINANCE AWARDS 2020

NCB Capital

Best Asset Management Company, Saudi Arabia

NCB Capital

Best Wealth Management Company, Saudi Arabia

MIDDLE EAST FINANCE AWARDS 2020

NCB Capital

Best Investment Bank, Saudi Arabia

WE HELP PEOPLE PROSPER THROUGH CHANGE

NCB's strategic vision is to be the region's premier financial services group. As the leading Saudi bank, our strategy is closely aligned with Saudi Vision 2030 and the Group is in an excellent position to grow with the nation.

The National Commercial Bank (NCB) is Saudi Arabia's largest financial institution. It was established in 1953 and in recent years has evolved into a full-fledged financial services group providing a comprehensive suite of products and services.

The popular reference to NCB as 'Al Bank AlAhli' is derived from the Arabic word 'AlAhli' – the 'national' bank – bonding NCB and its customers with their nation. We are focused entirely on our customers and we celebrate their successes.

Over our 68-year history, we have been known as a progressive force for change. Our purpose is to help people prosper through change.

Today, the NCB Group has a unique bond of trust and holds a leading position serving its customers, meeting their changing needs through outstanding products, services, and innovative solutions that harness technology to enhance their banking experience.

With 431 branches, 3,571 ATMs, and 406 self-service kiosks, NCB reaches customers across Saudi Arabia, providing leading digital capabilities that give customers instant banking services 'anytime, anywhere'.

NCB is a committed supporter of Saudization, creating many opportunities for young people. Our customer base is predominantly Saudi, our senior management team is 100% Saudi, and 98.6% of our staff are nationals. New hires in 2020 were 22.7% female and women now account for 14.2% of total employees, reflecting its efforts to empower women.

Corporate responsibility is an essential element of NCB's corporate culture and business philosophy. The Bank constantly reviews and refines its strategy in this vital area to best serve the community. NCB's new five-year corporate responsibility strategy focuses on empowering individuals and non-profit organizations, and supporting community activities.

Over the past eight years, NCB has been the most profitable bank in Saudi Arabia. In 2020, we achieved outstanding growth and a record profit of SAR 11.44 billion, mainly due to strategic decisions that underpinned NCB's leadership of the Saudi banking sector.

During 2020, NCB entered into a binding merger agreement with Samba Financial Group to create a new Saudi banking champion and regional financial powerhouse. The effective date of the merger is planned for 1 April 2021.

UNLOCKING GREATER VALUE FOR SHAREHOLDERS

98.6%
Digital banking leadership
Digital financial transaction migration reached 98.6%

73.5bn
Helping families to buy homes
The Bank's growth in profitability was driven by a 99% increase in the residential finance portfolio.

1st
Supporting entrepreneurs
NCB ranked first in the new Kafalah 95 program; a loan guarantee program dedicated to Covid-19 to finance MSMEs.

68.7bn
Current and call accounts
Successful strategy execution led to growth in current and call accounts of SAR 68.7bn, an increase of 27%.

9,000
Caring in times of crisis
We distributed 9,000 food baskets in 9 regions across the Kingdom to needy people during the Covid period.

53.5mn
Supporting national efforts
The Bank donated SAR 53.5 million to the Saudi Health Endowment Fund and the Community Fund.

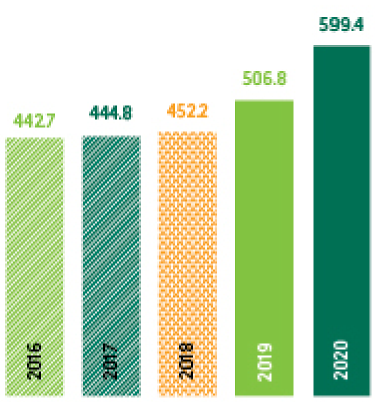
Promoting Saudi Talent, and Empowering Women
Our Saudization rate reached 98.6%, women constituted 22.7% of our new hires in 2020.

11.44bn

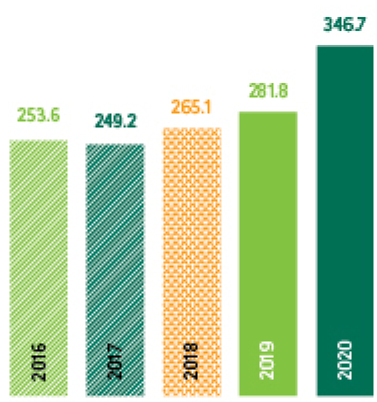
SAR

Record profits for the eighth consecutive year, rising 0.3% to SAR 11.44 billion, driven by our relentless focus on residential finance and digitization.

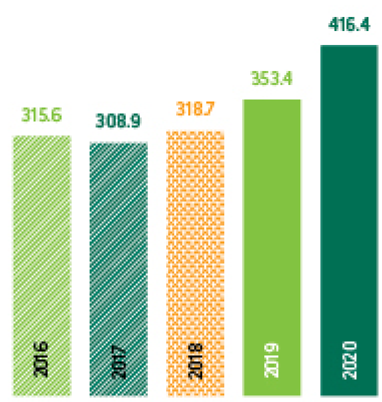
Total Assets
SAR bn



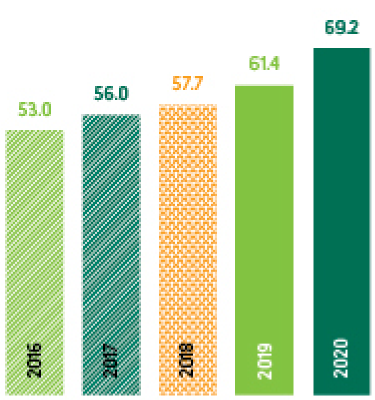
Financing and Advances, Net
SAR bn



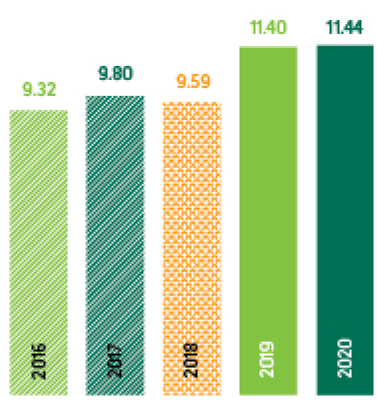
Customers' Deposits
SAR bn



Equity Attributable to Shareholders of The Bank*
SAR bn



Net Income after Zakat and Tax Attributed to Equity Holders of The Bank
SAR bn



*Excluding Tier 1 Sukuks

On behalf of the Board of Directors, I am pleased to present the Annual Report of the National Commercial Bank for 2020, a year in which NCB continued to maintain its leadership in the Saudi Banking sector, and remained resilient in the face of challenging market conditions.

2020 was a challenging year across the globe. The Government of Saudi Arabia responded swiftly to offset the adverse impacts of the global health pandemic with a comprehensive set of policy responses and economic support measures, while the Saudi Central Bank ensured the unrelenting robustness of the financial sector through prudent regulatory oversight and support. In 2020 NCB upheld the health and wellbeing of our customers, staff and wider community, while seamlessly delivering services throughout the year, benefiting from its sophisticated technology platform, while growing the business.

As part of its corporate responsibility towards the community, NCB played a vital role in supporting government efforts to confront and mitigate the impacts of the pandemic on the community. In this regard, NCB is the largest Saudi Bank in supporting the Health Endowment Fund and the Ministry of Human Resources and Social Development's Social Fund. Also, in recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents, the Bank decided voluntarily to postpone payments for all health care workers who have credit facilities with the Bank for three months. In addition, many other initiatives were launched by the Bank in line with its corporate responsibility five-year strategy focusing on empowering individuals and non-profit organizations, and supporting community activities across Saudi Arabia.

NCB also maintained its focus on empowering Saudi talents, increasing the Saudization ratio to 98.6%, and increasing female participation in the workforce to 14.2% of the total employees, where 22.7% of new hires during the year were females.

In line with Saudi Vision 2030 priorities, NCB's resilient performance was underpinned by the strength and diversity of its franchise, and – above all – the relentless execution of our strategy, particularly with an intensified focus on residential finance and digitization. As a part of helping Saudi Citizens own homes, NCB partnered effectively with the Ministry of Housing and the Real Estate Development Fund (REDF) programs, whereby the number of Saudi Families benefitting from NCB residential finance products exceeded 93,000 in 2020, with a total value of SAR 74 billion.

The bank also continued to support MSMEs, which are a critical driver of economic growth, through SAR 29 billion of total credit extended, and by being the largest Saudi bank in terms of the value of credit extended to MSME customers under Kafalah program.

In 2020, NCB is once again Saudi Arabia's most profitable bank, achieving the highest total net operating revenue of SAR 21.46 billion and highest net income to equity holders of SAR 11.44 billion in the sector. Earnings per share was SAR 3.68, and the bank maintained strong credit ratings.

NCB is committed to the principles of corporate governance and the highest international standards in internal controls, risk management, disclosure of results, and developing consolidated annual financial statements.

The Bank continued to increase its range of Shariah-compliant products, with the volume of Shariah-compliant financing reaching 87% in 2020.

NCB is merging with Samba Financial Group, with the aim of building a new Saudi Banking Champion and Regional Financial Powerhouse under a new name, the Saudi National Bank.

I am very pleased with the excellent progress achieved and ongoing, and the tremendous opportunities offered by this historic deal to merge two leading banks. I truly believe that this merger will play an important role in the economic transformation agenda of the Kingdom and generate significant value for all stakeholders.

On behalf of the Board of Directors, I extend my deepest gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud; to the Crown Prince, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud; and to the Government of the Custodian of the Two Holy Mosques. I would also like to thank the Council of Economic and Development Affairs, the Ministry of Finance, the Saudi Central Bank, the Capital Market Authority, the Ministry of Commerce and Ministry of Investment for their support of the Kingdom's financial and banking services sector. The swift, decisive and wise actions taken by the nation's rulers, government and regulators have ensured that the Kingdom has navigated 2020 stronger and more resilient, and we can look forward to a very bright future.

I would also like to take this opportunity to thank NCB's shareholders for their confidence, our valued customers for their trust, and all NCB staff who have worked tirelessly to achieving our aspirations throughout the year.

Saeed Mohammed A AlGhamdi
Chairman

NCB and Samba Merger will play an important role in the economic transformation agenda of the Kingdom and generate significant value for all stakeholders.

Saeed Mohammed A AlGhamdi

Chairman of the Board of Directors. Chairman of NCB's Executive Committee, and representative of the Public Investment Fund (PIF).

- Chairman, NCB Capital Company (NCBC)
- Chairman, Manga Productions Company
- Board Member, Real Estate General Authority
- Board Member, Misk Foundation Charity

Rashid Ibrahim M Sharif

Vice Chairman of the Board of Directors. Member of NCB's Executive Committee, and representative of the Public Investment Fund (PIF).

- Head of General Directorate for Investments in Local Companies, Public Investment Fund
- Board Member, Saudi Electricity Company
- Board Member, Saudi Telecom Company
- Board Member, AccorInvest Company

David Jeffrey Meek

Board Member. Member of NCB's Nomination, Compensation and Governance Committee, member of NCB's Risk Committee, and representative of the Public Investment Fund (PIF).

- Deputy Chairman NCB Capital Company (NCBC)
- Board Member, This Land Ltd Company
- Chairman of the Board of Directors, Equiti Capital UK Limited Company
- Chairman of the Board of Trustees, Getting on Board Organization
- Member of the Board of Trustees, British Liver Trust Organization
- Founder and Manager, InnoMotion Limited Company

Marshall Charles Bailey

Board Member. Chairman of NCB's Risk Committee, and representative of the Public Investment Fund (PIF).

- Chairman of the Board of Directors, Mitsubishi UFJ Financial Group
- Board Member, CFA Institute
- Board Member, Financial Services Compensation Scheme

Anees Ahmed M Moumina

Board Member. Member of NCB's Risk Committee, and representative of the General Organization for Social Insurance (GOSI).

- Chief Executive Officer (CEO), Savola Group
- Vice Chairman of Board of Directors, Savola Food Company
- Vice Chairman of Board of Directors, Al Kabeer Company
- Vice Chairman of Board of Directors, United Sugar Company
- Vice Chairman of Board of Directors, Panda Retail Company
- Vice Chairman of Board of Directors, Herfy Food Services Company
- Board Member, Almarai Company
- Board Member, Knowledge Economic City
- Board Member, Kinan International for Real Estate Development Company
- Board Member, Dr Soliman Fakeeh Hospital
- Board Member, Afia Company

Ziad Mohammed S Altunisi

Board Member. Member of NCB's Nomination, Compensation and Governance Committee, member of NCB's Executive Committee, and an Independent Board Member.

- Chairman of the Board of Directors, Nuwa Capital
- Chairman of the Board of Directors, AWJ Holding Company
- Board Member, Sackville Capital
- Board Member, Saudi Philips
- Board Member, Al Safi Danone Company
- Board Member, Accenture Company
- Board Member, Accentia Company
- Board Member, RNC Aflanka
- Board Member, Knowledge Economic City

Saoud Solaiman A Aljuhni

Board Member. Member of NCB's Risk Committee, representative of the Public Pension Agency (PPA), and Assistant Governor of the Public Pension Agency for Insurance Affairs.

- Chairman of the Board of Directors, Tabuk Cement Company
- Board Member, National Industrialization Company

Zaid Abdulrahman A Algwaiz

Board Member. Chairman of NCB's Nomination, Compensation and Governance Committee, member of NCB's Executive Committee, and an Independent Board Member.

- Board Member – Audit Committee Member, Bupa Arabia for Cooperative Insurance Co
- Chairman of Assets and Liabilities Committee, Mohammed Ibrahim Alsubeaei & Sons Investment Co – MASIC
- Board Member and Chairman of Audit Committee, GIB Capital
- Member of the Investment Committee, Real Estate General Authority
- Member of Audit Committee, New Jeddah Downtown
- Board Member, Rajhi Steel Company

Mohammed Ali M Alhokal

Board Member. Chairman of NCB's Audit Committee, and an Independent Board Member.

- Board Member, Albawardi Group
- Board Member and Chairman of Audit Committee, Sulaiman A Al Rajhi Real Estate Investments Co
- Board Member, Chairman of Risk and Compliance Committee, Chairman of Audit Committee and Member of Credit Committee, Tourism Development Fund
- Chairman of Audit Committee, Assets andLiabilities Committee and Member of Credit Committee, Nayifat Finance Co (Al-Naifat)
- Independent Board Member and Chairman of Audit Committee, Reza Investment Co (Al Ra'idah Investment)
- Adviser of Board of Directors, R J Fleming & Co (DIFC) Ltd
- Board Member, Advisor & Chairman of Audit and Risk Committee, Al Jazirah Rent A Car

During the year NCB demonstrated its ability to execute on its ambitious agenda and deliver on its aspirations, even in the face of rapidly emerging circumstances such as those seen in 2020.

NCB has emerged from 2020 in a stronger position than it began, and the immense promise of our soon-to-be-finalized merger with Samba leads me to hold a highly positive view of the future.

The Bank continued its successful journey to be number one in revenues, number one in profit, the best in customer service, the best digital bank, and the employer of choice.

The global Covid-19 pandemic of 2020 provided a unique challenge for the Bank, the Kingdom, and the world. Saudi Government Authorities put forth a comprehensive and proactive set of measures to address the arising uncertainties. This included several Saudi Central Bank support programs and initiatives such as liquidity support for the Banking sector and the MSME focused Private Sector Financing Support Program. Similarly, NCB has successfully navigated 2020, responding decisively to maintain seamless operations and delivery of services, while also preserving the health and safety of customers, employees and the wider community.

Against this challenging backdrop, the overall performance of the Group was resilient, whereby we delivered record net income to equity holders for 2020 at SAR 11.44 billion on strong 18% balance sheet growth.

NCB's resilience is a testament to the quality of our leadership and our people, further underpinned by successful strategy execution, building upon our strength in digital and mortgages while also focusing on core deposit growth and effective risk management.

The strength of NCB was further augmented by the announcement of an exciting merger with SAMBA Financial Group to create a new Saudi Banking Champion and regional financial powerhouse. As a result, we enter 2021 with our reputation, strength and financial health enhanced. We are confident in our ability to take advantage of an expected improvement in economic conditions and continue striving for stakeholder value creation.

Retail Banking recorded a strong financial performance in 2020, with net income rising 7% to SAR 5.8 billion. A key driver of this growth and profitability was the SAR 36.5 billion increase in the mortgage portfolio, nearly doubling to SAR 74 billion, and increasing our market share of outstanding credit by 4.1 percentage points to reach 25%.

In Corporate Banking, our strategic objective was to improve returns, which resulted in a 3% growth in corporate lending by focusing on high-quality financing and credit extended under Kafalah program. We remained focused on proactive risk management in order to mitigate impairments and manage the portfolio for value, which resulted in a normalization of the cost of risk during the second half of the year.

Treasury reported a healthy 20% growth in net income to SAR 4.2 billion. The investment portfolio grew by 8% as Treasury continued to bolster its position as a primary dealer in Saudi Government Sukuk issuances, and successfully leveraged market opportunities to grow investment returns, while maintaining the quality and liquidity of the investment book.

At NCB Capital, we saw strong 78% growth in net income, underpinned by 19% growth in client assets under management and exceptional brokerage income growth, which was driven by increased Tadawul trading volumes and higher brokerage market share from continued efforts to enhance the platform, engage with and acquire clients.

Türkiye Finans Katılım Bankası increased net income before Zakat and income tax by 62% to SAR 475 million, while carefully growing the financing book and containing risk cost and improving non-performing loan coverage. This was achieved despite the challenging Turkish operating environment.

On the Funding side, we generated strong current and call accounts growth of 27% through enhancements made to the Affluent and Cash Management business propositions as well as the ongoing focus on digital account opening. During 2020, NCB also made significant advances in expanding wholesale funding options to optimize the funding mix and cost further.

In relation to our Strategic Enablers, we accelerated our push in digital sales and service, supported by advanced data analytics, automation, robotics, and agile operating models. Furthermore, productivity improvements were made from substantially scaling up Robotics Process Automation and introducing additional technology and self-service options to complement the physical distribution network during 2020.

The execution on our strategy progressed very well during 2020, and was a key determinant in the Bank's ability to confront and overcome the many challenges faced in 2020.

I would like to conclude by thanking the Board of Directors for their steadfast support throughout the year; my more than 13,000 colleagues for their relentless efforts to deliver on the bank's aspirations; and our nine million customers for entrusting us with their business.

NCB has emerged from 2020 in a stronger position than it began, and the immense promise of our soon-to-be-finalized merger with Samba leads me to hold a highly positive view of the future.

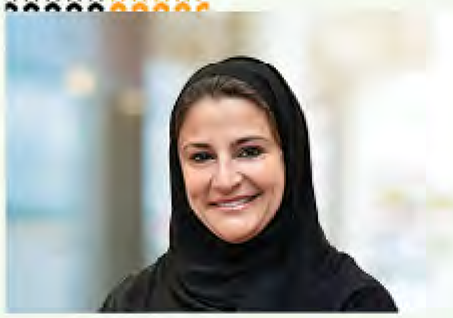
Faisal bin Omar Al-Saqqaf
Chief Executive Officer

Executive Management

Faisal bin Omar Al-Saqqaf
Chief Executive Officer (CEO)

Majed bin Hamdan Al Ghamdi
Head, Retail Banking Group

Talal bin Ahmed Al Khereiji
Deputy Chief Executive Officer



Lama bint Ahmed Ghazzaoui
Head, Finance Group

Wael bin Abdulaziz Raies
Head, Corporate Banking Group

Ramzy bin Abdulaziz Darwish
Head, Treasury Group

Mutlaq bin Salem Al Enazi
Head, Human Resources Group

Naif bin Safouk Al Bashir Al Morshed
Head, Risk Group

Walid bin Hassan Abdul Shakur
Head, Legal and Counselling Group

Ahmed Rabie Rowaili
Board General Secretary
Head, Corporate Governance and Board General Secretariat

Omar bin Mohammed Hashim
Head, Strategy and Business Development Group

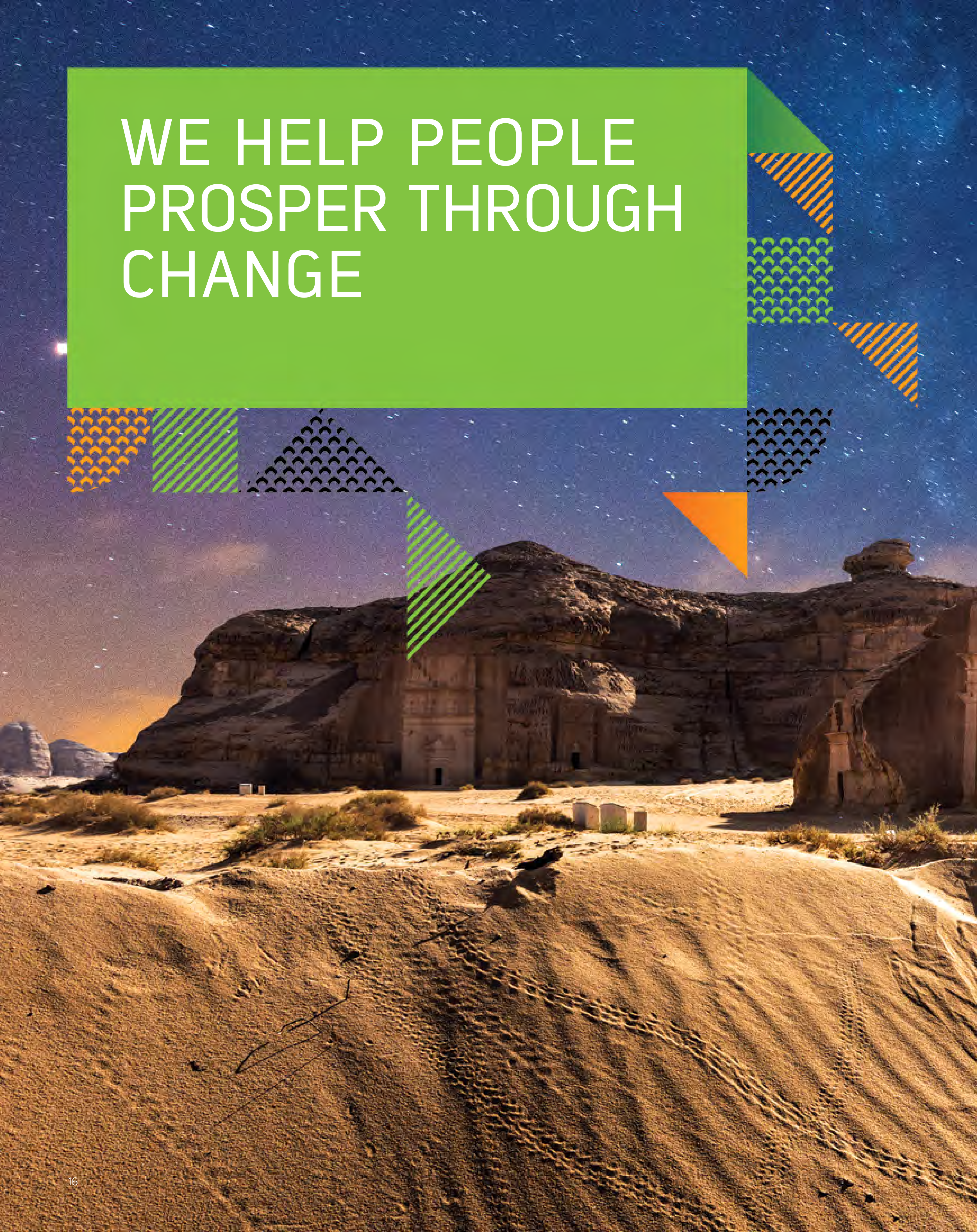
Firas bin Hani Al Turki
Head, Shared Services Group

Fouad bin Abdullah Al Harbi
Head, Compliance Department

Sharif bin Mohammed Al-Samman
Head, Internal Audit

Omar bin Soufian Yassine
Head, Quick Pay

WE HELP PEOPLE PROSPER THROUGH CHANGE



The NCB and Samba merger will create a regional banking powerhouse

Grow

NCB's prospects of creating shareholder value have never been so strong. In October 2020, the Bank signed an agreement to merge with Samba Financial Group to create a new national banking champion for Saudi Arabia.

800mn

SAR

Cost synergies from the merger are expected to generate annual savings of about SAR 800 million.

The transaction has been widely reported as historic, as two leading Saudi banks come together to create a regional financial powerhouse with the scale to maximize growth opportunities.

Through economies of scale, the merger will create growth potential not only for both banks' stakeholders but for the Saudi banking sector and the wider economy.

Cost synergies alone are expected to generate annual savings of about SAR 800 million. The merger will also lead to long-term strategic and financial value as a larger franchise that will provide more opportunity inside and outside Saudi Arabia.

Data from more than 20 international markets indicate that similar mergers have delivered significant value and higher return on investment. In an economy of Saudi Arabia's stature, amid one of the world's most transformational national programs, the presence of advanced and highly capitalized banks is an essential asset.

The merged entity be a key enabler of growth and will support Saudi businesses in their regional and international expansion aspirations.

Now is an opportune time for Saudi Arabia to form a hub for banking innovation. The merged bank will drive the future of banking with enhanced products and unparalleled customer experience.

Access to new generation banking services results in empowered entrepreneurs and SMEs that can deliver economic diversification. For the people of Saudi Arabia, innovative banking has never been more crucial. It will nurture a vibrant society, fulfill housing needs, and provide simplified banking.

The pooled talent and expertise will ensure that customers experience new banking standards and gain access to a wider range of products and services.

Saudi Arabia's banking sector is at a turning point as the Kingdom's new banking champion prepares to advance Vision 2030. We envisage a hub for innovation, talent development, and world-class customer experiences that will take the economic and social contribution of Saudi Arabia's banking sector to a new level.

Support

NCB's advanced digital platform, efficient operating model, effective leadership, and swift action facilitated a robust and agile response to the Covid-19 pandemic. This ensured seamless delivery of services to our customers across all segments.

Close cooperation with Saudi authorities meant that critical Government and NCB support measures reached our customers when they needed them most.

Despite various movement restrictions and social distancing measures, NCB ensured that customers could use our banking services normally. As the pandemic unfolded, Government and NCB support measures were rolled out to help customers cope with the emerging impacts.

Digital uptake was accelerated as a matter of necessity. As part of the Bank's long-standing strategy to develop technology infrastructure, our lean distribution and digitization were very well positioned to respond swiftly to the crisis.

As a result, the Bank ensured seamless delivery of normal services to our customers, while gaining traction on our digital transformation and productivity strategies to increase operational efficiency and customer convenience.

In Retail, digital usage increased to 98.6% of total transactions, while digital sales rose to 65%. Digital account opening rose to 88%.

In Corporate, heavy investment in digital platforms similarly paid off. Active AlAhlieCorp clients climbed by 65%, while digital transaction banking increased from 42% to 64%.

We continued our investment in digital infrastructure and operational efficiency. Far from simply responding, the Bank continued to innovate digital offerings, including the first real estate financing application "Aqar AlAhli", and major enhancements in our Corporate digital customer platforms.

NCB continues to be a market leader in small business financing, with SAR 29 billion total credit extended to MSMEs. Across the Kingdom, NCB has a long record of supporting MSMEs, which are a key strategic priority under Vision 2030.

As part of the SAMA Private Sector Support Program to help MSMEs cope with the impacts of the pandemic, NCB partnered with the Saudi Central Bank to defer SAR 9 billion of payments by MSMEs. Total financing guaranteed by the Kafalah program reached SAR 2.9 billion, and NCB was ranked first by market share in the new Kafalah 95 program.

Customers benefitted from seamless continuity of banking services during Covid

Employee care and protection ranked top Covid priority

NCB holds a strategic aspiration to be the Employer of Choice, and our people are crucial to the achievement of our strategic and operational agenda. Ensuring the safety and protection of our employees and their families has been a top priority during the pandemic.

To safeguard employees, the Bank implemented all precautionary measures in line with the directives set by the health authorities in combating the spread of Covid-19. During lockdown, remote working became a new organizational way of operation. NCB's technology platforms ensured seamless daily tasks.

The HR team facilitated communication with employees and optimized all platforms, including Yammer, to inform our people and answer their queries effectively.

HR's care and support were extended to all employees, giving advice on how best to cope with the pandemic through a comprehensive guide and an internal engagement campaign.

Through NCB's healthcare provider, Bupa Arabia, a remote session was organized where issues about mental and physical health were addressed, while a remote fitness class was set up to provide comprehensive workouts.

Learning and personal development plans were delivered digitally, with close to 7,500 employees participating.

A further 93 employees took part in leadership development and coaching programs. The Rowad AlAhli program produced 65 graduate employees, while 165 qualified from the Branches New Hire program and 36 from the AlAhli Technology Program.

NCB received recognition for its market-leading employee training and development programs by being honored for 'Best Human Resource Development' in Banker Middle East magazine's awards.

Employment continued during the pandemic through different specialized recruitment programs, and interviews have been conducted digitally.

With the gradual return to normal operations, detailed guidelines to inform employees of the procedure for resuming on-site work were developed. Medical teams were contracted to offer consultations in NCB's main buildings.

The Bank continues to support its workforce through comprehensive programs to promote wellbeing and engagement, and to foster a fulfilling and rewarding work environment.

Support

Covid-hit community receives far-reaching support

Support

For more than 15 years, NCB's corporate responsibility program has been privileged to play a vital role in supporting and empowering communities in Saudi Arabia. In 2020, the Bank placed special emphasis on supporting community abilities to cope with the impacts of Covid-19.

9,000

During the lockdowns, 9,000 food baskets were distributed across the nine regions of the Kingdom.

While continuing our usual expansive corporate responsibility initiatives and philanthropic activities, the Bank undertook a wide range of additional efforts to offset the impacts of the pandemic.

Through our Ahalina program, we launched various new initiatives of our own and participated in Government projects to support local communities. We contributed SAR 33 million to the Saudi Health Endowment Fund and SAR 20.5 million to the Community Fund.

In recognition of the Bank's efforts, the Saudi Arabia Health Endowment Fund awarded NCB 'Best Saudi Bank in Supporting the Health Endowment Fund' and the Ministry of Human Resources and Social Development awarded NCB 'Best Saudi Bank in Supporting the Ministry's Social Fund'.

During lockdowns, NCB's Ahalina Happiness Campaign distributed 18,000 Iftar meals and health kits to beneficiaries including orphanages and retirement homes, and cleaned workers' accommodations. Volunteers delivered the meals and health kits across Riyadh, Jeddah, and Dammam, adhering to the highest safety and quality standards at all stages of processing, packaging, and distribution, thus minimizing the risk of Covid-19 spread.

A further 9,000 food baskets were distributed across nine regions. The Eid Keswa (Eid Clothes) initiative was then launched in six cities, with 1,000 clothing packages and health kits distributed.

The campaign included the distribution of household appliances and tablets and computers. It also involved the sterilization of mosques, divers cleaning seabeds, tree planting, and donating winter clothes. Also launched was the Shukr Initiative (Gratitude) which is devoted to the children of martyrs, health practitioners, and security guards. Many other activities have taken place in cooperation with charities and Government entities.

NCB played a prominent role in Government efforts to offset the impacts of the pandemic, deferring three months of installments in our micro-finance program, as well as three-month postponement of repayments by healthcare workers with NCB credit facilities.

Empower

Saudi citizens receive huge boost for home ownership

The housing sector is one of the key pillars of Saudi Vision 2030, and helping people to own their homes is a key target of the Financial Sector Development Program.

Through residential financing and other Government initiatives, and in close cooperation with the Ministry of Housing and Real Estate Development Fund (REDF) programs, NCB's residential financing is a vital contributor to the growth in the number of Saudis who own their homes.

As the largest financial institution in Saudi Arabia, NCB has significantly ramped up its support for residential financing to help citizens fulfill their housing aspirations.

More than 93,000 Saudi families received NCB residential financing, to a total value of SAR 74 billion.

NCB offered comprehensive residential financing solutions and programs to Saudi citizens, almost doubling the value of its mortgage portfolio during 2020.

Despite all the challenges of the year, the portfolio grew in absolute terms and by market share and is now the largest segment of Retail Banking at NCB. The Bank's market share of outstanding credit balances in Residential Finance has grown from 20.9% to 25%.

Despite social distancing and lockdown restrictions to counter the impacts of the pandemic, NCB was able to leverage its strong leadership, agile operating model and untiring, talented employees to deliver uninterrupted banking services to customers.

The Bank spared no efforts to enable Saudi citizens to secure residential financing and avail themselves of the generous housing subsidies made possible by the Ministry of Housing and Real Estate Development Fund.

As a part of the Bank's retail asset deployment and digital transformation strategies, the launch of Aqar AlAhli, the first mobile app in Saudi Arabia facilitating residential financing applications, offered a convenient digital facility without the need for a branch visit.

The Saudi Ministry of Housing once again honored the Bank for being a strategic partner in realizing the Kingdom's vision and supporting the Ministry and REDF programs, ranking NCB as 'Best Real Estate Finance Bank as a Partner in Realizing Vision 2030'.

BUSINESS REVIEW

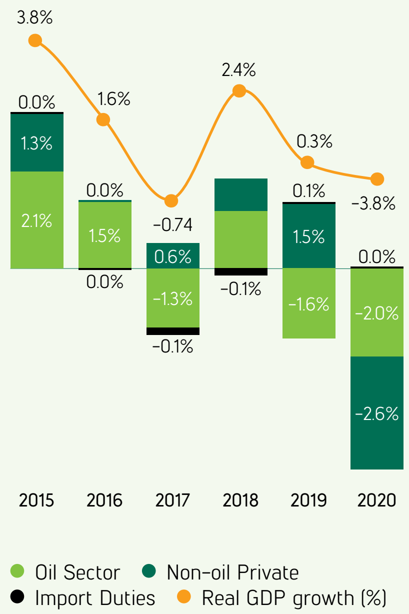
AS THE LEADING BANK IN SAUDI ARABIA, NCB DELIVERED A STRONG AND RESILIENT 2020 PERFORMANCE AGAINST A BACKDROP OF THE GLOBAL COVID-19 PANDEMIC, UNDERPINNED BY THE STRENGTH AND DIVERSITY OF THE NCB FRANCHISE AND DRIVEN BY RELENTLESS AND SUCCESSFUL STRATEGIC EXECUTION.

OPERATING ENVIRONMENT

2020 was a challenging year across the globe. As the coronavirus pandemic enveloped the world during the first quarter, economic activity worldwide was disrupted, with material declines and volatility in financial markets, oil prices, and interest rates. However, the Government of Saudi Arabia responded swiftly to meet the unfolding situation head-on and protect the wellbeing of citizens. This included numerous containment and health response measures, such as increasing awareness, applying social distancing measures, introduction of e-government solutions, and launching a comprehensive and coordinated health response.

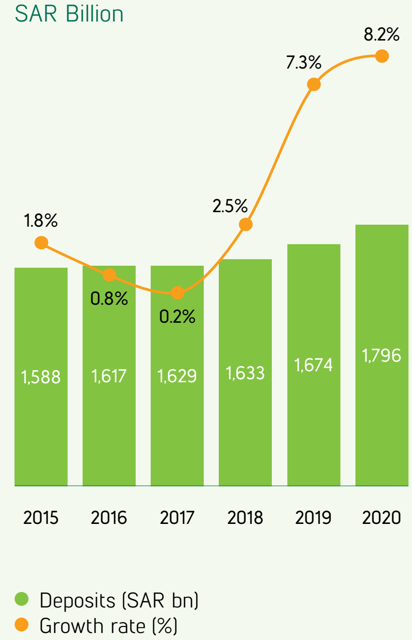
Further, to reduce the impact on the Saudi Economy, a comprehensive set of more than 80 policy responses and support measures to offset the impacts of the global Covid-19 pandemic was implemented. These measures included the Saudi Central Bank's Private Sector Financing Support Program, SAMA Liquidity Support for the Saudi Banking Sector, the Health Sector Support Program, and substantial repo rate cuts by the Ministry of Finance. Several fiscal policy changes were also implemented, including raising the debt-to-GDP ceiling to 50%, VAT increasing to 15%, and others. For the banking sector specifically, the support measures included profit-free deposits, liquidity support facilities, and fee reimbursements from the Saudi Central Bank.

REAL GDP GROWTH*



BANK FINANCING
SAR Billion

BANK DEPOSITS
SAR Billion



SAUDI ARABIA 2021 CAPEX BUDGET

101bn

SAR

Continued capital expenditure projected at SAR 101 billion in 2021 will have a stimulative effect on the economy.

Aided by these decisive actions, signs of normalization, stabilization, and recovery emerged during the second half of the year, with many market and economic indicators returning to pre-Covid levels by year-end. Interest rates remain low and are expected to remain so in the near term, while oil prices have trended up at the start of 2021 from previous lows in 2020.

Given the deterioration of the global economic outlook resulting from the pandemic, lockdown measures and lower average oil prices, Saudi Arabia's 2020 GDP is expected to contract, and the Government fiscal deficit is forecast to widen as a percent of GDP. Promisingly, GDP is expected to recover and return to growth in 2021.

NCB GROUP BUSINESS REVIEW

NCB is the largest financial institution in the Kingdom of Saudi Arabia, providing a comprehensive suite of offerings to every major client segment. With its scale, reach, and leading market positions across corporate and retail banking, treasury, and capital markets, NCB offers a well-diversified and resilient business model, able to weather market challenges and leverage opportunities.

The NCB Group also has a controlling stake in Türkiye Finans Katılım Bankası (TFKB), a participation bank in Turkey that provides long-term diversification benefits and access to a large regional market. NCB Group has total assets of almost SAR 599 billion, serves over nine million clients and employs over 13,000 people.

With the onset of the Covid-19 pandemic in early 2020, the year presented a unique and challenging set of uncertainties and operating environment conditions. NCB responded proactively to the emerging situation. At the outset of the pandemic, the Bank's focus was to ensure continuity of customer service as well as the safety and wellbeing of our customers, employees, and the wider community.

At the start of the crisis, the Bank rapidly initiated business continuity management protocols, including holding regular Business Continuity Management committee review meetings and providing regular updates to the Saudi Central Bank. NCB further acted quickly to safeguard our employees' health by instituting health and safety standards and employee training and awareness campaigns. Crucially, during periods of restricted movement put in place to fight the spread of Covid-19, the Bank facilitated effective remote working, aided by technology and accelerated automation of internal processes.

During the lockdown and curfew periods, NCB maintained all customer-facing systems above minimum service level agreements, and all channels operated with business-as-usual availability throughout, preventing disruption of service to customers. Branches and remittance centers, in periods not affected by lockdown measures, remained fully operational.

The Bank also played its part in helping the wider Saudi community deal with the fallout from the health pandemic, through donations to the Saudi Health Endowment Fund and Social Welfare Fund totaling SAR 53 million and through the distribution of personal protective equipment such as face-masks, gloves, and sanitizers to the public, as well as food aid to vulnerable members of the community.

NCB effectively implemented the Government support measures including those catering to the MSME segment and the Fee Waiver programs. In addition to the Government programs, the Bank also implemented support measures for the healthcare sector.

During the year NCB faced an increase in cost of credit, particularly in the Corporate business, as well as yield compression on lower rates, losses on instalment deferrals, and pressure on fee income, although profit-free deposits from the Saudi Central Bank alleviated these pressures in part. Signs of stabilization and early shoots of recovery became evident during the second half of the year.

Nevertheless, NCB returned a strong and resilient performance, with a focus on capturing opportunities and sustaining shareholder value by leveraging the Group's strong leadership and governance. This was backed by a deep talent pool, well-diversified business model, strong liquidity and capital position, and its leading domestic franchise and international presence. NCB's advanced digital platform and efficient operations also made a significant contribution to maintaining momentum on its ambitious agenda.

Against this challenging backdrop, the overall performance of the Group was resilient, with net income for 2020 stable and growing to reach SAR 11.44 billion, on strong 18% balance sheet growth. Importantly, the Bank maintained its credit ratings during the year, with the NCB credit outlook improving. Such demonstrated resilience was underpinned by the strength and diversity of the NCB franchise and – above all – driven by relentless strategic execution, mainly an accelerated focus on residential finance and digitization.

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NCB DOMESTIC RETAIL FINANCING IN 2020

+42%

NCB's Retail business in Saudi Arabia achieved a 42% increase in financing and advances.

Such resilience was underpinned by the strength and diversity of the NCB franchise and – above all – driven by relentless strategic execution, mainly an accelerated focus on residential finance and digitization. Once again NCB has been the fortunate recipient of recognition and accolades from many prestigious local and international bodies which have acknowledged NCB's many successes and achievements during 2020, and the tireless efforts of NCB's management and staff in effective strategy execution and delivery of results.

NCB is also hard at work on its highly anticipated merger agreement with Samba Financial Group. Shareholder and regulatory approvals have been secured, with anticipated Legal Day 1 set for April 1, 2021, creating the opportunity to leverage expanded scale, reach, and digital capabilities to provide enhanced products and deliver unparalleled customer experience.

The combined entities' increased scale, the sharing of best practices, and annual efficiency gains are expected to generate substantial synergies and growth potential to maximize value for all stakeholders. The merger aims to create a new Saudi banking champion and regional financial powerhouse, to be named Saudi National Bank, in line with Vision 2030 and marking a significant milestone for the Kingdom's banking sector.

Strategic and Operational Review 2020

Group Strategy Overview

NCB's strategic vision is to be the premier financial services group in the region by being number one in revenues and profit, the best in customer service, the best digital bank, and the employer of choice. NCB seeks to achieve this vision through a relentless focus on execution of its strategic plan, optimizing asset deployment at its individual business segments, specifically:

Retail: Grow financing with a focus on mortgages and full digitization of distribution and service.

Corporate: Improve returns through focused expansion, managing for value, targeting mega financing, SME banking, and investing in transaction banking

Treasury: Sustain investment returns by focusing on recurring revenues while maintaining the investment book's overall quality and liquidity.

Subsidiaries: Increase value contribution by focusing on growing key lines of business while enhancing efficiency and productivity.

Also, funding priorities underpin these asset deployment objectives:

Current accounts: Grow by expanding the distribution and coverage model, increasing digital sales, and upgrading cash management solutions.

Wholesale funding: Expand funding options by implementing comprehensive wholesale funding programs across maturity ranges that optimize mix and cost.

These strategic priorities are in turn supported by Group strategic enablers as follows:

Digital transformation: Expand digital functionality deployment by digitizing end-to-end customer journeys and use predictive analytics to drive sales and servicing.

Productivity and lean distribution: Scale up robotics' utilization and leverage artificial intelligence to further improve productivity and performance. Expand the branch network while adding smaller branch formats and implementing advanced digital technologies

Human capital: Attract, retain, and develop top talent while fostering Saudization and female participation in the workforce.

Financial Overview

Balance Sheet

The overall balance sheet expanded by 18% during the year. The main drivers were 23% growth in net financing and advances, predominantly in the Retail segment from residential mortgages, and 8% growth in investments, as NCB continued to actively participate in Saudi government issuances of both short and longer-term debt securities. Throughout these developments, NCB maintained its strong capitalization and healthy liquidity position.

Investments

Net investments totaled SAR 144.9 billion as of 31 December, 2020, an 8% annual increase, gained from continued traction in the Bank's role as a market maker for Saudi Government debt securities issuances. The portfolio is built on high-quality securities, with 85% being investment grade.

Financing and Advances

Net financing and advances grew strongly by 23% to reach SAR 346.7 billion as of 31 December, 2020. This was driven by a 42% increase in the domestic retail segment, strongly supported by the 99% growth in residential financing. Corporate segment advances increased by 3% as healthy underwriting during the first quarter of the year was partly offset later by the onset of Covid-19 and the resulting moderation in demand for financing and higher levels of repayments.

Balance Sheet

	2020 SAR Million	2019 SAR Million	Change %
Investments, net	**144,853**	134,077	+8%
Financing and advances, net	**346,708**	281,843	+23%
Total assets	**599,446**	506,819	+18%
Customers' deposits	**416,419**	353,389	+18%
Debt securities issued	**1,773**	1,016	+74.5%
Total liabilities	**519,231**	437,476	+19%
Equity attributable to shareholders of the Bank	**69,210**	61,443	+13%
Total equity	**80,215**	69,343	+16%
Non-performing loans ratio (%)	**1.72%**	1.84%	-6%
Non-performing loans coverage ratio (%)	**143.5%**	138.1%	+4%
Risk weighted assets	**425,439**	389,997	+9%
Core equity Tier 1 ratio (%)	**16.9%**	16.1%	+5%
Tier 1 ratio (%)	**19.3%**	17.9%	+8%
Total capital adequacy ratio (%)	**20.3%**	18.7%	+9%
Liquidity coverage ratio (%)	**172.4%**	168.9%	+2%
Basel III leverage ratio (%)	**12.5%**	12.7%	-1%
Financing to customers' deposits ratio (%)	**83.3%**	79.8%	+4%

The Financial Institutions portfolio increased 57% to SAR 17.9 billion from high-quality regional exposures and participation in Saudi government-sponsored syndicated transactions. Net financing and advances for the International segment grew by 14%, as strong 45% growth in local currency was partly offset by Turkish lira depreciation of 20%, with the strong underlying momentum driven by financing demand and a strategic shift in the financing mix towards Retail, lower interest rates, and the alleviation of the Turkish regulatory asset ratio requirement.

Customers' Deposits

Customers' deposits increased by 18% to SAR 416.4 billion due to 27% growth in call & current accounts arising from progress in improving the affluent segment proposition and NCB's focus on digital account opening and cash management. This enabled further optimization of the funding mix, resulting in an 8% reduction in more expensive time deposits and taking overall current and call account balances to 77% of total customers' deposits as of 31 December, 2020 compared to 71% a year earlier.

Credit Quality

The impact of Covid-19 earlier in the year resulted in a 15% increase in non-performing loans year-on-year, mainly in our domestic corporate business. Nevertheless, overall credit quality was stable with a non-performing loans ratio of 1.72% at year-end compared with 1.84% in 2019. This stability was sustained despite the challenging operating environment, through strong and improving Retail credit quality and financing growth, offset by some pressure in non-performing financing in the international segment.

Non-performing loans coverage was similarly stable at a healthy 143.5% at year-end, up from 138.1% in 2019.

Capital

NCB maintained its strong capital position to remain comfortably above minimum regulatory requirements, with a Core Equity Tier 1 capital ratio of 16.9%, a Tier 1 capital ratio of 19.3%, and a Total Capital Adequacy Ratio of 20.3% of Pillar I risk-weighted assets. Capitalization was aided by retained earnings generation and net issuance of SAR 3.2 billion in qualifying additional Tier 1 Sukuk, partly offset by Pillar 1 risk-weighted assets growth of 9% to SAR 425.4 billion, attributable to growth in financing.

Liquidity

NCB maintained a strong and stable liquidity profile, with a Liquidity Coverage Ratio of 172.4% in 2020 compared to 168.9% in 2019. The ratio of financing to customers' deposit stood at 83.3%, compared to 79.8% in 2019, while the Net Stable Funding Ratio was 122.5% compared to 124.2% a year earlier.

NCB's cost-to-income ratio improved by 33 basis points to reach 30.3%, with the continued focus on digitization and productivity.

Income Statement

	2020 SAR Million	2019 SAR Million	Change %
Net special commission income	**16,687**	16,382	+2%
Fee and other income	**4,771**	4,192	+14%
Total operating income	**21,458**	20,575	+4%
Operating expenses	**-6,497**	-6,299	+3%
Total impairment charge	**-1,951**	-1,420	+37%
Income from operations, net	**13,010**	12,856	+1%
Net income after Zakat and tax attributed to equity holders of the Bank	**11,440**	11,401	+0%
Earnings per share (SAR)	**3.68**	3.68	-0%
Dividends per share, net (SAR)	**0.00**	2.30	-100%
Return on average equity (%)	**16.8%**	18.5%	-9%
Return on average assets (%)	**2.09%**	2.39%	-13%
Net special commission margin (%)	**3.46%**	3.91%	-11%
Cost to income ratio (%)	**30.3%**	30.6%	-1%
Cost of risk (%)	**0.60%**	0.51%	+17%
Dividends, net	**0**	6,900	-100%

Income Statement
NCB Group's net income after Zakat and income tax grew 0.3%, showing 16.8% return on equity. This was achieved from a 4% increase in operating income, and improved operational efficiency offsetting higher operating expenses and Covid-related pressures on the cost of risk.

Operating Income
Total operating income grew to SAR 21.5 billion, a 4% annual increase.

Net special commission income totaled SAR 16.7 billion, with an increase of 2% from growth in commission-sensitive assets, partly offset by a net special commission margin contraction from 3.91% to 3.46%. The decline in net special commission margin resulted from the lower interest rate environment, with effective mitigation resulting from moving towards higher-yielding residential financing, demand deposit acquisition and a better funding mix of cost bearing funds.

Fee and other income grew by 14% to SAR 4.8 billion in 2020. This was attributed to 27% higher investment-related income realized on debt and equity instruments and an 18% rise in fees from banking services where higher investment management, brokerage, and credit card income offset pressures from fee waivers and lower activity during curfews and lockdowns earlier in the year.

Exchange income also contributed with 13% growth due to increased activity in TFKB and from progress in the domestic retail segments, and healthy activity in the NCB QuickPay remittance business.

Operating Expenses
Total operating expenses rose by 3% to SAR 6.5 billion, primarily resulting from a 12% rise in general and administrative expenses due to the VAT increase in July and more information and technology costs to support increased demand for digital transactions. Nevertheless, the cost-to-income ratio improved by 33 basis points to reach 30.3%, even below the year-end 2019 level, as efficiencies were gained from the continued focus on digitization and productivity improvements, reduced rent and premises costs, and lower operational expenses during lockdown periods earlier in the year.

Impairment Charge
The impairment charge increased by 37% to SAR 2.0 billion, resulting from various adjustments and assessments undertaken by the Bank in response to the evolving Covid-19 situation. These adjustments included the recalibration of ECL (expected credit loss) models, including updated macroeconomic forecasts and higher probabilities of downturn scenarios. Revised models also took a proactive approach to forward-looking and accelerated corporate credit risk assessments.

Delivery Against Guidance

	2019 Reported	2020 Reported	Original Guidance	Revised Guidance
Financing growth	+6%	**+23%**	+10% – 12%	**~ +20%**
Net special commission margin	3.9%	**3.5%**	3.6% – 3.8%	**3.4% – 3.6%**
Cost to income ratio	30.6%	**30.3%**	Below 32%	**Below 33%**
Cost of risk	0.5%	**0.6%**	0.6% – 0.8%	**Below 0.8%**
Tier 1 capital ratio	17.9%	**19.3%**	16% – 18%	**Above 18%**

At the same time, however, retail impairments and recoveries improved, reflecting a high-quality, mostly salary-assigned portfolio. Together with strong financing growth and normalization of corporate credit in the second half of the year, this resulted in a moderate rise of nine basis points to 0.60% in the cost of risk for the year.

Delivery Against Guidance

As part of NCB's Investor Relations program, market guidance was provided at the beginning of the year for the expected outcome of key financial metrics. However, the onset of the Covid-19 pandemic in March dramatically shifted the macro-economic environment and heightened uncertainty relative to the Bank's original pre-pandemic expectations. This necessitated a revision of guidance in NCB's first quarter investor communications as well as subsequent re-assessments and revisions in the Bank's quarterly reporting of results as the situation unfolded and evolved.

Nevertheless, despite these factors and uncertainties, NCB reported results that mostly exceeded or were in line with both original and revised guidance for 2020.

Net financing and advances grew 23%, materially exceeding the original guidance of 10-12% and ahead of the revised indications of around 20%. This was primarily attributable to stronger than expected momentum in residential financing, and arising Financial Institutions opportunities.

At the outset of 2020, the Bank expected the net special commission margin to moderate to a range of 3.6% to 3.8%, from the 3.8% reported in 2019. However, following material US Federal Reserve cuts in fund rates in March, and due also to the subsequent 125 basis points cut in the repo rate by the Saudi Ministry of Finance to 1.0%, NSCI Margin guidance was revised to range between 3.4% and 3.6%. The reported 2020 NSCI Margin of 3.46% was in line with those revised expectations.

NCB reported a cost to income ratio of 30.3%, well below the respective original and revised indications of below 32% and 33%. This resulted from cost optimization initiatives and ongoing efficiencies gained from the Bank's focus on digitization and productivity.

The 0.6% cost of risk for 2020 was at the lower end of the originally expected range of 0.6% to 0.8%, and in line with the revised guidance of below 0.8%. This was an extremely favorable outcome under the circumstances, led by greater than expected financing growth and improved retail credit impairments and recoveries.

In terms of capitalization, NCB ended the year with a Tier 1 capital ratio of 19.3% from retained earnings generation and additional Tier 1 Sukuk issuance, comfortably above the guidance range of greater than 18%.

Group Strategic Enablers

Digital Transformation

The key focus areas of NCB's digitization drive are to migrate customers to digital channels through superior user experiences and to increase digital sales. NCB aims to:

- Offer mobile first banking solutions.
- Leverage advanced data analytics to grow digital sales and improve fulfillment of customer needs.
- Implement a 'digital branch' strategy, improving customer experience from agile digitization.

Covid-19 accelerated digital uptake during the year, and the Bank further built on its leading digital capabilities through an accelerated push in digital sales and service, supported by advanced data analytics and agile operating models.

In 2020 the Bank launched several initiatives and improvements across its broad range of digital banking channels for both Retail and Corporate, enabling customers to conduct their banking transactions more efficiently and with greater convenience. These expanded functionalities boosted Retail digital sales penetration from 51% to 65% year-on-year, while Corporate digital sales grew by 18 ppts to 63%.

Retail digital account opening rose to 88% from 71%, and the volume of digital transactions reached 77% of the total base, an annual increase of 15%. Corporate Transaction Banking services digital penetration reached 64% in 2020, from 42% in 2019. Also, AlAhlieCorp reached almost 85,000 clients in 2020, a growth of 65% relative to the previous year.

The enhanced digital resources for customers, in combination with changes in customer behavior due to Covid-19, enabled a further reduction of about one-third in branch financial transactions, now comprising only 1.5% of the total compared to 2.2% in 2019.

Productivity and Lean Distribution

Continuous process improvement, automation of back-office operations, and enhancements of customer care and experience remained key strategic focus areas.

A priority was to accelerate robotic process automation. The usage of bots increased six-fold to a total of 300, with 200 processes automated and resulting in efficiency gains of 1,157 working hours per day. In addition, 52 technology projects were delivered to automate back-office activities to complement the digital transformation program that was running simultaneously.

LEAN BRANCH DISTRIBUTION STRATEGY PROGRESS

+91

SELF-SERVICE KIOSKS

91 new self-service kiosks were deployed in 2020, bringing the Kingdom wide total to 406.

In response to Covid-19, the 'July Mission Program' was launched to accelerate the digitization of products and services. This resulted in the launch of the QuickPay and residential finance apps and full digitization of the personal finance for customers. To support Retail Banking's focus on residential finance, the product workflow and operations model was re-engineered, resulting in efficiency gains and a reduction in end-to-end turnaround times.

Despite disruption from the pandemic, business-as-usual levels of availability were maintained for digital channels and ATMs, while a successful migration to remote working during curfews was achieved seamlessly.

NCB's distribution strategy involves rolling out lean branches with self-service technology to expand the branch network and enhance in-branch sales while improving the customer experience. During 2020, NCB continued its focus on lean branch distribution by introducing additional technology and self-service options to complement the physical network while maintaining the second-largest branch and ATM network in the Kingdom at 431 and 3,571 respectively, and the number of self-service kiosks increased by 91 to 406 by year-end.

Headcount increased marginally through specialized hiring. The staff's productivity remained high at SAR 1.2 million net operating income per full-time employee, with the front-to-back office ratio improving 50bps to 72.7%. These efforts helped to mitigate cost pressures arising from Covid-19 related expenditures and the VAT rate increase in July, thereby containing the Bank's cost to income ratio at 30.3% relative to 30.6% for the previous year.

Human Capital

NCB holds a strategic aspiration to be the Employer of Choice in Saudi Arabia. Its people are a crucial enabler for the achievement of the Bank's strategic and operational agenda. The Bank's efforts to retain highly qualified employees and provide them with opportunities for career advancement have resulted in maintaining staff attrition at only 2.9%.

Of NCB employees, 98.6% are Saudi nationals and senior management are 100% Saudis. The Bank continues its commitment to improving female participation in the workforce. New hires in 2020 were 22.7% female and women now account for 14.2% of total employees, compared to 13.5% at the end of 2019.

NCB operates several structured recruitment and training programs to support the Bank's future needs. The Rowad AlAhli program, aimed at recruiting and training the Saudi leaders of tomorrow,

graduated 65 employees during the year, while 165 employees qualified from the Branches New Hire program, designed to develop retail bankers.

The specialized AlAhli Technology Program qualified 36 employees, taking the total number of graduates to 85.

Learning and personal development plans were increasingly delivered digitally, with over 5,317 individual employees (and 7,440 with eLearning mandatory courses), participating in these development programs during the year. A further 93 employees took part in the Bank's leadership development and coaching programs. The Bank also supports its workforce through comprehensive programs to promote wellbeing and engagement, and to foster a fulfilling and rewarding work environment.

The Bank operates a share-based long-term deferred compensation incentive plan for executives and senior managers who influence the success of the bank. It also provides risk-based compensation for material risk takers and controllers, deferring a portion of their variable pay. These plans are designed to retain promising leaders and align their compensation with shareholders' interests and the risk profile of the Bank.

NCB received recognition for its market-leading employee training and development programs by being honored for 'Best Human Resource Development' by *Banker Middle East*.

Retail Banking – Financial Overview 2020

	2020 SAR Million	2019 SAR Million	Change %
Total assets	**204,642**	154,249	+33%
Financing and advances, net	**173,802**	122,652	+42%
Customers' deposits	**237,364**	209,905	+13%
Operating income	**10,030**	9,708	+3%
of which			
Net special commission income	**9,480**	8,960	+6%
Fee income from banking services, net	**501**	443	+13%
Operating expenses	**-4,169**	-3,929	+6%
Impairment charge	**-58**	-449	-87%
Other income (expenses)	**-37**	69	-154%
Net income for the period before Zakat and income tax	**5,765**	5,398	+7%
% of total assets	**34.1%**	30.4%	+12%
Cost to income (%)	**41.6%**	40.5%	+3%
Cost of risk (%)	**0.04%**	0.39%	-90%
Return on assets (%)	**3.21%**	3.74%	-14%

RETAIL BANKING PROFITABILITY IN 2020

5.8bn

Strong growth in 2020 saw Retail Banking's net income grow 7% to SAR 5.8 billion.

SEGMENTAL BUSINESS REVIEW

Retail Banking

NCB's Shariah-compliant Retail branch network and Private Banking franchise deliver comprehensive and innovative banking, serving the full spectrum of customer segments through a physical network and digital distribution platform. In Retail financing, NCB is a primary player with a large and growing market share, excelling in its offering of personal finance, residential finance, auto lease, and credit cards. Retail Banking also effectively serves its customers through its well-positioned and comprehensive offering, including current accounts, liabilities solutions, and QuickPay remittance services.

Strategic and Operational Review 2020

Retail Banking's primary strategic objective in 2020 was to grow financing with a focus on mortgages and digitization. Additional strategic focus areas included current accounts acquisitions, the transformation of the affluent segment, and ongoing digitization of customer needs.

Net financing expanded 42% to SAR 173.8 billion during the year, boosting Retail's market share of outstanding credit balances to 23.7% in 2020 from 21.5% in 2019. This growth was primarily driven by the strategic focus on residential finance, a major pillar of the Vision 2030 national strategy. To play our full part in transforming the nation's home ownership, NCB undertook a large-scale transformation of the mortgage business. This included improving the performance management framework, establishing an integrated leads and pipeline management model, leveraging advanced analytics and direct marketing campaigns to quadruple lead conversion rates, and an overhaul of the operations model, including process automation with robotics and the use of artificial intelligence.

These initiatives resulted in a 99% increase – SAR 36.5 billion – in the mortgage portfolio to SAR 73.5 billion through close cooperation with the Ministry of Housing and Real Estate Development Fund and in alignment with the national priority to increase home ownership. This took NCB's Mortgage market share of outstanding credit balances to 25.0% compared to 20.9% in 2019. In the second half of the year, mortgage origination reached record levels to become the largest portfolio within Retail. The Ministry of Housing recognized NCB's mortgage finance efforts as Saudi Arabia's 'Best Real Estate Finance Bank'.

At the start of 2020, Retail Banking initiated a program to transform the affluent banking business, Wessam AlAhli, resulting in significant improvements to the business proposition and a 10% increase in affluent customer current account balances. This was achieved through increased relationship manager coverage and training, upgrading the credit card proposition and transactional services, and improving customer relationship management systems and lead management.

Business Review
Continued

Retail Banking's continued focus on enhancing digital customer onboarding, current account opening and creating a fully digital experience, delivered very rapid service delivery times via the digital platforms. As a result, new customer acquisition increased significantly, and 88% of current accounts were opened digitally in 2020, representing a 17% annual increase.

Retail Banking's remittances business, QuickPay, had a very successful year where a significant transformation and revamped operating model significantly enhanced the value proposition for customers. This resulted in 47% growth in remittance volumes, comfortably more than double the 19% market growth. QuickPay also launched a dedicated digital remittance proposition surpassing the competition in functionality to accelerate digital market penetration. As a result, digital adoption has boosted digital migration and marked a growth of 77% in remittance-active digital clients. These achievements led to NCB receiving the 2020 'Best Bank for Remittances' award from Global Banking and Finance Review.

NCB continued to play a vital role in supporting small businesses through its Business Banking program, in line with Saudi Vision 2030 objectives. The Bank also implemented installment deferments for the healthcare sector and unemployed individuals, as well as fee waivers in response to Covid-19 disruption, while maintaining a fully operational branch network throughout. Overall digital sales penetration across the product offering reached 65% for the year compared to 51% in 2019.

Financial Overview 2020

Retail Banking's total operating income grew 3% from SAR 9.7 billion to reach SAR 10.0 billion. Net special commission income amounted to SAR 9.5 billion, up 6% due to a 42% increase in retail financing, led by strong mortgage origination, partly offset by margin pressure from the lower rate environment. Fee income from banking services, net grew 13%. Impairment charges for 2020 improved to SAR 58 million from SAR 449 million, due to increased collections and recoveries and an overall improvement in credit quality as the financing mix shifted towards higher grade, secured mortgage financing.

Operating expenses for Retail increased by 6% to SAR 4.2 billion as a result of the rise in VAT and additional costs to support increased demand for digital transactions.

The combined impact of healthy operating income growth and an improved cost of risk resulted in substantial growth in Retail Banking's net income – up 7% to SAR 5.8 billion.

NCB FINANCING OF MSME CLIENTS IN 2020

29bn

The Bank maintained its leadership in MSMEs financing, with total credit extended reaching SAR 29 billion.

Corporate Banking – Financial Overview 2020

	2020 SAR Million	2019 SAR Million	Change %
Total assets	**139,448**	132,100	+6%
Financing and advances, net	**132,694**	128,253	+3%
Customers' deposits	**140,539**	107,424	+31%
Operating income	**4,084**	4,711	-13%
of which			
Net special commission income	**3,646**	4,210	-13%
Fee income from banking services, net	**440**	501	-12%
Operating expenses	**-943**	-870	+8%
Impairment charge	**-1,438**	-552	+160%
Other income (expenses)	**-25**	-17	+46%
Net income for the period before Zakat and income tax	**1,679**	3,272	-49%
% of total assets	**23.3%**	26.1%	-11%
Cost to income (%)	**23.1%**	18.5%	+25%
Cost of risk (%)	**1.06%**	0.41%	+157%
Return on assets (%)	**1.24%**	2.46%	-50%

Corporate Banking

NCB's market-leading Corporate Banking franchise offers innovative Shariah-compliant and conventional financing, deposit products, transaction banking, and commercial services to the full spectrum of Saudi businesses, from small and medium enterprises to institutions with the most sophisticated specialized financing needs. With distinct capabilities in project finance and structured finance, Corporate Banking covers the full spectrum of customer segments with its comprehensive offering.

Strategic and Operational Review 2020

As the leading business of its kind in Saudi Arabia, Corporate maintained its partnership and relationship-based customer approach in 2020.

The year's challenging operating environment resulted in higher credit costs arising from Covid-19 and margin pressure from the lower interest rate environment. Despite these headwinds, the Corporate Banking Group achieved SAR 1.7 billion in net income. Much of the credit quality impact was mitigated by an increased focus on managing credit risk to proactively manage the portfolio for value. In this regard, the Bank reviewed risk appetite, refreshed credit guidelines, and conducted proactive and extensive reviews of potentially distressed customers. These actions successfully mitigated the credit quality impact of Covid-19 and resulted in a normalization of the cost of risk during the second half of the year.

Corporate Banking made strong progress in its strategic agenda to enhance its transaction banking proposition, particularly through digitization and enabling online transactions across both trade finance and cash management. These efforts resulted in a 22-percentage point growth in transaction banking services penetration, 65% growth in active AlAhlieCorp clients, and a 2.6 percentage point increase in point-of-sale market share by transaction value, further aided by significant growth in current accounts during the year. The Saudi Annual Trade Finance Summit recognized NCB as 'Best Bank in Trade Finance Transformation in KSA'.

Despite some flattening of corporate credit demand during the year, Corporate Banking remained active in underwriting a steady stream of high-quality business, particularly in Vision 2030 targeted sectors. NCB led and financed several landmark infrastructure projects, including sustainable energy production projects in Saudi Arabia and the GCC region, and other key core infrastructure initiatives. NCB also executed large acquisition and refinancing transactions in the waste recycling industry and specialized financing of a VLCC (very large crude carrier) by Saudi's top tier shipping industry.

Corporate Banking continued to maintain its market-leading status in MSME (small business) banking and Kafalah-based financing (the Government and bank-backed scheme for small businesses) with SAR 29bn total credit extended to MSME's, and SAR 2.9bn total financings guaranteed by the Kafalah program, with NCB ranked first by market share in the new Kafalah 95 program introduced by SAMA, a loan guarantee program to combat Covid-19 impacts. The Bank further assisted MSME customers by participating in support packages extended by Saudi authorities, including installment deferrals.

A key focus area was the continued enhancement of the customer experience through productivity initiatives and digitization. Corporate's digital penetration rose to 86% from 64% in 2019, and customer usage of the corporate online platform grew 56%.

Financial Overview 2020

Total operating income for Corporate Banking declined by 13% to SAR 4.1 billion compared to SAR 4.7 billion in 2019. Net special commission income dropped only 13% to SAR 3.6 billion despite more than halved benchmark rates by the US Fed and Saudi Central Bank and higher average financing balances. Fee income decreased by 12% to SAR 440 million resulting from lower trade finance fees, which in turn reflected a softer trade finance market during the year.

Corporate financing levels were up 3% to SAR 132.7 billion, driven by continued healthy origination momentum, in particular during the first quarter of 2020, partly offset by elevated repayments towards the end of the year and a general flattening of demand for corporate credit following the Covid-19 outbreak.

Customers' deposits grew by 31% to SAR 140.5 billion, from strong call & current account growth driven by traction gained in transaction banking and digital account opening, albeit also including an element of anticipated transitionary deposits as NCB is a trusted partner benefitting from its strong relationships with institutional depositors.

Operating expenses increased by 8% to SAR 943 million, including the impact of the VAT increase. The corporate impairment charge increased by SAR 886 million to SAR 1,438 million for 2020, impacted by Covid-19 related ECL model adjustments and pro-active, accelerated corporate credit risk assessments.

The combination of pressures, largely related to Covid-19 impacts and the overall operating environment, resulted in a 49% reduction in net income to SAR 1.7 billion.

Treasury – Financial Overview 2020

	2020 SAR Million	2019 SAR Million	Change %
Total assets	**211,401**	185,601	+14%
Investments, net	**144,853**	134,077	+8%
Operating income	**4,609**	3,908	+18%
of which			
Net special commission income	**2,281**	1,970	+16%
Fee income from banking services, net	**93**	84	+11%
Other operating income	**2,235**	1,854	+21%
Operating expenses	**–349**	–445	–22%
Impairment charge	**–14**	56	–125%
Other income (expenses)	**–48**	–23	+106%
Net income for the period before Zakat and income tax	**4,198**	3,497	+20%
% of total assets	**35.3%**	36.6%	–4%
Cost to income (%)	**7.6%**	11.4%	–33%
Return on assets (%)	**2.11%**	2.09%	+1%

HIGHER INVESTMENT RETURNS IN 2020

+27%

The investment book was further optimized and favorable market conditions contributed to 27% growth in investment related income.

Treasury

NCB operates the largest Treasury business in the Saudi Arabian banking sector, providing a full range of Treasury and correspondent products and services. These include money market and foreign exchange as well as investment and trading activities (local and international), and managing liquidity risk, market risk, and credit risk related to investments.

Strategic and Operational Review 2020

Treasury's strategic objective was to sustain investment returns by focusing on recurring revenues while maintaining the overall quality and liquidity of the investment book.

The investment portfolio grew by 8% as Treasury continued to bolster its position as a primary dealer in Sukuk and other debt securities issuances by the Saudi Government, where the Bank is consistently ranked first in the primary dealership program by the National Debt Management Center. Treasury leveraged market opportunities to grow investment returns, yielding 18% growth in total operating income.

Treasury also maintained the quality of the investment book, with SAR 122.7 billion being Saudi Government debt and investment-grade securities. The Group liquidity position was healthy and comfortable, with a year-end liquidity coverage ratio of 172%.

Treasury maintained its leading market position across its broad range of products. This was achieved through diligent investment portfolio management, a dynamic hedging approach, as well as continued focus an innovative product offering for customers including Shariah-compliant liquidity instruments. Notable highlights included the opening of online gold accounts to enable mass retail investors to include gold in their portfolios via the digital channels, as well as launching a supply chain financing solution agreement with the Ministry of Finance.

Treasury's strategic objective for funding was to expand options by implementing comprehensive wholesale funding programs across maturity and seniority spectrums that optimize mix and cost. The Bank generated longer-term, diversified funding through club deals and bilateral loans. This included a $1.05 billion syndicated term Murabaha, the largest ever by a Saudi bank. A certificate of deposit program was established to further widen the liquidity pool and diversify the investor base. NCB also successfully issued SAR 4.2 billion at very competitive terms and redeemed SAR 1 billion in qualifying additional Tier 1 Sukuk during 2020.

NCB Capital – Financial Overview 2020

	2020 SAR Million	2019 SAR Million	Change %
Client assets under management	**185,589**	156,009	+19%
Brokerages volume	**509,439**	183,375	+178%
Operating income	**1,133**	787	+44%
of which			
Net special commission income	**19**	18	+3%
Fee income from banking services, net	**1,084**	715	+52%
AUM-related fee income	**537**	500	+7%
Brokerage-related fee income	**429**	124	+246%
Other operating income	**30**	53	-43%
Operating expenses	**-317**	-328	-3%
Net income for the period before Zakat and income tax	**816**	459	+78%
% of total assets	**0.5%**	0.4%	+25%
Cost to income (%)	**27.9%**	41.6%	-33%
Return on assets (%)	**31.06%**	24.88%	+25%

With SAR 186 billion in assets under management, NCB Capital is the Kingdom's largest asset manager.

Financial Overview 2020
Treasury reported a strong performance, with total operating income up 18% to SAR 4.6 billion. This resulted from higher investment income – from both net special commission income and capital gains – as well as improved client revenue from increased cross-selling activities. Operating expenses declined 22% to SAR 349 million, while investment impairments were negligible.

The growth of operating income, together with improving operating efficiency, resulted in a 20% rise in Treasury net income to SAR 4.2 billion.

NCB Capital

NCB Capital is Saudi Arabia's largest investment bank and asset manager, offering wealth management, asset management, investment banking, and brokerage services to the Kingdom's retail, affluent, high net worth, and institutional clients.

Strategic and Operational Review 2020
NCB Capital's strategic focus areas were to sustain and grow market leadership by driving product innovation, growing client assets under management and recurring revenues, increasing brokerage and securi-ties services revenue market share, and supporting the growing financial, investment and advisory needs of Government-related entities, while con-tinuing to increase efficiency and improve productivity.

With SAR 186 billion in client assets under management, up 19% year on year, across various local and international asset classes at the end of 2020 and an MQ1 rating – Moody's highest for investment manager quali-ty – NCB Capital is the Kingdom's largest asset manager and one of the region's largest providers of employee savings programs.

During the year, NCB Capital's Wealth & Asset Management businesses launched the NCB Capital Aviation Fund II, NCB Capital Tier One Sukuk Fund III, and NCB Capital Credit Fund I and expanded its AlAhli REIT Fund (1) – adding SAR 5.7 billion to NCB Capital's assets under man-agement – and increased the number of clients on the firm's employee savings program platform by 43%.

In recognition of these achievements, NCB Capital was named 'Best In-vestment Bank, KSA' in the *Middle East Finance* awards; 'Best Asset Management Company, KSA' and 'Best Wealth Management Company, KSA' by *International Finance*. AlAhli Multi-Asset Growth Fund, AlAhli Asia Pacific Index Fund, and AlAhli Freestyle Saudi Equity Fund together won three Lipper Fund awards for "providing strong, risk-adjusted perfor-mance relative to their peers".

In the competitive local brokerage sector, NCB Capital's Securities busi-ness succeeded in growing its market share while maintaining its ranking as Saudi Arabia's second-largest broker.

NCB CAPITAL NET INCOME IN 2020

816mn

Strong performance in 2020 saw NCB Capital net income before Zakat & tax grow 78% to reach SAR 816 million.

Much of this success can be at-tributed to the strengthening of the firm's digital channels, higher interna-tional brokerage adoption, the rollout of the equity administration offering, and expansion of research and margin trading activities.

In investment banking, NCB Capital built on its leadership in debt and eq-uity issuance by being appointed joint lead manager for the $5 billion KSA Government global sovereign debt issuance; joint bookrunner for the $8 billion Saudi Aramco international bond issuance; and lead manager, un-derwriter, joint coordinator, and bookrunner for the SAR 2.2 billion BinDa-wood IPO, among several other notable transactions.

NCB Capital also made significant progress towards improving efficiency and productivity, all of which improved its cost to income ratio to 27.8% compared to 41.6% in 2019.

Financial Overview 2020

NCB Capital's net income increased by 78% to SAR 816 million, as a result of higher operating income and lower operating expenses.

Operating income rose by 44%, primarily as brokerage income more than tripled to SAR 429 million on higher local stock exchange market volumes and higher brokerage market share from continued efforts to enhance the platform and engage with and acquire clients. A 19% growth in client assets under management, leading to 7% growth in related income, further contributed to an exceptional year for NCB Capital.

Turkiye Finans Katılım Bankası – Financial Overview 2020

	2020 SAR Million	2019 SAR Million	Change %
Total assets	**40,789**	32,777	+24%
Financing and advances, net	**22,332**	19,524	+14%
Customers' deposits	**29,802**	25,608	+16%
Operating income	**1,602**	1,461	+10%
of which			
Net special commission income	**1,261**	1,224	+3%
Fee income from banking services, net	**142**	176	-19%
Other operating income	**199**	61	+228%
Operating expenses	**-719**	-727	-1%
Impairment charge	**-441**	-475	-7%
Other income (expenses)	**32**	34	-4%
Net income for the period before Zakat and income tax	**475**	293	+62%
% of total assets	**6.8%**	6.5%	+5%
Cost to income (%)	**44.9%**	49.7%	-10%
Cost of risk (%)	**2.00%**	2.22%	-10%
Return on assets (%)	**1.29%**	0.89%	+45%

TÜRKIYE FINANS CUSTOMERS' DEPOSITS GROWTH

298bn

SAR

TFKB achieved 16% growth in customers' deposits, reaching a total of SAR 29.8 billion, driven by strong current account growth.

Turkiye Finans Katılım Bankası

NCB has a 67.03% controlling stake in Shariah-compliant Türkiye Finans Katılım Bankası (TFKB), a participation bank that operates by attracting current accounts and profit-sharing investment accounts and extending financing to retail and corporate clients through finance, lease, and profit/loss sharing partnerships.

Strategic and Operational Review 2020

The operating environment in 2020 was challenging, marked by the Covid-19 pandemic, further depreciation of the Turkish Lira, and ongoing inflationary pressures. Despite these constraints, TFKB remained well-capitalized and liquid and achieved a strong financial performance.

The key strategic objectives were to improve productivity and to continue the Bank's transformation program, including the expansion and improvement of digital capabilities to meet customer needs, strengthen liquidity, diversify funding, strengthen underwriting, improve collections, and increase automation.

Through digitization and automation, the number of active mobile customers increased by 39%, while digital channel usage improved to 95.2%. Active customers of TFXTarget, the Bank's mobile investment platform, rose by 50% as functionality was enhanced. TFKB tripled the number of remote digital customer applications and doubled the number of digital customer acquisitions.

The Bank further developed alternative distribution channels, including ATMs, points of sale, telephone banking, and online banking, having launched several initiatives to improve the quality of its services and products. Robotic process automation was accelerated, with bots operating 60 business processes that saved 130,000 working hours.

TFKB's collection systems, from early warning to non-performing loan collection, were revamped, resulting in 38% lower delinquency rates and a 31% improvement in collections. Several projects enhanced the underwriting infrastructure with upgraded models and increased automation. Further, with the adoption of sophisticated artificial intelligence, the time taken to process retail loans was significantly reduced, further increasing customer convenience.

TFKB continued expanding its network, with 10 new branches opened in eight high-potential and underpenetrated locations while one existing branch was closed. As a result, the total number of branches was 319 at year-end. The number of employees grew by 7.8 percent.

The Turkish operation achieved strong progress in its strategic priorities of growing current and savings accounts, increasing those by 54% to SAR 14.5 billion, along with the higher-yield personal finance business, a growth of 79% in Turkish lira terms.

Financial Overview 2020

Despite domestic economic headwinds, TFKB achieved a strong financial performance, reporting total operating income growth of 10% to SAR 1.6 billion, or 32% in Turkish Lira terms. This was achieved through growth in core business lines and improved foreign exchange and trading gains.

Operating expenses declined by 1% to SAR 719 million. In Turkish Lira terms operating expenses increased by 21%, due to inflationary pressures and additional expenses incurred to manage Covid-19. The impairments charge improved by 7% to SAR 441 million (14% deterioration in Turkish Lira terms), from additional Covid-19 provisions and an improvement in non-performing loan coverage, partly offset by the year-on-year benefit of elevated impairments in 2019 when the Turkish banking regulator called on the banking sector to classify certain exposures to non-performing loans.

During the year, the Turkish regulatory asset ratio requirement was lifted, initially put in place in order to encourage Turkish banks to grow financing to stimulate economic activity. As a result, for the full year TFKB financing grew 14% to SAR 22.3 billion – 45% in local currency – but partly offset by continued Turkish lira depreciation of 20%. The strong growth arose from higher financing demand in corporate, coupled with attractive lower interest rates.

TFKB's current account acquisition strategy also achieved significant progress, and the Bank reported 16% growth in customers' deposits (44% in local currency), to reach SAR 29.8 billion.

As a result of the strong growth in underlying operating income, together with improved operating efficiency and a relatively modest increase in the cost of risk, net income rose 62% to SAR 475 million in 2020, equating to 79% growth in Turkish Lira terms.

BOARD OF DIRECTORS' REPORT

THE BOARD OF DIRECTORS OF THE NATIONAL COMMERCIAL BANK IS PLEASED TO PRESENT ITS ANNUAL REPORT FOR 2020. THE REPORT COVERS THE YEAR'S PERFORMANCE, ACHIEVEMENTS, AND CONSOLIDATED FINANCIAL STATEMENTS, AS WELL AS THE BUSINESS ACTIVITIES OF THE BANK, ITS SUBSIDIARIES, AND AFFILIATED COMPANIES.

1. MAIN ACTIVITIES

The Bank's activities cover five operating segments that constitute its strategic businesses. These provide diverse banking products and services, as well as Shariah-compliant products, not related to special commissions, approved and supervised by an independent Shariah Board. The activities are independently managed through an effective organizational structure and internal reporting.

Retail Banking: Provides banking services to individuals and private banking customers, including financing and current accounts, as well as products in compliance with Islamic Shariah. These products are supervised by NCB's independent Shariah Board at the Bank.

Corporate Banking: Provides banking services to corporates and micro, small and medium-sized businesses, and Shariah-compliant financing products, including cash management and trading services, as well as conventional credit products.

Treasury: Provides all treasury and correspondent banking products and services, including money market and foreign exchange, to the Group's customers. Treasury also conducts investment and trading activities (locally and internationally).

Capital Market: Provides wealth management, asset management, investment banking, and share brokerage services (local, regional, and international).

International Banking: Comprises banking services provided outside Saudi Arabia, including Türkiye Finans Katılım Bankası.

2. KEY EVENTS AND ACHIEVEMENTS

Pandemic crisis proves NCB's ability to perform in adversity

2020 presented a uniquely challenging set of uncertainties and operating environment conditions resulting from the global Covid-19 pandemic. The Government of Saudi Arabia responded swiftly to meet the unfolding situation head-on, introducing a comprehensive set of policy responses and support measures to offset the adverse impacts.

For the Banking sector, these support measures included the provision of profit-free deposits, liquidity support facilities, and fee reimbursements from the Saudi Central Bank (SAMA). NCB responded proactively to the emerging situation, leveraging its strong leadership, efficient operations, and deep talent pool to maintain the momentum in realizing its ambitious agenda. Equally valuable were the Group's good governance, well-diversified business model, strong liquidity and capital position, leading domestic franchise and international presence, and advanced digital platform.

During the year, NCB faced an increase in cost of credit, particularly in Corporate business, as well as yield compression on lower rates, losses on installment deferrals, and pressure on fee income. Signs of stabilization and early shoots of recovery became evident during the second half of the year. Against this challenging backdrop, with safeguarding the wellbeing of customers, staff, and the wider community a critical priority, the performance for the year more than demonstrated the Group's resilience. Net income attributable to equity holders of the Bank for 2020 was stable, growing 0.3% to reach SAR 11.4 billion, building on impressive 18% balance sheet growth. Importantly, the Bank also maintained its strong credit ratings, with the credit outlook improving. Resilience was further underpinned by the strength and diversity of the NCB franchise, and – above all – being driven by relentless strategic execution, particularly an intensified focus on residential finance and digitization.

Samba merger

During the year, NCB entered into a binding merger agreement with Samba Financial Group. Subject to shareholder and regulatory approval, the effective date of the merger is planned for 1 April 2021, delivering expanded scale, reach, and digital capabilities to provide enhanced products and an unparalleled customer experience. The combined entities' increased scale, the sharing of best practices, and annual efficiency gains are expected to generate substantial synergies and growth potential to maximize value for all stakeholders. The merger aims to create a new Saudi 'banking champion' and a regional financial powerhouse in line with Vision 2030. This merger is a major milestone for the Kingdom's entire banking sector.

Retail

NCB's Retail Banking recorded a strong financial performance in 2020, with net income rising 6.8% to SAR 5.8 billion. The Retail Banking Group saw positive momentum across its product offering and throughout its physical network and online channels. Rapid progress in digitizing customer services, as well as shifting the network more towards digital and 'lean branch' formats, contributed significantly to operational efficiency.

Another powerful driver of growth and profitability was the 99% increase of SAR 36.5 billion in the mortgage portfolio, very nearly doubling to SAR 73.5 billion. This was achieved through close cooperation with the Ministry of Housing and Real Estate Development Fund and in alignment with the national priority to increase home ownership. NCB's market share of outstanding mortgage finance reached 25% in 2020, up from 20.9% at the end of 2019. In the second half of 2020, mortgage origination reached record levels to become the largest portfolio within Retail. The Bank also continued to play a vital role in supporting small businesses through its Business Banking program, again in line with Vision 2030 objectives.

In response to the pandemic disruption, NCB implemented installment deferments for the healthcare sector and unemployed individuals, as well as fee waivers, while maintaining a fully operational branch network. During the period, online activity grew significantly, with overall digital sales penetration across the product offering reaching 65%, compared to 51% in 2019.

Corporate

As the leading Corporate Banking business in Saudi Arabia, NCB Corporate continued to partner closely with its customers to meet their banking service needs. Corporate Banking Group made strong progress in its strategic agenda to enhance its Transaction Banking proposition. The challenging operating environment resulted in higher credit costs and margin pressure from lower interest rates.
Despite these headwinds, Corporate generated net income of approximately SAR 1.7 billion.

Much of the credit quality impact was mitigated by an increased focus on managing credit risk, along with extensive reviews to proactively manage the portfolio for sustained value.

Corporate Banking maintained its market-leadership in micro, small, and medium enterprise (MSME) banking and Kafalah-based lending, with NCB ranked first in the new Kafalah 95 program introduced by SAMA. The Bank further assisted MSME customers by participating in support packages extended by Saudi authorities, including installment deferrals.

Enhancing the Corporate customer experience was another key area of focus and emphasis. Resulting from productivity initiatives and expanding digitization, Corporate Transaction Banking services' digital penetration rose 22% in 2020, with AlAhlieCorp clients growing by 65%.

Treasury

NCB's Treasury Group recorded a robust financial performance, returning 20% growth in net income to approximately SAR 4.2 billion. The investment portfolio grew by 8% as Treasury continued to bolster its position as a primary dealer in Saudi Government Sukuk issuances, and successfully leveraged market opportunities to grow investment returns.

Treasury maintained the quality of the investment book, with SAR 123 billion being Saudi Government Debt Securities and investment-grade securities, amounting to 85% of the total investment portfolio. On top of funding the growth in financing and investments, the Group's liquidity position remained healthy and comfortable, with the liquidity coverage ratio at 172% at year-end.

NCB Capital

NCB Capital, Saudi Arabia's largest investment bank and asset manager, grew its net income by 78% in 2020, resulting from higher revenues and improved operating efficiency. NCB Capital was joint lead manager for the Saudi Government's $5 billion global sovereign bond issuance, and joint book-runner for the $8 billion Saudi Aramco international bond issuance. Other major assignments included being lead manager, underwriter, and joint coordinator and bookrunner for the SAR 2.2 billion Bin Dawood stock exchange listing. NCBC has successfully launched NCB Capital Aviation Fund II, Tier One Sukuk Fund III and Credit Fund I, while expanding the AlAhli REIT Fund 1 and maintaining its ranking in the Kingdom's top two evolving brokerage sector. The market share of brokerage value traded grew to 13.9%, up from 10.4% a year earlier.

Türkiye Finans Katılım Bankası

NCB's international subsidiary, Türkiye Finans Katılım Bankası (TFKB), increased net income by 62% to SAR 475 million, while carefully growing the financing book and containing risk cost and improving provision coverage. This performance was achieved despite the Turkish operating environment being marked by ongoing foreign currency volatility and inflationary pressures, compounded by Covid-19 disruption.

Highlights of the year were 10% growth in operating income from core banking activity and reduced funding cost, further boosted by improved operating efficiency. The Turkish operation also made strong progress with its strategic priorities of growing current and savings accounts – up 54% to SAR 14.5 billion – and delivering growth in the higher-yield personal finance business. TFKB remained well-capitalized and enjoyed strong liquidity, continuing with digital enhancements and growing the number of active digital customers by 33% and digital transactions by 46%.

Focus on funding

On the funding side, NCB continued its strategic focus on growing current account balances. The Bank made good progress in streamlining customer coverage models and upgrading the value proposition in the Affluent segment. Together with enhancements to the cash management proposition, and the ongoing focus on opening digital accounts, this generated current account growth of 27%.

Significant advances were made in expanding wholesale funding options across their maturity and seniority spectrums to further optimize the funding mix and cost. The Bank raised $1.05 billion of long-term, diversified funding through a syndicated global three-year Murabaha, the largest of its kind for a Saudi Bank, and issued a SAR 4.2 billion Additional Tier 1 Sukuk while redeeming a SAR 1billion Additional Tier 1 Sukuk.

Digital advances

2020 saw an accelerated digital uptake. Aided by NCB's advanced data analytics and agile operating models, significant enhancements were delivered in the digital sales and services offerings in both Retail and Corporate. Expanded functionalities drove Retail digital sales penetration, increasing from 51% to 65% year-on-year. Retail digital account opening rose to 88% from 71%; and the volume of digital transactions reached 77% of the total base, an annual increase of 15%. Branch financial transactions declined further and accounted for only 1.5% of total transactions compared to 2.2% a year earlier. Corporate Transaction Banking services' digital penetration reached 64%, up from 42% in 2019. AlAhlieCorp reached almost 85,000 clients in 2020, annual growth of 65%.

Significant gains in operational efficiency included robotic process automation, with usage of bots rising by 245 to total 300, with 200 processes automated, resulting in impressive savings of as much as 1,157 working hours per day.

Under the Bank's 'lean branch' strategy, additional technology and self-service options were introduced to complement the physical distribution network. The number of self-service kiosks increased by 91 to 406.

Human Capital

NCB Group personnel headcount reached 13,334 during the year, with the domestic headcount reaching 9,603 (including NCB and NCB Esnad and NCBC) through specialized hiring. NCB Employee productivity remained high at SAR 2.5 million net operating income per full-time staff member, with the front-to-back office ratio improving by 50 basis points to 72.9%. These efforts helped to mitigate cost pressures arising from Covid-19 expenditures and the July increase in VAT rates, containing the Bank's cost-to-income ratio at 30.3%, marginally less than the 2019 figure.

Investing in human capital remained a key area of focus, seeking to harness the hard work, leadership, creativity, and cooperative spirit of NCB's deep talent pool of professionals. The Bank continued to invest in the recruitment, development, and retention of young Saudi talents and further strengthened its programs specifically designed to train the leaders of tomorrow. Saudization reached 98.6%, and 22.7% of new hires were female, increasing female participation in the workforce to 14.2%. In 2020, females made up 7.6% of NCB executive staff, occupying key positions of responsibility that extend to top management level.

In line with the aspiration to be the Employer of Choice, NCB continued to invest in the positive engagement and wellbeing of staff.

NCB Corporate Responsibility

NCB continued to support and empower local communities through its Ahalina Corporate Responsibility program. During the year, Ahalina empowered 2,389 female micro-business owners through the Bank's micro-finance program, which operates in five cities and extended total funding of SAR 9.8 million. The Handicraft Apprenticeship Production program trained 405 women, and 130 more were given marketing opportunities to promote their products and services.

The Ahalina Social Investment program was launched to enhance non-profit organizations' capabilities to implement 17 development projects that will provide economic empowerment for 768 beneficiaries across the Kingdom. Support was also provided to entrepreneurs through NCB's Fintech and Social entrepreneurship accelerators – launching 30 projects – and a Co-Working Space program that benefited 150 entrepreneurs. Ahalina volunteer programs involved 460 NCB staff and their family members, whose participation included the provision of pro bono professional services totaling 2,268 volunteering hours with an economic value of SAR 156,255.

Corporate Responsibility and the Pandemic

Through the Ahalina program, the Bank launched various programs in response to Covid-19 and participated in Government initiatives to support local communities, contributing SAR 33 million to the Saudi Arabian Health Endowment Fund and SAR 20.5 million to the Community Fund. During lockdowns, Ahalina distributed 9,000 food baskets across nine regions. NCB also deferred three months of installments in its micro-finance program during lockdowns, delivered 18,000 hot meals during Ramadan through its Eftarak Alaina program, sponsored the Entrepreneurship Beyond Covid-19 project, and distributed 1,000 clothing packages and health kits through its Eid Keswa and Ahalina Happiness initiatives.

STRATEGY 2021

NCB's strategic agenda for 2021 will capture the opportunities arising from expected growing demand for consumer financing and improving post COVID-19 macroeconomic fundamentals in Saudi Arabia. NCB is also pursuing a merger with Samba Financial group to build a new Saudi Banking Champion & Regional Financial Powerhouse in line with Saudi Vision 2030. Strategic imperatives prioritized for the coming year are:

NCB-SAMBA Merger

New Saudi Banking Champion

Create Regional Financial Powerhouse
- Best in class value proposition
- Accelerated growth
- Value creation for all stakeholders

Asset Deployment

Retail

Grow Financing
- Mortgage
- Digitization

Corporate

Manage for Value
- Transaction banking
- V2030 opportunities

Treasury

Sustain Recurring Revenues
- Asset returns
- Portfolio quality and liquidity

Subsidiaries

Grow Value Contribution
- Key business lines
- Efficiency
- Productivity

One Bank Collaboration Initiative

Funding

Current Accounts

Grow Current Accounts
- Affluent
- Customer coverage and experience
- Cash management

Wholesale Funding

Expand Funding Options
- Programs across maturity and seniority
- Mix and cost optimization

Strategic Enablers

Digital

Accelerate Digital Transformation
- Digital product journeys
- Predictive analytics
- Mobile First

Productivity

Increase Operational Efficiency
- Leverage Robotics and AI
- Automate back-office processes
- Lean distribution

NCB-SAMBA Merger

The creation of Saudi National Bank from the merger of NCB and Samba will create significant value for all stakeholders. The merged bank will benefit from increased scale, sharing of best practices and considerable synergies to drive the future of the Saudi banking sector. It will enable growth and development of innovative digital offerings and market leading solutions for savings, wealth management, mortgages and retail and corporate financing, while nurturing future industry leaders.

Fast-paced integration will start from Legal Day 1 with roll-out of the target organizational structure; brand and physical network integration and harmonization of product offerings.

Asset Deployment

Retail: Grow financing with a focus on mortgage business and driving digitization.

Corporate: Manage for value, building a best-in-class transaction banking platform, and growing in V2030 opportunities from Mega Financing to MSMEs.

Treasury: Sustain recurring revenues while maintaining overall portfolio quality and liquidity.

Subsidiaries: Increase value contribution of subsidiaries by focusing on growing key lines of business, while enhancing efficiency and productivity.

Funding

Current accounts: Grow current accounts by expanding the customer coverage model and upgrading the customer experience, while enhancing Cash Management and the Affluent proposition.

Wholesale funding: Enhance funding options by implementing comprehensive wholesale funding programs across maturity ranges and seniority spectrum that optimize mix and cost.

Strategic Enablers

Digital Transformation: Accelerate the digital transformation by continuing the Mobile First drive, deepening digitization of product journeys, and leveraging predictive analytics to drive digital sales.

Productivity: Increase operational efficiency and lean distribution, increasing automation of back-office processes through Robotics, Process Automation and Artificial Intelligence to further improve productivity and performance.

Human Capital: Attract, retain and develop top talent while fostering Saudization and female participation in the workforce.

One Bank Collaboration Initiative

Maintain customers at the center of focus through transforming the client coverage models using powerful analytics and a synergistic operating model, in order to drive cross-sell opportunities and boost non-financing revenues across the platform while enhancing the customer experience.

3. FINANCIAL RESULTS

NCB continued to increase annual profits, successfully implementing a range of initiatives to meet its strategic aspirations, satisfy shareholders' expectations, and fulfill the needs of customers and employees. At the same time, NCB has maintained its leadership of the Saudi banking sector and its ability to manage risks effectively. NCB achieved net profits of SAR 11.44 billion for shareholders in 2020, after Zakat and income tax, compared to SAR 11.40 billion in 2019 – an increase of SAR 39 million and a growth rate of 0.35%. Earnings per share after Zakat and income tax were unchanged at SAR 3.68.

Net special commission income increased by 1.9% to SAR 16.69 billion, up from SAR 16.38 billion. Total operating income rose by 4.3% to SAR 21.46 billion from SAR 20.57 billion, while total operating expenses increased by 9.4% from SAR 7,719 million to SAR 8,448 million.

The Bank's assets increased by 18.3% to SAR 599 billion from SAR 507 billion, while the financing and advances portfolio grew by 23% from SAR 282 billion to SAR 347 billion. Investments increased by 8% from SAR 134 billion to SAR 145 billion, and customers' deposits by 17.8% from SAR 353 billion to SAR 416 billion.

NCB's financial results over the past five years:

	2020 SAR Million	2019 SAR Million	2018 SAR Million	2017 SAR Million	2016 SAR Million
Total assets	**599,446**	506,819	452,177	444,792	442,657
Net financing and advances	**346,708**	281,843	265,062	249,234	253,592
Net investments	**144,853**	134,077	118,090	114,578	111,509
Total liabilities	**519,231**	437,476	386,508	380,516	382,731
Customers' deposits	**416,419**	353,389	318,701	308,942	315,618
Total equity attributable to equity holders of the Bank	**69,210**	61,443	57,737	56,041	53,038
Total operating income	**21,458**	20,575	18,927	18,345	18,647
Total operating expenses	**8,448**	7,719	8,082	8,392	9,175
Net income attributable to equity holders of the Bank	**11,440**	11,401	9,594	8,377	8,062

Financial results of the Bank's operational segments in 2019 and 2020:

	Retail Banking		Corporate Banking		Treasury		Capital Market		International		Total	
	2020 SAR Million	2019 SAR Million	2020 SAR Million	2019 SAR Million	2020 SAR Million	2019 SAR Million	2020 SAR Million	2019 SAR Million	2020 SAR Million	2019 SAR Million	2020 SAR Million	2019 SAR Million
Total income	**10,030**	9,708	**4,084**	4,711	**4,609**	3,908	**1,133**	787	**1,602**	1,461	**21,458**	20,575
Total expenses	**4,228**	4,379	**2,381**	1,422	**363**	388	**317**	328	**1,159**	1,202	**8,448**	7,719
Net income	**5,765**	5,398	**1,679**	3,272	**4,198**	3,497	**816**	459	**475**	293	**12,933**	12,919
Total assets	**204,642**	154,249	**139,448**	132,100	**211,401**	185,601	**3,166**	2,091	**40,789**	32,777	**599,446**	506,819
Total liabilities	**248,453**	221,024	**142,682**	109,249	**90,552**	77,990	**415**	365	**37,129**	28,848	**519,231**	437,476

Net income distributed between the Bank and its main subsidiaries:

	Net income attributable to equity holders SAR Million	% of total income SAR Million
National Commercial Bank (NCB)	10,438	91.24
NCB Capital and its subsidiaries	758	6.63
Türkiye Finans Katılım Bankası and its subsidiaries	244	2.13
Total	11,440	100

4. GEOGRAPHIC ANALYSIS OF REVENUES

Bank revenues are generated from its activities inside and outside Saudi Arabia and classified geographically:

	Kingdom of Saudi Arabia SAR Million	Turkey SAR Million	Kingdom of Bahrain SAR Million	Others SAR Million	Total SAR Million
2020	**19,191**	**1,597**	**669**	**1**	**21,458**

5. CREDIT RATING

International credit rating agencies underscored the fact that NCB maintained a stable rating over 2020, reflecting the Bank's aspirations to increase profitability and liquidity. Credit agencies' detailed evaluations for the year were:

	2020		
Rating agency	Short term	Long term	Expectations
Moody's	P-1	A1	–
Standard & Poor's	A-2	BBB+	+
Fitch	F1	A-	–
Capital Intelligence	A1	A+	Stable

6. DIVIDEND DISTRIBUTION

In accordance with Article 47 of the Bank's Articles of Association, and based on the proposal of the Board of Directors, and after the approval of the General Assembly, and the Banking Control Law, the Bank's net profits shall be distributed after deduction of all general expenses and the amounts set aside for impairment charges for expected credit losses, Zakat, tax and any other burdens in the following manner:

(1) 25% of net profits shall be set aside to build up a statutory reserve. The Ordinary General Assembly may stop or reduce the rate of this deduction for reserve if the statutory reserve has reached an amount equal to the full capital.

(2) The Ordinary General Assembly may, upon the Board's proposal, set aside a certain percentage of the net profits to build up a consensual reserve, which may not be used without approval by an Extraordinary General Assembly. If such reserve is not assigned for specific purpose, the Ordinary General Assembly may, upon the Board's proposal, decide to dispose of it to bring benefits to the Company or the shareholders.

(3) Assignment of purification amounts.

(4) From the remainder, an initial percentage not less than 5% of the capital shall be distributed to shareholders. If such remainder of net profits is insufficient to pay the referred percentage, the shareholders have no right to request distribution from the following year's profits.

(5) A percentage of the remainder, after having satisfied the above-mentioned deductions, including Paragraph (5), shall be set aside as a bonus for the Board of Directors in accordance with the instructions issued in this regard by the Saudi Central Bank.

(6) The remainder thereafter shall be used according to the recommendation of the Board of Directors, either to build additional reserve, to be distributed as extra share of profits, or for any other purpose the General Assembly may decide. However, the General Assembly may not resolve to distribute any share of the profits which exceeds the recommendation by the Board of Directors.

(7) By a resolution from the Board of Directors and subject to the non-objection of the Saudi Central Bank, interim profits may be distributed quarterly or half-yearly to be deducted from the annual profits in accordance with the regulations issued by the CMA.

7. INCOME DISTRIBUTION

	SAR Million
Net income for 2020 before Zakat and income tax	12,933
Zakat	1,373
Transfer to statutory reserve	2,720
Interim paid dividend	0
Final proposed dividend	3,600
Non-controlling Interests	120
Transfer to retained earnings	5,120

8. DISCLOSURE OF STATEMENTS OF MICRO, SMALL, AND MEDIUM ENTERPRISES

(1) Qualitative Disclosure:

(a) Approved definition of micro, small, and medium enterprises and initiatives adopted by the Bank to support them:

Micro, small, and medium enterprises are the enterprises that achieve annual sales of less than SAR 200 million, and these enterprises are divided into three categories:

- Micro enterprises with annual sales with less than SAR 3 million
- Small enterprises of annual sales with more than SAR 3 million and less than SAR 40 million
- Medium enterprises of annual sales with more than SAR 40 million and less than SAR 200 million

(b) NCB strategic initiatives for support micro, small, and medium enterprises

NCB supports the micro, small, and medium enterprises (MSME) sector through a number of initiatives and financing programs. The Bank has acquired a large share of the financing facilities provided to this segment, amounting to about SAR 29 billion within several programs, including the Government's Kafalah program. NCB has been ranked as the largest Saudi bank in terms of the value of Kafalah guarantees provided to MSME customers. The volume of funds granted by the Saudi banks, combined, through Kafalah guarantees, exceeded SAR 48 billion by the end of 2020. NCB's share exceeded SAR 13.7 billion, with 3,100 enterprises benefiting from NCB financing since the start of the program. NCB was also one of the leading banks that responded to SAMA's Guaranteed Finance Program to mitigate the financial and economic impact of Covid-19 and enable MSMEs to play their role in supporting economic stability in this critical period.

In view of the extreme importance of this segment, NCB developed an internal MSME Portfolio Monitoring Committee that convenes monthly and is headed by the CEO to support the MSME sector. Furthermore, the Bank reorganized the MSME team to increase efficiency. Two specialized departments were established to focus on servicing this segment effectively:

- Business Group: Serves micro and small enterprises with an annual turnover less than SAR 40 million
- Commercial Business Group: Serves medium enterprises with an annual turnover between SAR 40 million and SAR 200 million

Given the promising future of this sector, the Bank has adopted strategies to measure the quality and efficiency of services provided, including specialized financing program run by specialized teams of high expertise in the field.

Partnerships and agreements:

As part of NCB's contribution to achieving the Saudi Vision 2030 goal of increasing funding MSMEs to 20% of total Saudi bank financing by 2030, the Bank continues to build strategic partnerships with several Government and semi-Government entities. The most significant partnerships and initiatives undertaken with our partners in 2020 are:

General Authority for Micro, Small and Medium Enterprises (Monsha'at)

- Agreement of financing programs, whereby NCB participates in studying and designing financing programs for MSMEs
- Agreement to join Monsha'at financing platform with an aim to enable entrepreneurs and MSME owners to benefit from NCB's finance services and streamline the procedures through a digital channel. This will give entrepreneurs access to the financing entities' details and their financing services. They will also be able to contact them and apply for financing.
- An agreement to educate, train and develop MSMEs, whereby NCB will design specialized training programs for the MSME sector.
- Franchise agreement, under which NCB will design innovative financing programs with competitive profit margins to enterprises engaged in franchise business. More than 70 enterprises have benefited from the program.

Saudi Basic Industries Corporation (SABIC)

- NCB signed a cooperation agreement with SABIC through its Nusaned initiative to further the national role in industry Saudization. NCB also participated in SABIC Conference 2020.

Kafalah Program

- NCB signed the guarantee portfolio product agreement, intended to reduce the days needed for approval to two days after fulfilling certain procedures and criteria.

Digital services

- NCB launched a digital campaign to support MSMEs with a view to increasing awareness of the various support services and products offered by the Bank. Through the digital platform, MSMEs are offered a wide range of digital services such as account opening, cash management products, and credit facility applications.

Virtual training courses and workshops

In cooperation with Monsha'at and Chambers of Commerce, NCB provided many virtual training courses and workshops with an aim to enhance MSME owners' expertise and help them make proper financial decisions to overcome the consequences of the Covid-19 pandemic. Among courses offered by NCB were:

- Cash-flow management, in collaboration with Monsha'at
- Support when applying for financing facilities, in partnership with Monsha'at
- Initiatives and mechanisms of MSME financing, in partnership with Riyadh Chamber
- Financing solutions and options for entrepreneurs and MSME owners, in cooperation with the Jeddah Chamber
- Mechanisms to support and finance franchisees. in, partnership with Monsha'at
- Initiatives and mechanisms of MSME financing, in partnership with the Medina Chamber

NCB maintained posting educational messages on its social media channels for MSMEs, to raise their awareness of the finance procedures to support business activities, to mitigate the impacts of the pandemic, and to explain programs provided by the Saudi Central Bank and how to access them. NCB assigned a team and a toll-free number to answer any questions regarding support programs.

To support MSMEs effectively, NCB now has 164 employees serving this segment after receiving special training by the end of 2020.

Quantitative disclosures for 2020

Particulars	Micro SAR '000	Small SAR '000	Medium SAR '000	Total SAR '000
Financing of small, medium, and micro enterprises – on-balance items	**215,962**	**5,193,577**	**17,100,577**	**22,510,116**
Financing of small, medium, and micro enterprises – off-balance items	**339,915**	**2,186,234**	**3,986,325**	**6,512,474**
On-balance financing of micro, small and medium enterprises as a percentage of total on-balance financing	**0.07%**	**1.60%**	**5.28%**	**6.95%**
Off-balance financing of small, medium, and micro enterprises as a percentage of total off-balance financing	**0.91%**	**5.83%**	**10.63%**	**17.37%**
Number of financings (on-balance and off-balance)	**2,112**	**6,879**	**7,117**	**16,108**
Number of financed customers (on-balance and off-balance)	**1,751**	**3,056**	**1,268**	**6,075**
Number of financings guaranteed by Kafalah Program (on-balance and off-balance) – in aggregate	**95**	**684**	**212**	**991**
Total financings guaranteed by Kafalah Program (on-balance and off-balance)	**69,134**	**1,276,419**	**1,567,853**	**2,913,407**

Quantitative disclosures for 2019

Statement	Micro SAR '000	Small SAR '000	Medium SAR '000	Total SAR '000
Financing of small, medium, and micro enterprises – on-balance items	419,908	5,180,742	16,618,153	22,218,803
Financing of small, medium, and micro enterprises – off-balance items	404,076	2,463,403	5,316,565	8,184,044
On-balance financing of small, medium, and micro enterprises as a percentage of total on-balance financing	0.16%	1.97%	6.33%	8.47%
Off-balance financing of small, medium, and micro enterprises as a percentage of total off-balance financing	1.02%	6.20%	13.37%	20.59%
Number of financings (on-balance and off-balance)	2,366	6,465	6,694	15,525
Number of financed customers (on-balance and off-balance)	1,955	3,221	1,369	6,545
Number of financings guaranteed by Kafalah Program (on-balance and off-balance) – in aggregate	38	375	78	491
Total financings guaranteed by Kafalah Program (on-balance and off-balance)	32,226	692,589	526,564	1,251,379

9. COMPENSATION TO BOARD MEMBERS, BOARD COMMITTEES, AND SENIOR EXECUTIVES

(a) Compensation to Board Members

The Board has prepared NCB's Policy of Annual Compensation of Board Members and Board Committees. The policy was approved by the Shareholders' General Assembly on 31 December 2017, and aimed to set the approved criteria for the compensation of Board Members and Board Committees, as well as entitlement conditions.

Compensation paid to Board members and Board Committees is set in line with the instructions issued by the supervisory bodies, and is governed by key governance principles of the banks operating in Saudi Arabia and the Compensation Regulations issued by the Saudi Central Bank, Corporate Governance Regulations issued by the Capital Market Authority (CMA), Companies' Law issued by the Ministry of Commerce, and NCB's Articles of Association.

To guarantee effective governance, this policy requires that compensation should be based on the recommendation of the NCB Nomination, Compensation, and Governance Committee. The policy also considered that compensation should be sufficient to attract Board Members and Board Committee Members who have the capability and expertise appropriate to the Bank's activities. Compensation paid to the Board members were as follows without any substantial deviation from applicable laws and regulations:

	SAR															
	Fixed Compensation							Variable Compensation								
	Fixed amount	Board meeting attendance allowance	Total allowance for attendance of committee meetings	In-kind Benefits	Compensation of technical, administrative and consultative works	Compensation of Board Chairman, Managing Director or Secretary if they are members	Total	Profit share	Periodic bonus	Short term motivational plans	Long term motivational plans	Bonus shares	Total	End of service benefit	Total aggregate	Expense allowance
I. Independent members																
Zaid Abdulrahman A Algwaiz	500,000	40,000	70,000	–	–	–	610,000	–	–	–	–	–		–	500,000	–
Ziad Mohammed S Altunisi	500,000	40,000	70,000	–	–	–	610,000	–	–	–	–	–		–	500,000	–
Mohammed Ali M Alhokal*	800,000*	40,000	50,000	–	–	–	890,000	–	–	–	–	–		–	850,000	–
Total	1,800,000	120,000	190,000	–	–	–	2,110,000	–	–	–	–	–		–	1,850,000	–
II. Non-executive directors																
Saeed Mohammed A AlGhamdi	500,000	35,000	50,000	–	–	–	585,000	–	–	–	–	–		–	500,000	–
Rashid Ibrahim M Sharif	500,000	35,000	50,000	–	–	–	585,000	–	–	–	–	–		–	500,000	–
Marshall Bailey	500,000	35,000	20,000	–	–	–	555,000	–	–	–	–	–		–	500,000	15,328
David Jeffrey Meek	500,000	35,000	40,000	–	–	–	575,000	–	–	–	–	–		–	500,000	15,233
Anees Ahmed M Moumina	500,000	40,000	20,000	–	–	–	560,000	–	–	–	–	–		–	500,000	3,000
Saoud Solaiman A Aljuhni	500,000	40,000	20,000	–	–	–	560,000	–	–	–	–	–		–	500,000	–
Total	3,000,000	220,000	200,000	–	–	–	3,420,000	–	–	–	–	–		–	3,000,000	33,561

* Mr Mohammed Ali M Alhokal is now the Chairman of the Audit Committee
** Total aggregate amount of the Board members has been reduced to match the amount specified by Law..

(b) Compensation to Board Committees Members

Executive Committee Members	SAR Fixed compensation other than meeting attendance allowance	Meeting attendance allowance	Total
Saeed Mohammed A AlGhamdi	–	50,000	50,000
Rashid Ibrahim M Sharif	–	50,000	50,000
Zaid Abdulrahman A Algwaiz	–	50,000	50,000
Ziad Mohammed S Altunisi	–	50,000	50,000
Faisal bin Omar Al-Saqqaf*	–	50,000	50,000
Total	–	250,000	250,000

* Faisal bin Omar Al-Saqqaf in his capacity as CEO and an executive member of the Executive Committee

Risk Committee Members	SAR Fixed compensation other than meeting attendance allowance	Meeting attendance allowance	Total
Marshall Bailey	–	20,000	20,000
David Jeffrey Meek	–	20,000	20,000
Anees Ahmed M Moumina	–	20,000	20,000
Saoud Solaiman A Aljuhni	–	20,000	20,000
Faisal bin Omar Al-Saqqaf*	–	20,000	20,000
Total	–	100,000	100,000

* Faisal bin Omar Al-Saqqaf in his capacity as a CEO and an executive member of the Risk Committee

Nomination, Compensation, and Governance Committee Members	SAR Fixed compensation other than meeting attendance allowance	Meeting attendance allowance	Total
Zaid Abdulrahman A Algwaiz	–	20,000	20,000
Ziad Mohammed S Altunisi	–	20,000	20,000
David Jeffrey Meek	–	20,000	20,000
Total	–	60,000	60,000

(c) Compensation to the Chairman of the Audit Committee and Audit Committee Members other than Board Members

The Shareholders' Extraordinary General Assembly on 10 April 2019 approved the amended Charter for the Audit Committee, members' selection rules, its duties, bylaws, and compensation of its members, in accordance with the applicable laws and regulations issued by the competent regulatory authorities in Saudi Arabia and NCB's Articles of Association. In setting annual compensations, the NCB Nomination, Compensation, and Governance Committee considered the approved criteria without any significant deviation from laws and regulations. The table below sets out the compensation and compensation levels paid to non-Board Audit Committee Members:

	SAR Fixed compensation other than meeting attendance allowance	Meeting attendance allowance	Total
Mohammed Ali M Alhokal*	300,000	50,000	350,000
Dr Khaled M Altaweel – member other than the Board members	200,000	50,000	250,000
Dr Abdul Rahman M. Albarrak – member other than the Board members	200,000	50,000	250,000
Abdul Rahman M Aloudan – member other than the Board members	200,000	50,000	250,000
Hani Suleiman Alshadokhi – member other than the Board members	200,000	50,000	250,000
Total	1,100,000	250,000	1,350,000

* Mr Mohammed Ali M Alhokal as an independent Board member and Chairman of the Audit Committee

(d) Senior Executives' Compensation

The Board of Directors, based on the proposal of the NCB Nomination, Compensation, and Governance Committee, determines compensation of senior executives in line with the Bank's strategic aspirations and to provide appropriate motivation for the higher management officers.

The compensation and compensation paid to six senior executive members in 2020, including the CEO and CFO:

Value (SAR '000)												
Fixed compensation payable in 2020				Variable compensation – Actual payment in 2020								
Salaries	Allowances	In-kind benefits	Total	Periodic Bonuses	Profits	Short term motivational plans	Long term motivational plans	Bonus shares	Total	End of Service benefit	Total Senior Executive'	Total Aggregate
5,108	2,711	92	7,911	–	591	20,269	–	24,671	45,531	1,360	–	54,802

10. ARRANGEMENTS OF WAIVER OF COMPENSATION BY BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The Bank does not have any information to disclose regarding the arrangements or agreements regarding the waiver of compensation or bonus by any of the Board of Directors or the senior executives.

11. FINANCING AND DEBT SECURITIES ISSUED

In the course of ordinary business practices, NCB has been engaged in borrowing and financing activities with other banks and the Saudi Central Bank at market rates. Those transactions are recorded in the consolidated financial statements of the Bank.

During 2020, NCB issued Shariah-compliant Tier 1 Sukuk of SAR 4.2 billion and Bank exercised the purchase option Tier 1 Sukuk of SAR 1 billion. The arrangements have been approved by the regulators and NCB Board of directors.

NCB announced the issuance of additional cross-border issuances of Tier 1 Sukuk denominated in US dollars and at a value of SAR 4.69 billion.

In 2020, the Bank, its subsidiaries, and affiliated companies issued and retrieved detailed debt securities as follows:

Issuer	Value SAR '000	Term	Paid amount during the year SAR'000	Remaining amount SAR'000
Türkiye Finans Katılım Bankası (Public issue)	4,758,601	Maximum of 7 months	3,816,939	1,772,690

12. WAIVER OF INTERESTS

The Bank does not have any information to disclose regarding any arrangements or agreements related to the waiver of any rights to profits by any of the Bank's shareholders.

13. REGULATORY PAYABLES DUE

Zakat payable in 2020 amounted to SAR 1,373 million and contributions to the General Organization for Social Insurance (GOSI) amounted to SAR 136 million.

14. RELATED PARTY TRANSACTIONS

Several recommendations were presented by the Board of Directors to the General Assembly to approve the authorization of transactions and contracts to which the members of the Board of Directors will have a direct or indirect interest. The rules and procedures of the Bank's Internal Conflict of Interest Policy are in compliance with the instructions issued by the regulatory authorities, noting that that all these contracts are made through competition without preferential conditions or benefits.

The following table details the works and contracts that have been approved by the General Assemblies that have been held and whose results have been announced on the Saudi Stock Exchange (Tadawul). These include both works and contracts that had been conducted between NCB and related parties, and the works and contracts for which the Bank seeks to obtain the General Assembly's approvals during the financial year ending 31/12/2020:

Transactions and contracts in which the Board of Directors have a direct or indirect interest for the year 2020

	1. Rent Contracts				
	Service provider	Related party	Service provided	Term of the contract	Contract value in 2020
1	Kinan Internationa for Real Estate Development Company	Mr Anees Ahmed M Moumina	Rental Contract of Automated Teller Machine (ATM) No. 4975 at Al Jamaa Plaza, Al Jamaa district	Five years, and shall be renewed automatically for similar term	65,000
2	Kinan International for Real Estate Development Company	Mr Anees Ahmed M Moumina	Rental Contract of Automated Teller Machine (ATM) No. 4974, Roshan Mall, Al Morjan district	Five years, and shall be renewed automatically for similar term	65,000
3	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4033, Panda Alyassmin, Alnarjis District	Five years, and shall be renewed automatically for similar term	70,000
4	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4044, Panda Al-Bawadi District, Sari Street	Five years, and shall be renewed automatically for similar term	70,000
5	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. No. 4045, Panda Almarawa District	Five years, and shall be renewed automatically for similar term	70,000
6	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4065, Panda Petromin Jeddah Port	Five years, and shall be renewed automatically for similar term	70,000
7	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4069, Panda Bathaa Quraish	Five years, and shall be renewed automatically for similar term	70,000
8	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4070, Panda Alnuwria District	Five years, and shall be renewed automatically for similar term	70,000
9	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4075, Panda Alshati Al Dhahabi District	Five years, and shall be renewed automatically for similar term	70,000
10	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4076, Panda Al-Nada Al-Faisaliyya District	Five years, and shall be renewed automatically for similar term	70,000
11	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4261, Panda Qaryat Onaizah	Five years, and shall be renewed automatically for similar term	70,000
12	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4421, Panda Military City Mall	Five years, and shall be renewed automatically for similar term	70,000
13	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4422, Panda Al-Durrah District	Five years, and shall be renewed automatically for similar term	70,000
14	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4466, Panda Al-Bawadi District	Five years, and shall be renewed automatically for similar term	90,000
15	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4470, Alkahrabaa District	Five years, and shall be renewed automatically for similar term	90,000

	1. Rent Contracts				
	Service provider	Related party	Service provided	Term of the contract	Contract value in 2020
16	Panda Retai Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4475, Panda Al-Faisaliyya District	Five years, and shall be renewed automatically for similar term	90,000
17	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4477, Panda Petromin District	Five years, and shall be renewed automatically for similar term	90,000
18	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4479, Panda Al-Aziziyah District	Five years, and shall be renewed automatically for similar term	90,000
19	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4480, Panda Al-Shati District	Five years, and shall be renewed automatically for similar term	90,000
20	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4486, Panda Bathaa Quraish	Five years, and shall be renewed automatically for similar term	90,000
21	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4494 Panda Aljumum District	Five years, and shall be renewed automatically for similar term	90,000
22	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4530, Panda Prince Fawaz District	Five years, and shall be renewed automatically for similar term	90,000
23	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 4531, Panda Al-Takhassosy	Five years, and shall be renewed automatically for similar term	90,000
24	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 1393, HyperPanda, Aliat Al Madina, Quba Street	Five years, and shall be renewed automatically for similar term	72,000
25	Panda Retail Company	Mr Anees Ahmed M Moumina	A rental contract of automated teller machine (ATM) location, No. 1394, HyperPanda, Dana Mall, Royal Commission	Five years, and shall be renewed automatically for similar term	72,000
26	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 621, STC Tabuk	Five years, and shall be renewed automatically for similar term	30,000
27	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 622, STC Al Siddiq District	Three years, and shall be renewed automatically for similar term	40,000
28	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 858, STC Mecca – Al Omra District	Five years, and shall be renewed automatically for similar term	30,000
29	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 899, STC Al Safa District	Three years, and shall be renewed automatically for similar term	25,000
30	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 1005, STC Al Mansour District	Three years, and shall be renewed automatically for similar term	35,000
31	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 1392, STC Al Awali District	Three years, and shall be renewed automatically for similar term	40,000
32	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 2030, STC Al-Nazlah Al-Yamaniyah, Al Falah Road	Three years, and shall be renewed automatically for similar term	25,000
33	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 2706, King Abdul-Aziz Block, Building No. 1, King Saud street, Al Rabwa District	Three years, and shall be renewed automatically for similar term	55,000
34	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 2755, King Abdul-Aziz Block, Building No. 12, King Saud street, Al Rabwa District	Three years, and shall be renewed automatically for similar term	35,000
35	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	A rental contract of automated teller machine (ATM) location, No. 841+208, outside STC building, Al-Nazlah District	Five years, and shall be renewed automatically for similar term	50,000

2. Service Contracts

	Service provider	Related party	Service provided	Term of the contract	Contract value in 2020
1	Saudi Credit Bureau (SIMAH)	Mr Saeed Mohammed A AlGhamdi*	Services Contract of Credit inquiry Reports Services for the year 2020	1 year	30,018,450
2	Saudi Credit Bureau (SIMAH)	Mr Saeed Mohammed A AlGhamdi*	Services Contract of 360 report service for the Risk Management Department for the year 2019/2020	2 years	2,625,000
3	Saudi Credit Bureau (SIMAH)	Mr Saeed Mohammed A AlGhamdi*	Contract for verification service when the clients' credit limit is exceeded	1 year	131,429
4	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif**	Services Contract of Managed Messages Portal Service	4 years	37,500,000
5	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	Renewal of Bulk SMS Contract	1 year	88,026,750
6	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	Renewal of Connection Circuits	3 years	24,000,000
7	Saudi Telecom Company (STC)	Mr Rashid Ibrahim M Sharif	Renewal of PoS Connectivity Contract	1 year	24,840,000
8	STC Solutions	Mr Rashid Ibrahim M Sharif	Renewal of licenses and supporting "REDHAT"	3 years	8,264,153
9	STC Solutions	Mr Rashid Ibrahim M Sharif	Contract for the implementation of supply and installation works in the new data center in King Abdullah Economic City (equipment, software, networks and security)	3 years	111,555,840
10	STC Solutions	Mr Rashid Ibrahim M Sharif	Renewal of Arbor Cloud for DDoS Service	3 years	2,116,446
11	STC Solutions	Mr Rashid Ibrahim M Sharif	Renewal of Microsoft Enterprise License Agreement	3 years	20,184,025
12	STC Solutions	Mr Rashid Ibrahim M Sharif	Purchase Agreement of Dell EMC Hardware for New Data Center	2 months	10,752,500
13	Saudi Accenture	Mr Ziad Mohammed S Altunisi	Purchase Agreement of purchasing applications for the New Data Center	1 year	8,020,425
14	Saudi Accenture	Mr Ziad Mohammed S Altunisi	Contract of Digital Vision Program	10 months	19,167,752
15	Saudi Accenture	Mr Ziad Mohammed S Altunisi	Signing of Consultancy Services Agreement to support the merger project with Samba for IT Integration	3.5 months	5,635,000
16	Saudi Accenture	Mr Ziad Mohammed S Altunisi	Consulting Services Agreement for AlAhli Esnad Co.	2.25 months	1,725,000
17	Saudi Accenture	Mr Ziad Mohammed S Altunisi	Contract of Agreement of AlAhli Mobile App Performance Optimization	4 months	1,495,575
18	Saudi Accenture	Mr Ziad Mohammed S Altunisi	Contract of Agreement on Onsite Managed Support Services for NCBC Charles River (CRD) System	5 years	464,672
19	Saudi Accenture	Mr Ziad Mohammed S Altunisi	Contract of Agreement on NCB Data Strategy related	3 months	996,820
20	Etihad Etisalat Company (Mobily)	Mr Zaid Abdulrahman A Algwaiz***	Contract of Processing the pending invoice payment of Mobily Bulk SMS to Etihad Etisalat Co. (Mobily), for the period from 13 Sep 2019 till Dec 2019	3.5 months	7,168,535

	2. Service Contracts				
	Service provider	Related party	Service provided	Term of the contract	Contract value in 2020
21	Etihad Etisalat Company (Mobily)	Mr Zaid Abdulrahman A Algwaiz***	Renewal the Bulk SMS Contract	3 years	9,460,000
22	Bupa Arabia for Cooperative Insurance Co. (Bupa)	Mr Zaid Abdulrahman A Algwaiz	Contract to provide medical insurance for NCB employees for the year 2020	1 year	177,178,766
23	The Saudi Company for the Registration of Financing Lease Contracts (Sejel)	Fyisal Saeed Baghil***	An agreement with Sejel Company to register the non-performing lease finance contracts	3 years	27,558,456.5
24	International Islamic Financial Market	Talal Farouq Khoja*****	Dealing with the International Islamic Financial Market by participation in the membership of the Islamic Banks	1 year	98,478

* Mr Saeed Mohammed A. AlGhamdi was the Chairman of the Saudi Credit Bureau (SIMAH) until 07/04/2020.
** The contract had been made before Mr Rashid Ibrahim M Sharif joined the NCB Board.
*** The Board Member's brother is the Chairman of the Etihad Etisalat Co (Mobily) as a representative of the General Organization for Social Insurance
**** Mr Fyisal Saeed Baghil assumes a senior executive position at AlAhli Esnad (NCB Affiliated Company), and a Board Member at Sejel Company.
***** Mr Talal Farouq Khoja assumes a senior executive position at NCB and the International Islamic Financial Market.

	3. Insurance Contracts				
	Service provider	Related party	Service provided	Term of the contract	Contract value in 2020
1	AlAhli Takful	Khalid AlGhalib AlSharif# Omar M Hashim#	Life Insurance Policies Contract for Residential Finance Product for the year 2020	Yearly contracts	79,666,982
2	AlAhli Takful	Khalid AlGhalib AlSharif# Omar M Hashim#	Life Insurance Policies Contract for NCB Group for 2020	Yearly contracts	5,141,677
3	AlAhli Takful	Khalid AlGhalib AlSharif# Omar M Hashim#	Life Insurance Policies Contract for Credit Cards Product for 2020	Yearly contracts	1,870,048
4	AlAhli Takful	Khalid AlGhalib AlSharif# Omar M Hashim#	Life Insurance Policy Contract for Residential Finance Product by payment of additional insurance installments for the year 2019 for the due residential finance arising from death/permanent full default of the borrowers	Additional installments	4,820,842

Mr Khalid AlGhalib AlSharif assumed a senior executive position at NCB and was the Chairman of AlAhli Takaful (non-executive board member – representative of NCB until 1st March 2020), then Mr Omar M Hashim has been appointed as an executive at NCB and the Chairman of the Company as of 8th June 2020.

During 2020, the Bank sold its 10% share in the Saudi Arabian Military Industries' Advanced Electronics Company (related party) owned by of the largest NCB shareholders (Public Investment Fund (PIF)). The below PIF representatives in the NCB Board have indirect interest with a total amount less than 1% of the Bank's revenues as per the last financial statements:

1. Mr Saeed Mohammed A AlGhamdi
2. Mr Rashid Ibrahim M Sharif
3. Mr Marshall Charles Bailey
4. Mr David Jeffrey Meek

In the ordinary course of activities, the Bank transacts business with related parties. In the opinion of the Management and the Board, the related party transactions are performed at arm's length. The related party transactions are governed by the limits set by the Banking Control Law and the regulations issued by the Saudi Central Bank. Related party balances include the balances resulting from transactions with Governmental shareholders. All other Government transactions are also entered or conducted at market rates.

Balances as of 31 December 2020 recorded in the financial statements

	2020 SAR '000	2019 SAR '000
Bank's Board of Directors and Senior Executives		
Financing and advances	**1,011,859**	963,372
Customers' deposits	**136,134**	237,188
Commitment and contingencies	**7,741**	12,527
Investments (managed assets)	**153,342**	55,880
Other liabilities – end of service benefits	**42,274**	36,115
Shareholding of 5% or more in companies and corporations		
Financing and advances	**13,611,530**	6,634,387
Customers' deposits	**9,374,747**	7,339,076
Commitment and contingencies	**2,571,151**	1,433,776
Investments	**4,345,473**	1,083,142
Major shareholders*		
Customers' deposits	**36,401,171**	26,357,463
Bank's investment funds:		
Investments	**1,320,085**	718,580

* Major shareholders represent shareholdings of more than 5% of the Bank's issued share capital. Related parties are close members of those persons' families and their affiliate entities where they have control, joint control, or significant influence over these entities.

Income and expenses pertaining to transactions with related parties included in the financial statements

	2020 SAR '000	2019 SAR '000
Special commission income	**1,004,451**	378,808
Special commission expenses	**269,057**	244,832
Fees and commission income and expenses, net	**469,592**	368,449

Details of the Treasury shares retained by the Bank and details of their uses

Number of treasury shares retained by the Bank	Amount	Details of their uses
9.6 million shares	SAR 371 million	Employees' Shares Program Reserve

15. EMPLOYEE BENEFITS

In 2020, NCB continued its efforts in pursuance, recruitment, and retention of the best Saudi talents. Through employment programs designed for attracting top talents, NCB achieved a steady increase in Saudization, reaching 98.64% by the end of the year. In striving to achieve one of its key strategic aspirations – to be the Employer of Choice – NCB offers a Shariah-compliant savings scheme to employees. The saving scheme gives employees an opportunity to build personal savings and as an attractive benefit that helps to retain qualified talents.

In terms of scheme policy, a fixed 5% is deducted from the employee's basic salary to be invested by NCB's Treasury Group in consideration for a bonus contribution by NCB linked to the number of years of subscription. The bonus ranges from 10% to 200% of the saved balance, depending on the number of years of continuous subscription. The cumulative balance in the staff savings scheme amounted to SAR 132 million by the end of 2020. The Bank pays compensation and benefits to employees according to Saudi labor laws and regulations, and the statutory requirements applicable to foreign branches and subsidiaries. The Bank's total reserve for end-of-service awards amounted to SAR 1.188 billion as at 31 December 2020.

16. SAMA STATUTORY PENALTIES

	2020		2019	
Subject of the violation	Number of penalties	Total amount of penalties in SAR	Number of penalties	Total amount of penalties in SAR
Violation of the supervisory body's instructions	**22**	**13,071,000**	25	80,795,500
Violation of the instructions on customers' protection	**6**	**1,290,000**	7	55,000
Violation of the supervisory body's instructions on due diligence	–	–	5	31,193,500
Violation of the supervisory body's instructions on the level of the ATMs and POS machines	–	–	–	
Violation of the supervisory body's instructions on due diligence in combating money laundering and terrorism financing	–	–	2	220,000
Total	**28**	**14,361,000**	39	112,264,000

17. EFFECTIVENESS OF INTERNAL CONTROL PROCEDURES

Internal controls

Executive management is responsible for establishing and maintaining an adequate and effective internal control system, which necessitates abiding by policies, procedures, and processes that the executive management, under Board supervision, has put in place to ensure the realization of its strategic aspirations and protect its assets.

NCB management has adopted an integrated internal controls framework in accordance with the Saudi Central Bank guidelines. The internal controls system begins with corporate governance that defines the roles and responsibilities of the Board of Directors and its sub-committees: Executive Committee, Audit Committee, Risk Committee, and Nomination, Compensation, and Governance Committee. The management committees support the Board of Directors in monitoring and addressing key risks associated with strategy, financial performance, technology, asset and liability management, credit, operations, legal and regulatory, and information security. Rigorous and integrated efforts are made by all the Bank's businesses to improve the efficiency and effectiveness of the control environment at process levels, through continuous reviews and consistent and integrated procedures to prevent and rectify control deficiencies.

Each business in the Bank, under the supervision of senior executive management, is entrusted with the responsibility to oversee rectification of control deficiencies identified by its own risk and control self-assessment process and by internal and external auditors.

The scope of the Internal Audit Division (IAD) includes the assessment of the adequacy and effectiveness of the internal control system, as well as the compliance and implementation of all applicable policies and procedures. The Compliance Division ensures adherence to the regulatory requirements through compliance control programs. All significant and material findings from IAD reviews and corrective actions are reported to senior executive management and the Audit Committee. The Audit Committee actively monitors the adequacy and effectiveness of the internal control system to ensure that identified risks are mitigated. The Board of Directors has full access to all reports of its committees, which include the annual internal audit report, in addition to all risk management reports and other relevant reports. These are reviewed regularly to provide an ongoing assessment of the effectiveness of the internal control system facilitating identification of any potential deficiency in its practical application and treating any deficiency that may arise as a result of changed circumstances.

Annual review of the effectiveness of internal control procedures

For 2020, audits of the effectiveness of the internal controls conducted during the year confirmed that systems and procedures for the identification, evaluation, and management of the risks that may be faced by the Bank were in place and have been applied throughout the year, and that there were generally no material or significant deficiencies in the control environment. After assessing the effectiveness of the internal control procedures and ongoing evaluation of internal controls carried out during the year, management considers that the existing internal control system is operating effectively, and monitored consistently. Management continuously strives to enhance and further strengthen the internal control system.

Based on these findings, the Board of Directors has endorsed the Executive Management's assessment of the internal control system, as prescribed by the Saudi Central Bank.

Opinion of the Audit Committee

Based on the periodic reports presented by the Internal Audit Division, the Compliance Division, the Bank's auditors, and the Compliance Committee to the Audit Committee during the fiscal year ending 31 December 2020, and in view of the previous results of annual audit of the internal control measures, the Audit Committee confirms that the internal control measures did not show any significant gaps in the control environment of the Bank's businesses that may affect the soundness and effectiveness of the efficiency of the financial and operational systems, controls, and procedures, and that the assessment of the control measures adopted by the executive management will continue throughout the year.

18. AUDITORS

At the Bank's annual meeting on 31 March 2020, the Shareholders' Extraordinary Assembly approved the appointment of KPMG Al Fowzan and Ernst & Young to act as the Bank's external auditors for the year ending 31 December 2020, including reviewing the quarterly financial statements during the same year. The next meeting of the Assembly will consider reappointing or replacing the current auditors, as well as the fees determined for auditing the Bank's accounts for the financial year ending 31 December 2021.

19. RISK GROUP

In the normal course of business, NCB is exposed to various risks resulting from its banking activities. The Risk Group supports the Bank's different businesses by controlling and minimizing risks, if any, to achieve a performance/risk balance. The Risk Group ensures that all business-related risks fall within the tolerance levels of the Bank as a whole. The main objective of the Risk Group is to maintain the general level of risk in line with the Bank's strategy. To achieve this, the Risk Group employs a number of tools and professional talents to identify, classify, measure, and limit risks.

NCB's Risk Governance Policy identifies risks and determines tolerance levels and methods of their management. The Risk Group optimizes and promotes the risk governance framework with comprehensive policies determining the roles and responsibilities of all relevant parties, while promoting a culture of tackling and managing risks in all the Bank's businesses.

Pursuant to the guidelines of the Saudi Central Bank and the Basel Committee, the governance framework for NCB risk management ensures the independence of the Risk Group mandates, as well as implementing three main defense lines across all businesses. The business units collaborate with the Risk Group and Internal Audit Division to effectively manage, monitor, and identify the tolerated risks and ways to minimize them.

The Risk Group's organizational structure handles the levels of management, functions, and mandates to manage different types of risks, including credit, market, liquidity, operational, and information security. To manage risks, the Risk Group has developed specific policies for all the risk types in a holistic manner at the Bank level.

Credit Risks

Credit risks are the risk of financial losses resulting from a borrower's or counterparty's failure to meet their contractual financial obligations. Credit risks represent the highest percentage of total risks to which the Bank is exposed. These risks arise from credit operations of investments and financing and advances. Consequently, to manage credit risks, the Bank has developed policies to ensure all its financing and investment programs are covered. This enables the Bank to protect the quality of its credit and investment portfolios, and minimizes losses generated by financing activities.

Credit Risks Assessment

To assess and manage credit risks to different portfolios of the Bank, the Risk Group has developed a set of instruments to suit different types of customers and beneficiaries, so that it can measure the feasibility of each transaction. Credit risk assessment function assesses risks related to losses that might arise from failure to repay outstanding obligations. Accordingly, corporate clients are analyzed using internally developed credit analysis assessment forms, whereas personal profiling and credit behavior are used to analyze retail customers.

For its investment portfolio, the Bank depends on assessments undertaken by the main external credit rating agencies as well as its own assessment of related risks. At a portfolio level, transaction assessments are combined so a comprehensive assessment for the credit or investment portfolio can be established and checked against the targeted quality level.

Credit Risk Controls, Credit Limits, and Guarantees

The scope of credit risk function's responsibility includes monitoring and identifying credit risks based on the creditworthiness of each transaction, before offering or renewing a credit limit for to a client. Credit risk management policies were therefore designed to set credit limits that match the risk level of the exposure, and to monitor risks, as well as define how limits should be implemented. Accordingly, actual credit limits and corresponding risks are monitored daily.

Credit risk policies also require diversity in financing activities to avoid concentration of risks in an individual or a group of clients with specific geographic location, or a specific type of commercial activity. To mitigate risks, the Bank usually obtains collateral for credit facilities. There are several types of collateral, such as securities, cash deposits, financial guarantees provided by other banks, shares, real estate, and other fixed assets.

Market Risks

Market risks are the risks of incurring losses due to changes and fluctuations in market prices, special commission rates, creditworthiness levels, share prices, exchange rates, and any other changes in the fair value of financial instruments and securities held by the Bank.

To manage such risks, the Risk Group classifies market risks into trading and non-trading portfolios. Treasury Group manages the trading portfolio, which includes positions resulting from market- making and other trading positions. It also includes managing assets and liabilities recorded at a fair value. Market risk management employs the estimation of value at risk (VaR) tool for all transactions included in the trading portfolios. VaR is estimated for a specific period based on adverse market fluctuations. Calculating VaR depends on market price volatility inputs and the link between different portfolio components using related historical market data.

The Risk Governance Policy requires the Assets and Liabilities Management Committee to manage the risks associated with volatile special commission rates arising from changes in future cash-flows and fair value. The Assets and Liabilities Management Committee is responsible for managing the gap between assets and liabilities and special commission rates, and dealing with hedge strategies to maintain risks within the tolerance levels. The risk governance policy also aims to improve the financial position structure to ensure that banking operations are processed within the scope of the Bank's risk tolerance. The Risk Group has developed an investment policy to control the Treasury Group's operations in money and capital markets, foreign exchange, interest rates, and commodity products. Investment policies and procedures are intended to ensure that all activities of the Bank's Treasury Group adhere to regulations and that supervisory controls are in place to manage the associated risks.

Liquidity Risks

Liquidity risks are the risks associated with the failure to meet all payment obligations at their maturity dates, or having to make payment at excessive costs.

Accordingly, the main function of the Bank's liquidity risk management efforts is to maintain a balance between liquidity and profitability for operations, while maintaining a strong liquidity position to increase customer confidence and improve the cost of financing. To increase liquidity levels, NCB's higher management mandated the Risk Group to monitor all facilities, obligations, and sources of financing along with their cost rates at the targeted tenors. The Bank uses risk tolerance measurement programs to ensure that it can meet its obligations during adverse market conditions, including long periods of asset liquidation at disadvantageous price levels.

Operational Risks

NCB defines operational risks as the risks arising from inadequacy or failure of internal procedures, individuals, or systems or as a result of external circumstances. These risks are inherent in all the Bank's commercial and non-commercial operations and are associated with all activities of institutions operating in banking and finance. Since each business unit is responsible for its operational risks, the main operational risk management function within the Risk Group is mandated to develop, implement, and comply with a comprehensive and integrated framework to reduce risk in all businesses across the Bank.

The operational risk management strategy includes:

- Adopting a proactive approach to reduce operational risks through self-assessment of risks and controls
- Defining and analyzing operational risks events, and losses arising from them
- Implementing programs to raise awareness of operational risks, and promoting a culture of mitigating risks
- Preparing comprehensive periodic reports on operational risk controls and their effectiveness
- Developing operational risk management practices to maintain a stable work environment and contribute to achieving the Bank's strategic aspirations

Information Security Risks

Information security risks refer to risks arising from the failure of regulatory, technical, and procedural measures to protect the Bank's information assets from unauthorized access or use, disclosure, copying, modification and conversion, loss, and theft or abuse, whether deliberately or unintentionally.

Information Security department of Risk Group provides a comprehensive practical framework through which operational procedures are organized, regulatory requirements and rules are implemented, and procedures are facilitated to ensure information assets are protected – together with reducing the various information security risks.

Responsibilities of Risk Group's Information Security department include information security governance, direct follow-up of applying legislation related to information security, and direct and full control over all activities regarding information security. This entails continuous evaluation of risks and follow-up of systems to identify security risks and take immediate action to reduce them.

The Group also designs and implements awareness programs for this type of risk for everyone dealing with the Bank's information assets, whether staff, contractors, or customers. Management is also concerned with monitoring and controlling the powers of access to the various systems, continuously evaluating the various information assets and applying security controls in line with the importance of those assets.

Notes to the Basel III Framework

The third pillar of the Basel III Framework requires publication of a number of quantitative and qualitative disclosures. Such disclosures are published on the Bank's website: www.AlAhli.com in accordance with the Saudi Central Bank regulations.

(a) Basel III Framework:

The Basel Committee has enhanced capital measurement standards and capital standards by issuing the Basel III Framework in response to the 2007 global financial crisis. This framework focuses on enhancing the quality of required capital along with raising the minimum capital requirements, enhancing risk coverage, and reducing the impact of cyclical economic fluctuations on capital requirements. It also imposes new requirements for leverage, liquidity, and capital ratios to enhance capital build-up.

The Basel III Framework, as adopted by the Saudi Central Bank, sets out the standards and principles by which Saudi banks are to meet the requirements with a high-quality capital base. The first tier of capital is total shareholders' equity, which has the highest ability to 'bear loss'. To this end, the framework requires compliance with specific standards:

- Improving quality of the first tier of capital and increasing its minimum requirements
- Allocating any regulatory deductions to shareholders' equity
- Gradually canceling listing of mixed capital instruments of limited ability to bear the loss of the second tranche level of capital
- Increasing transparency in regulatory capital components through detailed disclosures and comparing them to shareholders' equity

(b) Disclosure periods for Basel III set out by the Saudi Central Bank:

- Capital structure – quarterly
- Financial leverage – quarterly
- Financial liquidity – quarterly
- Quantitative disclosure – quarterly and semi-annual
- Qualitative disclosures – annual

20. CONFIRMATIONS BY THE BOARD OF DIRECTORS

The Bank's Board of Directors confirms to Shareholders and other related parties, according to its best knowledge in all material respects, that:

- The accounting records were prepared properly as per industry standards and rules.
- The Internal Control System was developed and effectively implemented on a proper basis.
- There is no doubt that the Bank is able to proceed with its operations
- There is no contract in which the Bank was a party and NCB's Board Chairman, Board Members, CEO, Finance Group Head or any person who has a direct relationship with them has or had a fundamental interest, except for those disclosed under Related Party Transactions.

21. MEASURES TAKEN BY THE BOARD TO INFORM ITS MEMBERS – ESPECIALLY NON-EXECUTIVES – OF SHAREHOLDER PROPOSALS AND THEIR OBSERVATIONS REGARDING THE COMPANY AND ITS PERFORMANCE

NCB recognizes the shareholder proposals received during the General Assembly meeting. It informs the Board Chairman of any other proposals concerning NCB to be presented in the nearest Board meeting. There is also an e-mail address to receive ad hoc shareholder comments and suggestions, linked directly to the Board Secretary so that the Board can review submissions.

22. AUDITOR QUALIFICATIONS ON THE FINANCIAL STATEMENTS:

The audit report did not include qualifications to the annual financial statements.

23. BOARD RECOMMENDATIONS ON CHANGING THE AUDITORS:

The Board of Directors did not recommend a change of auditors before the end of their term of appointment. There was no conflict between the Committee recommendations and the Board decisions.

24. NCB'S STAFF CODE OF CONDUCT

NCB is fully committed to developing policies and procedures that ensure employees' adherence to the Bank's official Code of Conduct that applies to dealing with customers, colleagues, and suppliers – and as representatives of the Bank as a whole. All NCB employees must strictly adhere to the implementation of the Code of Conduct as well as the Work Ethics in Financial Institutions code, as approved by the Saudi Central Bank.

Compliance with the laws, regulations, instructions, and policies is one of the most important factors for the Bank's success, as well as maintenance of its reputation and credibility. Therefore, Bank staff shall be committed to consistent compliance with these requirements, without any violation or negligence. They may not conduct, on behalf of the Bank, any dealings that may violate the Bank's laws, regulations, instructions or policies.

25. APPROVED INTERNATIONAL ACCOUNTING STANDARDS

The consolidated financial statements for the year ended 31 December 2020 were prepared in accordance with International Financial Reporting Standards approved by the Kingdom of Saudi Arabia and other standards and publications issued by SOCPA and in conformity with the Banking Control Law, the Companies' Law of Saudi Arabia, and the Bank's Articles of Association.

SUBSIDIARY COMPANIES

Subsidiary company	Capital (SAR)	Number of issued shares	Ownership (%)	Main activity	Country of incorporation	Country of main activity
NCB Capital Company (NCBC)	1,000,000,000	100,000,000	100%	A Saudi shareholding company engaged in the Bank's investment services and asset management activities	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
NCB Capital Dubai Inc. (formerly Eastgate Capital Holdings Inc.)	9,375,000	2,500,000	100%	A limited liability company with the objective of attracting and structuring investment in private equity and real estate development opportunities in emerging markets	Cayman Islands	Emerging markets with special focus on the Middle East and North Africa
NCB Capital Real Estate Investment	10,000	1000	100%	A Special Private Vehicle Company registered in the Kingdom of Saudi Arabia with the main objective of owning and registering real estate assets on behalf of real estate funds that are managed by NCB Capital Real Estate Investment	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Türkiye Finans Katılım Bankası	1,310,920,000	2,600,000,000	67.03%	A participation bank registered in Turkey that collects funds through current accounts and profit-sharing accounts, and lends funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships. As at the end of the year, Türkiye Finans Katılım Bankası owns all shares issued for TF VARLIK KİRALAMA A.Ş and TFKB Varlık Kiralama A.Ş, two special-purpose entities established for the purpose of issuing shares for the Turkish Bank	Turkey	Turkey
Real Estate Development Company	500,000	500	100%	A limited liability company registered in the Kingdom of Saudi Arabia, engaged in keeping and managing title deeds and collateralized real estate properties on behalf of the Bank	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
AlAhli Insurance Services Marketing Company	500,000	50,000	100%	A limited liability company engaged as an insurance agent for the distribution and marketing of Islamic insurance products in Saudi Arabia. On July 07, 2020, the Saudi Central Bank issued the governing rules of banking insurance activities, by which banking insurance activities, such as marketing and distribution of Islamic insurance products, are practiced directly by the Bank. Therefore, the company decided to start immediate liquidation process of its operations. The company's legal liquidation procedures are still in process	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi NCB Markets Limited	187,500	50,000	100%	A limited liability company with the objective of trading financial derivatives, repurchases, and reverse purchases on behalf of the Bank	Cayman Islands	Cayman Islands
Eastgate MENA Direct Equity L.P.	688,674,270	–	100%	A private equity fund domiciled in the Cayman Islands and managed by NCB Capital-Dubai. The fund's investment objective is to generate returns from investment in Shariah- compliant direct private equity opportunities in high-growth businesses	Cayman Islands	Middle East and North Africa
AlAhli Outsourcing Company	50,000	5	100%	Limited liability company engaged in recruitment services within the Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

Details of subsidiary companies are as follows:

(a) NCB Capital Company (NCBC)

NCB Capital is Saudi Arabia's largest investment bank and asset manager, offering wealth management, asset management, investment banking, and brokerage services to the Kingdom's retail, affluent, high net worth, and institutional clients.

With SAR 186 billion in client assets under management across various local and international asset classes at the end of 2020 and an MQ1 rating – Moody's highest for investment manager quality – NCB Capital is the Kingdom's largest asset manager and one of the region's largest providers of employee savings programs.

During the year, NCB Capital's Wealth & Asset Management businesses launched the NCB Capital Aviation Fund II, NCB Capital Tier One Sukuk Fund III and NCB Capital Credit Fund I and expanded its AlAhli REIT Fund (1) – adding SAR 5.7 billion to NCB Capital's assets under management – and increased the number of clients on the firm's employee savings program platform by 43%.

In recognition of these achievements, NCB Capital was named 'Best Investment Bank, KSA' by Middle East Finance Awards, and 'Best Asset Management Company, KSA' and 'Best Wealth Management Company, KSA' by International Finance Awards. AlAhli Multi-Asset Growth Fund, AlAhli Asia Pacific Index Fund, and AlAhli Freestyle Saudi Equity Fund together won three Lipper Fund Awards for "providing strong, risk-adjusted performance relative to their peers."

(b) Türkiye Finans Katilim Bankasi

NCB owns 67.03% (2019: 67.03%) interest in Türkiye Finans Katılım Bankası, a Turkish participation bank that operates by attracting current accounts and profit/loss sharing investment accounts. It provides those funds to retail and corporate clients in the form of Shariah-compliant finance, lease, and profit/loss sharing partnerships, developing a more varied financing structure and reducing its financing costs.

Total assets of Turkey Finance Bank increased by 55.4% in 2020, the financing portfolio grew by 42.8%, customer deposits by 45.3%, and the ratio of loans to deposits decreased from 76% to 75%. Net income for 2020 was TRY 676 million, up from TRY 377 million in 2019.

Wholesale funding (includes Tier-II borrowing from NCB) increased from TRY 5.3 billion to 14.8 billion, the growth of assets during the year was mainly funded by the increase in deposits and due from banks funding which consists of borrowings from financial institutions and sukuk issuance in the domestic capital market. At the same period, deposits grew by 45% from TRY 40.7 billion to TRY 59.1 billion, of which current deposits jumped by 92%.

Individual auto financing achieved impressive growth of 117% with a nominal value of TRY 1.03 billion, while mortgage financing grew by 75% and general purpose financing for individuals surged by 78%, attributable to newly-launched innovative products and services.

Turkey Finance Bank opened 10 new branches, taking its network to 319 at the end of 2020, and updated service channels such as ATMs, points of sale, and telephone and online banking – including new communication and online services.

(c) Real Estate Development Company

NCB has 100% direct ownership of the share capital of Real Estate Development Company, a limited liability company registered in Saudi Arabia under Commercial Registration 4030146558 dated 21 Dhual Qi'dah 1424H (corresponding to 13 January 2004) with capital of SAR 500,000.
The purposes of the Company are:

(1) Maintaining and managing the assets and real estate transfers to NCB and third-parties as a guarantee and registering these properties in their name for the financing purposes for which the Company was established.

(2) Purchasing, accepting, and transferring properties; buying, selling, and transferring apartments, villas, residential units, land, properties of all kinds and names, and obtaining the best price on behalf of the Company.

(3) Managing properties and real estate assets transferred to NCB and third-parties as a guarantee and registering them in its name for the financing purposes for which the Company was established.

(4) Purchasing land and properties, as well as owning plots of land for development and sale or lease in cash or by installments for the benefit of the Company to establish buildings and invest in their development by selling or leasing in cash or by installments.

(5) Real estate management and development.

(6) Accepting and discharging mortgages on behalf of the Company and effecting and executing mortgages against the property of the Company in favor of the Real Estate Development Fund and applying for discharge and acceptance of the mortgages.

(7) Purchase and sale of off-plan housing units and operating through residential financing.

(d) AlAhli Insurance Services Company (Isnad)

NCB has 100% effective ownership of AlAhli Insurance Services Marketing Company, a limited liability company registered in Saudi Arabia under commercial registration 4030195150 dated 21/12/1430H (8/12/2009) with capital of SAR 500,000. The Company's objectives are to serve as an agent for marketing Islamic insurance products and services in Saudi Arabia and marketing all the insurance products of AlAhli Takaful Company.

(e) The Saudi National Commercial Bank Markets Ltd

The Bank has 100% direct ownership of the Saudi NCB Markets Company Ltd, established in 2016 as a limited liability company and registered in the Cayman Islands, with capital of $50,000 (SAR 187.5). The Company specializes in trading of derivatives, purchases, and repurchases on behalf of the Bank.

(f) AlAhli Outsourcing Company (Isnad)

The Bank has 100% direct ownership of AlAhli Outsourcing Company, a limited liability company registered in Saudi Arabia. The Company operates in recruitment services in Saudi Arabia.

AFFILIATED COMPANIES

The company	Capital (SAR)	Number of issued shares	Ownership (%)	Main activity	Country of incorporation	Country of activity
Real Estate Markets Trading Company	1,600,000,000	1,600,000	60%	Owning, managing, maintaining, and cleaning Jamjoom Commercial Center	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
AlAhli Takaful Company	166,666,670	16,666,667	29.99%	Insurance (protection and savings for individuals and groups)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

(a) Real Estate Markets Trading Company

NCB has 60% direct ownership of Real Estate Markets Trading Company, a limited liability company established in Saudi Arabia under commercial registration 4030073863 on 5/4/1411H (24/10/1990), with capital of SAR 1,600 million. The Bank adheres to the International Financial Reporting Standards in preparation of its financial statements.

Under those standards, the term 'control' entails three requirements: The Group has power of control over the Company; the Group has exposure or rights to the variable returns of the Company; and the Group has the ability to use power to affect returns of the Company. Since these requirements are not fully applicable to Real Estate Markets Trading, NCB includes it under investments as an affiliate, so that its financial statements are not consolidated with those of the Group, but treated as separate from NCB. The Company's Articles of Association expired on 4/4/1431H (corresponding 20/3/2010). It was agreed that the term of the Company would be extended for an additional five years commencing from the expiry date in the commercial register. The additional term also expired on 4/4/1436H (corresponding 24/1/2015). As at 21/8/1436H (corresponding 8/6/2015), NCB accordingly filed a lawsuit to the Jeddah Administrative Court, registered under No 7270/2/J for the year 1436H at the Fifth Commercial Circuit, requesting the liquidation of the Company due to expiry of its term and failure to reach an agreement between the partners on the extension of its term. On 12/07/1437H, the Court issued its judgment to the effect that the Real Estate Markets Trading Company shall be dissolved and liquidated, and Abdulrazzaq & Ahmed Waly Sait Co shall be appointed as a liquidator.

The Administrative Appeal Court in Makkah endorsed the judgment on 13/10/1437H. On 27/11/2017, the appointed liquidator declared the dissolution in Al Medina Gazette, Issue 19941. In the hearing held by visual communication on 28/2/1442H, the parties attended to appoint another liquidator following the death of the previous appointee. Based on these proceedings and the judgment of the previous Circuit, the current Circuit decided to appoint Sadagah Certified Public Accountants & Consultants to be the authorized trustee in bankruptcy under license No 141029 to run the liquidation procedures of Real Estate Markets Trading Company. Work is still ongoing to complete the procedures for receiving the Company's business by the liquidator to begin the liquidation process.

(b) AlAhli Takaful Company

NCB directly owns 29.99% of the capital of AlAhli Takaful Company, a Saudi joint-stock company established under Royal Decree M/70, dated 22/11/1427H (13/12/2006), and ministerial resolution 262 dated 20/11/1427H (10/12/2006). The Company was established in Jeddah under commercial registration No 4030171573 on 21/7/1428H (4/8/2007) and holds an insurance business license (TMN/20079/7) dated 29/8/1428H (11/9/2007) issued by the Saudi Central Bank. The Company began insurance activities in accordance with the Cooperative Insurance Companies Control Law and with capital of SAR 100 million. Shareholder approval was obtained on 12 December 2011 to increase the Company's capital to SAR 166,666,670 with a total of 16,666,667 issued shares.

ISLAMIC BANKING

(a) NCB's Shariah Committee

NCB Shariah Committee is an independent body, responsible for the adoption of the Shariah-compliant products and services provided by NCB and ensuring the integrity of their legitimate application through the Shariah Supervisory Unit. NCB's Shariah Committee comprises four prominent scholars in Shariah and Islamic economics; His Excellency Sheikh Abdullah Bin Sulaiman Al Manea, Advisor to the Royal Court, and member of the Supreme Council of the Senior Ulama, is the Chairman of the Shariah Supervisory Board. The Shariah Board members include His Excellency Sheikh Dr Abdullah bin Mohammed Al Mutlaq, Advisor to the Royal Court and member of the Supreme Council of the Senior Ulama; Sheikh Dr Abdullah bin Abdulaziz Al-Musallah, former Head of Commission on Scientific Signs in the Qur'an; and Sheikh Dr Mohammed bin Ali Al-Qari, former head of the Institute of Islamic Economics.

During 2020, NCB increased the number of Shariah Committee members by entering into a contract with His Excellency Sheikh Dr Khaled bin Muhammad Abdullah Al-Sayyari to be the fifth member of NCB Shariah Committee as of 2021. He is a member of the teaching staff at the Saudi Electronic University, member of Shariah Standards Committee at the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Riyadh, and member of Saudi Fiqh Association.

(b) Shariah-Compliant Banking

NCB achieved a high level of compliance with the Islamic Shariah and application of the Shariah standards set by the Shariah Board for the Bank's various businesses. The Bank took additional procedures to grow Islamic banking, giving priority to Shariah-compliant products and solutions, and building and supporting the Islamic banking systems, as well as publishing monthly awareness messages to its employees. NCB also held many conferences and symposia to raise awareness among clients on Islamic banking, tackle problems, and propose solutions to overcome obstacles that hinder the growth of Islamic banking in general and develop its products and services in particular.

This progress report on the Islamic banking transformation program covers the financial year ended 31 December 2020:

(1) The Bank's assets reached SAR 599 billion, 79% of which are Shariah-compliant (2019: 77%).
(2) Liabilities reached SAR 519 billion, 85% of which are from Shariah-compliant sources (2019: 77%).
(3) The proportion of total Shariah-compliant financing reached 87% (2019: 85%); the proportion of Shariah-compliant financing to the corporate sector reached 79% (2019: 75%).
(4) Operating income generated from Shariah-compliant transactions reached 77%.
(5) Islamic Sukuk in which the Treasury Group invested amounted to 62%.

All NCB branches have worked since 2007 in complete conformity with Islamic Shariah. NCB continues to take actions towards further transformation to Islamic banking. This includes the coordination among NCB's Shariah Division and different business groups to find Islamic alternatives to the remaining conventional products and develop new and improved Islamic products to cover a wider segment of customers in response to their needs and wishes.

Shariah Division

The Shariah Division's assigned functions are a key development engine in NCB. It performs tasks supporting NCB's objectives and plans in expanding and increasing the services and products provided to the Bank's customers. Shariah Division is also entrusted with supervising and controlling NCB's Islamic banking and represents a defense line preventing NCB from being exposed to the risks of non-compliance with Islamic law.

During 2020, NCB's Shariah Division continued its efforts with the Bank's objectives of supporting Islamic banking industry and expanding its scope across all the Bank's businesses. To achieve this objective, the Shariah Committee held 11 meetings with various NCB businesses, associates, and affiliated companies. These meetings answered all queries regarding the Shariah issues related to banking operations. The outcome was the development of new products, support and improvement of other products, and the review, improvement, and approval of contracts and executive documents.

With regard to NCB's efforts to train new Shariah scholars, the Bank continued its unique and distinguished program for qualifying new scholars to join Shariah boards. So far, six Islamic banking experts have graduated from the program, with a new candidate joining.

The Shariah-compliance team of Shariah Division verifies the implementation of all the resolutions of NCB's Shariah Committee and its requirements in all the Bank's policies and procedures, product programs, electronic systems, and training programs.

The Shariah-compliance team made nine Shariah control visits, including a review of four of the Bank's Islamic products to verify their compliance with the Shariah resolutions, and four NCB Capital investment funds. The Shariah-compliance team also made a control visit to AlAhli Takaful Company to ensure that its insurance products comply with the Shariah resolutions.

NCB'S CORPORATE RESPONSIBILITY PROGRAMS

For more than 15 years, NCB's corporate responsibility achievements have been making a profound difference within the communities served by the Bank, meeting the needs of society and keeping up with societal changes. Recently, NCB has been developing its corporate responsibility strategy to boost the impact and depth of its programs. As a result, the Bank launched the Ahalina strategy that focuses on empowering various society groups, converting them into positive and developmental energies capable of supporting the national economy. To this end, NCB has used its expertise and specialized capabilities in various fields to further support community initiatives that are in line with the Bank's strategy.

From the beginning of 2020, Corporate Responsibility entered a new phase, implementing a strategy of social empowerment that aims to enable individuals and non-profit organizations and to provide community support in the various regions of the Kingdom. The strategy has been adopted after an in-depth study that took into consideration societal needs and the goals outlined in the Saudi national agenda.

Among NCB's 2020 Corporate Responsibility achievements were the:

Productive Families Finance Program

This program provides micro-finance to women of productive families through group loans that are exempt from traditional guarantees. Each beneficiary group comprises three to five women and the program is based on the principle of collective guarantee among themselves. The Bank provides interest-free loans without any profit to the Bank or additional costs to the beneficiaries. Finance starts from SAR 3,000 per beneficiary in the first phase of a project, rising to SAR 10,200 in Phase 4.

The program seeks to empower women and strengthen their role within families and the wider community, specifically by qualifying low-income women and those seeking employment and productivity. By establishing a culture of self-reliance and self-employment opportunities for women, the program ultimately helps reduce poverty and unemployment, while empowering women socially and economically through income-generating projects. Funding is provided through five independent Ahalina CR branches – in Jeddah, Riyadh, Al-Ahsa, Ha'il, and Buraidah. Setting up these Ahalina branches alone stimulated in community empowerment by creating more than 58 new jobs, of which more than 83% are for women.

In 2020, 2,386 loans were provided to female beneficiaries, with a total value of SAR 9,809,400. This brings the number of loans since the program began to 17,296, with a total value of more than SAR 62 million. The program also took the initiative to mitigate the beneficiaries' financial burdens due to Covid-19 by deferring loan installments for three months during lockdowns.

Craft Production Program

This program aims to empower women, develop their skills, raise their efficiency, and utilize their energies according to the Vision 2030 objective of increasing women's representation in the labor market to 30%. Under the program, 405 women in seven cities were trained in various crafts, including traditional handicrafts. Participants learned how to produce traditional products to the highest quality standards, using modern technologies and approaches developed in cooperation with specialized international consultative bodies.

Corporate Responsibility efforts in this area have also improved the efficiency of training, with 82 female trainers now certified as professionals. As a result, many trainees have started their own projects, creating significant and diverse job opportunities while earning a sustainable income.

Within the scope of the program, the Bank has provided marketing opportunities and outlets for 130 women by setting up innovative channels to display and market their products and services. For example, women working within the program were given the opportunity to craft the Bank's gifts to VIPs and to showcase their products as part of NCB's special offers to employees. Women's products and services are regularly photographed and displayed on Ahalina's social media pages, creating further marketing opportunities.

AlAhli Entrepreneurs Program

NCB is focused on empowering young men and women, encouraging them to pursue an entrepreneurial spirit and start their own successful projects. This is why the Bank launched a number of business accelerators in partnership with the General Authority for Small and Medium Enterprises (Monsha'at). These accelerators support innovation, facilitate starting businesses, and develop capacities, in the process creating job opportunities for Saudi nationals across the Kingdom.

The second series of accelerators specialized in fintech and was launched in November, 2020. It is set to support young people with creative projects in fintech that can help transform the Kingdom into an innovation hub. The Fintech Accelerator was divided into two main phases. The first – recruitment – involved 20 projects with creative ideas and a five-day training camp. At the end of the camp, 10 winning projects advanced to the second stage, where participants were enabled to build their fintech startups with financial support of SAR 70,000 each. The Fintech Accelerator will end with a graduation ceremony when the winning projects will be presented to potential investors and individuals interested in fintech entrepreneurship.

In December, 2020 – again in partnership with Monsha'at – NCB finalized the Social Entrepreneurship Accelerator, which seeks innovative solutions to societal challenges, as well as enabling projects to grow and create a sustainable impact. This accelerator launched 20 projects with high potential for success in the social entrepreneurship sector and provides follow-up services, guidance, and counseling for three months. Of the 20 initial projects, 12 have received social enterprise accreditation certificates from the Ministry of Human Resources and Social Development and from Monsha'at.

Ahalina Social Investment Program

This program was launched at the beginning of 2020 in strategic partnership with the King Khalid Foundation. It aims to empower non-profit organizations and associations by developing their capabilities to design and implement sustainable projects that align with Vision 2030. The ultimate objective is to expand the impact of this vital sector by adopting best management practices.

In this context, two regional sessions of the program were launched, first in the Central and Western Regions, followed by the Eastern, Southern, and Northern Borders Region. Workshops, meetings, and field visits were organized for each participating association to come up with an action plan and a budget for their projects. The outcomes were to be based on sound administrative principles that would underpin their success.

By the end of the two sessions, support was approved for 17 development projects to be implemented in 13 cities across the Kingdom. These projects will help 768 beneficiaries who will have the opportunity to build and develop their capabilities to access the labor market, providing them with economic empowerment and enabling their financial independence while contributing e to the domestic product and advancing the Kingdom's economic development.

AlAhli Volunteer Program

This program involves NCB employees in activities that meet the needs of the community. The Bank provides general and professional volunteering opportunities, being the first private sector company in Saudi Arabia to adopt a 30-hour paid system for employees who volunteer for community work.

In general volunteering, more than 340 NCB employees in 25 cities across the Kingdom participated in 35 voluntary initiatives – contributing 1,646 hours at an economic value of SAR 29,628. For the fourth consecutive year, activities included the Ahalina Happiness Campaign, aiming to instill the concept of volunteering. In 2020, the campaign began in Ramadan and included distributing 18,000 Iftar meals and health kits. Beneficiaries included orphanages and retirement homes, as well as cleaning of workers' accommodation. Volunteers delivered the meals and health kits across Riyadh, Jeddah, and Dammam, adhering to the highest safety and quality standards at all stages of processing, packaging, and distribution, thus minimizing the risk of a Covid-19 spread.

The Eid Keswa (Eid Clothes) initiative was then launched in six cities, giving vouchers to beneficiaries to buy clothes from one of the major retailers (subject to the precautionary measures now adopted).

Earlier in 2020, the second phase of Ahalina Happiness was launched through 16 volunteering initiatives covering 16 cities. The campaign included the distribution of food baskets, household appliances, and tablets and computers. It also involved the sterilization of mosques, divers cleaning up the sea, tree planting, and donating winter clothes. Also launched was the Shukr Initiative (Gratitude) which is devoted to the children of martyrs, health practitioners, and security guards. Many other activities have taken place in cooperation with charities and Government entities.

For the fifth consecutive year, volunteering continued with the Pro Bono initiative by NCB employees, with 70 volunteers participating in 66 projects and giving a total of 327 hours at an economic value of more than SAR 121,000 to 40 beneficiaries across the Kingdom. These included charities and SME operators who benefited from remote specialist workshops and consultations on how best to deal with the repercussions of the Covid-19 pandemic and mitigate its impacts.

Volunteers provided their specialist professional capabilities, such as accounting, marketing and public relations, finance, legal affairs, IT, operations management, human resources, strategy, planning, and project management. This enhanced the resources of non-profit organizations' staff and the private sector's transfer of value and benefit to society.

Sponsorship and Donations

As part of NCB's leadership role in society, the Bank supports many activities and initiatives that have a direct social impact. During 2020, such sponsorship and donation activities had an exceptional role in supporting the directions and plans of the Kingdom in addressing the impacts of the Covid-19 pandemic. NCB participated in the Saudi Arabian Health Endowment Fund, launched by the Ministry of Health, contributing SAR 33 million to support the awareness and treatment efforts in response to the pandemic.

The Bank also supported the Community Fund, launched by the Ministry of Human Resources and Social Development, with a contribution of SAR 20.49 million to mitigate the impacts arising from the pandemic.

The Bank's own initiatives included provision of relief support to those most affected by the pandemic by distributing food baskets to 8,000 families in cooperation with the Saudi Food Bank and contributing to the Berran Bi Makkah campaign.

In support of young entrepreneurs, NCB sponsored the Post-Covid-19 Entrepreneurship initiative to help them overcome the obstacles they faced because of the pandemic. The Bank also sponsored the Entrepreneurship Complex in partnership with Monsha'at.

In a related context, the Bank provided community support for other initiatives and activities, such as sponsorship of International Volunteer Day under the auspices of the Ministry of Human Resources and Social Development. During this event, volunteers were honored, stressing their active social roles and encouraging the culture of volunteering.

For the third successive year, NCB's No Receipt Print initiative continued to protect the environment by encouraging customers to reduce paper consumption in ATM transactions. The value of the paper saved is donated to the Children with Disability Association, amounting to SAR 1.4 million during 2020.

26. BOARD OF DIRECTORS, RELATED COMMITTEES, AND EXECUTIVE MANAGEMENT COMPOSITION OF THE BOARD OF DIRECTORS AND TYPES OF ITS MEMBERS ARE: EXECUTIVE BOARD MEMBER, NON-EXECUTIVE BOARD MEMBER, INDEPENDENT BOARD MEMBER

Member	Position	Membership Type
Saeed Mohammed A AlGhamdi	Board Chairman	Non-Executive
Rashid Ibrahim M Sharif	Board Vice-Chairman	Non-Executive
Marshall Charles Bailey	Board Member	Non-Executive
David Jeffrey Meek	Board Member	Non-Executive
Anees Ahmed M Moumina	Board Member	Non-Executive
Saoud Solaiman A Aljuhni	Board Member	Non-Executive
Zaid Abdulrahman A Algwaiz	Board Member	Independent
Ziad Mohammed S Altunisi	Board Member	Independent
Mohammed Ali M Alhokal	Board Member	Independent

Board Members

The Board of Directors consists of nine members, appointed by the General Assembly every three years, and meets at least once every three months (minimum of four times a year) or when required, by invitation from the Chairman, or from two members. The quorum comprises five members attending in person, including the Chairman. The decisions and discussions of the Board must be recorded in minutes of meetings and signed by the Chairman and the Board members. The Board Secretary is responsible for recording the proceedings of meetings.

It is worth noting that the Board members were re-elected for a new period of three years. During the sixth Extraordinary General Assembly to increase the Bank's capital (first meeting), nine board members were elected for the session from 15/05/2018 to 14/05/2021. Board members' names, qualifications and experiences are:

Saeed Mohammed A AlGhamdi, Chairman

Mr AlGhamdi is the Chairman of the Board of Directors of the National Commercial Bank and Chairman of the Executive Committee at the Bank. He is a non-executive Board member and representative of the Public Investment Fund. Mr AlGhamdi's academic qualification and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1987	Bachelor's Degree	Computer Sciences and Engineering	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman of Board of Directors	NCB Capital Company (NCBC)	Closed shareholding company - inside KSA	Financial services
Chairman of Board of Directors	Manga Productions –	Subsidiary - Misk Foundation – Inside KSA	Art sector
Board Member	Real Estate General Authority	Government organization - inside KSA	Real estate
Board Member	Misk Foundation	Charity - inside KSA	Non-profit sector

Professional experience

Job title	Name	Legal form	Sector
Chairman of Board of Directors	Second Health Cluster	Government company – inside KSA	Health Sector
Chairman of Board of Directors	Saudi Credit Bureau (SIMAH)	Closed shareholding company – inside KSA	Financial Services
Chairman of Board of Directors	Türkiye Finans Katılım Bankası	Turkish closed shareholding company – outside KSA	Banking Sector
Chief Executive Officer	National Commercial Bank	Public shareholding company	Banking Sector
Advisor to HE the Governor	Saudi Central Bank	Government organization	Government
Advisor to the Chairman	National Commercial Bank	Public shareholding company	Banking
Board Member	Al Rajhi Takaful	Public shareholding company/inside KSA	Insurance
Board Member	Al Rajhi Capital	Closed shareholding company - inside KSA	Financial services
Deputy CEO	Al Rajhi Bank	Public shareholding company	Banks
Board member	Al Rajhi Bank Malaysia	Malaysian limited liability company	Banks
Board member	INJAZ-Saudi Arabia	Saudi non-profit organization - inside KSA	Civil society
Board member	Advisory Board of MasterCard Middle East & Africa	US public shareholding company	Financial services
Board member	The Institute of International Finance	Global non-profit organization	Education

Rashid Ibrahim M Sharif, Vice-Chairman

Mr Sharif is Vice Chairman of the Board and a member of the Bank's Executive Committee. He is a non-executive Board member and representative of the Public Investment Fund. Mr Sharif is now Head of General Directorate for Investments in Local Companies at the Public Investments Fund (PIF). His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2009	Master's Degree	Business Administration	Prince Sultan University, Riyadh, KSA
1998	Bachelor's Degree	Finance Department	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Head of General Directorate for Investments in Local Companies	Public Investments Fund	Government organization – inside KSA	–
Board Member	Saudi Electricity Company	Public shareholding company – inside KSA	Investment
Board Member	Saudi Telecom Company	Public shareholding company – inside KSA	Communications
Board Member	AccorInvest Company	Shareholding company – outside KSA	Investment

Professional experience

Job title	Name	Legal form	Sector
Board Member	KAFD Development & Management Company	Government company – inside KSA	Real estate development
Board Member	Saudi Basic Industries Corporation (SABIC)	Public shareholding company – inside KSA	Basic materials
Chief Executive Officer	Riyadh Capital	Closed shareholding company	Financial services
Manager of Corporate Investment Banking Management	Riyadh Capital	Closed shareholding company	Financial services
Manager of Registration and Inclusion Department	Capital Markets Authority	Government Organization	Capital Market Authority
Customer Finance Relations Manager	Bank Albilad	Public shareholding company	Banks
Credit Section	Saudi Industrial Development Fund	Government fund	Industrial development

David Jeffrey Meek, Board Member

Mr Meek is a Board member, member of the Nomination and Compensation and Governance Committee, and member of the Risk Committee. He is a non-executive Board member and representative of the Public Investment Fund. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1984	Advanced General Certificate of Secondary Education	Mathematics, Economics and Geography	British Council – United Kingdom
1983	General Certificate of Secondary Education	Mathematics, English Language, English Literature, Economics	British Council – United Kingdom

Other current positions and memberships

Job title	Name	Legal form	Sector
Deputy Chairman	NCB Capital Company (NCBC)	Closed shareholding company – inside KSA	Financial services
Board Member	This Land Ltd	Limited liability company – outside KSA	Real estate development
Chairman of the Board of Directors	Equiti Capital UK Limited	Limited Liability Company – outside KSA	Financial services sector
Chairman of the Board of Trustees	Getting on Board	Non-profit Organization – outside KSA	Civil and social organizations sector
Member of the Board of Trustees	British Liver Trust	Non-profit Organization – outside KSA	Civil and social organizations sector
Founder and Manager	InnoMotion Limited	Limited Liability Company – outside KSA	Management consultation sector

Professional experience

Job title	Name	Legal form	Sector
Managing Director	JPMorgan, London, UK	Shareholding company – outside KSA	Financial services
Managing Director	Mizuho International, London	Shareholding company – outside KSA	Financial services
Managing Director	Citigroup, London	Shareholding company – outside KSA	Financial services
Senior Partner	ILEX Asset Management Ltd	Limited liability company – outside KSA	Financial services
Board Member	IDM Cheshunt Ltd	Limited liability company – outside KSA	Real Estate
Founder	Cheslake Ltd	Limited liability company – outside KSA	Real estate development
Partner/Founder and CEO	Parcoa Ltd	Limited liability company – outside KSA	Business support services
Chairman of the Board	Waves Technology Co Ltd	Limited liability company – outside KSA	Technology
Chairman of the Board	Regtech Associates Ltd	Limited liability company – outside KSA	Regulatory technology

Marshall Charles Bailey, Board Member

Mr Bailey is a Board Member and Chairman of the Risk Committee. He is a non-executive Board member and representative of the Public Investment Fund. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1990	Master's Degree	Diplomatic History	The University of Winnipeg, Canada
1988	Bachelor's Degree	Political Science and Economics	Graduate Institute of International and Development Studies, Geneva, Switzerland.

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman of the Board of Directors	Mitsubishi UFJ Financial Group	Public Limited Company – outside KSA	Financial sector
Board Member	CFA Institute	Institute – outside KSA	Non-profit professional organization
Board Member	Financial Services Compensation Scheme	Closed shareholding company – outside KSA	Financial services

Professional experience

Job title	Name	Legal form	Sector
Board Member	CIBC Capital Markets – public limited company	Global Financial Markets Organization – outside KSA	Financial markets sector
Board Member	LCH Group Holdings Ltd.	Closed shareholding company – outside KSA	Financial sector
President – Global President	ACI International Financial Markets (UK)	Shareholding company – outside KSA	Financial sector
Operations CEO and Senior Administrative Manager	State Street Bank UK, Europe, the Middle East and Africa (EMEA)	Shareholding company – outside KSA	Banks
London Branch Chairman	State Street Bank, Germany	Shareholding company – outside KSA	Banks
Chief Executive Officer (CEO)	Smart Markets International Ltd	Limited liability company – outside KSA	Financial services
Board Member	European CHOP Group	Shareholding company – outside KSA	Financial sector
Board Member	UK Financial Investment Ltd	Public Limited Company	Financial sector
Board Member	CFA Society	Professional society	Educational sector
Member of the Board of Trustees	East End Community Foundation and Isle of Dukes	Voluntary association	Volunteering sector
Member	Inter-party parliamentary group – House of Lords	Inter-party parliamentary group	Political sector
Co-chair of Working Groups	Group of market participants	Working group	Financial sector

Anees Ahmed M Moumina, Board Member

Mr Moumina is a Board member, a member of NCB's Risk Committee, a non-executive Board member and representative of the General Organization of the Social Insurance (GOSI). Mr Moumina is the CEO of Savola Group. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2014	Degree	CEO International Program for Global Leadership	Wharton University, USA
2000	Degree	CEO International Program for Global Leadership	Harvard University, USA
1995	Degree	Senior Executive Management Program for Company Management,	Columbia University, USA
1986	Master Degree	Engineering Management Sciences (with honors)	Georgetown University, USA
1985	Bachelor Degree	Civil Engineering (with honors)	Georgetown University, USA

Other current positions and memberships

Job title	Name	Legal form	Sector
Chief Executive Officer (CEO)	Savola Group	Public shareholding company – inside KSA	Food production and retail
Vice Chairman of Board of Directors	Savola Food Company	Closed shareholding company – inside KSA	Food production
Vice Chairman of Board of Directors	Al Kabeer Company	Closed shareholding company – outside KSA	Food production
Vice Chairman of Board of Directors	United Sugar Company	Closed shareholding company – inside KSA	Food production
Vice Chairman of Board of Directors	Panda Retail Company	Closed shareholding company – inside KSA	Retail
Vice Chairman of Board of Directors	Herfy Food Services Co.	Public shareholding company – inside KSA	Consumer services
Board Member	Almarai Company	Public shareholding company – inside KSA	Food production
Board Member	Knowledge Economic City	Public shareholding company – inside KSA	Real estate management and development
Board Member	Kinan International for Real Estate Development Company	Closed shareholding company – inside KSA	Real estate management and development
Board Member	Dr Soliman Fakeeh Hospital	Closed shareholding company – inside KSA	Healthcare
Board Member	Afia Company	Closed shareholding company – inside KSA	Food production

Professional experience

Job title	Name	Legal form	Sector
Chief Executive Officer (CEO)	SEDCO Holding	Closed shareholding company – inside KSA	Investment
Board Member	Elaf Group	Closed shareholding company – inside KSA	Tourism services
Chairman of the Board	Dunia Alaswaf Trading LLC (ALSHIAKA)	Closed shareholding company – inside KSA	Long-term commodities
Chairman of the Board	Ewaan Global Residential Company	Closed shareholding company – inside KSA	Housing
Regional Director General for the Western Region and Senior Credit Officer	Samba Financial Group	Public shareholding company – inside KSA	Banks
Marketing Manager	P&G	Closed shareholding company – inside KSA	Consumables

Saoud Solaiman A Aljuhni, Board Member

Mr Aljuhni is a Member of the Board of Directors and a Member of the Bank's Risk Committee. He is a non-executive Board member representing the Public Pension Agency (PPA). Mr Aljuhni is the Assistant Governor of the Public Pension Agency for Insurance Affairs. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2008	Master's Degree	Actuarial Sciences	University of Kent, UK
2007	High Diploma	Actuarial Sciences	University of Kent, UK
2003	Diploma	Actuarial Sciences	Muhanna Foundation, the Lebanese Republic
2001	Bachelor's Degree	Management Information Systems	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman of the Board of Directors	Tabuk Cement Company	Public shareholding company – inside KSA	Basic materials
Board Member	National Industrialization Company	Public shareholding company – inside KSA	Basic materials

Professional experience

Job title	Name	Legal form	Sector
Board member	Saudi Industries Development Company	Closed shareholding company – inside KSA	Investment

Zaid Abdulrahman A Algwaiz, Board Member

Mr Algwaiz is a Board member, Chairman of Nomination, Compensation and Governance Committee, and a member of the Bank's Executive Committee. He is an independent Board Member and is a Board Member of numerous companies. Details of his academic qualification and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1987	Bachelor's Degree	Financial accounting	King Saud University, Riyadh, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Board member - Audit Committee Member	Bupa Arabia for Cooperative Insurance Co	Public shareholding company – inside KSA	Insurance
Chairman of Assets and Liabilities Committee	Mohammed Ibrahim Alsubeaei & Sons Investment Co. – MASIC	Closed shareholding company – inside KSA	Multiple investments
Board Member and Chairman of Audit Committee	GIB Capital	Closed shareholding company – inside KSA	Financial
Member of the Investment Committee	Real Estate General Authority	Public authority – inside KSA	Real estate
Member of Audit Committee	New Jeddah Downtown	Public Authority – inside KSA	Real estate development
Board Member	Rajhi Steel	Limited liability company – inside KSA	Steel manufacturing

Professional experience

Job title	Name	Legal form	Sector
Chairman of Audit Committee	Noon Investment Company	Closed shareholding company – inside KSA	Retail
Audit Committee Member	Zakher Real Estate Development Company	Limited liability company – inside KSA	Real estate development
Board Member and Chairman of Audit Committee	Mohammad Abdulaziz AlRajhi & Sons Investment Co	Limited liability company – inside KSA	Multiple investments
Board Member and Chairman of Audit Committee	Wilayah Investment Co	Government company – inside KSA	Government company
Board Member	Middle East Specialized Cables (MESC)	Public shareholding company – inside KSA	Capital goods
Board Member	Saudi Hollandi Capital	Closed shareholding company – inside KSA	Financial services
Board Member	Gulf Financing Company	Closed shareholding company – inside KSA	Financing
Board Member	Al Yusr Financing & Leasing Company	Closed shareholding company – inside KSA	Financing
Board Member	Al Rajhi Steel Industries Co	Limited liability company – inside KSA	Steel industry
Deputy Managing Director	HSBC Saudi Arabia Ltd	Closed shareholding company	Financial services
General Manager of Corporate Banking Services	Saudi British Bank (SABB)	Public shareholding company	Banks
Chief Accountant – Financing, Planning, and Budgeting Management	King Faisal Specialist Hospital	Government	Medical services
Chairman of Risk Committee	Mohammed Ibrahim Alsubeaei & Sons Investment Co. – MASIC	Closed shareholding company – inside KSA	Multiple investments

Ziad Mohammed S Altunisi, Board Member

Mr Altunisi is a Board Member and Member of the Bank's Nomination, Compensation, and Governance Committee and Executive Committee. He is an independent Board Member and is CEO of Al-Faisaliah Group. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2005	Senior Executives' Course	Corporate Financial Statements	INSEAD Institute, Switzerland
2003	Senior Executives' Course	Private equity rights and venture capital	Harvard Business School
1996	Master Degree	Securities and Investment Services	University of Reading, UK
1991	Bachelor Degree	Business Management	King Saud University, Riyadh, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman of the Board of Directors	Nuwa Capital	Shareholding company – outside KSA	Financial
Chairman of the Board of Directors	AWJ Holding Company	Closed shareholding company – inside KSA	Asset and investment management
Board Member	Sackville Capital	Shareholding company – outside KSA	Multiple investments
Board Member	Saudi Philips	Closed shareholding company – inside KSA	Medical devices and equipment
Board Member	Al Safi Danone Company	Closed shareholding company – inside KSA	Producing milk and dairy products
Board Member	Accenture Company	Closed shareholding company – inside KSA	Information technology
Board Member	Accentia Company	Shareholding company – outside KSA	Information technology
Board Member	RNC Aflanka	Shareholding company – outside KSA	Investment
Board Member	Knowledge Economic City	Public shareholding company – inside KSA	Real estate management and development

Professional experience

Job title	Name	Legal form	Sector
Board Member	Solidere International	Closed shareholding company	Real estate investment
Board Member	Pharma International	Closed shareholding company	Production of medicines and drugs
Vice Chairman and Operation Manager	Al Faisaliah Holding Group	Closed shareholding company	Multiple investments
Executive Director for Finance	Al Faisaliah Holding Group	Closed shareholding company	Multiple investments
Treasury Manager	Al Faisaliah Holding Group	Closed shareholding company	Multiple Investments
Investment Advisor – Private Banking	Samba Financial Group	Public shareholding company	Banks

Mohammed Ali M Alhokal, Board Member

Mr Alhokal is a Board Member, Chairman of Audit Committee, and independent Board Member. He was a Board Member and advisor to several listed and unlisted shareholding companies. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1989	Master Degree	Finance and Marketing	University of Wisconsin, USA
1985	Bachelor Degree	Business Management	Concordia, USA

Other current positions and memberships

Job title	Name	Legal form	Sector
Board Member	Albawardi Group	Closed shareholding company – inside KSA	Multiple investments
Board Member Chairman of Audit Committee	Sulaiman A. Al Rajhi Real Estate Investments Co.	Closed shareholding company – inside KSA	Multiple investments
Board Member Chairman of Risk and Compliance Committee Chairman of Audit Committee Member of Credit Committee	Tourism Development Fund	Public fund	Tourism sector
Chairman of Audit Committee, Assets and Liabilities Committee and Member of Credit Committee	Nayifat Finance Co (Al-Naifat)	Closed shareholding company	Financing
Independent Board Member and Chairman of Audit Committee	Reza Investment Co (Al Ra'idah Investment)	Closed shareholding company – inside KSA	Real estate
Adviser of Board of Directors	R.J. Fleming & Co (DIFC) Ltd	Limited liability company– outside KSA	Financial Services
Board member, Advisor & Chairman of Audit and Risk Committee	Al Jazirah Rent A Car	Closed shareholding company	Car rent

Professional experience

Job title	Name	Legal form	Sector
Non-board independent member of the Executive Committee	Abdullatif Alissa Group Holding Co.	Closed shareholding company	Multiple investments
Member of the Advisory Board	Fast Holding Ltd.	Limited liability company – outside KSA	Multiple investments
Senior advisor	R.J. Fleming & Co (DIFC) Ltd	Limited liability company- outside KSA	Financial Services
Regional Director General for the Central Region – Corporate Business Banking Group	Samba Financial Group	Public shareholding company	Banks
Regional Director for Corporate Central Region	Alawwal Bank (formerly Saudi Hollandi Bank)	Public shareholding company	Banks
Board Member	Al Ra'idah Investment Company	Closed shareholding company – inside KSA	Multiple investments
Board Member	Nayifat Finance Company (Al-Naifat)	Closed shareholding company – inside KSA	Financing
Board Member and Chairman of Credit and Finance Committee	Abdullatif Alissa Group Holding Co.	Public shareholding company – inside KSA	Multiple investments
Advisor to the Chairman for Financial and Treasury Affairs	Abdullatif Alissa Holding Group	Public shareholding company	Multiple investments

Board's Secretary General

Ahmed Rabie AlRowaili, Head of Corporate Governance and Board of Directors Secretariat

Mr AlRowaili has been the Head of Corporate Governance and Board of Directors General Secretariat since 2018. He is also the Secretary General of the Board of Directors. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2007	MA	International Law and Legal Studies	Seattle University, USA
2005	BA	Law	King Saud University, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Member of the Risk and Compliance Committee	Tourism Development Fund	Public fund	Tourism sector

Professional experience

Mr AlRowaili joined NCB in 2018 as Head of Corporate Governance and Board of Directors General Secretariat, after 11 years of experience in governance and legal affairs. He held several positions, including Director General of Legal Affairs, Secretary of the Board of Directors of Takamul Holding Company and a senior legal advisor at NCB Capital.

Members of the Audit Committee

In its meeting held on 15 May 2018, NCB's Shareholders' Extraordinary General Assembly approved the re-formation of Committee Members, identification of the Committee's duties and responsibilities, and compensation of members from 15/05/2018 to 14/05/2021. The Board of Directors also decided on 17/05/2018 to approve the appointment of Mr Mohammed Ali M Alhokal, independent Board Member, as Chairman of Audit Committee. On 04/10/2019, the Extraordinary General Assembly of the Bank's Shareholders approved the recommendation of the Board of Directors to appoint the Chairman of the committee. Audit Committee Members are:

Dr Khalid Mohammed Altaweel, Committee Member and non-Board Member

Dr Altaweel is a Board Member of many listed and unlisted shareholding companies. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2006	Executive Master's Degree	Business Management	The University of Edinburgh, Scotland
1994	PHD	Computer Science	Texas A&M University, US
1989	Master's Degree	Computer Science	King Fahd University of Petroleum and Minerals, Dhahran, KSA
1986	Bachelor's Degree	Computer Sciences and Engineering	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Board Member	Saudi Credit Bureau (SIMAH)	Closed shareholding company	Financial services
Board Member	Naqel	Partnership	Transport
Board Member	Tasheel	Limited liability company	Financial services
Chairman of Board of Directors	SIMAH	Limited liability company	Credit rating
Board Member	Saudi Chemical Company	Public shareholding company	Healthcare
Partner and Board Member	LEORON Professional Development Institute	Company located outside KSA	Professional Development
Partner and Board Member	Cheeky Monkeys	Company located outside KSA	Entertainment
Member of the Board of Trustees	The Prince Sultan University	Civil Academic Institution	Education

Professional experience

Dr Altaweel has more than 20 years' experience in many public and private sectors. He has been the founder and Vice-Chairman of Elm Company Board of Directors and Chairman of Executive Committee for more than five years. He has also been a Member of the Executive Board of Directors of International Saudi Chamber of Commerce; Audit Committee Member at Capital Markets Authority of Saudi Arabia; partner and Board Member of Leoron Professional Development Institute; and Board Member of VFS Tasheel International. He has been a Member of the Board of Trustees at Prince Sultan University since its foundation and is also a private equity investment advisor.

Dr Altaweel has for more than eight years been an executive advisor to HRH Prince Muhammad Bin Nayef, Assistant Minister of Interior for Security Affairs and Director General of Saudi National Information Center. He has led very important initiatives in information technology, serving all citizens and residents in the Kingdom of Saudi Arabia. He has also published many research papers on networking, security, distributed systems, and e-government, and has been a keynote speaker at many local and international conferences. He was Head of Computer Engineering Section and Dean of College of Computer Science & Engineering at King Fahd University of Petroleum & Minerals, KSA.

Hani Suleiman Alshadokhi, Committee Member and non-Board Member

Mr Hani Alshadokhi is an external Member of the Audit Committee. He is a board member, a member of the Audit Committee, the Executive Committee, the Risk and Credit Management Committee of Al Yusr Leasing & Financing Co., and a board member of the Best Trading Company. He is also CEO of Dar al Maidaa Financial Consultancies Office. Details of Mr Hani Alshadokhi's academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2011	Advisor	Financial consultancies for non-securities	Department of Consulting Professions, Ministry of Commerce and Investment, KSA
2011	Advisor	Management consultancies	Department of Consulting Professions, Ministry of Commerce and Investment, KSA
1989	Bachelor's Degree	Financial Management and Operation Management	King Fahd University of Petroleum and Minerals, Dhahran, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Board member Member of Executive Committee, Member of Risk and Credit Committee	Al Yusr Leasing & Financing Co.	Closed shareholding company	Finance
Board Member	Best Trading Company	Closed shareholding company	Car rental

Professional experience

Mr Alshadokhi has 33 years' experience in credit and risk management with banks and financial institutions operating in Saudi Arabia. He was Senior Risk Advisor at Bank Albilad and held a number of executive positions and memberships in the audit, finance, credit, and risk committees.

Dr Abdurrahman Mohammed Albarrak, Committee Member and non-Board Member

Dr Albarrak is a Member of Audit Committee at NCB and non-Board Member. He is a founder and executive partner of Thara Administrative Investment Company and committee chairman and board member of many listed and unlisted companies. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2005	PhD	Financial	Newcastle University, UK
2001	Master's Degree	Financial	Colorado University, USA
1997	Bachelor's Degree	Accounting	King Faisal University, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Independent non-Board Audit Committee Member	National Security Center	Government agency	Security sector
Independent non-Board Chairman of Governance Committee	Thiqah Business Services	Public company	Business Services
Board Member Chairman of Audit Committee – independent	Saudi Credit Bureau – SIMAH	Closed shareholding company	Financial sector
Board Member Chairman of Audit Committee – independent	BinDawood Holding	Closed shareholding company	Retail
Chairman of Audit, Compliance and Risk Committee – independent and non-Board Member	Saudi Cargo Company	Closed shareholding company	Cargo
Vice president Board Member Chairman of the Nomination and Compensation Committee Audit Committee Member	Health Holding Company	Owned by the Ministry of Health	Health sector
Board Member and Chairman of Audit Committee – independent Member	Alandalus Property Co.	Public shareholding company	Real estate management and development
Audit Committee Chairman – independent and non-Board Member	Al Elem Information Security Co	Closed shareholding company	Information security
Audit Committee Member – independent and non-Board Member	Etihad Etisalat Co (Mobily)	Public shareholding company	Communications
Audit Committee Member – independent and non-Board Member	General Authority of Zakat and Tax	Government authority	Financial
Audit Committee Member – independent and non-Board Member	General Entertainment Authority	Government authority	Entertainment
Audit Committee Member – independent and non-Board Member	National Center for Privatization	Government center	Financial
Audit Committee Member – independent and non-Board Member	Center of Spending Efficiency	Government center	Financial
Audit Committee Member – independent and non-Board Member	Non-oil Revenue Development Center	Government center	Financial
Audit Committee Member – independent and non-Board Member	Local Content & Government Procurement Authority	Government center	Financial

Professional experience

Dr Albarrak has more than 20 years' experience in finance and accounting. He has also held a number of memberships in audit, finance, compliance, and risk committees.

Mr Abdulrahman Mohammed Aloudan, Committee Member and non-Board Member

Mr Aloudan is a member of the Bank's Audit Committee and a non-Board member. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1986	Master's Degree	Computer Science	Florida Institute of Technology, USA
1984	Bachelor's Degree	Computer Science	Jacksonville University, USA

Other current positions and memberships

Job title	Name	Legal form	Sector
Audit Committee Member	Saudi Stock Exchange (Tadawul)	Closed shareholding company	Capital Market Authority
Board Member	The Company for Cooperative Insurance, Tawuniya	Public shareholding company	Insurance
Member of the Founding Council	SME Bank	Public	Financial

Professional experience

Mr Aloudan has more than 25 years of experience in information technology and commercial banking consultancy. He held several positions at Riyad Bank in developing and maintaining systems management until he was appointed as the Vice-Executive Head of Information Technology. He has also held many memberships of audit committees.

Members of Executive Management

Faisal bin Omar Al-Saqqaf, Chief Executive Officer (CEO)

Mr Al-Saqqaf has been NCB's CEO since May 2018. He was a member of the Executive Committee and Risk Committee until 31 December 2020. In the Executive Management Committees, Mr Al-Saqqaf was the Chairman of the Higher Management Committee, Credit & Remedial Management Committee, Small & Medium Enterprises Committee, and Information Security Committee. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1986	Master's Degree	Business Management	Harvard University, USA
1982	Bachelor's Degree	Economy	Harvard University, USA

Other current positions and memberships

Job title	Name	Legal form	Sector
Board Member and Member of Audit Committee	Türkiye Finans Katılım Bankası	Turkish closed shareholding company	Banking Industry
Board Member	Advisory Board of MasterCard Middle East & Africa	US public shareholding company	Financial services

Professional experience

Mr Al-Saqqaf has more than 30 years' banking experience. He joined NCB in 2003 as Head of Strategy and Performance Management. In 2006, he was appointed Group Chief Financial Officer, and in 2013 became Head of Strategy & Business Development Group, holding that position until being appointed Chief Executive Officer.

Talal bin Ahmed Al Khereiji, Deputy Chief Executive Officer

Mr Talal Al Khereiji was appointed Deputy CEO in March 2020. In this role, he oversees four critical banking groups: Retail, Corporate, Treasury, and Remittances (QuickPay). As Deputy CEO, he is a member of the Higher Management Committee, Assets and Liabilities Committee, Credit & Remedial Management Committee, Information Security Committee, Small & Medium Enterprises Committee and Customer Service Committee. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1995	Master's Degree	International Businesses	Edmund A. Walsh School of Foreign Service, Georgetown University, USA
1993	Bachelor's Degree	International Economy	Georgetown University, USA

Other current positions and memberships

Job title	Name	Legal form	Sector
Board Member	NCB Capital Company (NCBC)	Closed shareholding company	Financial markets
Member of the Risk Committee	NCB Capital Company (NCBC)	Closed shareholding company	Financial markets

Professional experience

Mr Alkhereiji has more than 24 years' banking experience, having begun his career in 1995 at SAMA in the Investment Management Department. He was a member of the advisory group that designed and implemented SAMA investment policy under which the foreign exchange reserves were managed. His role included tactical asset allocation, investment research, proprietary fund management, and fund manager selection/supervision. Mr Alkhereiji joined NCB in 2003 and headed the Assets and Liabilities Management Department at NCB Treasury. He also served as NCB's ALCO Secretary until his appointment as Head of Treasury Group in 2009. He has also chaired the Treasurers Committee in the Kingdom of Saudi Arabia for two consecutive years. He was also the Vice-Chairman of the Advisory Board for the Saudi Arabian Interbank Offered Rate (SAIBOR).

Lama Ahmed Ghazzaoui, Head of Finance Group

Mrs Ghazzaoui is the Head of Finance Group and a member of the Higher Management, Assets and Liabilities, Procurement, Operational Risk, Credit and Remedial Management, and Information Security committees. Details of her academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2000	Member	General Accounting	Association of Certified Public Accountants, Colorado, USA
1996	Bachelor's Degree	Accounting	Lebanese American University, Lebanon

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairperson of the Audit Committee	NCB Capital Company	Closed Shareholding Company	Financial Services
Board Member	Türkiye Finans Katılım Bankası	Shareholding Company	Banking Industry
Member of the Audit Committee	Türkiye Finans Katılım Bankası	Shareholding Company	Banking Industry

Professional experience

Mrs Ghazzaoui has more than 23 years' experience in finance, accounting and banking. She began her professional career as an external auditor at Deloitte & Touche, joining Effat University in 2001 as internal auditor and accounting instructor. She moved to NCB in 2003 as a Senior Financial Analyst, later becoming Financial Controller of Treasury Division, responsible for general financial affairs, preparation of balance sheets, issuance of reports, and treasury control. In December 2010, she was appointed a Chief Accountant. She has been serving as the Head of Finance Group since 2013.

Majed Hamdan Al Ghamdi, Head, Retail Banking Group

Mr Al Ghamdi has been Retail Banking Group Head since March 2020. He is also a member of the Higher Management Committee, Assets and Liabilities Committee, Credit & Remedial Management Committee, Operational Risk Committee, and Small & Medium Enterprises Committee. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2017	–	Leaders' Development Program	Harvard University, USA
2015	–	Executive Development Program	The Wharton School of the University of Pennsylvania, USA
2012	Master's Degree	Risk Management	New York University, USA
2004	Bachelor's Degree	Industrial Engineering	King Abdulaziz University, KSA

Other current positions and memberships

Job title	Name	Legal form	Sector
Board member	Türkiye Finans Katılım Bankası	Closed Shareholding Company	Banking
Chairman of Credit Committee	Türkiye Finans Katılım Bankası	Closed Shareholding Company	Banking

Professional experience

Mr Al Ghamdi has more than 15 years' banking experience, having joined NCB through its Corporate Associate Program, followed by a series of positions of increasing responsibility within NCB's Risk Management Group. In 2014, he was appointed Head of Enterprise Risk Management and subsequently also held positions om the Boards of NCB subsidiaries. In 2016 has was appointed as a member of NCB Capital's Board Risk Committee and as a Board member at TFKB. In 2018 he served as Head of the Corporate Banking Group until becoming Head, Retail Banking Group in 2020.

Wael bin Abdulaziz Raies – Head, Corporate Banking Group

Mr Raies has been Head of Corporate Banking Group since March 2020. He is also a member of the Higher Management, Assets and Liabilities, Operational Risk, Credit & Remedial Management, and Small & Medium Enterprises committees. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2016	–	Advanced Management Program	Harvard University, USA
2013	–	Strength and Leadership Program	University of Virginia, USA
2004	Master's Degree	Business Administration	King Saud University, Riyadh
1996	Bachelor's Degree	Electrical Engineering	King Fahad University of Petroleum and Minerals, Dhahran

Other current positions and memberships

Job title	Name	Legal form	Sector
Chairman of the Board of Directors	Türkiye Finans Katılım Bankası	Shareholding Company	Banking Industry

Professional experience

Mr Raies has more than 21 years' experience in banking. Previously, he had three years of engineering experience with Schlumberger Wire Line & Testing, working on-shore and off-shore, and becoming engineer in charge of Qatar land locations. He joined NCB in 2002 after working for SAMBA Financial Services since 1999. During his years at NCB, he progressed through various roles, including Central and Eastern Regions Director at CBG. In 2013, he was assigned as Head of Remedial Management, then Head of Corporate Banking Division. In 2016, he was appointed CEO of TFKB until he was appointed as the Head, Corporate Banking Group in March 2020.

Ramzy Abdulaziz Darwish, Head, Treasury Group

Mr Darwish has been Head of Treasury Group since March 2020. He is also a member of the Higher Management, Assets and Liabilities, and Operational Risk, committees. He is also a member of the Debt Transparency Working Group with the Institute of International Finance. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2005	Bachelor Degree	Industrial & Labor Relations	Cornell University, Ithaca, USA
2017	Executive Management Program	Management	Columbia University, USA

Professional experience

Ramzy Darwish has a 15-year record of achievements in the finance sector with one of the largest banks in the MENA region. In his previous role as Head of Investments, he was trading and positioning NCB's proprietary fixed income portfolio with investments in local, regional and international corporate and government securities. He is also a member of the Assets and Liabilities Committee, responsible for managing liquidity, leverage, and interest rate risk on the largest balance sheet in the Kingdom. During his time leading the Treasury Group Mr Darwish oversaw many initiatives that continue to position NCB as a leading bank in the region, such as its inclusion as a General Clearing Member with Muqassa, the issuance of Additional Tier 1 Sukuk, and raising the largest Murabaha facility in the Saudi banking sector, as well as the launch of the Gold Account.

Naif bin Safouk Al Bashir Al Morshed, Head of Risk Group

Mr Al Morshed has held his current position since 2015 and has been Risk Committee Secretary since 2018. He also chairs the Operational Risk Committee and is a Member of the Higher Management, Assets and Liabilities, Credit & Remedial Management, Information Security, and Small & Medium Enterprises committees. Details of his academic qualification and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1988	Bachelor's Degree	Business Management	California State University, USA

Other current positions and memberships

Job title	Name	Legal form	Sector
Board Member	Patients' Treatment Charity	Charity organization	Community services
Board Member	Advanced Electronics Company	Limited liability company	Industrial/maintenance and operation/ contracting
Trustee Board Member	Riyadh Economic Forum	Government entity	Social services

Professional experience

Mr Al Morshed has more than 30 years' banking experience, having begun his career with NCB in 1989. From 1996 to 2015, he assumed several executive and leadership positions, including Regional Director for the Central Region at GBC, Head of Commercial Business Group, Head of the Corporate Banking Group, and Head of Institutional Banking until his current appointment as Head of Risk Group since May 2015.

Omar M. Hashim, Head of Strategy and Business Development Group

Mr Hashim is the Head of Strategy and Business Development Group. He is also a member of the Higher Management, Procurement, Digital Transformation, Customer Service, and Operational Risk committees. His academic qualifications and professional experience are:

Academic qualification

Year	Qualification	Major	University
1993	Bachelor's Degree	Computer and Information Technology	King Fahd University of Petroleum and Minerals

Mr Hashim has completed several courses in executive management, notably:

Entity Name	Course Field
University of Pennsylvania	Wharton Advanced Management Program
Columbia University	Digital Business Strategy program

Other current positions and memberships

Job title	Name	Legal form	Sector
Former Chairman	Saudi Financial Support Services Company (Sanid)	Closed shareholding company	Financial sector
Board of Directors Advisor	Capital Market Website	Limited liability company	Financial sector
Board of Directors Advisor	Vision Ventures	Investment fund	Financial sector
Chairman	AlAhli Takaful	Listed Shareholding Company	Financial sector

Professional experience

Mr Hashim has more than 25 years' experience in various fields. He had worked at IBM Saudi Arabia since 1993 and joined NCB in 2001 as a Development Manager for e-Commerce and Business. He was assigned in various positions during his career in the Bank related to products, customer segments and banking services channels, with experience in electronic payments and technology including cash management, remittances and electronic banking services. He was appointed Head of Digital and Technology Group before his current position as Head of the Strategy and Business Development Group, in addition to being Chairman of AlAhli Takaful.

Mutlaq bin Salem Al Enazi, Head of Human Resources Group

Mr Al Enazi has held his current position since 2018. He is also a Board Member of AlAhli Isnad, and the Higher Management Committee. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2001	Master's Degree	English Language	Murray State University, Kentucky, USA
1998	Bachelor's Degree	Languages and Translation	King Saud University, Riyadh, KSA

Professional experience

Mr Al Enazi joined NCB in 2013 as a Head of Recruitment and Development, with extensive experience over 21 years in public and private sectors and a proven record in personnel development, human resource strategies, and organizational development. He began his career in the Institute of Public Administration and held several positions, including Head of Training and Leadership Division at Saudi British Bank (SABB). From 2010 to 2013, he was Head of the Training and Development Division at SABB. Since joining NCB in 2013, Mr Mutlaq has achieved many successes, including NCB's Rowad AlAhli and Wessam AlAhli programs, creating employment opportunities for new Saudi graduates, and is an active proponent of NCB's objective of being Employer of Choice.

Firas bin Hani Al Turki, Head of Shared Services Group

Mr Al Turki has held his current position since 2016. He is also a Member of the Higher Management, Procurement, Business Continuity Management Program Steering, Operational Risk, Information Security, and Customer Service committees. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2002	Master's Degree	Industrial Engineering	University of Florida (UF), Gainesville, USA
1999	Bachelor's Degree	Industrial Engineering	King Abdulaziz University, KSA

Professional experience

Mr Al Turki has more than 18 years of banking experience, having begun his career through NCB's Executive Employee Program. He worked in financial and accounting affairs within the CFO's office, at the corporate service centers, corporate operations, project management, and the operations department, before assuming his current position in 2016.

Walid bin Hassan Abdul Shakur, Head of Legal Department

Mr Abdul Shakur has held his current position since 2009. He is also a Member of the Procurement, Employee Grievance, and Compliance committees. Details of his academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
1989	Bachelor's Degree	Law	King Abdulaziz University, KSA
2006	License in Law	Law	Ministry of Justice, KSA
2007	Member of the Arab Lawyers Union	Law	Arab Lawyers Union
2013	Certified Arbitrator at the GCC Commercial Arbitration Centre	Law/Arbitration	GCC Commercial Arbitration Centre

Other current positions and memberships

Job title	Name	Legal form	Sector
Board Member	Commercial Real Estate Markets Company Ltd	Limited liability company – inside KSA	Real estate
General Manager	Real Estate Development Company for Ownership and Management Ltd	Limited liability company – inside KSA	Real estate
Board Member	Arab Financial Services Company	Closed shareholding company, Kingdom of Bahrain	Financial services
Member of the Audit Committee	Arab Financial Services Company	Closed shareholding company, Kingdom of Bahrain	Financial services
Board Member	Al-Behar Real Estate Investment Co.	Jeddah, Saudi Arabia	Real estate

Professional experience

Mr Abdul Shakur has more than 30 years of experience in advocacy and legal consultancy. He began his career in 1990 as a legal researcher with NCB and held increasingly responsible positions before becoming Legal and Counseling Group Head in 2009. Over his tenure with the Group, he has accumulated extensive experience in legal specialties such as adjudication, contracts, and general consultancy. His key achievements in consultancy and litigation include winning important local cases, leading to awards in favor of NCB totaling more than SAR 15 billion. Mr Abdul Shakur defended NCB in a prominent international lawsuit that was worth more than $1 trillion in which he received a final judgment in favor of NCB.

Fouad bin Abdullah Al Harbi, Head of Compliance Department

Mr Al Harbi has held his current position since 2013. He is also Chairman of the Compliance Committee, and a member of the Operational Risk and Information Security committees. Previously, he headed several committees for banks operating in Saudi Arabia: Chief Compliance Officers', Anti-Financial Crimes and Money Laundering, and Self-Supervision. Mr Al Harbi is a Fellow of the Arab Academy for Banking and Financial Sciences. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2012	Certified Compliance Officer	Compliance	Saudi Arabian Monetary Authority, Banking Institute, Riyadh, KSA
2012	Compliance and Anti-Money Laundering Certification	Compliance and Anti-Money Laundering	Henley Business School, UK
2007	Certified Compliance Officer	Compliance	American Academy of Financial Management, USA
1993	Bachelor's Degree	Accounting	King Saud University, Riyadh, KSA

Professional experience

Mr Al Harbi has more than 26 years' experience in accounting, control and compliance, and anti-money laundering. He began his career at Thebes Real Estate Investment and Development Company, becoming Head of Accounting. He joined NCB in 1997, holding various positions and co-founding the Compliance Department where he held several roles until his present position.

Sharif bin Mohammed Al-Samman, Head of Internal Audit

Mr Al-Samman has been Head of Internal Audit since August 2019. His academic qualifications and professional experience are:

Academic qualifications

Year	Qualification	Major	University
2017	Master's Degree	Law Studies	Northwestern, USA
1993	Bachelor's Degree	Public Administration	American University of Beirut, Lebanon

Other current positions and memberships

Institute of Internal Auditors of Saudi Arabia

Professional experience

Mr Al-Samman has more than 27 years' experience in investment and internal auditing of banking and investment services. He joined SAMBA Financial Group's investment management in 1993, and was promoted in 2002 to Head of International Brokerage and Director of the Financial Markets Program in the Audit and Risk Review Group. He also held several leadership positions in SAMBA Capital & Investment Management Co, including Chief Operating Officer from 2011. In March 2019, he was appointed as acting CEO of the company.

Omar Soufian Yassine, Head of Quick Pay

Mr Yassine is the Head of Quick Pay at NCB. His responsibilities include product development, digital channels, relationships with correspondent banks, operation efficiency, marketing activities for business development and execution of the Bank's digital strategy. Before his current position, Mr Yassine was Head of Digital Banking for Retail and Corporate businesses at NCB, and was responsible for developing the digital channels and products, payments, and sales.

Academic qualifications

Major	University
Executive Development Program	International Institute for Management Development (IMD), Switzerland
Advanced Management Program	INSEAD

Key roles and responsibilities of the Board of Directors:

- The Board shall be accountable for setting NCB overall strategy and guiding its strategy and objectives. Therefore, the Board shall be accountable for developing performance objectives, taking resolutions affecting substantial capital expenditure, acquisition, purchase, sale, and liquidation operations.
- The Board shall also be responsible for monitoring the financial objectives of the Bank and verifying corporate performance against previously agreed strategic, operational, and business plans.
- The Board's tasks include aligning and monitoring the organizational structure of all businesses, staffing levels, the Bank's compensation system, and supervising succession plans.

Board of Directors Meetings, 2020

Name	Number of meetings	Attendance	Apologies	Attendance percentage	27 Jan	21 Mar	22 Jun	14 Jul	21 Sep	11 Oct	15 Nov	21 Dec
Saeed Mohammed A AlGhamdi	8	7	0	100.00%	Yes	Yes	Yes	– *	Yes	Yes	Yes	Yes
Rashid Ibrahim M Sharif	8	7	0	100.00%	Yes	Yes	Yes	– *	Yes	Yes	Yes	Yes
Marshall Charles Bailey	8	7	0	100.00%	Yes	Yes	Yes	– *	Yes	Yes	Yes	Yes
David Jeffrey Meek	8	7	0	100.00%	Yes	Yes	Yes	– *	Yes	Yes	Yes	Yes
Anees Ahmed M Moumina	8	7	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Saoud Solaiman A Aljuhni	8	8	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mohammed Ali M Alhokal	8	8	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ziad Mohammed S Altunisi	8	8	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ziad Abdulrahman A Algwaiz	8	8	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* The Board of Directors' meeting on July 14, 2020 was dedicated to discussing issues for related parties. The relevant members were not invited to attend and their attendance record is therefore unaffected.

Board Committees

Audit Committee

The Audit Committee consists at least of three and up to five members to be appointed by the General Assembly every three years. The Committee shall meet at least once every three months – four times every year – or whenever required by invitation from the Chairman or at the request of a member of the Committee, Chairman of the Board of the Bank, senior management, or an internal or external auditor. The Committee quorum shall be complete if attended by a majority of the members.

The decisions and discussions of the Committee must be recorded in minutes to be signed by the Chairman and the Members. Recording the proceedings of meetings is the responsibility of the Committee Secretary.

Key roles and responsibilities:

The Committee shall be accountable to the Board and shall assist the Board in meeting its responsibilities, which include:

- Ensuring the operation of an effective system of internal control and compliance.
- Meeting external financial reporting obligations, including those prescribed under applicable laws and regulations.

The key objective of the Audit Committee is to oversee and supervise:

- The integrity of financial statements.
- The external/internal auditors' qualifications, independence, and performance supervision.
- The Bank's compliance with all applicable legal and regulatory requirements and ethical standards.
- Performing the internal audit, compliance, anti-money laundering, and financial crime functions according to the standards stipulated by laws as required by the Saudi Central Bank.
- Reviewing the contracts and transactions suggested to be conducted by the Bank with related parties based on the assurances, obtaining the necessary guarantees from the Executive Management that they are carried out without preferential benefits or conditions, according to the internal policies and procedures and providing its recommendations to the Board.

Audit Committee Meetings, 2020

Name	Number of meetings	Attendance	Apologies	Attendance percentage	21 Jan	23 Jan	29 Feb	23 Apr	7 Jun	20 Jul	17 Sep	20 Oct	29 Nov	29 Dec
Mohammed Ali M Alhokal	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hani Suleiman Alshadokhi	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr Khaled M Altaweel	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dr Abdul Rahman M. Albarrak	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Abdul Rahman M Aloudan	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Executive Committee

The Executive Committee consists of five Members: The Chairman, three Board Members, and the CEO. It shall be headed by the Chairman and may be headed by the CEO. The Committee holds six periodic meetings per year or whenever needed and the meeting may be cancelled if no urgent decisions are required. Quorum for the meeting of the Committee shall be completed if attended by a majority in originality or by proxy. Absent members may vote by proxy. The decisions and discussions of the Committee must be recorded in minutes to be signed by the Chairman and the members. Recording the proceedings of meetings is the responsibility of the Committee Secretary.

Key roles and responsibilities:

The main objective of the Executive Committee is to manage and oversee the Bank's operations and make quick decisions on urgent issues in the Bank's course of business. Executive Committee shall guarantee that the Bank is sufficiently represented in the affiliated companies. In addition, it shall make decisions on credit and debt settlement, corporate responsibility, purchases, and corrective measures within the authority conferred by the Board.

Executive Committee Meetings, 2020

Name	Number of meetings	Attendance	Apologies	Attendance percentage	27 Jan	19 Apr	15 Jun	12 Jul	26 Jul	17 Aug	14 Sep	2 Nov	16 Nov	26 Nov
Saeed Mohammed A AlGhamdi	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Rashid Ibrahim M Sharif	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ziad Mohammed S Altunisi	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Zaid Abdul Rahman Algwaiz	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Faisal Omar Al- Saqqaf (CEO)	10	10	0	100.00%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Nomination, Compensation, and Governance Committee

In its annual meeting on 31 December 2017, NCB General Assembly approved the Nomination, Compensation, and Governance Committee's Charter in line with the Corporate Governance Regulations issued by the Board of the Capital Market Authority.

The Nomination, Compensation, and Governance, Committee consists of at least three non-Executive Board Members including two independent non-Executive Members other than the Board Members. The Chairman shall not have the right to be the head of the Committee. The CEO and Head of Human Resources Group may be invited to attend the meetings without exercising voting rights. The Committee shall convene at least twice a year. The meeting quorum shall comprise the presence of the majority of members.

Committee decisions and recommendations shall be made with the majority of present members' votes. In case of a tie, the Chairman shall have
a casting vote. Voting may not be withheld or delegated. The decisions and discussions of the Committee must be minuted and signed by the Chairman and the members. Recording the proceedings of meetings is the responsibility of the Committee's Secretary.

Key roles and responsibilities:

- Suggest clear policies and standards to the Board of Directors, Board Committees, and the Executive Management.
- Provide recommendations to the Board of Directors and its Committee members in relation to Board membership, according to the applicable policies and procedures.
- Ensure compliance with the terms and conditions stated in the rules and regulations issued by the regulatory bodies and the requirements decided by the Saudi Central Bank, the Capital Market Authority, and the Ministry of Commerce as well as the Board Membership Nomination Policy approved by NCB's General Assembly.
- Ensure that the number of candidates for Board membership whose names are placed before the General Assembly is greater than the number of available seats so that the General Assembly has the opportunity to choose from the candidates.
- Set a description of the capabilities and qualifications required for membership of the Board and its Committees and for filling Executive Management positions.
- Conduct an annual review and prepare the description of the required skills and qualifications for membership of the Board and its Committees including specification of the time that shall be allocated by the member for the activities of the Board and its Committees.
- Ensure that No Objection Certificates are obtained from the Saudi Central Bank for the nominees, after they have been approved by the Board.
- Review the Board's structure and the structure of its Committees and provide recommendations on proposed changes.
- Establish a register with the qualifications and skills of the Members of the Board and its Committees to identify the additional skills required to enhance the Board's role and performance of its duties and responsibilities.
- Define the Board and its Committees' strengths and weaknesses, and suggest solutions that serve the Bank's interest.
- Annually ensure the independence of the Independent Members and the absence of any conflict of interest in case a Board Member also acts as a member of the board of directors of another company.
- Set a job description for the executive, non-executive, and Independent Members and Senior Executives.
- Set the measures for filling vacancies in the membership of the Board and Committees thereof and in senior Executive management.
- Set clear policies for Board and Committee members' and executives' performance-based compensation standards, disclose such standards, verify their implementation, and consider the provisions issued by the regulatory bodies when preparing and raising them to the Board for approval by NCB's General Assembly.
- Periodically review the Compensation Policy and assess its effectiveness in the achievement of set goals
- Make recommendations to the Board on the compensation of the Board Members, Board Committee Members, and Senior Executives according to the approved policy.
- Ensure that the volume of compensation conforms to the prevailing local practice and relevant regulations, achieves the depositors' and shareholders' interests, and achieves the Bank's long-term strategic objectives.
- Develop the Bank's Succession Policy and ensure compliance by Executive Management.
- Ensure that the Bank's incentive program is regularly reviewed and does not encourage the involvement in high-risk transactions to achieve short-term profits and is in line with NCB's approved Risk Policy.
- Make recommendations to the Board on the candidates for membership of Board Committees taking into account the necessary qualifications required for every Committee.

Nomination, Compensation, and Governance Committee Meetings, 2020:

Name	Number of meetings	Attendance	Apologies	Attendance percentage%	26 January	20 August	20 September	15 December
Zaid Abdulrahman A Algwaiz	4	4	0	100.0%	Yes	Yes	Yes	Yes
Ziad Mohammed S Altunisi	4	4	0	100.0%	Yes	Yes	Yes	Yes
David Jeffrey Meek	4	4	0	100.0%	Yes	Yes	Yes	Yes

Risk Committee

The Risk Committee consists of at least three, and up to five, Board Members, including the CEO. The majority of members are non-executive. The Committee meets at least twice yearly or when required. Quorum comprises the majority of members. The decisions and recommendations of the Committee are passed by the majority of votes of members present. In case of a tie, the Chairman shall have a casting vote.

Key roles and responsibilities:

The Risk Committee is in charge of the supervision of Management in the Bank, ensuring that the Management understands significant risks to which the Bank is exposed and has comprehensive policies and processes in place to manage these risks, within the limits and areas of authority prescribed by the Board. The Committee shall review the measures adopted to ensure a sound and consistent risk profile.

Risk Committee Meetings, 2020

Name	Number of meetings	Attendance	Apologies	Attendance percentage%	26 January	22 April	20 September	30 November
Anees Ahmed M Moumina	4	4	0	100.0%	Yes	Yes	Yes	Yes
Saoud Solaiman A Aljuhni	4	4	0	100.0%	Yes	Yes	Yes	Yes
Marshall Charles Bailey	4	4	0	100.0%	Yes	Yes	Yes	Yes
David Jeffrey Meek	4	4	0	100.0%	Yes	Yes	Yes	Yes
Faisal Omar Al-Saqqaf (CEO)	4	4	0	100.0%	Yes	Yes	Yes	Yes

27. ASSESSMENT OF THE EFFECTIVENESS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

In line with the provisions of the applicable laws and regulations issued by the competent regulatory bodies in Saudi Arabia that a Board should assess the effectiveness of its Members and the volume of their involvement in its businesses, whether jointly or individually, and that this should apply to the Board Committees, and the Nomination, Compensation, and Governance Committee, when designing and preparing the assessment forms, considering the volume of the members' involvement and their effectiveness at the level of the Board and its Committees.

28. TRAINING PROGRAMS FOR THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

Given the Bank's commitment to enhance the skills of the Members of the Board of Directors and the Board Committees in banking and governance, a number of training programs inside and outside Saudi Arabia have been designed. NCB will continue the preparation of such programs in the coming year to become more specialized.

29. CHANGES TO KEY SHARE OWNERSHIP

The following table provides a detailed description of the key shareholders' ownership ratio in the Bank at the beginning and end of 2020.

Shareholder's name	Number of shares at the beginning of the year 01/01/2020	Number of shares at the end of the year 31/12/2020	Net Change	Y-o-Y%	Ownership%
Public Investments Fund (PIF)	1,328,839,999	1,328,839,999	0	0	44.29%
General Organization for Social Insurance	155,400,000	155,400,000	0	0	5.18%
Public Pension Agency (PPA)	160,826,298	160,826,298	0	0	5.36%

30. OWNERSHIP OF NCB'S SHARES BY DIRECTORS AND SENIOR EXECUTIVES, AND THEIR RELATIVES, AND CHANGES DURING 2020

The following tables provide a detailed description of the percentage of ownership distributed among the Board of Directors, their spouses and minor children; and Senior Executives, their spouses and their minor children, taking into account the increase in capital:

(a) Board members, and their relatives

Name of beneficiary	Number of shares at the beginning of the year 01/01/2020	Number of shares at the end of the year 31/12/2020	Net change	Y-o-Y%
Saeed Mohammed A AlGhamdi (Representative of Public Investment Fund)	257,739	492,264	234,525	91.00%
Rashid Ibrahim M Sharif (Representative of Public Investment Fund)	1,500	3,000	1,500	100.00%
Marshall Charles Bailey (Representative of Public Investment Fund)	0	0	–	–%
David Jeffrey Meek (Representative of Public Investment Fund)	0	0	–	–%
Anees Ahmed M Moumina (Representative of the General Organization for Social Insurance)	47,260	47,260	–	–%
Saoud Solaiman A Aljuhni (Representative of the Public Pension Agency)	0	0	–	–%
Zaid Abdulrahman A Algwaiz	19,875	59,525	39,650	199.50%
Ziad Mohammed S Altunisi	0	0	–	–%
Mohammed Ali Al-Hokal	0	0	–	–%

(b) Senior Executives and their relatives

Name of beneficiary	Title	Number of shares at the beginning of the year 01/01/2020	Number of shares at the end of the year 31/12/2020	Net change	Y-o-Y%
Faisal Omar Al- Saqqaf	Chief Executive Officer (CEO)	55,000	20,000	(35,000)	-63.64%
Lama A. Ghazzaoui	Head of Finance Group	0	60,000	60,000	100.00%
Ahmed Rabie AlRowaili	Head of Governance and Board of Directors Secretariat	3,799	3,799	–	–%
Talal Bin Ahmed Al Khereji	Deputy Chief Executive	3,150	75,339	72,189	2,291.71%
Firas Bin Hani Al Turki	Head of Shared Services Group	150	55,591	55,441	36,960.67%
Walid Bin Hassan Abdul Shakur	Head of Legal and Advisory Division	71,050	117,395	46,345	65.23%
Fouad Bin Abdullah Al Harbi	Head of Compliance Division	1,061	0	(1,061)	-100.00%
Omar M. Hashim	Head of Strategy and Business Development Group	0	50,515	50,515	100.00%
Omar Soufian Yassine	Head Quick Pay	118	20,776	20,658	17,506.78%
Ramzy Abdulaziz Darwish	Head of Treasury Group	10,000	35,845	25,845	258.45%
Majid AlGhamdi	Head of the Retail Banking Group	0	0	–	–%
Mutlaq Ben Salem Al Enazi	Head of Human Resources Group	0	0	–	–%
Naif bin Safouk Al Bashir Al Morshed	Head of Risk Group	0	189,143	189,143	100.00%
Wael Abdulaziz Raies	Head of Corporate Banking Group	0	0	–	–%
Sharif bin Mohammed Al-Samman	Head of Internal Audit	0	0	–	–%

31. SHAREHOLDERS' RIGHTS

NCB's Articles of Association, updated according to the resolution of the Extraordinary General Assembly held on 15 May 2018 and NCB's Corporate Governance Framework updated and approved by the Board of Directors on 21 September 2020, as well as the Bank's Shareholders Right Policy approved by the Board of Directors on 15 December 2020, stipulated shareholders' rights to obtain profits, attend assemblies, participate in discussions and voting, and dispose of their shares. Shareholders are also provided with information related to assemblies, balance sheets, the account of profits and losses, and the Board of Directors' annual report. This information is also published in local newspapers and on NCB's official website. Following is a statement with NCB's number of requests for the shareholders' register, the dates of such requests, and their reasons for the fiscal year ended 31 December 2020:

Number of requests	Date of request	Reasons for the request
1	02/01/2020	NCB's internal procedures
2	31/03/2020	NCB Shareholders' 8th Extraordinary General Assembly meeting
3	02/04/2020	Distribution of the cash profits to NCB Shareholders in respect of the second half of the fiscal year ended 31 December 2019.
4	03/09/2020	Corporate's internal procedures
5	07/10/2020	Corporate's internal procedures
6	04/11/2020	Corporate's internal procedures
7	04/01/2021	Corporate's internal procedures

32. NCB SHAREHOLDERS' GENERAL ASSEMBLIES

During the fiscal year ended 31 December 2020, NCB held a General Assembly for its Shareholders in which a number of topics announced on the Tadawul website were discussed. The Board also reviewed Shareholder resolutions and recommendations issued by the General Assembly. The following statement shows the attendance of the Board Members at the General Assembly meeting:

	Attendance Register
Name	NCB Shareholders' 8th Extraordinary General Assembly meeting regarding NCB's capital increase (first meeting) 31/03/2020
Saeed Mohammed A AlGhamdi (Board Chairman, Chairman of the Executive Committee & Representative of PIF)	Attendance
Rashid Ibrahim M Sharif (Vice Chairman of the Board and Representative of PIF)	Attendance
Marshall Charles Bailey (Representative of PIF)	Attendance
David Jeffrey Meek (Representative of PIF)	Attendance
Anees Ahmed M Moumina (Representative of the General Organization for Social Insurance)	Attendance
Saoud Solaiman A Aljuhni (Representative of the Public Pension Agency)	Attendance
Zaid Abdulrahman A Algwaiz	Attendance
Ziad Mohammed S Altunisi	Attendance
Mohammed Ali M Alhokal	Attendance

33. CORPORATE GOVERNANCE

In general, NCB operates in compliance with the provisions and guidelines of the Corporate Governance Regulations issued by the CMA, and the Saudi Central Bank's Corporate Governance Principles for Banks Operating in Saudi Arabia. NCB is committed to complying with all governance regulations and updates. The Bank continues to revise its relevant policies and procedures as regulatory updates are issued. In its meeting dated 21 September 2020, the Board of Directors approved the updated Corporate Governance Framework of the Bank, in addition to the creation, update, and approval of the policies supplementing the Framework by the General Assembly and NCB's Board, each within its powers in line with the provisions of the Corporate Governance Regulations issued by the CMA.

NCB affirms that it continues to audit the general framework of the Bank's governance in accordance with the highest professional standard and best practices to keep abreast of any developments and to ensure the implementation of effective governance in all the Bank's businesses.

ACKNOWLEDGMENT

The NCB Board expresses its deep gratitude and appreciation to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al Saud; HRH Prince Muhammad Bin Salman Bin Abdulaziz Al Saud, Crown Prince, Deputy Prime Minister, and Minister of Defense; and the Government of the Custodian of the Two Holy Mosques.

The Board also thanks the Council of Economic and Development Affairs, the Ministry of Finance, the Saudi Central Bank, the Capital Market Authority, and the Ministry of Investment, who spare no effort to develop the financial services industry in the Kingdom. This has great impact on the progress and prosperity of the national financial sector, in addition to their significant role in achieving economic growth in the Kingdom, despite the considerable challenges facing the world's economies.

The Board expresses its gratitude to all NCB's shareholders for their continuous trust and support for the Bank's business strategies. The Board also thanks its customers, one of the most important assets in the Bank's continued success, and all employees for their dedication and competence, which are vital elements in the Bank's distinguished 2020 results.

May the Peace and Mercy of Allah be upon you

Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

Building a better
working world

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License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of The National Commercial Bank (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of The National Commercial Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes from 1 to 46.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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, that are 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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, a description of how our audit addressed the matter is set out below, provided in that context:

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Expected Credit Loss allowance against financing and advances	As at 31 December 2020, the Group's gross financing and advances amounted to SR 355,500 million (2019: SR 289,205 million), against which an Expected Credit Loss ("ECL") allowance of SR 8,791 million (2019: SR 7,362 million) was maintained. 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. Moreover, the Covid-19 pandemic has resulted in heightened uncertainty regarding the economic outlook in particular and hence has increased the levels of judgment needed to determine the ECL under the requirements of IFRS 9 – Financial Instruments ("IFRS 9"). The key areas of judgement include: 1. Categorisation of financing and advances into Stages 1, 2 and 3 based on the identification of: (a) exposures that have a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired/defaulted exposures. In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the financing and advances ('Lifetime ECL'). The Group has applied judgments to identify and estimate the likelihood of borrowers that may have undergone SICR, notwithstanding the government support programs that resulted in payment deferrals to certain segment of counterparties. The payment deferrals were not deemed to have triggered SICR by themselves. 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of counterparty, expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities. 3. The need to apply post model overlays using expert credit judgment to reflect all relevant risk factors that might not be captured by the ECL model. Application of these judgements, particularly in light of the global pandemic, have given rise to greater estimation uncertainty around ECL and therefore affected the associated audit risk thereon as at 31 December 2020. *Refer to the summary of significant accounting policy note 3.26 for the impairment of financial assets; note 2.5(h) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 7.2 which contains the disclosure of impairment against loans and advances; note 33 for details of credit quality analysis and key assumptions and factors considered in determination of ECL, and note 43 for impact of Covid-19 pandemic on ECL.*	• We obtained and updated our understanding of management's assessment of ECL allowance in respect of financing and advances, including, Group's internal rating model, accounting policy, methodology, as well any key changes made in light of the Covid-19 pandemic. • We compared the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant "IT" general and application controls) in relation to: – the ECL model (including governance over the model, its validation, approval of key assumptions and post model adjustments, if any); – the classification of borrowers into various stages and timely identification of SICR and the determination of default/ individually impaired exposures; – the IT systems and applications underpinning the ECL model; and – the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: – the internal ratings determined by management based on the Group's internal models and considered these assigned ratings in light of external market conditions and available industry information, in particular with reference to the impacts of the Covid-19 pandemic, and also assessed that these were consistent with the ratings used as input in the ECL model; – the staging as identified by management; and – management's computations for ECL. We assessed the appropriateness of the Group's criteria for the determination of SICR and "default" and the identification of "individually impaired" exposures; and their classification into stages. Further, for a sample of exposures, we assessed the appropriateness of the corresponding staging classification, including customers who were eligible for deferal of instatlments under government support programs (with specific focus on customers operating in sectors most affected by the Covid-19 pandemic). We assessed the governance process established by the Group and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise. We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios due to the Covid-19 pandemic. We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2020. Where relevant, we involved our specialists including IT specialists to assist us in reviewing ECL model calculations, evaluating inputs and assessing reasonableness of assumptions used, particularly around macroeconomic variables, macroeconomic scenarios and probability weights. We assessed the adequacy of related disclosures in the consolidated financial statements.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Classification of investments	As at 31 December 2020, the Group's gross investments amounted to SR 145,032 million (2019: SR 134,255 million), against which an impairment allowance of 179 million (2019: SR 178 million) has been maintained as at 31 December 2020. These include sukuks, bonds, hedge funds, mutual funds, quoted and unquoted shares and other private equity investments. In accordance with the requirements of IFRS 9, the Group classifies its investments into the following categories: measured at amortized cost ("IAC"), measured at fair value through other comprehensive income ("FVOCI") and measured at fair value through income statement ("FVIS"). These classifications are generally based on (except equity instruments and derivatives) the characteristics of contractual cash flows and the business models under which they are held. The classification of investments is considered a key audit matter considering the fact that IFRS 9 requires significant judgment in performing the contractual cash flow characteristics test and the business model assessment. *Refer to note 2.5(i) to the consolidated financial statements for significant judgments applied in the determination of classification of investments and note 3.4 for significant accounting policies pertaining to classification.*	Our audit procedures in response to the significant risk associated with the classification of Group's investments covered assessing the appropriateness and adequacy of the classification criteria and we have performed the below procedures. • We have checked the Group's investment classification policy and compared it with the requirements of IFRS 9. • For sample of investments classified as amortized cost, we checked the appropriateness of the classification by verifying that each financial asset meets both of the following conditions and is not designated as FVIS: – 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 interest on the principal amount outstanding (SPPI test). • We assessed whether the increase in the frequency and value of sales of investments classified as amortized cost ,during the year ended 31 December 2020, due to deterioration of the credit quality of the borrower or the issuer of the financial asset, as a result of the Covid pandemic, is inconsistent with the objective to hold assets to collect contractual cash flows. • For sample of investments classified as FVOCI, we checked the appropriateness of the classification by verifying that a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVIS: – 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 interest on the principal amount outstanding (SPPI test). • We assessed the adequacy of related disclosures in the consolidated financial statements.
Impairment for credit losses on debt investments held at IAC and FVOCI	As at 31 December 2020, the Group had gross investments in debt instruments held at amortised cost (IAC) and fair value through other comprehensive income (FVOCI) amounting to SR 133,309 million (2019: SR 123,657 million) against which an impairment allowance of SR 179 million has been maintained as at 31 December 2020 (2019: SR 178 million). These investments comprise government, qausi government, corporate sukuks and bonds and other bonds which are subject to the risk of impairment in value due to either adverse market conditions and/or liquidity constraints faced by the issuers. Due to the subjectivity inherent in the process of identifying and computing impairment charge for credit losses, it requires significant management judgment. As per the requirements of IFRS 9, management is required to determine and recognize expected credit losses ('ECL'). This required significant judgment, especially in the areas of classifying investments into Stages 1,2 and 3, as stipulated in IFRS 9, determination of significant increase in credit risk, establishing curing periods and computing probability of defaults (PD) and loss given default (LGD) percentages for counterparties.	Our audit procedures in response to the significant risk associated with the impairment charge for credit losses on Group's debt investments held at IAC and FVOCI covered assessing the appropriateness and adequacy of the corresponding impairment allowances and we have performed following procedures. • We assessed the design and implementation and tested the operating effectiveness of the key controls over management's processes for determining impairment allowance against investment in debt instruments held at IAC and FVOCI. • We checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. • For provision against debt instruments classified as Stage 1, Stage 2 and Stage 3, we obtained an understanding of the Group's provisioning methodology, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used. For a sample of investments in debt instruments, we checked the appropriateness of determining exposure at default, probability of default, and loss given default used in the expected credit losses calculations.

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Impairment for credit losses on debt investments held at IAC and FVOCI (continued)	In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the investments ('Lifetime ECL'). Moreover, the Covid-19 pandemic has resulted in heightened uncertainty about the economic outlook in particular and increased the levels of judgement needed to determine the ECL. Moreover, in making an assessment of whether an investment in a sovereign debt is credit-impaired, the Group considers creditworthiness as reflected in the bond/sukuk yields and assessed by the rating agencies, the country's ability to access the capital markets for new debt issuance, the probability of debt being restructured, the international support mechanisms in place to provide the necessary support to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. Since debt investments form a significant component of the Group's consolidated assets, and on account of the significance of judgments applied by management in the aforementioned aspects, we have considered ECL against Group's debt instruments held at IAC and FVOCI to be a key audit matter. *Refer to notes 2.5(h) to the consolidated financial statements for significant judgments applied in the determination of expected credit losses, note 6.2 for movement in ECL during the year ended 31 December 2020, note 33 for credit risk management strategy and credit quality analysis in respect of investments.*	We challenged the SICR assessment for debt instruments issued by issuers operating in vulnerable sectors in light of Covid-19 pandemic and assessed whether lifetime ECL losses have triggered. We have also checked the reasonableness and justification of management overlays. Where relevant, we used specialists including IT specialists and financial risk modelling experts to gain comfort on model recalibration, resultant ECL calculations and data integrity. We assessed the adequacy of related disclosures in the consolidated financial statements. There were no exposures determined to be individually impaired classified as stage 3 as at 31 December 2020.
Valuation of unquoted derivative and non-derivative financial instruments carried at fair value	As at 31 December 2020, the carrying values of unquoted derivative and non-derivative financial assets and financial liabilities carried at fair value aggregated to SR 40,205 million (2019: SR 37,903 million) and SR 9,744 million (2019: SR 6,082 million), respectively. The fair value of these financial instruments is determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates. Estimation uncertainty exists for those instruments not traded in an active market (i.e. unquoted) and where the internal modelling techniques use: • significant observable valuation inputs (i.e. level 2 investments); and • significant unobservable valuation inputs (i.e. level 3 investments) Estimation uncertainty is particularly high for level 3 investments. The business disruptions and economic impacts of Covid-19 pandemic have further raised the degree of estimation uncertainty involved in fair valuing unquoted investments.	• We assessed the design and implementation and tested the operating effectiveness of key controls over; • management's processes for performing valuation of unquoted derivative and non-derivative financial instruments which are not traded in an active market; and • IT system and the data integrity of the investment portfolio information held. • We evaluated the valuation techniques, inputs and reasonableness of assumptions used by management to value unquoted derivative and non-derivative financial instruments.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Valuation of unquoted derivative and non-derivative financial instruments carried at fair value (continued)	The valuation of the Group's unquoted derivative and non-derivative financial instruments in level 2 and 3 categories was therefore considered a key audit matter given the degree of complexity involved in valuing these investments and the significance of the judgments and estimates made by the management. *Refer to the significant accounting policies note 2.5(a) to the consolidated financial statements for details of significant judgements applied in valuation of unquoted derivative and non-derivative financial instruments carried at fair value and note 37 which explain the investment valuation methodology used by the Group and the critical judgments and estimates.*	We tested the valuation of a sample of unquoted derivative and non-derivative financial instruments. As part of these audit procedures, we assessed the key inputs used in the valuation such as cashflows, discount rates used, comparable entity data and liquidity discounts by benchmarking them with external data. In addition to independently testing the valuation of derivatives, we have also checked the valuation of selected samples against counterparty valuation statements. • We assessed the adequacy of the financial instrument hierarchy and also considered IFRS 9 related disclosures in the consolidated financial statements.
SAMA support program and related government grant	In response to Covid-19 pandemic, the Saudi Central Bank (SAMA) launched number of initiatives including the Liquidity support programme for banks and the Private Sector Financing Support Program ("PSFSP"). PSFSP was launched in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME"). The PSFSP included deferred payments program whereby the Bank deferred the instalment payable by MSMEs falling due during the period from 14 March 2020 to 31 March 2021. In order to compensate the Bank with respect to the losses incurred in connection with the PSFSP and the Liquidity support programme, the Bank has received interest/profit free deposits of varying maturities amounting in aggregate to SR 16.6 billion. The difference between fair value of such deposits at initial recognition (or pre-modification), determined using market rates of deposits of similar value and tenure, and their face value (or pre-modification carrying value) has been considered as a government grant and accounted for in accordance with the International Accounting Standard 20: Government Grants ("IAS 20"). We considered the accounting for the deposits received under SAMA support programme as a key audit matter because: • these deposis represent significant events and material transactions that occurred during the year and thereby required significant auditors' attention and • the recognition and measurement of government grant has involved significant management judgement including but not limited to: – determining the appropriate discount rate to be used; and – identifying the objective of each individual deposit to determine the timing of recognition of associated grant. *Refer to the significant accounting policy note 3.42 to the consolidated financial statements relating to government grant accounting and note 43 which contains the disclosure of SAMA support programms and details of the government grant received over the year from SAMA.*	We obtained an understanding of the various programs and initiatives taken by SAMA during the year ended 31 December 2020 in response to Covid-19 and assessed the objectives of the deposits received by the Group in relation thereto to assess the appropriateness of application of IAS 20 (and recogntion of government grant) by the Group. We checked the accuracy of the government grant computation (including discount rate used) and assessed the appropriateness of the timing of recognition of the goverment grant by the Group. We assessed the appropriateness of related disclosures in the consolidated financial statements.

Other Information included in the Group's 2020 Annual Report

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as endorsed in KSA, the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws, and for such internal controls as management determines is necessary to enable the preparation of 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 ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 represents 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.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 controls that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 while performing our audit procedures, nothing has come to our attention that causes us to believe that the Bank is not in compliance with the requirements of the Regulation 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.

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4 Rajab 1442H
Corresponding 16 February 2021

Consolidated Statement of Financial Position

As at 31 December 2020 and 2019

	Notes	2020 SAR '000	2019 SAR '000
ASSETS			
Cash and balances with SAMA	4	**56,823,677**	45,382,209
Due from banks and other financial institutions, net	5	**13,636,822**	16,565,294
Investments, net	6	**144,852,695**	134,076,572
Financing and advances, net	7	**346,708,138**	281,843,332
Positive fair value of derivatives, net	12	**7,898,096**	5,276,039
Investments in associates, net	8	**441,614**	438,483
Property, equipment and software, net	9	**5,842,454**	5,496,576
Right of use assets, net	10	**1,525,286**	1,669,825
Other assets	11.1	**21,717,216**	16,070,416
Total assets		**599,445,998**	506,818,746
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	13	**75,028,157**	62,186,044
Customers' deposits	14	**416,418,721**	353,389,315
Debt securities issued	15	**1,772,690**	1,016,101
Negative fair value of derivatives, net	12	**9,744,443**	6,081,580
Other liabilities	16	**16,267,006**	14,802,857
Total liabilities		**519,231,017**	437,475,897
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Share capital	17	**30,000,000**	30,000,000
Treasury shares	25.2	**(371,071)**	(357,971)
Statutory reserve	18	**28,369,948**	25,650,012
Other reserves (cumulative changes in fair values)	19	**1,676,493**	866,542
Employees› share based payments reserve	25.1	**242,713**	202,508
Retained earnings		**14,401,446**	6,176,484
Proposed dividend	29	**–**	3,600,000
Foreign currency translation reserve		**(5,109,433)**	(4,694,978)
Equity attributable to shareholders of the Bank		**69,210,096**	61,442,597
Tier 1 Sukuk	28	**10,200,000**	7,000,000
Equity attributable to equity holders of the Bank		**79,410,096**	68,442,597
Non-controlling interest	41.1	**804,885**	900,252
Total equity		**80,214,981**	69,342,849
Total liabilities and equity		**599,445,998**	506,818,746

Hussein H. Eid
Acting Chief Financial Officer

Talal A. AlKhereiji
Acting Chief Executive Officer

Saeed M. Al-Ghamdi
Chairman

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the years ended 31 December 2020 and 2019

	Notes	2020 SAR '000	2019 SAR '000
Special commission income	21	**19,441,053**	21,117,390
Special commission expense	21	**(2,754,404)**	(4,734,937)
Net special commission income		**16,686,649**	16,382,453
Fee income from banking services, net	22	**2,259,640**	1,919,738
Exchange income, net		**1,205,268**	1,062,347
Income from fair value through income statement (FVIS) financial instruments, net	23	**815,967**	939,752
Gains/income on non-FVIS financial instruments, net	24	**973,433**	470,256
Other operating (expenses), net		**(483,025)**	(199,866)
Total operating income		**21,457,932**	20,574,680
Salaries and employee-related expenses		**3,549,657**	3,549,789
Rent and premises-related expenses		**340,730**	355,306
Depreciation/amortisation of property, equipment, software and right of use assets	9 & 10	**900,519**	865,935
Other general and administrative expenses		**1,706,046**	1,527,589
Total operating expenses before expected credit losses		**6,496,952**	6,298,619
Net impairment charge for expected credit losses	6.2 & 7.3	**1,950,887**	1,419,930
Total operating expenses		**8,447,839**	7,718,549
Income from operations, net		**13,010,093**	12,856,131
Other non-operating (expenses) income, net		**(76,770)**	62,447
Net income for the year before Zakat and income tax		**12,933,323**	12,918,578
Zakat and income tax expenses		**(1,373,219)**	(1,434,712)
Net income for the year		**11,560,104**	11,483,866
Net income for the year attributable to:			
Equity holders of the Bank		**11,440,097**	11,401,436
Non-controlling interests	41.1	**120,007**	82,430
Net income for the year		**11,560,104**	11,483,866
Basic earnings per share (expressed in SAR per share)	27	**3.68**	3.68
Diluted earnings per share (expressed in SAR per share)	27	**3.67**	3.67

Hussein H. Eid
Acting Chief Financial Officer

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Acting Chief Executive Officer

Saeed M. Al-Ghamdi
Chairman

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Consolidated Statement of Comprehensive Income

For the years ended 31 December 2020 and 2019

	2020 SAR '000	2019 SAR '000
Net income for the year	**11,560,104**	11,483,866
Other comprehensive income		
Items that cannot be reclassified to the consolidated statement of income in subsequent years:		
Net movement in fair value through other comprehensive income in equity instruments and actuarial valuation (losses)	**(45,838)**	(238,886)
Items that are or may be reclassified to the consolidated statement of income in subsequent years:		
Net movement in foreign currency translation reserve (losses)	**(630,106)**	(347,607)
Fair Value Through Other Comprehensive Income debt instruments:		
– Net change in fair values	**1,363,563**	1,930,893
– Net amounts transferred to the consolidated statement of income	**(492,126)**	(217,900)
Cash flow hedges:		
– Effective portion of changes in fair values	**17,371**	91,912
– Net amounts transferred to the consolidated statement of income	**(31,785)**	(61,384)
Total other comprehensive income	**181,079**	1,157,028
Total comprehensive income for the year	**11,741,183**	12,640,894
Attributable to:		
Equity holders of the Bank	**11,835,593**	12,633,119
Non-controlling interests	**(94,410)**	7,775
Total comprehensive income for the year	**11,741,183**	12,640,894

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Consolidated Statement of Changes in Equity

For the years ended 31 December 2020 and 2019

		Attributable to equity holders of the Bank			
				Other reserves	
	Notes	Share capital SAR' 000	Treasury shares SAR' 000	Statutory reserve SAR' 000	Cash flow hedge reserves SAR' 000
Balance as at 1 January 2020		**30,000,000**	**(357,971)**	**25,650,012**	**62,955**
Other comprehensive (loss)/income for the year		–	–	–	**(14,756)**
Net income for the year		–	–	–	–
Total comprehensive (loss)/income for the year		–	–	–	**(14,756)**
Transfer to statutory reserve	18	–	–	**2,719,936**	–
Adjustments in non-controlling interests and subsidiaries		–	–	–	–
Tier 1 Sukuk issued	28	–	–	–	–
Tier 1 Sukuk called	28	–	–	–	–
Tier 1 Sukuk related costs	28	–	–	–	–
Purchase of treasury shares for employees' share based payment plan	25	–	**(146,043)**	–	–
Settlement of vested share based payments plan via treasury shares	25.2	–	**132,943**	–	–
Share based payments vested during the year	25.1	–	–	–	–
Employees' share based payments plan reserve – charged to the consolidated statement of income	25.1	–	–	–	–
Final dividend paid for 2019	29	–	–	–	–
Balance as at 31 December 2020		**30,000,000**	**(371,071)**	**28,369,948**	**48,199**
Balance as at 1 January 2019		30,000,000	(373,313)	22,894,980	31,148
IFRS adjustments	3.3	–	–	–	–
Balance as at 1 January 2019 (restated)		30,000,000	(373,313)	22,894,980	31,148
Other comprehensive income/(loss) for the year		–	–	–	31,807
Net income for the year		–	–	–	–
Total comprehensive income/(loss) for the year		–	–	–	31,807
Transfer to statutory reserve	18	–	–	2,755,032	–
Adjustments in non-controlling interests and subsidiaries		–	–	–	–
Tier 1 Sukuk related costs	28	–	–	–	–
Purchase of treasury shares for employee's share based payment plan	25.2	–	(125,000)	–	–
Settlement of vested share based payments plan via treasury shares		–	140,342	–	–
Share based payments reversal		–		–	–
Employees' share based payments plan reserve – charged to the consolidated statement of income	25.1	–	–	–	–
Final dividend paid for 2018		–	–	–	–
Interim dividend paid for 2019	29	–	–	–	–
Final proposed dividend 2019	29	–	–	–	–
Proposed dividend reversal		–	–	–	–
Balance as at 31 December 2019 – Restated		30,000,000	(357,971)	25,650,012	62,955

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Acting Chief Financial Officer

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Acting Chief Executive Officer

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Chairman

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements.

Attributable to equity holders of the Bank									
FVOCI Financial instrument reserve SAR' 000	Employees' share based payments reserve SAR' 000	Retained earnings SAR' 000	Proposed dividend SAR' 000	Foreign currency translation reserve SAR' 000	Total equity attributable to shareholders of the Bank SAR' 000	Tier 1 Sukuk SAR' 000	Total equity attributable to equity holders of the Bank SAR' 000	Non-controlling interests SAR' 000	Total equity SAR' 000
803,587	**202,508**	**6,176,484**	**3,600,000**	**(4,694,978)**	**61,442,597**	**7,000,000**	**68,442,597**	**900,252**	**69,342,849**
824,707	**–**	**–**	**–**	**(414,455)**	**395,496**	**–**	**395,496**	**(214,417)**	**181,079**
–	**–**	**11,440,097**	**–**	**–**	**11,440,097**	**–**	**11,440,097**	**120,007**	**11,560,104**
824,707	**–**	**11,440,097**	**–**	**(414,455)**	**11,835,593**	**–**	**11,835,593**	**(94,410)**	**11,741,183**
–	**–**	**(2,719,936)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**(8,951)**	**–**	**–**	**(8,951)**	**–**	**(8,951)**	**(957)**	**(9,908)**
–	**–**	**–**	**–**	**–**	**–**	**4,200,000**	**4,200,000**	**–**	**4,200,000**
–	**–**	**–**	**–**	**–**	**–**	**(1,000,000)**	**(1,000,000)**	**–**	**(1,000,000)**
–	**–**	**(437,504)**	**–**	**–**	**(437,504)**	**–**	**(437,504)**	**–**	**(437,504)**
–	**–**	**–**	**–**	**–**	**(146,043)**	**–**	**(146,043)**	**–**	**(146,043)**
–	**–**	**(132,943)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**(84,199)**	**84,199**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**124,404**	**–**	**–**	**–**	**124,404**	**–**	**124,404**	**–**	**124,404**
–	**–**	**–**	**(3,600,000)**	**–**	**(3,600,000)**	**–**	**(3,600,000)**	**–**	**(3,600,000)**
1,628,294	**242,713**	**14,401,446**	**–**	**(5,109,433)**	**69,210,096**	**10,200,000**	**79,410,096**	**804,885**	**80,214,981**
(637,196)	196,798	6,790,221	3,288,350	(4,454,071)	57,736,917	7,000,000	64,736,917	931,792	65,668,709
–	–	(1,895,576)	–	–	(1,895,576)	–	(1,895,576)	10	(1,895,566)
(637,196)	196,798	4,894,645	3,288,350	(4,454,071)	55,841,341	7,000,000	62,841,341	931,802	63,773,143
1,440,783	–	–	–	(240,907)	1,231,683	–	1,231,683	(74,655)	1,157,028
–	–	11,401,436	–	–	11,401,436	–	11,401,436	82,430	11,483,866
1,440,783	–	11,401,436	–	(240,907)	12,633,119	–	12,633,119	7,775	12,640,894
–	–	(2,755,032)	–	–	–	–	–	–	–
–	–	(26,273)	–	–	(26,273)	–	(26,273)	(39,325)	(65,598)
–	–	(396,900)	–	–	(396,900)	–	(396,900)	–	(396,900)
–	–	–	–	–	(125,000)	–	(125,000)	–	(125,000)
–	–	(140,342)	–	–	–	–	–	–	–
–	(103,330)	103,330	–	–	–	–	–	–	–
–	109,040	–	–	–	109,040	–	109,040	–	109,040
–	–	–	(3,292,730)	–	(3,292,730)	–	(3,292,730)	–	(3,292,730)
–	–	(3,300,000)	–	–	(3,300,000)	–	(3,300,000)	–	(3,300,000)
–	–	(3,600,000)	3,600,000	–	–	–	–	–	–
–	–	(4,380)	4,380	–	–	–	–	–	–
803,587	202,508	6,176,484	3,600,000	(4,694,978)	61,442,597	7,000,000	68,442,597	900,252	69,342,849

Consolidated Statement of Cash Flows

For the years ended 31 December 2020 and 2019

	Notes	2020 SAR '000	2019 SAR '000
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		12,933,323	12,918,578
Adjustments to reconcile net income to net cash from operating activities:			
Amortisation of premium/discount on non-trading financial instruments, net		153,897	(455,578)
(Gains) on non-Fair value through income statement financial instruments, net	24	(872,968)	(374,384)
(Gains) on disposal of property, equipment and software, net		(12,576)	(24,803)
Loss on disposal of other repossessed assets		77,022	51,306
Depreciation/amortisation of property, equipment, software, and Right of Use Assets	9 & 10	900,519	865,935
Impairment charge for financing and advances, net	7.3	1,949,687	1,447,164
Impairment charge on investments, net	6.2	1,200	(27,234)
Share of results of associates, net		(3,131)	(2,560)
Share based payments plan expense		124,404	109,040
		15,251,377	14,507,464
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(3,316,405)	(491,938)
Due from banks and other financial institutions with original maturity of more than three months, net		3,178,926	(437,659)
Held at fair value through income statement (FVIS) investments		(353,925)	(2,880,568)
Financing and advances, net		(72,345,033)	(23,643,317)
Positive fair value of derivatives, net		(2,606,600)	(1,294,315)
Other assets		(4,697,520)	(4,503,263)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		13,637,374	16,720,419
Customers' deposits		68,126,568	36,821,213
Negative fair value of derivatives, net		3,679,823	2,835,885
Other liabilities		714	2,438,481
Net cash from operating activities:		20,555,299	40,072,402
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-FVIS investments		40,449,680	16,214,712
Purchase of non-FVIS investments		(50,024,625)	(27,092,811)
Purchase of property, equipment and software	9	(1,108,488)	(812,515)
Proceeds from disposal of property, equipment and software		19,809	26,852
Dividends from associates	8	–	11,448
Net cash (used in) investing activities:		(10,663,624)	(11,652,314)
FINANCING ACTIVITIES			
Debt securities issued	15	4,758,601	5,312,980
Debt securities payment	15	(3,816,939)	(13,244,516)
Net movement in non-controlling interests		(591)	(32,709)
Tier 1 Sukuk Issuance	28	4,200,000	–
Tier 1 Sukuk called	28	(1,000,000)	–
Tier 1 Sukuk related costs	28	(437,504)	(396,900)
Purchase of treasury shares	25.2	(146,043)	(125,000)
Final dividend paid for 2019/2018	29	(3,600,000)	(3,292,730)
Interim dividend paid for 2019	29	–	(3,300,000)
Net cash (used in) financing activities:		(42,476)	(15,078,875)
Net increase in cash and cash equivalents		9,849,199	13,341,213
Foreign currency translation reserve – net movement on cash and cash equivalents at the beginning of the year		(632,122)	(458,014)
Cash and cash equivalents at the beginning of the year		32,674,743	19,791,544
Cash and cash equivalents at the end of the year	30	41,891,820	32,674,743
Special commission income received during the year		19,535,033	20,978,239
Special commission expense paid during the year		3,072,643	4,920,103
Supplemental non-cash information			
Movement in other reserve and transfers to the consolidated statement of income		857,023	1,743,521

Hussein H. Eid
Acting Chief Financial Officer

Talal A. AlKhereiji
Acting Chief Executive Officer

Saeed M. Al-Ghamdi
Chairman

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements.

1. GENERAL

(1.1) Introduction

The financial statements comprise of the consolidated financial statements of The National Commercial Bank (the Bank) and its subsidiaries (the Group).

The National Commercial Bank is a Saudi Joint Stock Company formed pursuant to Cabinet Resolution No. 186 on 22 Dhul Qida 1417H (30 March 1997) and Royal Decree No. M/19 on 23 Dhul Qida 1417H (31 March 1997), approving the Bank's conversion from a General Partnership to a Saudi Joint Stock Company.

The Bank commenced business as a partnership under registration certificate authenticated by a Royal Decree on 28 Rajab 1369H (15 May 1950) and registered under commercial registration number 4030001588 dated on 19 Safar 1418H (26 June 1997). The Bank initiated business in the name of "The National Commercial Bank" under Royal Decree No. 3737 on 20 Rabi Thani 1373H (26 December 1953). The date of 1 July 1997 was determined to be the effective date of the Bank's conversion from a General Partnership to a Saudi Joint Stock Company. The Bank's shares have been trading on Saudi Stock Exchange (Tadawul) since 12 November 2014.

The Bank operates through its 431 branches (2019: 434 branches), 11 retail service centers (2019: 12 centers), 4 corporate service centers (2019: 8 centers) and 127 QuickPay remittance centers (2019: 138 centers) in the Kingdom of Saudi Arabia and two overseas branches in the Kingdom of Bahrain and the Republic of Singapore.

The Board of Directors in their meeting dated 23 November 2015 resolved to close the Bank's branch operations domiciled in Beirut, Lebanon. The required regulatory approvals have been received and the legal formalities in respect of the closure of the branch are in progress."

The Bank announced on 25 June 2020 that it entered into a framework agreement with Samba Financial Group ("SAMBA"), a bank listed in the Kingdom of Saudi Arabia stock market (Tadawul), in order to begin a reciprocal due diligence process and to negotiate definitive and binding terms of a potential merger of the two banks.

Subsequently, on 11 October 2020, the Bank announced that it has entered into a legally binding merger agreement pursuant to which NCB and SAMBA have agreed to take necessary steps to implement merger between the two Banks in accordance with Article 191-193 of the Companies Law and Article 49(a)(1) of the Merger and Acquisition Regulation.

Pursuant to the terms of the merger agreement, all of the assets and liabilities of SAMBA will be transferred to NCB and accordingly, on completion of the merger, the Bank will continue to exist and SAMBA will cease to exist as a legal entity and its shares will be cancelled and new shares in NCB will be issued to the shareholders of SAMBA based on the agreed exchange ratio. The merger is conditional upon shareholders of both banks and respective regulatory approvals.

The Bank's Head Office is located at the following address:
The National Commercial Bank
Head Office
King Abdul Aziz Street
P.O. Box 3555, Jeddah 21481,
Kingdom of Saudi Arabia
www.alahli.com

The objective of the Group is to provide a full range of banking and investment management services. The Group also provides non-special commission based banking products in compliance with Shariah rules, which are approved and supervised by an independent Shariah Board.

(1.2) Group's subsidiaries

The details of the Group's significant subsidiaries are as follows:

	Ownership %		
Name of subsidiary	2020	2019	Description
NCB Capital Company (NCBC)	**100%**	99.94%	A Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia to manage the Bank's investment services and asset management activities.
NCB Capital Dubai Inc. (formerly Eastgate Capital Holdings Inc.)	**100%**	99.94%	An exempt company with limited liability incorporated in the Cayman Islands to source, structure and invest in private equity and real estate development opportunities across emerging markets.
NCB Capital Real Estate Investment Company (REIC)	**100%**	99.94%	The Company is a special purpose entity registered in the Kingdom of Saudi Arabia. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by NCB Capital Company.

1. GENERAL (continued)

(1.2) Group's subsidiaries (continued)

Name of subsidiary	Ownership % 2020	Ownership % 2019	Description
Türkiye Finans Katılım Bankası A.Ş. (TFKB)	**67.03%**	67.03%	A participation bank registered in Turkey that collects funds through current accounts and profit sharing accounts and lends funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships. As at the end of the year, TFKB fully owns the issued share capital of TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlik Kiralama A.Ş., which are special purpose entities (SPEs) established in connection with issuance of Sukuks by TFKB.
Real Estate Development Company (REDCO)	**100%**	100%	A Limited Liability Company registered in the Kingdom of Saudi Arabia. REDCO is engaged in keeping and managing title deeds and collateralised real estate properties on behalf of the Bank.
AlAhli Insurance Service Marketing Company	**100%**	100%	A Limited Liability Company, engaged as an insurance agent for distribution and marketing of Islamic insurance products in The Kingdom of Saudi Arabia. On 7 July 2020, Saudi Central Bank "SAMA" issued rules governing banc assurance activities decision whereby banc assurance activities i.e. distribution and marketing of Islamic products shall be practiced directly through the Bank. Therefore, the company resolved to liquidate the operations with immediate effect. The regulatory procedures to liquidate the company are in process.
Saudi NCB Markets Limited	**100%**	100%	A Limited Liability Company registered in the Cayman Islands, engaged in trading in derivatives and Repos/Reverse Repos on behalf of the Bank.
Eastgate MENA Direct Equity L.P.	**100%**	100%	A private equity fund domiciled in the Cayman Islands and managed by NCB Capital Dubai Inc. The Fund's investment objective is to generate returns via investments in Shariah compliant direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).
AlAhli Outsourcing Company	**100%**	100%	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in recruitment services within the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(2.1) Statement of compliance

The consolidated financial statements of the Group have been prepared;

- In accordance with 'International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA); as collectively referred to IFRSs that are endorsed in KSA.
- In compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

(2.2) Basis of measurement

The consolidated financial statements are prepared and presented under the historical cost convention except for the measurement at fair value of financial assets held at fair value [derivatives, financial assets held at fair value through income statement (FVIS), Fair value through other comprehensive income (FVOCI) – debt instruments and equity instruments and defined benefit obligation]. In addition, financial assets or liabilities that are carried at amortized cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged. The statement of financial position is broadly in order of liquidity.

(2.3) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is also the Bank's functional currency and have been rounded off to the nearest thousand Saudi Arabian Riyals, except as otherwise indicated.

(2.4) Basis of consolidation

The consolidated financial statements comprise the financial statements of "The National Commercial Bank" and its subsidiaries (see note 1.2). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

(2.5) Critical accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with the IFRS as endorsed in the KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. 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. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future period affected.

In preparing these consolidated financial statements, the critical accounting judgments, estimates and assumptions made by management are primarily consistent with those applied to the annual consolidated financial statements for the year ended 31 December 2019, except for judgments and assumptions used in the application of accounting policies as disclosed in note 3.3 and note 43.

The group has exercised judgement in the assessment/determination of the impact of covid 19 on ECL as well as analysis of the financial reporting impacts of SAMA support programmes.

Significant areas where the management has used estimates, assumptions or exercised judgements are as follows:

(a) Fair value of financial instruments that are not quoted in an active market

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

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

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

Financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see note 37).

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

(b) Going concern

The Group's 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 upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

(c) Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGUs. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

2. BASIS OF PREPARATION (continued)

(2.5) Critical accounting judgments and estimates and assumptions (continued)

(c) Impairment of non-financial assets (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The subsidiaries are regarded as a cash-generating unit for the purpose of impairment testing of their respective goodwill. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets including the intangible assets in the unit (group of units) on a pro rata basis on condition that the carrying amount of other assets should not be reduced below their fair values.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal off the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus any cumulative foreign currency translation reserve and unimpaired goodwill is recognised in the consolidated statement of income.

The previously recognised impairment loss in respect of goodwill cannot be reversed through the consolidated statement of income.

Non-financial assets held under Murabaha arrangements are measured at their lower of cost and net realizable value. Net realizable value is the estimated selling price, less selling expenses. Any impairment loss arising as a result of carrying these assets at their net realizable values is recognised in the consolidated statement of income under other operating (expense), net.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Determination of control over investment funds

The Group acts as a Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors rights to remove the Fund Manager.

(e) Provisions for liabilities and charges

The Group receives legal claims in the ordinary course of business. Management makes judgments in assigning the risk that might exists in such claims. It also sets appropriate provisions against probable losses. The claims are recorded or disclosed, as appropriate, in the consolidated financial statements based on the best estimates of the amounts required to settle these claims.

(f) Measurement of defined benefits obligation

The Group maintains an end of service benefit plan for its employees and to arrive at the estimated obligation as at the reporting date, the Group uses assumptions such as the discount rate, expected rate of salary increase and normal retirement age.

(g) Useful lives of property, equipment and other software, and right of use assets

The management determines the estimated useful lives of its property, equipment and other software for calculating depreciation/amortisation. This estimate is determined after considering the expected usage of the asset or its physical wear and tear. The residual value, useful lives and future depreciation/amortisation charges are revised by the management where they believe the useful lives differ from previous estimates.

(h) Impairment charge for expected credit losses

The Group exercises judgement and applies the use of various assumptions in the determination of expected credit losses (refer note 3.26).

(i) Classification of financial instruments

The Group exercises judgement for the classification of financial instruments (refer note 3.4).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements, and changes therein, are set out below:

(3.1) Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the amendments as disclosed in note 3.3.

(3.2) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group 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.

Loan commitments are Bank commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount or the amount of loss allowance.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments, the Group recognises loss allowance.

(3.3) New standards, interpretations and amendments promulgated by International Accounting Standard Board (IASB) and adopted by the Group:

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

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any significant future impact to the Group.

Amendments to References to the Conceptual Framework in IFRS Standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") was engaged in a two-phase process of amending its guidance to assist in a smoother transition away from Inter Bank Offered Rates (IBOR).

Phase (1) – The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform. The bank has adopted these amendments along with the hedging relief for pre-replacement hedges.

Phase (2) – The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR) which were issued in August 2020. The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. The Bank has already completed its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programmes to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement and the Bank needs to ensure it has appropriate accounting policies and governance in place before the transition. For the additional disclosures, the Bank will have to assess and implement required updates in the financial reporting systems and processes to gather and present the information required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3.3) New standards, interpretations and amendments promulgated by International Accounting Standard Board (IASB) and adopted by the Group: (continued)

Assessment of the fee income recognition on financing and advances

In 2019, the Bank carried out a reassessment of the timing of the recognition of fee received in connection with its financing and advances, analyzing whether any upfront fee is an integral component of the effective special rate of the corresponding financial asset via consideration of factors such as provision of distinct service or product, presence of a separate performance obligation and related contract costs. As a result, the Bank identified certain fees to be adjusted in the amortised cost of the related financing and advances. The impact of such adjustment in prior periods was determined to be insignificant in relation to the financial statements as a whole and therefore adjusted from the carrying value of financing and advances with a corresponding debit to retained earnings as at 1 January 2019, amounting to SAR 1,177 million. In furtherance thereof, during the financial year 2020, management has identified certain fees having similar nature as the foregoing, and accordingly, the previously reported balances of financing and advances as at 1 January 2019 and 31 December 2019 (SAR 282,289 million and SAR 281,843 million respectively) and of retained earnings (SAR 6,622 million and SAR 6,176 million respectively) have been adjusted by SAR 445 million. No adjustment has been made to the comparative statement of income, as the effect was not identified to be significant.

Adoption of IFRS 16

Upon adoption of IFRS 16 on 1 January 2019, the Group applied a single recognition and measurement approach for all leases in which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets under lease arrangements. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application with transition impact of SAR 272 million recognized in retained earnings. As of 1 January 2019, the right of use assets and lease liabilities amounting to SAR 1,797 million and SAR 1,939 million, respectively were recognised.

(3.4) Classification of financial assets

On initial recognition, a financial asset is classified as held at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through income statement ("FVIS").

Financial asset at amortised cost

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

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

Financial asset at FVOCI

Debt instruments

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Special commission income and foreign exchange gains and losses are recognised in the consolidated statement of income

Equity instruments

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

Financial asset at FVIS

All financial assets, not classified as held at amortised cost or FVOCI are classified as FVIS.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVIS 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 Group changes its business model for managing financial assets.

(3.5) Business model assessment

The Group makes an assessment of the objective of a business model under 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. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group'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 Group'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 Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

(3.6) Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending 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 interest, the Group 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 Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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 interest rates.

(3.7) Classification of financial liabilities

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

All money market deposits, customers' deposits, term financing and other debt securities in issue are initially recognised at fair value less transaction costs.

Subsequently, financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through income statement or the Group has opted to measure a liability at fair value through statement of income.

Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the effective special commission rate.

(3.8) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(3.9) Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, special commission rate futures, forward rate agreements, currency and special commission rate swaps, swaptions, currency and special commission rate options (both written and purchased) are measured at fair value. Fair values are obtained by reference to quoted market prices and/or valuation models as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3.9) Derivative financial instruments and hedge accounting (continued)

(3.9.1) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income for the year and are disclosed in trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting as described below.

(3.9.2) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria. As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

For the purpose of hedge accounting, hedges are classified into two categories:

(a) Fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and

(b) Cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be "highly effective", i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis.

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the consolidated statement of income in 'income from FVIS instruments, net'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

(3.9.3) Fair value hedges

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from remeasuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. Any gain or loss on the hedged item attributable to fair value changes relating to the risks being hedged is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income (in the same line item as the hedging instrument). Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment in the carrying value is amortised to the consolidated statement of income over the remaining life of the instrument.

For hedged items measured at amortised cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective commission rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

(3.9.4) Cash flow hedges

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other reserves under equity and the ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognised in consolidated statement of other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognised.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other reserves from the period when the hedge was effective is transferred from equity to the consolidated statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affect the consolidated statement of income, the net cumulative gain or loss recognised in other reserves is transferred immediately to the consolidated statement of income.

(3.9.5) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS 9;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair values. with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(3.10) Derecognition

Financial assets

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

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

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

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

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

(3.11) Modifications of financial assets and financial liabilities

(a) Financial assets

If the terms of a financial asset are modified, the Group 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 derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented together with the account that most closely relates to the underlying reason for the modification.

(b) Financial liabilities

The Group 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 recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3.12) Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of NCB, NCBC, NCB Capital Real Estate Investment Company (REIC), Real Estate Development Company (REDCO), AlAhli Insurance Service Marketing Company, Saudi NCB Markets Limited and AlAhli Outsourcing Company is Saudi Arabian Riyals. The functional currency for the TFKB is Turkish Lira and the functional currency of NCB Capital Dubai Inc. and Eastgate MENA Direct Equity L.P. is U.S. Dollars.

(a) Transactions and balances of the Bank

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at the year-end (other than monetary items that form part of the net investment in a foreign operation), denominated in foreign currencies, are retranslated into the functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary assets measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value was determined.

(b) Foreign operations

As at the reporting date, the assets and liabilities of the foreign operations are translated into the Group's presentation currency (Saudi Arabian Riyals) at the rate of exchange ruling at the statement of financial position date, equity (pre-acquisition) is translated at historical exchange rate at the date of acquisition and income and expenses of the statement of income are translated at the spot exchange rates prevailing at transaction dates on a daily basis. Exchange differences arising on translation are taken directly to a separate component of equity (foreign currency translation reserve) and are recognised in consolidated statement of comprehensive income. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the foreign exchange translation reserve is allocated to the non-controlling interest. The deferred cumulative amount of exchange differences recognised in equity will be reclassified in the consolidated statement of income in 'Other operating expenses' or 'Other operating income' at the time of any future disposal or partial disposal with loss of control.

Goodwill and intangible assets arising on the acquisition of the foreign operations and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

Foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI, are recognised in the statement of OCI.

(3.13) Offsetting financial instruments

Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a current legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

(3.14) Revenue/expenses recognition

(3.14.1) Special commission income and expenses

Special commission income and expense are recognised in the consolidated statement of income using the effective interest method. Fee income received in connection with financing and advances that are integral component of the effective special commission rate are adjusted from the amortized cost of the related financing and advances and recognized in the statement of income over the life of the respective financial asset. The 'special commission rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortised cost of the financial instrument.

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

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

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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

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

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

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

(3.14.2) Fee and other income/expenses

Income from FVIS includes all realised and unrealised gains and losses from changes in fair value and related special commission income or expense, dividends for financial assets held for trading and foreign exchange differences on open positions.

Exchange income from banking services are recognised when earned.

Dividend income is recognised when the right to receive dividend income is established.

Fees income and expenses are recognised on an accrual basis as the service is provided.

Financing commitment fees for financing arrangement that are likely to be drawn down are deferred and recognised as an adjustment to the effective yield on the financing arrangement. Portfolio and other management advisory and service fee income are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee income received on other services that are provided over an extended period of time, are recognised rateably over the period when the service is being provided, if material.

Fee received in connection with syndication financing where the Group acts as the lead arranger and retains no part of the financing for itself (or retains a part at the same EIR for comparable risk as other syndicate participants) is recognized upon the execution of the syndicate financing arrangement. Moreover, commitment fee received by the Group where it is unlikely that a specific lending arrangement will be entered into by the counterparty is recognized upon execution of the corresponding facility arrangement.

Success fee is recognized upon satisfaction of the promised performance obligation which generally corresponds to the execution of a specified task or completion of a milestone as agreed with the respective counterparty.

Other fee expenses mainly relate to transaction and services fee, which are expensed as related services are provided.

(3.15) Sale and repurchase agreements (including securities lending and borrowings)

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets are continued to be measured in accordance with related accounting policies for investments held as FVTPL, FVOCI, other investments held at amortized cost. The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in "Due to banks and other financial institutions" as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective special commission rate.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "cash and balances with Saudi Central Bank "SAMA", "due from banks and other financial institutions" or "financing and advances", as appropriate. The difference between purchase and resale price is treated as special commission income which is accrued over the life of the reverse repo agreement using the effective yield basis.

Securities borrowing and lending transactions are typically secured; collateral takes the form of securities or cash advanced or received. Securities lent to counterparties are retained on the consolidated statement of financial position. Securities borrowed are not recognised on the consolidated statement of financial position, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability. Cash collateral given or received is treated as a loan and receivable or customers' deposit.

(3.16) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition, being total consideration of the acquisition, is measured as the fair value of the assets given and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition that occurred prior to 1 January 2010. For any subsequent acquisitions, the cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and are included in administrative expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3.16) Business combinations (continued)

Identifiable assets acquired (including previously unrecognised intangible assets) and liabilities (including contingent liabilities) in an acquisition are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the consolidated statement of income. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investment or other categories of investment in accordance with the Group's relevant accounting policy.

(a) Subsidiaries

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:

(i) The Group has power over the entity;

(ii) The Group has exposure, or rights, to variable returns from its involvement with the entity; and

(iii) The Group has the ability to use its power over the entity to affect the amount of the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

The Group invests in structured entities forming part of larger structure with the objective to resell the investment in a short period after acquisition. For all such investment, the Group analyses whether and to what extent it controls the investee and any underlying entities. Moreover, whenever any such investee, controlled by the Group meets the criteria of held for sale, it is accounted as such and the total assets and total liabilities are included under other assets and other liabilities.

(b) Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Bank in its subsidiaries and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the Bank's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(c) Associates

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognised at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any.

The previously recognised impairment loss in respect of investment in associate can be reversed through the consolidated statement of income, such that the carrying amount of investment in the consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

(d) Transactions eliminated on consolidation

Inter-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from inter-group transactions are eliminated, as appropriate, in preparing the consolidated financial statements.

(3.17) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses; impairment loss of goodwill is charged to the consolidated statement of income. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

(3.18) Financing and advances

Financing and advances are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments.

Financing and advances are recognised when cash is advanced to borrowers. They are derecognised when either the borrower repays their obligations, or the financing and advances are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Financing and advances are initially measured at fair value of the consideration given.

Following initial recognition, financing and advances for which fair value has not been hedged are stated at amortised cost less any amount written off and ECL allowances for impairment.

For presentation purposes, allowance for expected credit losses is deducted from financing and advances.

(3.19) Due from banks and other financial institutions

Due from banks and other financial institutions are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks and other financial institutions are initially measured at cost, being the fair value of the consideration given.

Following initial recognition, due from banks and other financial institutions are stated at amortized cost less any ECL allowance.

(3.20) Other real estate and repossessed assets

The Group, in the ordinary course of business, acquires certain real estate and other assets against settlement of due financing and advances. These are considered as assets held for sale and are initially stated at the lower of net realizable value of due financing and advances or the current fair value of such related assets, less any costs to sell (if material). No depreciation is charged on such assets.

Subsequent to the initial recognition, such assets are revalued on a periodic basis and adjusted for any subsequent provision for impairment. Previously recognised unrealised revaluation losses of such assets can be reversed through the consolidated statement of income on an individual basis upon subsequent increase in fair value. Any unrealised losses on revaluation (or reversal), realised losses or gains on disposal and net rental income are recognised in the consolidated statement of income as other operating income (expense), net.

The other real estate assets are disclosed in note 11 while other repossessed assets are included in other assets. Gain/loss on disposal of repossessed assets are included in other operating income, net.

(3.21) Property, equipment and software

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

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

The depreciable amount of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Leasehold improvements	Over the lease period or useful economic life whichever is shorter
Furniture, equipment, vehicles and software	4-10 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the date of each consolidated statement of financial position.

Software are recognised only when their cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to them will flow to the Group. Software are amortised over the useful economic life and assessed for impairment whenever there is an indication that the software may be impaired. The amortisation period and the amortisation method for software assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on software is recognised in the consolidated statement of income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3.22) Leases

Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the internal cost of funds as the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and is reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are included within other liabilities.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(3.23) Financial liabilities

All money market deposits, customers' deposits and debt securities issued are initially recognised at cost, net of transaction charges, being the fair value of the consideration received. Subsequently, all commission bearing financial liabilities, are measured at amortised cost by taking into account any discount or premium. Premiums are amortised and discounts are accreted on an effective yield basis to maturity and taken to special commission expense.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

(3.24) Financial guarantees and financing commitments

In the ordinary course of business, the Group issues letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given; typically the premium received. Subsequent to the initial recognition, the Group's liability under such guarantees are measured at the higher of their amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses net of any cash margin. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income as impairment charge for financing and advances losses, net. The premium received is recognised in the consolidated statement of income as fee income from banking services on a straight line basis over the life of the guarantee, if material.

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

(3.25) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events where it is more likely that an outflow of resources will be required to settle the obligation. Provision balance are presented under other liabilities. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance charges.

(3.26) Expected credit loss (ECL)

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

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group 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 Group 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.

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

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

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

Stage 1 – financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).

Stage 2 – financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.

Stage 3 – for Financial assets that are impaired, the Group recognizes the impairment allowance based on life time ECL.

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

The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

(3.27) Measurement of ECL

ECL represent probability-weighted estimates of credit losses. These are measured as follows:

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

Expected credit losses are discounted to the reporting date at the effective interest rate (EIR) determined at initial recognition or an approximation thereof and consistent with income recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3.28) 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 derecognised and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, 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 special commission rate of the existing financial asset.

(3.29) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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 a loan or advance 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.

The Financing and advances that have been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

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

- The market's assessment of creditworthiness as reflected in the investment yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Allowances for ECL are presented in the consolidated statement of financial position as follows:

Financial assets measured at amortised cost

- As a deduction from the gross carrying amount of the assets.

Loan commitments and financial guarantee contracts

- Generally, as a provision; in other liabilities.

Financial instrument includes both a drawn and an undrawn component

- Where the Group cannot identify the ECL on the financing and advances commitment component separately from those on the drawn component, the Group 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.

Debt instruments measured at FVOCI

- The Group recognizes a loss allowance for financial assets that are measured at fair value through other comprehensive income on the statement of other comprehensive income which will not reduce the carrying amount of the financial asset in the statement of financial position.

(3.30) Write-off

Financing, Advances 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.

(3.31) Collateral valuation

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

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

(3.32) Collateral repossessed

The Group'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 Group's policy.

(3.33) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with SAMA, excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

(3.34) Investment management services

The financial statements of investment management funds are not included in the consolidated financial statements of the Group.

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

(3.35) Banking products that comply with Shariah rules

Beside conventional banking products, the Group offers certain banking products that comply with Shariah rules. These products are approved and overseen by respective Shariah Boards and Shariah advisor at the Bank and its subsidiaries. Shariah complaint products are treated under International Financial Reporting Standards (IFRS) and in accordance with the accounting policies used in the preparation of these consolidated financial statements.

Banking products that comply with Shariah rules are based on several Islamic types, including but not limited to:

(3.35.1) Murabaha

Murabaha is a financing agreement whereby the Bank purchases and owns commodities based on client's request and sells them to the client with a specified agreed price (including the cost of the bank plus a profit margin) and paid as agreed.

Examples of products in which the bank uses Murabaha are residential finance, commercial real estate, and trade finance, commercial finance, trade finance, deposit products for customers and inter-bank Murabaha.

(3.35.2) Tawarruq

Tawarruq is financing instrument for customers in need of cash financing. It involves the bank buying commodities from international or local markets and selling them to customers at agreed-upon deferred installment terms. Customers, on their own, or by appointing an agent, resell the commodities to third parties for cash.

Examples of products in which the bank uses Tawarruq are in residential finance for individuals (Self-Construction/Sale on the map), personal finance, credit cards, corporate finance, structured finance, syndications, as well as interbank transactions.

(3.35.3) Ijara

The bank has two types of Ijara forms based on the lease contract. Ijara with the promise of transfer ownership, which is based on requests from customers, either purchases assets with agreed-upon specifications on a cash basis and leases them to customers for an agreed-upon rent to be settled in agreed-upon installments. The second type is forward Ijara, which assets are not in existence and not specified. In this case, it remains a liability on the bank to deliver the agreed upon usufruct.

In the Ijara contract, the bank promises to transfer ownership of the assets to its customers at the end of the lease period, either by sale at nominal prices or in the form of grants.

Examples of products in which the bank uses Ijara are auto lease with promises to transfer ownership, residential finance, commercial real estate finance, and structured finance. The main uses of forward Ijara are in structured finance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3.35) Banking products that comply with Shariah rules (continued)

(3.35.4) Mudarabah

Mudaraba is a form of participation in profit where the client provides the capital to the bank or vice versa depending on the product type. The capital owner is called the "Rab Almaal" and the worker is "Mudharib". The worker duty is to invest the capital in activities that comply with Shariah rules. The income is divided according to the agreement. In the case of loss, "Rab Almaal" has to bear all the losses from his capital and the "Mudharib" loses his efforts.

Examples of the products in which the bank uses the Mudaraba are Islamic Mudaraba Certificates, Mudaraba Call Accounts, and Tier 1 Sukuks.

(3.35.5) Promise

Promise is a mandatory commitment by the Bank to its client or vice versa to enter into a sale or purchase transaction for the purpose of hedge against fluctuations in index prices, commodity prices and currency prices.

Examples of products in which the bank uses the promise are structured hedging products and structured investment products.

All the above Shariah-compliant financing products are accounted for in conformity with the accounting policies described in these consolidated financial statements. They are included in financing and advances.

(3.36) Shariah-compliant deposit products

The Group offers its customers certain deposit products that comply with Shariah rules. These are approved and overseen by respective Shariah Boards at the Bank and its subsidiaries

(3.36.1) AlKhairaat

AlKhairaat is a Shariah-compliant product based on commodity Murabaha. The Group acts as an agent for its customers in purchasing commodities on their behalf with their funds and then purchases these commodities for its own account from customers at agreed-upon price and deferred maturities (3,6,9 or 12 months). Being a retail product, customers are allowed to choose the investment amount, tenure, and currency. Since the Group purchases commodities from its customers, it is liable to them for the capital they invested plus a profit.

(3.36.2) Structured AlKhairaat

This product is an enhanced deposit product which provides a Shariah compliant alternative to structured deposits. It combines a AlKhairaat placement with a promise to enter into a secondary Murabaha transaction for the benefit of the customer where the profit will be linked to a predetermined index. These are capital protected up to a specified percentage (typically 95-100%).

These Shariah-compliant deposit products are accounted for in conformity with the accounting policies described in these consolidated financial statements. They are included in customers' deposit.

(3.37) Shariah-compliant treasury products

The Group offers its customers certain treasury products that comply with Shariah rules. These products are approved and overseen by respective Shariah Boards and Shariah advisor at the Bank and its subsidiaries.

(3.37.1) Structured Hedging Products

These products are offered to clients to hedge their existing exposure to foreign currencies. It is based on the concept of Waad (binding promise) where the Group promises to buy/sell a particular amount of foreign currency at an agreed upon price. It may include only one Waad or a combination of Waads.

(3.37.2) Structured Investment Products

These products are offered to clients to offer them a return that is typically higher than a standard AlKhairaat. There are based on the Structured AlKhairaat product and are designed to give the customers exposure to a number of indices including foreign currencies, precious metals and Shariah compliant equity indices.

(3.37.3) Rates Products

These products are offered to clients who have exposure to fixed/floating rates and need hedging solutions. The products are designed around the concept of Waad to enter into Murabaha where the profit is based on a rates index or formula. It may include only one Waad or a combination of Waads.

(3.37.4) Commodity Products

These products are offered to clients who have exposure to commodity prices and need hedging solutions. These products are designed around the concept of Waad to enter into Murabaha where the profit is based on a commodity price index. It may include only one Waad or a combination of Waads.

(3.38) Treasury shares

Treasury shares are recorded at acquisition cost and presented as a deduction from equity. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

(3.39) End of service benefits

The provision for end of service benefits is based on IAS 19 "Employee Benefits", the rules stated under the Saudi Arabian Labor and Workmen Law and in accordance with the local statutory requirements of the foreign branches and subsidiaries. The provision for the Group is also in line with independent actuarial valuation.

Benefits payable to the employees of the Group at the end of their services are accrued based on actuarial valuation and are included in other liabilities in the consolidated statement of financial position.

(3.40) Staff compensation

The Bank's Board of Directors and its Nomination, Compensation and Governance Committee oversee the design and implementation of the Bank's Compensation System in accordance with SAMA's Compensation Rules, local statutory requirements of the foreign branches and subsidiaries and Financial Stability Board's (FSB) Principles and Standards of Sound Compensation Practice.

The Nomination, Compensation and Governance Committee was established by the Board of Directors and is composed of three non-executive members including the Chairman of the Committee. The Committee's role and responsibilities are in line with SAMA's Compensation Rules.

The Committee is responsible for the development and implementation of the compensation system and oversight of its execution, with the objective of preventing excessive risk-taking and promoting corporate financial soundness. The Committee submits its recommendations, resolutions and reports to the Board of Directors for approval.

Key elements of compensation in the Bank:

(3.40.1) Fixed Compensation

The fixed compensation includes salaries, allowances and benefits. Salaries are set in relation to market rates to attract, retain and motivate talented individuals. Salary administration is based on key processes such as job evaluation, performance appraisal and pay scales structure. The competitiveness of pay scales is monitored and maintained through participation in regular market pay surveys.

(3.40.2) Variable Compensation

Variable compensation aims at driving performance and limiting excessive risk taking. The Group operates three plans under variable compensation:

(a) Short Term Incentive Plan (Annual Performance Bonus)

The annual performance bonus aims at supporting the achievement of a set of annual financial and non-financial objectives. The financial objectives relate to the economic performance of the Group's business, while the non-financial objectives relate to some other critical objectives relating, for example, to complying with risk and control measures, employees development, teamwork, staff morale etc.

The Group has established a regular performance appraisal process aimed at assessing employees' performance and contribution. Annual performance bonus payments are based on employee contributions, business performance and the Group's overall results. The overall annual performance bonus pool is set as a percentage of the Group's net income, adjusted to reflect the core performance of the employees. The Group does not operate a guaranteed bonus plan.

The cost of this plan is recognised in the consolidated statement of income of the year to which it relates and is normally paid during the 1st quarter of the following year.

(b) Share Based Payment Plan

The Bank maintains an equity-settled share based payment plan for its key management. The grant-date fair value of such share-based payment arrangement granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

If the employees are not entitled to dividends declared during the vesting period, then the fair value of these equity instruments is reduced by the present value of dividends expected to be paid compared with the fair value of equity instruments that are entitled to dividends. If the employees are entitled to dividends declared during the vesting period, then the accounting treatment depends on whether the dividends are forfeitable. Forfeitable dividends are treated as dividend entitlements during the vesting period. If the vesting conditions are not met, then any true-up of the share-based payment would recognise the profit or loss effect of the forfeiture of the dividend automatically because the dividend entitlements are reflected in the grant-date fair value of the award.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3.40) Staff compensation (continued)

(3.40.2) Variable Compensation (continued)

(b) Share Based Payment Plan (continued)

In cases, where an award is forfeited (i.e. when the vesting conditions relating to award are not satisfied), the Bank reverses the expense relating to such awards previously recognised in the consolidated statement of income. Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The Bank acquires its own shares in connection with the anticipated grant of shares to the key management in future. Until such time as the beneficial ownership of such shares in the Group passes to the employees, the unallocated/non-vested shares are treated as treasury shares.

(3.41) Tier 1 Sukuk

The Group classifies Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit as part of equity.

The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

(3.42) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related to income. The below-market rate loan is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 "Accounting for government grants and disclosure of government assistance". Government grant is recognised in statement of income on a systematic basis over the periods in which the bank recognises related costs for which the grant is intended to compensate.

4. CASH AND BALANCES WITH SAMA

	2020 SAR '000	2019 SAR '000
Cash in hand	**7,540,843**	9,521,562
Balances with SAMA:		
Statutory deposit	**23,045,358**	19,728,953
Money market placements and current accounts	**26,237,476**	16,131,694
Cash and balances with SAMA	**56,823,677**	45,382,209

In accordance with article (7) of 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, savings, time and other deposits calculated at the end of each Gregorian month (see note 35). The statutory deposits with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2020 SAR '000	2019 SAR '000
Current accounts	**6,637,388**	5,989,350
Money market placements	**6,066,557**	9,641,305
Reverse repos (note 32(d))	**936,315**	938,822
Expected credit loss allowance	**(3,438)**	(4,183)
Due from banks and other financial institutions, net	**13,636,822**	16,565,294

6. INVESTMENTS, NET

(6.1) Investments are classified as follows:

	SAR '000		
	Domestic	International	Total
2020			
Fixed rate securities	**26,183**	**1,683,247**	**1,709,430**
Equity instruments	**306,581**	**36,933**	**343,514**
Mutual Funds, Hedge Funds and Others	**2,078,897**	**4,824,749**	**6,903,646**
Held at FVIS	**2,411,661**	**6,544,929**	**8,956,590**
Fixed rate securities	**19,409,294**	**23,431,890**	**42,841,184**
Floating rate securities	**7,143,131**	**8,589,730**	**15,732,861**
Equity instruments	**2,500,205**	**266,062**	**2,766,267**
Held at FVOCI, net	**29,052,630**	**32,287,682**	**61,340,312**
Fixed rate securities	**42,344,655**	**7,565,358**	**49,910,013**
Floating rate securities	**23,275,743**	**1,436,649**	**24,712,392**
Expected credit loss allowance	**(5,144)**	**(61,468)**	**(66,612)**
Held at amortised cost, net	**65,615,254**	**8,940,539**	**74,555,793**
Investments, net	**97,079,545**	**47,773,150**	**144,852,695**
2019			
Fixed rate securities	–	1,100,817	1,100,817
Equity instruments	554,946	1,432,504	1,987,450
Mutual Funds, Hedge Funds and Others	1,961,439	3,300,724	5,262,163
Held at FVIS	2,516,385	5,834,045	8,350,430
Fixed rate securities	24,269,941	21,583,235	45,853,176
Floating rate securities	5,241,539	7,372,112	12,613,651
Equity instruments	2,086,580	160,628	2,247,208
Held at FVOCI, net	31,598,060	29,115,975	60,714,035
Fixed rate securities	29,783,462	8,677,559	38,461,021
Floating rate securities	24,906,296	1,737,381	26,643,677
Expected credit loss allowance	(21,492)	(71,099)	(92,591)
Held at amortised cost, net	54,668,266	10,343,841	65,012,107
Investments, net	88,782,711	45,293,861	134,076,572

(6.2) An analysis of changes in expected credit loss allowance for debt instruments carried at amortized cost and FVOCI, is as follows:

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2020	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2020	**75,693**	**102,562**	**–**	**178,255**
Net ECL charge/(reversal)	**19,251**	**(18,051)**	**–**	**1,200**
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(174)**	**174**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Foreign currency translation and other adjustments	**(149)**	**–**	**–**	**(149)**
Balance as at 31 December 2020	**94,621**	**84,685**	**–**	**179,306**

6. INVESTMENTS, NET (continued)

(6.2) An analysis of changes in expected credit loss allowance for debt instruments carried at amortized cost and FVOCI, is as follows: (continued)

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2019	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 1 January 2019	104,331	102,077	–	206,408
Net ECL charge/(reversal)	(28,532)	495	–	(28,037)
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Foreign currency translation and other adjustments	(106)	(10)	–	(116)
Balance as at 31 December 2019	75,693	102,562	–	178,255

(6.3) The analysis of the composition of investments is as follows:

	SAR '000		
2020	Quoted	Unquoted	Total
Fixed rate securities	**87,032,293**	**7,428,334**	**94,460,627**
Floating rate securities	**29,495,100**	**10,950,153**	**40,445,253**
Equity instruments, Mutual Funds, Hedge Funds and Others	**4,453,548**	**5,559,879**	**10,013,427**
Expected credit loss allowance	**(61,510)**	**(5,102)**	**(66,612)**
Investments, net	**120,919,431**	**23,933,264**	**144,852,695**

	SAR '00		
2019	Quoted	Unquoted	Total
Fixed rate securities	83,056,877	2,358,137	85,415,014
Floating rate securities	28,659,864	10,597,464	39,257,328
Equity instruments, Mutual Funds, Hedge Funds and Others	5,109,344	4,387,477	9,496,821
Expected credit loss allowance	(71,591)	(21,000)	(92,591)
Investments, net	116,754,494	17,322,078	134,076,572

(a) Investments held at amortised cost include investments amounting to SAR 4,145 million (2019: SAR 4,654 million) which are held under a fair value hedge relationship. As at 31 December 2020, the fair value of these investments amounts to SAR 4,976 million (2019: SAR 5,078 million).

(b) Investments, net, include securities that are issued by the Ministry of Finance of Saudi Arabia amounting to SAR 75,471 million, (2019: SAR 69,154 million) and also include investment in Sukuks amounting to SAR 21,299 million, (2019: SAR 19,943 million).

(c) Dividend income recognized during 2020 for FVOCI investments amount to SAR 94 million (2019: SAR 96 million).

(6.4) Securities lending transactions

The Group pledges financial assets for the securities lending transactions which are generally conducted under terms that are usual and customary for standard securitised borrowing contracts. As at 31 December 2020, securities amounting to SAR 4,488 million (2019: SAR 1,115 million) have been lent to counterparties under securities lending transactions.

(6.5) The analysis of unrealised revaluation gains/(losses) and fair values of investments held at amortised cost are as follows:

(a) Investments held at amortised cost

	SAR '000			
2020	Carrying value	Gross unrealised gain	Gross unrealised loss	Fair value
Fixed rate securities	**49,910,013**	**1,665,223**	**(82,948)**	**51,492,288**
Floating rate securities	**24,712,392**	**21,819**	**(110,521)**	**24,623,690**
Expected credit loss allowance	**(66,612)**	**–**	**–**	**(66,612)**
Total investments held at amortised cost, net	**74,555,793**	**1,687,042**	**(193,469)**	**76,049,366**

2019	SAR '000 Carrying value	Gross unrealised gain	Gross unrealised loss	Fair value
Fixed rate securities	38,461,021	583,247	(102,686)	38,941,582
Floating rate securities	26,643,677	–	(103,824)	26,539,853
Expected credit loss allowance	(92,591)	–	–	(92,591)
Total investments held at amortised cost, net	65,012,107	583,247	(206,510)	65,388,844

(6.6) Counterparty analysis of the Group's investments, net of impairment

	2020 SAR '000	2019 SAR '000
Government and Quasi Government	**118,806,193**	113,895,665
Corporate	**14,018,094**	10,618,782
Banks and other financial institutions	**12,028,408**	9,562,125
Investment, net	**144,852,695**	134,076,572

7. FINANCING AND ADVANCES, NET

(7.1) Financing and advances, net

2020	SAR '000 Consumer & Credit card	Corporate	International	Others	Total
Performing financing and advances	**174,645,382**	**134,586,755**	**22,204,583**	**17,934,360**	**349,371,080**
Non-performing financing and advances	**585,384**	**4,205,720**	**1,337,331**	**–**	**6,128,435**
Total financing and advances	**175,230,766**	**138,792,475**	**23,541,914**	**17,934,360**	**355,499,515**
Allowance for financing losses (ECL allowance) (note 7.2)	**(1,428,589)**	**(6,098,780)**	**(1,209,709)**	**(54,299)**	**(8,791,377)**
Financing and advances, net	**173,802,177**	**132,693,695**	**22,332,205**	**17,880,061**	**346,708,138**

2019	SAR '000 Consumer & Credit card	Corporate	International	Others	Total
Performing financing and advances	123,710,750	129,824,697	18,884,948	11,455,493	283,875,888
Non-performing financing and advances	599,336	3,051,591	1,678,469	–	5,329,396
Total financing and advances	124,310,086	132,876,288	20,563,417	11,455,493	289,205,284
Allowance for financing losses (ECL allowance) (note 7.2)	(1,658,004)	(4,623,323)	(1,039,418)	(41,207)	(7,361,952)
Financing and advances, net	122,652,082	128,252,965	19,523,999	11,414,286	281,843,332

Others includes financing to financial institutions.

Special commission income relating to non-performing financing and advances is SAR 238 million (2019: SAR 178 million).

Below is a breakdown by financing products, included in financing and advances, net, in compliance with Shariah rules:

	2020 SAR '000	2019 SAR '000
Murabaha	**55,478,114**	33,117,063
Tawarooq	**198,850,302**	158,595,955
Ijara	**43,534,646**	44,090,105
Other Islamic Products	**13,982,821**	9,609,592
Total Gross Financing	**311,845,883**	245,412,715
Allowance for financing losses (ECL allowance)	**(8,514,627)**	(6,973,246)
Financing and advances, net (in compliance with Shariah rules)	**303,331,256**	238,439,469

7. FINANCING AND ADVANCES, NET (continued)

(7.2) Movement in loss allowance for financing and advances at amortised cost for the year is as follows:

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2020	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Consolidated				
Balance as at 1 January 2020	**1,715,623**	**1,581,526**	**4,064,803**	**7,361,952**
Net impairment charge/(reversal)	**375,134**	**875,565**	**1,504,696**	**2,755,395**
Transfer to stage 1	**53,850**	**(33,103)**	**(20,747)**	**–**
Transfer to stage 2	**(295,007)**	**318,300**	**(23,293)**	**–**
Transfer to stage 3	**(29,498)**	**(270,507)**	**300,005**	**–**
Bad debts written off	**–**	**–**	**(1,088,674)**	**(1,088,674)**
Foreign currency translation adjustment	**(12,332)**	**(23,857)**	**(201,107)**	**(237,296)**
Balance as at 31 December 2020	**1,807,770**	**2,447,924**	**4,535,683**	**8,791,377**

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2019	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Consolidated				
Balance as at 1 January 2019	2,566,045	1,097,784	3,762,188	7,426,017
Net impairment charge/(reversal)	(698,949)	588,380	2,257,801	2,147,232
Transfer to stage 1	63,750	(43,923)	(19,827)	–
Transfer to stage 2	(125,490)	138,741	(13,251)	–
Transfer to stage 3	(58,081)	(152,811)	210,892	–
Bad debts written off	–	–	(2,068,052)	(2,068,052)
Foreign currency translation adjustment	(31,652)	(46,645)	(64,948)	(143,245)
Balance as at 31 December 2019	1,715,623	1,581,526	4,064,803	7,361,952

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2020	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Consumer and Credit card				
Balance as at 1 January 2020	**1,233,577**	**165,943**	**258,484**	**1,658,004**
Net impairment charge/(reversal)	**(329,526)**	**80,708**	**948,931**	**700,113**
Transfer to stage 1	**46,982**	**(28,710)**	**(18,272)**	**–**
Transfer to stage 2	**(73,749)**	**84,075**	**(10,326)**	**–**
Transfer to stage 3	**(21,318)**	**(15,808)**	**37,126**	**–**
Bad debts written off	**–**	**–**	**(928,553)**	**(928,553)**
Others	**–**	**–**	**(975)**	**(975)**
Balance as at 31 December 2020	**855,966**	**286,208**	**286,415**	**1,428,589**

2019	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Consumer and Credit card				
Balance as at 1 January 2019	1,188,157	186,867	300,289	1,675,313
Net impairment charge/(reversal)	26,667	2,525	988,014	1,017,206
Transfer to stage 1	62,783	(42,956)	(19,827)	–
Transfer to stage 2	(17,414)	30,665	(13,251)	–
Transfer to stage 3	(5,132)	(11,158)	16,290	–
Bad debts written off	–	–	(1,005,709)	(1,005,709)
Others	(21,484)	–	(7,322)	(28,806)
Balance as at 31 December 2019	1,233,577	165,943	258,484	1,658,004

2020	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Corporate				
Balance as at 1 January 2020	**397,225**	**1,330,309**	**2,895,789**	**4,623,323**
Net impairment charge/(reversal)	**663,375**	**656,664**	**260,838**	**1,580,877**
Transfer to stage 1	**5,763**	**(3,288)**	**(2,475)**	**–**
Transfer to stage 2	**(220,038)**	**233,005**	**(12,967)**	**–**
Transfer to stage 3	**(8,180)**	**(250,443)**	**258,623**	**–**
Bad debts written off	**–**	**–**	**(106,395)**	**(106,395)**
Others	**–**	**–**	**975**	**975**
Balance as at 31 December 2020	**838,145**	**1,966,247**	**3,294,388**	**6,098,780**

2019	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Corporate				
Balance as at 1 January 2019	1,261,793	724,243	2,598,357	4,584,393
Net impairment charge/(reversal)	(760,629)	543,445	905,412	688,228
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(100,769)	100,769	–	–
Transfer to stage 3	(24,654)	(38,148)	62,802	–
Bad debts written off	–	–	(678,104)	(678,104)
Others	21,484	–	7,322	28,806
Balance as at 31 December 2019	397,225	1,330,309	2,895,789	4,623,323

7. FINANCING AND ADVANCES, NET (continued)

(7.2) Movement in loss allowance for financing and advances at amortised cost for the year is as follows: (continued)

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2020	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
International				
Balance as at 1 January 2020	**50,855**	**78,033**	**910,530**	**1,039,418**
Net impairment charge/(reversal)	**20,976**	**145,410**	**294,927**	**461,313**
Transfer to stage 1	**1,105**	**(1,105)**	**–**	**–**
Transfer to stage 2	**(1,220)**	**1,220**	**–**	**–**
Transfer to stage 3	**–**	**(4,256)**	**4,256**	**–**
Bad debts written off	**–**	**–**	**(53,726)**	**(53,726)**
Foreign currency translation adjustment	**(12,332)**	**(23,857)**	**(201,107)**	**(237,296)**
Balance as at 31 December 2020	**59,384**	**195,445**	**954,880**	**1,209,709**

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2019	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
International				
Balance as at 1 January 2019	79,064	166,346	863,542	1,108,952
Net impairment charge/(reversal)	38,078	55,497	364,375	457,950
Transfer to stage 1	967	(967)	–	–
Transfer to stage 2	(7,307)	7,307	–	–
Transfer to stage 3	(28,295)	(103,505)	131,800	–
Bad debts written off	–	–	(384,239)	(384,239)
Foreign currency translation adjustment	(31,652)	(46,645)	(64,948)	(143,245)
Balance as at 31 December 2019	50,855	78,033	910,530	1,039,418

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2020	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Others				
Balance as at 1 January 2020	**33,966**	**7,241**	**–**	**41,207**
Net impairment charge/(reversal)	**20,309**	**(7,217)**	**–**	**13,092**
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**–**	**–**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Bad debts written off	**–**	**–**	**–**	**–**
Balance as at 31 December 2020	**54,275**	**24**	**–**	**54,299**

2019	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Others				
Balance as at 1 January 2019	37,031	20,328	–	57,359
Net impairment charge/(reversal)	(3,065)	(13,087)	–	(16,152)
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Bad debts written off	–	–	–	–
Balance as at 31 December 2019	33,966	7,241	–	41,207

(7.3) Impairment charge for financing and advances losses in the consolidated statement of income represents:

2020	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Net impairment (reversal)/charge	**375,135**	**875,565**	**1,504,695**	**2,755,395**
Provision/(reversal) against indirect facilities (included in other liabilities)	**29,008**	**(1,627)**	**19,935**	**47,316**
Recoveries of debts previously written-off	**–**	**–**	**(708,228)**	**(708,228)**
Direct write-off	**–**	**25,000**	**24,447**	**49,447**
Others	**(194,695)**	**452**	**–**	**(194,243)**
Net charge for the year	**209,448**	**899,390**	**840,849**	**1,949,687**

2019	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Net impairment (reversal)/charge	(698,949)	588,381	2,257,800	2,147,232
Provision/(reversal) against indirect facilities (included in other liabilities)	(79,528)	(24,076)	71,825	(31,779)
Recoveries of debts previously written-off	–	–	(685,383)	(685,383)
Direct write-off	–	21,364	8,400	29,764
Others	(11,201)	(1,469)	–	(12,670)
Net charge for the year	(789,678)	584,200	1,652,642	1,447,164

(7.4) The following table further explains changes in gross carrying amount of the Financing and advances to help explain their significance to the changes in the loss allowance for the same portfolio.

2020	SAR '000 Stage 1 12 month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2020	**266,859,904**	**17,015,984**	**5,329,396**	**289,205,284**
Transfer from Stage 1 to Stage 2	**(5,960,743)**	**5,960,743**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(702,236)**	**–**	**702,236**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(1,184,782)**	**1,184,782**	**–**
Transfer from Stage 3 to Stage 2	**–**	**97,419**	**(97,419)**	**–**
Transfer from Stage 2 to Stage 1	**693,674**	**(693,674)**	**–**	**–**
Transfer from Stage 3 to Stage 1	**35,432**	**–**	**(35,432)**	**–**
Net increase/(decrease) during the year	**74,390,349**	**(2,899,287)**	**470,830**	**71,961,892**
Write-offs	**–**	**(1,088,674)**	**(1,088,674)**	
Foreign exchange and other movements	**(3,746,408)**	**(495,295)**	**(337,284)**	**(4,578,987)**
Gross carrying amount as at 31 December 2020	**331,569,972**	**17,801,108**	**6,128,435**	**355,499,515**

7. FINANCING AND ADVANCES, NET (continued)

(7.4) The following table further explains changes in gross carrying amount of the Financing and advances to help explain their significance to the changes in the loss allowance for the same portfolio. (continued)

	SAR '000			
	Stage 1	Stage 2	Stage 3	
2019	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2019	255,575,635	11,921,545	5,247,904	272,745,084
Transfer from Stage 1 to Stage 2	(8,709,422)	8,709,422	–	–
Transfer from Stage 1 to Stage 3	(875,613)	–	875,613	–
Transfer from Stage 2 to Stage 3	–	(837,468)	837,468	–
Transfer from Stage 3 to Stage 2	–	35,030	(35,030)	–
Transfer from Stage 2 to Stage 1	628,822	(628,822)	–	–
Transfer from Stage 3 to Stage 1	50,061	–	(50,061)	–
Net increase/(decrease) during the year	22,174,566	(1,828,328)	704,470	21,050,708
Write-offs	–	–	(2,068,052)	(2,068,052)
Foreign exchange and other movements	(1,984,145)	(355,395)	(182,916)	(2,522,456)
Gross carrying amount as at 31 December 2019	266,859,904	17,015,984	5,329,396	289,205,284

(7.5) Economic sector risk concentrations for the financing and advances and allowances for financing losses are as follows:

2020	Gross financing and advances SAR' 000	ECL allowance SAR' 000	Financing and advances, net SAR' 000
Government and Quasi Government	**6,605,847**	**(16,632)**	**6,589,215**
Banks and other financial institutions	**11,599,264**	**(40,746)**	**11,558,518**
Agriculture and fishing	**514,144**	**(29,587)**	**484,557**
Manufacturing	**32,218,477**	**(1,548,094)**	**30,670,383**
Mining and quarrying	**8,046,163**	**(41,534)**	**8,004,629**
Electricity, water, gas and health services	**19,507,642**	**(94,823)**	**19,412,819**
Building and construction	**14,344,103**	**(1,933,797)**	**12,410,306**
Commerce	**39,352,732**	**(3,072,633)**	**36,280,099**
Transportation and communication	**11,453,481**	**(103,935)**	**11,349,546**
Others services	**36,626,894**	**(481,007)**	**36,145,887**
Consumers	**175,230,768**	**(1,428,589)**	**173,802,179**
Financing and advances, net	**355,499,515**	**(8,791,377)**	**346,708,138**

2019	Gross financing and advances SAR' 000	ECL allowance SAR' 000	Financing and advances, net SAR' 000
Government and Quasi Government	4,278,827	(17,623)	4,261,204
Banks and other financial institutions	7,647,292	(24,499)	7,622,793
Agriculture and fishing	339,870	(22,982)	316,888
Manufacturing	31,551,874	(1,572,403)	29,979,471
Mining and quarrying	7,316,487	(29,170)	7,287,317
Electricity, water, gas and health services	18,115,248	(64,498)	18,050,750
Building and construction	13,813,941	(1,213,795)	12,600,146
Commerce	38,239,775	(2,347,551)	35,892,224
Transportation and communication	10,584,405	(73,648)	10,510,757
Others services	33,007,480	(337,779)	32,669,701
Consumers	124,310,085	(1,658,004)	122,652,081
Financing and advances, net	289,205,284	(7,361,952)	281,843,332

(7.6) Financing and advances include finance lease receivables (including Ijara in compliance with Shariah rules) which are analysed as follows:

	2020 SAR '000	2019 SAR '000
Gross finance lease receivables:		
Less than 1 year	**3,395,779**	1,996,118
1 to 5 years	**13,392,562**	15,182,247
Over 5 years	**34,753,809**	35,379,002
Total	**51,542,150**	52,557,367
Unearned finance income on finance leases		
Less than 1 year	**(88,559)**	(86,349)
1 to 5 years	**(2,402,446)**	(2,937,836)
Over 5 years	**(7,823,777)**	(8,735,247)
Total	**(10,314,782)**	(11,759,432)
Net finance lease receivables:		
Less than 1 year	**3,307,220**	1,909,769
1 to 5 years	**10,990,116**	12,244,411
Over 5 years	**26,930,032**	26,643,755
Total	**41,227,368**	40,797,935

Allowance for uncollectable finance lease receivables included in the allowance for expected credit losses is SAR 423 million (2019: SAR 502 million).

8. INVESTMENTS IN ASSOCIATES, NET

	2020 SAR '000	2019 SAR '000
Cost:		
At the beginning of the year	**1,014,000**	1,014,000
At 31 December	**1,014,000**	1,014,000
Allowance for impairment and share of results:		
At beginning of the year	**(575,517)**	(566,629)
Share of results in associates	**3,131**	2,560
Dividends	**–**	(11,448)
At 31 December	**(572,386)**	(575,517)
Investment in associates, net	**441,614**	438,483

Investment in associates primarily consists of a 60% (2019: 60%) ownership interest in the Commercial Real Estate Markets Company and 29.9% (2019: 29.9%) ownership interest in Al-Ahli Takaful Company, which are both registered in the Kingdom of Saudi Arabia.

As of 31 December 2020, the quoted share price of Alahli Takaful Company was SAR 34.90 (31 December 2019: SAR 25.25). Commercial Real Estate Markets Company is not listed on any stock exchange.

9. PROPERTY, EQUIPMENT AND SOFTWARE, NET

	2020					2019				
	Land, buildings and leasehold improvements SAR '000	Furniture, equipment and vehicles SAR '000	Software SAR '000	Capital work in progress SAR '000	Total SAR '000	Land, buildings and leasehold improvements SAR '000	Furniture, equipment and vehicles SAR '000	Software SAR '000	Capital work in progress SAR '000	Total SAR '000
Cost:										
At beginning of the year	**5,649,674**	**3,208,591**	**2,278,971**	**574,181**	**11,711,417**	5,480,395	3,053,966	2,120,719	384,287	11,039,367
Foreign currency translation adjustment	**(114,316)**	**(46,049)**	**(42,284)**	**(2,015)**	**(204,664)**	(58,201)	(24,996)	(22,470)	(634)	(106,301)
Additions	**181,664**	**135,166**	**39,333**	**752,325**	**1,108,488**	90,350	126,915	30,614	564,636	812,515
Disposals and retirements	**(623)**	**(3,135)**	**(6,764)**	**(168)**	**(10,690)**	(1,000)	(31,598)	(1,505)	(61)	(34,164)
Transfer from capital work in progress	**–**	**220,750**	**303,960**	**(524,710)**	**–**	138,130	84,304	151,613	(374,047)	–
As at 31 December	**5,716,399**	**3,515,323**	**2,573,216**	**799,613**	**12,604,551**	5,649,674	3,208,591	2,278,971	574,181	11,711,417
Accumulated depreciation/amortisation:										
At beginning of the year	**2,429,063**	**2,446,284**	**1,339,494**	**–**	**6,214,841**	2,243,226	2,135,309	1,313,220	–	5,691,755
Foreign currency translation adjustment	**(11,913)**	**(25,080)**	**(33,574)**	**–**	**(70,567)**	(7,211)	(12,768)	(19,413)	–	(39,392)
Charge for the year	**193,269**	**243,468**	**184,543**	**–**	**621,280**	193,897	354,808	45,888	–	594,593
Disposals and retirements	**(599)**	**(2,728)**	**(130)**	**–**	**(3,457)**	(849)	(31,065)	(201)	–	(32,115)
As at 31 December	**2,609,820**	**2,661,944**	**1,490,333**	**–**	**6,762,097**	2,429,063	2,446,284	1,339,494	–	6,214,841
Net book value:										
As at 31 December	**3,106,579**	**853,379**	**1,082,883**	**799,613**	**5,842,454**	3,220,611	762,307	939,477	574,181	5,496,576

10. RIGHT OF USE ASSETS, NET

	2020 SAR '000	2019 SAR '000
Cost:		
At beginning of the year (note 3.3)	**1,931,697**	1,796,913
Additions	**194,276**	200,871
Terminations	**(36,347)**	(46,132)
Foreign currency translation adjustment	**(42,730)**	(19,955)
As at 31 December	**2,046,896**	1,931,697
Accumulated depreciation		
At beginning of the year	**261,872**	–
Charge for the year	**279,239**	271,342
Terminations	**(10,340)**	(7,513)
Foreign currency translation adjustment	**(9,161)**	(1,957)
As at 31 December	**521,610**	261,872
Right of use assets, net	**1,525,286**	1,669,825

11. OTHER ASSETS

(11.1) Other Assets

	2020 SAR '000	2019 SAR '000
Assets purchased under Murabaha arrangements	**2,729,125**	2,913,428
Prepayments and advances	**946,354**	1,024,032
Margin deposits against derivatives and repos	**12,232,028**	7,807,805
Other real estate, net (note 11.2)	**964,562**	1,283,387
Others	**4,845,147**	3,041,764
Total	**21,717,216**	16,070,416

(11.2) Other Real Estate, Net

	2020 SAR '000	2019 SAR '000
Cost:		
At beginning of the year	**1,463,342**	1,282,268
Additions	**137,189**	270,489
Disposals	**(200,305)**	(89,415)
At 31 December	**1,400,226**	1,463,342
Provision and foreign currency translation:		
Foreign currency translation adjustment	**(195,702)**	(124,054)
Provision for impairment	**(239,962)**	(55,901)
At 31 December	**(435,664)**	(179,955)
Other real estate, net	**964,562**	1,283,387

12. DERIVATIVES

In the ordinary course of business, the Group utilises the following financial derivative instruments for both trading and hedging purposes:

(a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating rate special commission payments in a single currency without exchanging principal. For currency swaps, fixed special commission payments and principal are exchanged in different currencies. For cross-currency special commission rate swaps, principal and fixed and floating special commission payments are exchanged in different currencies.

(b) Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardized amounts on regulated exchanges. Changes in futures contract values are settled daily.

(c) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

(d) Structured derivative products

Structured derivative products provide financial solutions to the customers of the Group to manage their risks in respect of foreign exchange, special commission rate and commodity exposures and enhance yields by allowing deployment of excess liquidity within specific risk and return profiles. The majority of the Group's structured derivative transactions are entered on a back-to-back basis with various counterparties.

(12.1) Derivatives held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves profiting from price differentials between markets or products.

12. DERIVATIVES (continued)

(12.2) Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk (see note 33 – credit risk, note 34 – market risk and note 35 – liquidity risk). Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. The Board of Directors has established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce special commission rate gaps to within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading, such as special commission rate swaps, special commission rate options and futures, forward foreign exchange contracts and currency options.

The Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures. The Group also uses special commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument, are formally documented and the transactions are accounted for as fair value or cash flow hedges.

The tables below show the positive and negative fair values of derivatives, together with the notional amounts analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

			SAR '000 Notional amounts by term to maturity					
2020	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate instruments	**6,991,247**	**(6,786,101)**	**256,078,981**	**7,468,087**	**32,097,108**	**142,723,012**	**73,790,774**	**278,300,894**
Forward foreign exchange contracts	**570,598**	**(304,118)**	**134,838,083**	**59,740,076**	**30,733,795**	**44,364,212**	**–**	**107,375,512**
Options	**86,211**	**(11,948)**	**2,136,745**	**186,744**	**1,852,953**	**97,049**	**–**	**1,223,842**
Held as fair value hedges:								
Special commission rate instruments	**72,541**	**(2,544,851)**	**11,178,835**	**–**	**–**	**2,976,211**	**8,202,624**	**11,653,647**
Held as cash flow hedges:								
Special commission rate instruments	**177,499**	**(97,425)**	**10,406,260**	**–**	**1,620,000**	**8,786,260**	**–**	**8,866,625**
Total	**7,898,096**	**(9,744,443)**	**414,638,904**	**67,394,907**	**66,303,856**	**198,946,744**	**81,993,398**	

			SAR '000 Notional amounts by term to maturity					
2019	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate instruments	4,621,626	(4,356,977)	251,474,994	4,489,740	31,959,613	144,789,404	70,236,237	250,019,987
Forward foreign exchange contracts	395,879	(92,285)	79,739,479	34,923,677	16,366,658	28,449,144	–	66,910,086
Options	11,292	(12,908)	377,245	163,027	214,218	–	–	1,273,215
Held as fair value hedges:								
Special commission rate instruments	114,361	(1,543,746)	11,559,835	375,000	1,018,500	2,888,711	7,277,624	17,595,627
Held as cash flow hedges:								
Special commission rate instruments	132,881	(75,664)	4,420,104	218,091	417,871	3,400,938	383,204	5,739,526
Total	5,276,039	(6,081,580)	347,571,657	40,169,535	49,976,860	179,528,197	77,897,065	

The table below shows a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value.

	SAR '000					
2020	Fair value	Cost	Risk	Hedging instrument	Positive fair value	Negative fair value
Description of hedged items						
Fixed rate instruments	**13,894,323**	**11,533,844**	Fair value	Special commission rate instruments	**72,541**	**(2,544,851)**
Fixed rate and floating rate instruments	**10,720,066**	**10,428,740**	Cash flow	Special commission rate instruments	**177,499**	**(97,425)**
2019						
Description of hedged items						
Fixed rate instruments	12,914,262	11,663,087	Fair value	Special commission rate instruments	114,361	(1,543,746)
Fixed rate and floating rate instruments	4,414,351	4,409,938	Cash flow	Special commission rate instruments	132,881	(75,664)

Approximately 56% (2019: 56%) of the positive fair value of the Group's derivatives are entered into with financial institutions and 44% (2019: 44%) of the positive fair value contracts are with non-financial institutions at the consolidated statement of financial position date. Derivative activities are mainly carried out under the Group's Treasury segment.

Cash flows hedges:

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission at a variable rate. The Bank generally uses special commission rate swaps as hedging instruments to hedge against these special commission rate risks.

Below is the schedule indicating as at 31 December, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

	SAR' 000			
2020	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	**170,535**	**163,060**	**46,738**	**–**
Cash outflows (liabilities)	**(131,505)**	**(184,845)**	**(57,786)**	**–**
Net cash inflows (outflows)	**39,030**	**(21,785)**	**(11,048)**	**–**

	SAR' 000			
2019	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	143,142	189,206	32,400	4,307
Cash outflows (liabilities)	(99,795)	(114,282)	(30,712)	(3,027)
Net cash inflows (outflows)	43,347	74,924	1,688	1,280

13. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 SAR '000	2019 SAR '000
Current accounts	**4,456,847**	6,013,422
Money market deposits	**48,017,832**	18,975,537
Repos (note 32 (a))	**22,553,478**	37,197,085
Total	**75,028,157**	62,186,044

14. CUSTOMERS' DEPOSITS

	2020 SAR '000	2019 SAR '000
Current and call accounts	**319,375,606**	250,700,137
Time	**82,930,812**	90,023,429
Others	**14,112,303**	12,665,749
Total	**416,418,721**	353,389,315

Other customers' deposits include SAR 3,577 million (2019: SAR 3,685 million) of margins held for irrevocable commitments and contingencies.

14. CUSTOMERS' DEPOSITS (continued)

International segment deposits included in customers' deposits comprise of:

	2020 SAR '000	2019 SAR '000
Current and call accounts	**14,527,235**	9,450,761
Time	**14,396,398**	15,685,172
Others	**878,556**	471,915
Total	**29,802,189**	25,607,848

Details on foreign currency deposits included in customers' deposits as follows:

	2020 SAR '000	2019 SAR '000
Current and call accounts	**24,532,230**	14,064,240
Time	**24,582,618**	38,004,033
Others	**1,321,446**	896,370
Total	**50,436,294**	52,964,643

15. DEBT SECURITIES ISSUED

Issuer	Year of issue	Tenure	Particulars	2020 SAR '000	2019 SAR '000
Türkiye Finans Katılım Bankası A.Ş.	2015	5 years	Non-convertible unlisted sukuk, carrying profit at a fixed rate payable semi-annually.	**–**	332,513
	2019	2 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**–**	69,745
	2020	6 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**484,180**	–
	2020	5 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**250,507**	–
	2020	3 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**302,327**	613,843
	2020	7 months	Non-convertible listed sukuk on the Borsa Istanbul, carrying profit at a fixed rate.	**735,676**	–
Total				**1,772,690**	1,016,101

Movement of the debt securities issued during the year is as follows:

	2020 SAR '000	2019 SAR '000
Balance at beginning of the year	**1,016,101**	9,430,907
Debt securities issued	**4,758,601**	5,312,980
Debt securities payment	**(3,816,939)**	(13,244,516)
Foreign currency translation adjustment	**(185,073)**	(483,270)
Balance at the end of the year	**1,772,690**	1,016,101

16. OTHER LIABILITIES

	2020 SAR '000	2019 SAR '000
Zakat payable including subsidiaries (see note 16.1)	**1,413,568**	1,457,474
Staff-related payables	**1,097,927**	1,228,715
Accrued expenses and accounts payable	**4,534,385**	4,690,874
Allowances for indirect facilities	**337,663**	300,216
Employee benefit obligation (note 26)	**1,426,694**	1,203,645
Lease liabilities	**1,754,951**	1,825,149
Others	**5,701,818**	4,096,784
Total	**16,267,006**	14,802,857

(16.1) The Group is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the Consolidated statement of income.

The Bank has calculated Zakat accruals for the year 2020 based on the applicable Zakat rules for financing institutions.

The Bank has submitted its Zakat return for the year ended 31 December 2019, and obtained the unrestricted Zakat certificate. The GAZT did not finalize the study of the said year upto date.

17. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 3,000,000,000 shares of SAR 10 each (31 December 2019: 3,000,000,000 shares of SAR 10 each). The share capital of the Bank excluding treasury shares (refer to note 25.2) consists of 2,990,418,206 shares of SAR 10 each (31 December 2019: 2,991,171,957 shares of SAR 10 each).

18. STATUTORY RESERVE

In accordance with the Saudi Arabian Banking Control Law, a minimum of 25% of the annual net income after Zakat and income tax, inclusive of the overseas branches, is required to be transferred to a statutory reserve up to where the reserve equals a minimum amount of the paid up capital of the Bank. Moreover, in accordance with the Regulation for Companies in Saudi Arabia, NCBC is also required to transfer a minimum of 10% of its annual net income (after Zakat and income tax) to statutory reserve.

TFKB transfers 5% of its previous year annual net income after income tax to statutory reserve.

The statutory reserves are not currently available for distribution.

19. OTHER RESERVES (CUMULATIVE CHANGES IN FAIR VALUES)

Other reserves represent the net unrealised revaluation gains (losses) of cash flow hedges (effective portion) and FVOCI equity investments. The movement of other reserves during the year is included under consolidated statement of other comprehensive income and the consolidated statement of changes in equity.

20. COMMITMENTS AND CONTINGENCIES

(20.1) Capital and other non-credit related commitments

As at 31 December 2020 the Bank had capital commitments of SAR 1,156 million (2019: SAR 1,305 million) in respect of building, equipment and software purchases and capital calls on private equity funds.

(20.2) Credit-related commitments and contingencies

Credit-related commitments and contingencies mainly comprise letters of credit, guarantees, acceptances and commitments to extend credit (irrevocable). The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantees including standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that customers cannot meet their obligations to third parties, carry the same credit risk as financing and advances.

Cash requirements under guarantees are normally considerably less than the amount of the related 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 authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipment 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 authorisation to extended credit, principally in the form of financing, guarantees and letters of credit. With respect to credit risk relating to commitments to extend unused credit lines, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The likely amount of 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.

20. COMMITMENTS AND CONTINGENCIES (continued)

(20.2) Credit-related commitments and contingencies (continued)

(a) The contractual maturity structure of the Group's credit-related commitments and contingencies is as follows:

	SAR '000				
2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	**5,724,191**	**3,302,303**	**382,022**	**20,274**	**9,428,790**
Guarantees	**6,860,120**	**14,662,454**	**7,341,464**	**1,798,062**	**30,662,100**
Acceptances	**1,138,357**	**707,081**	**69,743**	**8,355**	**1,923,536**
Irrevocable commitments to extend credit	**–**	**334,531**	**4,080,674**	**5,959,860**	**10,375,065**
Total	**13,722,668**	**19,006,369**	**11,873,903**	**7,786,551**	**52,389,491**

	SAR '000				
2019	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	4,748,099	3,702,790	512,629	12,270	8,975,788
Guarantees	6,043,567	16,629,412	8,920,510	2,114,823	33,708,312
Acceptances	1,310,150	338,816	22,640	10,809	1,682,415
Irrevocable commitments to extend credit	1,450	2,143,117	2,168,099	5,156,408	9,469,074
Total	12,103,266	22,814,135	11,623,878	7,294,310	53,835,589

(b) The analysis of commitments and contingencies by counterparty is as follows:

	2020 SAR '000	2019 SAR '000
Government and Quasi Government	**5,309,745**	6,681,859
Corporate and establishment	**36,736,390**	34,880,613
Banks and other financial institutions	**10,071,094**	11,941,194
Others	**272,262**	331,923
Total	**52,389,491**	53,835,589

21. NET SPECIAL COMMISSION INCOME

	2020 SAR '000	2019 SAR '000
Special commission income:		
Investments – FVOCI	**1,955,295**	1,236,824
Investments held at amortised cost	**1,899,496**	2,667,461
Sub total – investments	**3,854,791**	3,904,285
Due from banks and other financial institutions	**356,676**	648,473
Financing and advances	**15,229,586**	16,564,632
Total	**19,441,053**	21,117,390
Special commission expense:		
Due to banks and other financial institutions	**711,894**	1,396,881
Customers' deposits	**1,850,539**	2,897,310
Debt securities issued	**191,971**	440,746
Total	**2,754,404**	4,734,937
Net special commission income	**16,686,649**	16,382,453

22. FEE INCOME FROM BANKING SERVICES, NET

	2020 SAR '000	2019 SAR '000
Fee income:		
Shares brokerage	**762,467**	239,835
Investment management services	**626,306**	583,668
Financing and advances	**158,630**	225,040
Credit cards	**752,417**	724,031
Trade finance	**351,764**	387,619
Others	**403,728**	483,603
Total	**3,055,312**	2,643,796
Fee expenses:		
Shares brokerage	**(268,335)**	(93,557)
Investment management services	**(3,812)**	(5,055)
Credit cards	**(613,877)**	(621,296)
Others	**90,352**	(4,150)
Total	**(795,672)**	(724,058)
Fee income from banking services, net	**2,259,640**	1,919,738

23. INCOME FROM FAIR VALUE THROUGH INCOME STATEMENT (FVIS) FINANCIAL INSTRUMENTS, NET

	2020 SAR '000	2019 SAR '000
Investments held at FVIS	**788,539**	651,376
Derivatives	**27,428**	288,376
Total	**815,967**	939,752

24. GAINS/INCOME ON NON-FVIS FINANCIAL INSTRUMENTS, NET

	2020 SAR '000	2019 SAR '000
Gains on disposal of non-FVIS financial instruments	**872,968**	374,384
Dividend income from non-FVIS financial instruments	**100,465**	95,872
Total	**973,433**	470,256

25. SHARE BASED PAYMENTS RESERVE

Employees' share based payment plan and Treasury shares:

(25.1) Employee share based payment plan:

The Bank established a share based compensation scheme for its key management that entitles the related personnel to be awarded shares in the Bank subject to successfully meeting certain service and performance conditions. Under the share based compensation scheme, the Bank has three outstanding plans. Significant features of these plans are as follows:

Maturity dates	Between Dec. 2020 and Dec. 2022
Total number of shares granted	7,862,224
Vesting period	3 years
Method of settlement	Equity
Fair value per share on grant date	Average SAR 51.32

(25.2) Treasury shares:

During the year ended 31 December 2020, the Bank acquired further treasury shares amounting to SAR 146 million (2019: SAR 125 million) in connection with its employee share based payment plan (note 17), which has been duly approved by the board of directors and concerned regulatory authorities.

26. EMPLOYEE BENEFIT OBLIGATION

(26.1) The characteristics of the end of service benefits scheme

The Group operates an unfunded end of service benefit plan (the plan) for its employees based on the prevailing Saudi Labor Laws and applicable laws for oversees branches and subsidiaries. The liability in respect of the plan is estimated by a qualified external actuary in accordance with International Accounting Standard 19 – Employee Benefits, and using "Projected Unit Credit Method". The liability recognised in the consolidated statement of financial position in respect of the plan is the present value of the defined benefit obligation at the end of the reporting period. During the year, based on the actuarial assessment, a charge of SAR 159 million (2019: SAR 152 million) related to current service and interest cost was recorded in the consolidated statement of income. The end of service liability is disclosed in note 16.

(26.2) The valuation of the defined benefit obligation

Liability under the plan is based on various assumptions ('actuarial assumptions") including the estimation of the discount rate, inflation rate, expected rate of salary increase and normal retirement ages. Based on the assumptions, also taking into consideration the future salary increases, cash outflows are estimated for the Group's employees as a whole giving the total payments expected over the future years, which are discounted to arrive at the closing obligation. Any changes in actuarial assumptions from one period to another may effect the determination of the estimated closing obligation, which is accounted for as an actuarial gain or loss for the period.

Critical assumptions used:

	2020	2019
Discount rate	**2.8%**	3.0%
Average age (years)	**35**	35

Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the end of service valuation as at 31 December 2020 and 2019:

	2020 SAR '000	2019 SAR '000
Discount rate +1%	**135,411**	82,800
Discount rate -1%	**(160,917)**	(88,800)

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2020 and 31 December 2019 is calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the period by the weighted average number of shares outstanding during the period.

Diluted earnings per share for the years ended 31 December 2020 and 31 December 2019 is calculated by dividing the fully diluted net income attributable to equity holders of the Bank for the year by the weighted average number of outstanding shares. The diluted earning per share is adjusted with the impact of the employees' share based payment plan.

Details of Basic and diluted earnings per share are as follows:

	Basic EPS		Diluted EPS	
	2020	2019	2020	2019
Weighted-Average number of shares outstanding (in thousands)	**2,991,996**	2,991,580	**2,996,179**	2,995,278
Earnings per share (in SAR)	**3.68**	3.68	**3.67**	3.67

28. TIER 1 SUKUK

During 2020, the Bank through a Shariah compliant arrangement ("the arrangement") issued additional Tier 1 Sukuk (the "Sukuk"), amounting to SAR 4.2 billion. Further, the Bank also exercised the call option on its existing Tier 1 sukuk amounting to SAR 1 billion. These arrangements were approved by the board of directors of the Bank and regulatory authorities.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement.

The applicable profit rate on the Sukuks is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

Additionally, subsequent to the year end, the Bank has completed the issuance of additional cross border Tier 1 Sukuk denominated in US Dollars, amounting to SAR 4.69 billion.

29. DIVIDEND

On 25 December 2019, the Board of Directors has recommended the distribution of final dividend of SAR 3,600 million (SAR 1.20 per share) and accordingly, was paid in full during April 2020.

On 28 July 2019, the Board of Directors approved the distribution of interim dividend of SAR 3,300 million (SAR 1.10 per share) and accordingly, was paid in full during August 2019.

On 10 April 2019, the General Assembly approved the distribution of final dividend of SAR 3,293 million (SAR 1.10 per share) and accordingly, was paid in full during April 2019.

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	2020 SAR '000	2019 SAR '000
Cash and balances with SAMA excluding statutory deposit (note 4)	**33,778,319**	25,653,256
Due from banks and other financial institutions with original maturity of three months or less	**8,113,501**	7,021,487
Total	**41,891,820**	32,674,743

31. OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's management.

The Group has five reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Retail

Provides banking services, including lending and current accounts in addition to products in compliance with Shariah rules which are supervised by the independent Shariah Board, to individuals and private banking customers.

Corporate

Provides banking services including all conventional credit-related products and financing products in compliance with Shariah rules to small sized businesses, medium and large establishments and companies.

Treasury

Provides a full range of treasury and correspondent banking products and services, including money market and foreign exchange, to the Group's clients, in addition to carrying out investment and trading activities (local and international) and managing liquidity risk, market risk and credit risk (related to investments).

Capital Market

Provides wealth management, asset management, investment banking and shares brokerage services (local, regional and international).

International

Comprises banking services provided outside Saudi Arabia including TFKB.

Transactions between the operating segments are recorded as per the Bank and its subsidiaries' transfer pricing policy.

The supports and Head Office expenses are allocated to segments using activity-based costing.

31. OPERATING SEGMENTS (continued)

(31.1) The Group's total assets and liabilities at year end, its operating income and expenses (total and main items) and net income for the year, by business segments, are as follows:

	SAR '000					
2020	Retail	Corporate	Treasury	Capital Market	International	Total
Total assets	204,641,952	139,448,073	211,401,228	3,165,814	40,788,931	599,445,998
Total liabilities	248,452,914	142,681,923	90,551,866	415,227	37,129,087	519,231,017
– Customers' deposits	237,363,925	140,539,058	8,709,339	4,210	29,802,189	416,418,721
Total operating income from external customers	8,872,544	4,934,069	4,839,385	1,137,046	1,674,888	21,457,932
– Intersegment operating income (expense)	1,157,011	(849,988)	(230,604)	(4,019)	(72,400)	–
Total operating income	10,029,554	4,084,081	4,608,781	1,133,028	1,602,488	21,457,932
of which:						
Net special commission income	9,480,070	3,645,854	2,280,580	18,833	1,261,312	16,686,649
Fee income from banking services, net	500,907	439,684	93,046	1,083,977	142,026	2,259,640
Total operating expenses	4,227,747	2,380,717	363,402	316,559	1,159,414	8,447,839
of which:						
– Depreciation/amortisation of property, equipment, software and ROU assets	626,866	89,265	65,852	19,896	98,640	900,519
– Net impairment charge for expected credit losses	58,417	1,437,735	14,212	–	440,523	1,950,887
Other non-operating (expenses)/income, net	(36,844)	(24,514)	(47,716)	–	32,304	(76,770)
Net income for the period before Zakat and income tax	5,764,967	1,678,848	4,197,662	816,468	475,378	12,933,323

	SAR '000					
2019	Retail	Corporate	Treasury	Capital Market	International	Total
Total assets	154,249,478	132,099,977	185,601,239	2,090,983	32,777,069	506,818,746
Total liabilities	221,023,704	109,249,057	77,990,192	365,403	28,847,541	437,475,897
– Customers' deposits	209,904,859	107,423,978	10,449,207	3,423	25,607,848	353,389,315
Total operating income from external customers	7,775,407	6,842,954	3,616,913	786,908	1,552,498	20,574,680
– Intersegment operating income (expense)	1,932,337	(2,131,932)	291,317	(123)	(91,599)	–
Total operating income	9,707,744	4,711,022	3,908,230	786,785	1,460,899	20,574,680
of which:						
Net special commission income	8,960,001	4,210,000	1,970,208	18,221	1,224,023	16,382,453
Fee income from banking services, net	443,404	501,303	83,703	715,112	176,216	1,919,738
Total operating expenses	4,378,584	1,422,090	388,451	327,663	1,201,761	7,718,549
of which:						
– Depreciation/amortisation of property, equipment, software and ROU assets	586,856	90,475	60,327	19,084	109,193	865,935
– Net impairment charge (reversal) for expected credit losses	449,121	552,170	(56,387)	–	475,026	1,419,930
Other non-operating (expenses)/income, net	68,657	(16,753)	(23,201)	198	33,546	62,447
Net income for the period before Zakat and income tax	5,397,818	3,272,179	3,496,577	459,320	292,684	12,918,578

(31.2) The Group's credit risk exposure, by business segments, is as follows:

	SAR '000					
2020	Retail	Corporate	Treasury	Capital Market	International	Total
Statement of financial position assets	175,394,455	132,693,694	176,143,610	822,161	28,617,614	513,671,534
Commitments and contingencies (credit equivalent)	1,021,655	23,323,489	6,135,323	–	2,575,636	33,056,103
Derivatives (credit equivalent)	–	–	25,590,261	–	155,779	25,746,040

	SAR '000					
2019	Retail	Corporate	Treasury	Capital Market	International	Total
Statement of financial position assets	123,714,593	128,777,964	153,333,218	474,262	25,853,697	432,153,734
Commitments and contingencies (credit equivalent)	706,697	23,124,263	7,452,315	–	2,919,577	34,202,852
Derivatives (credit equivalent)	–	–	15,920,707	–	7,461	15,928,168

The credit exposure of assets as per the consolidated statement of financial position comprises the carrying value of due from banks and other financial institutions, investments subject to credit risk, financing and advances, positive fair value of derivatives, other receivables and refundable deposits.

The credit equivalent of commitments and contingencies and derivatives is calculated according to SAMA's prescribed methodology.

32. COLLATERAL AND OFFSETTING

Following are the details of collaterals held/received by the Group and offsetting carried out as at 31 December 2020:

(a) The Bank conducts Repo transactions under the terms that are usually based on the applicable GMRA (Global Master Repurchase Agreement) collateral guidelines. Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets continue to be measured in accordance with related accounting policies for investments held at FVIS, held at FVOCI and investments held at amortised cost. The carrying amount and fair value of securities pledged under agreement to repurchase (repo) are as follows:

	2020 SAR '000		2019 SAR '000	
	Carrying amount	Fair value	Carrying amount	Fair value
Held at FVOCI	**19,513,081**	**19,513,081**	29,374,177	29,374,177
Investments held at amortised cost	**5,145,407**	**5,516,630**	10,733,238	10,987,799
Total	**24,658,488**	**25,029,711**	40,107,415	40,361,976

(a) The Bank has placed a margin deposit of SAR 1,824 million (2019: SAR 591 million) as an additional security for these repo transactions.

(b) Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2020 and 31 December 2019.

(c) For details of margin deposits held for the irrevocable commitments and contingencies, please refer note 14 and for details of margin deposits against derivatives and repos, (refer note 11.1).

(d) Securities pledged with the Group in respect of reverse repo transactions comprise of SAR 936 million (2019: SAR 939 million). The Group is allowed to sell or repledge these securities in the event of default by the counterparty.

(e) All significant financial assets and liabilities where the Group has a legal enforceable right and intention to settle on a net basis have been offset and presented net in these consolidated financial statements.

33. CREDIT RISK

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument or transaction will fail to discharge an obligation and will cause the other party to incur a financial loss. Credit exposures arise principally in credit-related risk that is embedded in financing and advances and investments. There is also credit risk in off-statement of financial position financial instruments, such as trade-finance related products, derivatives and financing commitments.

For financing and advances and off-statement of financial position financing to borrowers to borrowers, the Group assesses the probability of default of counterparties using internal rating models. For investments, due from banks and other financial institutions and off-statement of financial position financial instruments held with international counterparties, the Group uses external ratings by the major rating agencies.

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 risks and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on a daily basis.

The Group manages the credit exposure relating to its trading activities by monitoring credit limits, entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation and the Group assesses counterparties using the same techniques as for its financing activities in order to control the level of credit risk taken.

33. CREDIT RISK (continued)

Concentrations of credit risk may arise in case of sizeable exposure to a single obligor or 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 customer, industry or geographical location.

The debt securities included in investments are mainly sovereign risk and high-grade securities. Analysis of investments by counterparty is provided in note (6.6). For details of the composition of the financing and advances refer to note (7.4). Information on credit risk relating to derivative instruments is provided in note (12) and for commitments and contingencies in note (20). The information on the Group's total maximum credit exposure is given in note (33.1).

Each individual corporate borrower is rated based on an internally developed debt rating model that evaluates risk based on financial, qualitative and industry specific inputs. The associated loss estimate norms for each grade have been developed based on the Group's experience. These risk ratings are reviewed on a regular basis.

The Group in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in financing and advances. These collaterals mostly include time and other cash deposits, financial guarantees from other banks, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and individual loans and are managed against relevant exposures at their net realisable values. The Group holds real estate collateral against registered mortgage as a collateral financial instruments such as financing and advances and customers' deposits are shown gross on the consolidated statement of financial position and no offsetting has been done.

The Group also manages its credit risk exposure through the diversification of financing activities to ensure that there is no 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 financing and advances. The Group monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement and Group's policy.

(33.1) Maximum credit exposure

Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2020 SAR '000	2019 SAR '000
Assets		
Due from banks and other financial institutions (note 5)	**13,636,822**	16,565,294
Investments (note 33.2 (a))	**133,196,450**	123,571,525
Financing and advances, net (note 7.1)	**346,708,138**	281,843,332
Other assets – margin deposits against derivatives and repos (note 11.1)	**12,232,028**	7,807,805
Total assets	**505,773,438**	429,787,956
Contingent liabilities and commitments, net (notes 16 and 20)	**48,475,245**	50,439,228
Derivatives – positive fair value, net (note 12)	**7,898,096**	5,276,039
Total maximum credit exposure	**562,146,779**	485,503,223

(33.2) Financial Risk Management

(a) Credit quality analysis

(i) The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

- Investment Grade is composed of Very Strong Credit Quality (AAA to BBB-)
- Non-Investment Grade is composed of: Good, Satisfactory and Special Mention Credit Quality (BB+ to C)

2020	SAR '000 Gross carrying amount Stage 1	Stage 2	Stage 3	Total
Due from Bank and Other financial institutions				
Investment grade	6,100,134	–	–	6,100,134
Non-investment grade	6,317,847	–	–	6,317,847
Unrated	1,222,279	–	–	1,222,279
Gross carrying amount	13,640,260	–	–	13,640,260
Financing and advances				
Investment Grade	55,944,408	2,676	–	55,947,084
Corporate	42,967,428	–	–	42,967,428
International	4,153,250	2,676	–	4,155,926
Others	8,823,730	–	–	8,823,730
Non-investment Grade	100,182,214	15,507,299	–	115,689,513
Retail	988,294	10,462	–	998,756
Corporate	78,652,503	12,952,440	–	91,604,943
International	12,620,846	2,077,991	–	14,698,837
Others	7,920,571	466,406	–	8,386,977
Unrated	175,443,350	2,291,133	–	177,734,483
Retail	171,414,332	2,232,292	–	173,646,624
Corporate	14,385	–	–	14,385
International	3,290,979	58,841	–	3,349,820
Others	723,654	–	–	723,654
Individually impaired	–	–	6,128,435	6,128,435
Retail	–	–	585,384	585,384
Corporate	–	–	4,205,720	4,205,720
International	–	–	1,337,331	1,337,331
Gross carrying amount	331,569,972	17,801,108	6,128,435	355,499,515
Debt investment securities at amortised cost				
Saudi Government Bonds, Sukuk and Treasury Bills	50,717,114	–	–	50,717,114
Investment Grade	18,956,835	1,217,187	–	20,174,022
Non-investment Grade	3,568,541	162,728	–	3,731,269
Gross carrying amount	73,242,490	1,379,915	–	74,622,405
Debt investment securities at FVOCI				
Saudi Government Bonds, Sukuk and Treasury Bills	24,754,679	–	–	24,754,679
Investment Grade	25,911,733	1,148,661	–	27,060,394
Non-investment Grade	6,648,913	110,059	–	6,758,972
Gross carrying amount	57,315,325	1,258,720	–	58,574,045
Commitment and contingencies				
Investment Grade	17,680,789	29,255	–	17,710,044
Non-investment Grade	29,134,396	3,186,248	889,225	33,209,869
Unrated	1,468,166	1,412	–	1,469,578
Total	48,283,351	3,216,915	889,225	52,389,491

33. CREDIT RISK (continued)

(33.2) Financial Risk Management (continued)

(a) Credit quality analysis (continued)

	SAR '000 Gross carrying amount			
2019	Stage 1	Stage 2	Stage 3	Total
Due from Bank and Other financial institutions				
Investment grade	11,236,035	–	–	11,236,035
Non-investment grade	4,423,819	–	–	4,423,819
Unrated	909,623	–	–	909,623
Gross carrying amount	16,569,477	–	–	16,569,477
Financing and advances				
Investment Grade	52,691,077	4,621	–	52,695,698
Corporate	49,136,488	–	–	49,136,488
International	1,812,682	4,621	–	1,817,303
Others	1,741,907	–	–	1,741,907
Non-investment Grade	89,466,486	15,129,205	–	104,595,691
Retail	513,434	–	–	513,434
Corporate	70,719,931	9,968,278	–	80,688,209
International	11,962,226	2,205,540	–	14,167,766
Others	6,270,895	2,955,387	–	9,226,282
Unrated	124,702,341	1,882,158	–	126,584,499
Retail	121,754,731	1,442,585	–	123,197,316
Corporate	–	–	–	–
International	2,460,306	439,573	–	2,899,879
Others	487,304	–	–	487,304
Individually impaired	–	–	5,329,396	5,329,396
Retail	–	–	599,336	599,336
Corporate	–	–	3,051,591	3,051,591
International	–	–	1,678,469	1,678,469
Gross carrying amount	266,859,904	17,015,984	5,329,396	289,205,284
Debt investment securities at amortised cost				
Saudi Government Bonds, Sukuk and Treasury Bills	40,317,689	–	–	40,317,689
Investment Grade	21,018,214	415,437	–	21,433,651
Non-investment Grade	1,887,573	1,465,785	–	3,353,358
Gross carrying amount	63,223,476	1,881,222	–	65,104,698
Debt investment securities at FVOCI				
Saudi Government Bonds, Sukuk and Treasury Bills	28,836,343	–	–	28,836,343
Investment Grade	25,636,821	79,730	–	25,716,551
Non-investment Grade	3,103,467	810,466	–	3,913,933
Gross carrying amount	57,576,631	890,196	–	58,466,827
Commitment and contingencies				
Investment Grade	20,354,958	7,223	–	20,362,181
Non-investment Grade	28,226,110	2,652,108	851,444	31,729,662
Unrated	1,704,425	39,321	–	1,743,746
Total	50,285,493	2,698,652	851,444	53,835,589

(ii) The table below details the aging of the performing financing and advances:

2020	Consumer & Credit card	Corporate	International	Others	Total
	SAR '000 Financing and advances				
Neither past due nor impaired	**170,767,104**	**133,021,559**	**20,065,075**	**17,934,360**	**341,788,098**
Past due but not impaired					
Less than 30 days	**2,582,161**	**321,251**	**132,680**	**–**	**3,036,092**
30-59 days	**864,091**	**227,667**	**42,603**	**–**	**1,134,361**
60-89 days	**432,026**	**1,016,278**	**1,964,225**	**–**	**3,412,529**
Total past due not impaired	**3,878,278**	**1,565,196**	**2,139,508**	**–**	**7,582,982**
Total performing financing and advances	**174,645,382**	**134,586,755**	**22,204,583**	**17,934,360**	**349,371,080**

2019	Consumer & Credit card	Corporate	International	Others	Total
	SAR '000 Financing and advances				
Neither past due nor impaired	119,649,043	127,282,547	16,196,293	11,455,493	274,583,376
Past due but not impaired					
Less than 30 days	2,619,181	1,251,232	365,346	–	4,235,759
30-59 days	944,140	692,099	163,875	–	1,800,114
60-89 days	498,386	598,819	2,159,434	–	3,256,639
Total past due not impaired	4,061,707	2,542,150	2,688,655	–	9,292,512
Total performing financing and advances	123,710,750	129,824,697	18,884,948	11,455,493	283,875,888

(b) 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 Group 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 Group'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 based on approved stages of criteria.

Consideration due to Covid-19:

In response to the impacts of Covid-19, various support programmes have been offered to the customers either voluntarily by the Bank or on account of SAMA initiatives, such as customers eligible under Deferred Payments Program (refer to note 43 for further details). The exercise of the deferment option by a customer, in its own, is not considered by the Bank as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Bank's credit evaluation process especially given the current economic situation due to after effects of lock down, the Bank obtained further information from the customers to understand their financial position and ability to repay the amounts and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

The Group allocates each exposure 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 corporate 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.

33. CREDIT RISK (continued)

(33.2) Financial Risk Management (continued)

(b) Amounts arising from ECL – significant increase in credit risk (continued)

The monitoring of exposures involves use of the following data:

Corporate exposures	Retail exposures	All 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, 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.	• Internally collected data and customer behavior – e.g. utilization of credit card facilities.	• 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 forecasted changes in business, financial and economic conditions.

(i) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors including GDP growth, benchmark interest rates, unemployment ,etc.

Based on inputs from Group's Economics Department and consideration of a variety of external actual and forecasted information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecasted scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

(ii) Determining whether credit risk has increased significantly

The criteria for determining whether there is a significant increase in credit risk (SICR) since initial recognition, include quantitative changes in PDs and various qualitative factors, including a backstop based on delinquency.

Moreover, the bank also considers information about guarantees or other credit enhancements in assessing changes in credit risk, as well as the impact of the changes in nature, type and value of such collaterals, on the ability and/or economic incentive of a borrower to repay. As such, where available and applicable, the Bank has duly considered the same.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due unless reasonable evidences are present to prove otherwise. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

(iii) Modified financial assets

The contractual terms of financing and advances 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 and advances whose terms have been modified may be derecognised and the renegotiated Financing and advances recognised as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Group renegotiates financing and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, Financing and advances 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 special commission payments and amending the terms of financing and advances covenants. Both retail and corporate financing and advances are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect special commission income and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

The forbearance activities did not have any material impact on the consolidated financial statements of the Bank for the year ended 31 December 2020.

(iv) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Group including principal instalments, interest payments and fees. The materiality threshold for recognition of default is 5% of the total outstanding credit obligations of the client.
- The Group considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as realizing security (if any).

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

(v) Incorporation of forward looking information

The Group 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. Based on advice from the Group's Economics Department experts and consideration of a variety of external actual and forecasted information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecasted scenarios. This process involves developing two 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 Group 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 10 years. Moreover, a sensitivity analysis has been conducted on the macro-economic impact. in order to assess the change in ECL. A shift of 10% would result in a shift of 5 basis points in ECL.

(vi) Measurement of ECL

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

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.

(a) probability of default (PD);

(b) loss given default (LGD);

(c) exposure at default (EAD).

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 and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. 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 and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group 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. For Financing and advances secured by retail property, LTV (Lending to Value) ratios are a key parameter in determining LGD.

EAD represents the expected exposure in the event of a default. The Group 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.

33. CREDIT RISK (continued)

(33.2) Financial Risk Management (continued)

(b) Amounts arising from ECL – Significant increase in credit risk (continued)

(vi) Measurement of ECL (continued)

The Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a Financing and advances commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a Financing and advances and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL.

(c) Collateral

The Group uses a wide variety of techniques to reduce credit risk on its lending; one important credit risk mitigation technique is accepting guarantees and collaterals with appropriate coverage. The Group ensures that the collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depends on the nature of the collateral involved. Types of acceptable collateral to the Group include time and other cash deposits, financial guarantees, equities, real estate, other fixed assets and salary assignment in case of individuals. The collateral is held mainly against commercial and individual financings and is managed against relevant exposures at its net realizable values. The Group monitors the market value of collaterals, requests additional collaterals in accordance with the underlying agreements. Whenever possible, finances are secured by acceptable forms of collateral in order to mitigate credit risk. Group's policy is to lend against the cash flow of an operating commercial entity as a first way and primary source of repayment. Collaterals provided by the customer are generally only considered as a secondary source for repayment.

34. MARKET RISK

Market risk is the risk that changes in market prices, such as special commission rate, credit spreads (not relating to changes in the obligor's/issuer's credit standing), equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group separates its exposure to market risk between trading and banking books. Trading book is mainly held by the Treasury division and includes positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested to the Board of Directors. The Risk Group is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day-to-day review of their implementation.

(34.1) Market risk – Trading book

The principal tool used to measure and control market risk exposure within the Group's trading book is Value at Risk (VaR). The VaR of a trading position is the estimated loss that will arise on the position over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period, except for Fair Value through Income Statement (FVIS) investments which are computed over a 3-month holding period (i.e., VaR is measured daily, except for VaR on FVIS investments which are computed on a monthly basis), to facilitate the comparison with the trading income (loss) which is also computed and reported on a daily basis. The model computes volatility and correlations using relevant historical market data.

The Group uses VaR limits for total market risk embedded in its trading activities including derivatives related to foreign exchange and special commission rate. The overall structure of VaR limits is subject to review and approval by the Board of Directors. VaR limits are allocated to the trading book. The daily reports of utilisation of VaR limits are submitted to the senior management of the Group. In addition, regular summaries about various risk measures are submitted to the Risk Committee of the Board.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based gives rise to some limitations, including the following:

(i) A 1-day holding period assumes that it is possible to hedge or dispose of positions within one day horizon. This is considered to be a realistic assumption in most of the cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.

(ii) A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 1% probability that losses could exceed the VaR.

(iii) VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
(iv) The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
(v) The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading book. In addition, the Group uses stress tests to model the financial impact of exceptional market scenarios on individual trading book and the Group's overall trading position.

The table below shows the VaR arises from special commission rate, foreign currency exposure and equity exposure held at FVIS portfolio:

	SAR '000 Held at FVIS			
2020	Foreign exchange risk	Special commission risk	Equity Price Risk	Overall risk
End of year VaR	**3,517**	**6,735**	**13,693**	**23,945**
Average VaR	**4,536**	**6,794**	**10,516**	**21,846**

	SAR '000 Held at FVIS			
2019	Foreign exchange risk	Special commission risk	Equity Price Risk	Overall risk
End of year VaR	1,416	9,860	10,803	22,079
Average VaR	1,750	8,236	1,618	11,604

(34.2) Market risk – Banking book

Market risk on banking book positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

(34.2.1) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future cash flows or the fair values of financial instruments. The Group's Assets Liabilities Committee (ALCO) has established limits on the special commission rate gap. Positions are regularly monitored and reported on a monthly basis to ALCO and hedging strategies are used to ensure positions are maintained within the established limits. In case of stressed market conditions, the asset-liability gap may be monitored more frequently.

The following table depicts the sensitivity due to reasonably possible changes in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, based on the special commission bearing non-trading financial assets and financial liabilities held as at 31 December 2020, including the effect of hedging instruments. The sensitivity of the equity is calculated by revaluing the fixed rate fair value through income statement, including the effect of any associated hedges, as at 31 December 2020 for the effect of assumed changes in special commission rates. The sensitivity of equity is analyzed by maturity of the assets or cash flow hedge swaps. All significant banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in local currency. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

			SAR '000 Sensitivity of equity (other reserves)				
2020	Increase/decrease in basis points	Sensitivity of special commission income	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Currency							
SAR	**± 10**	**± 162,989**	**–**	**–**	**± 5,747**	**± 89,378**	**± 95,125**
USD	**± 10**	**± 8,598**	**± 40**	**± 968**	**± 27,845**	**± 87,158**	**± 116,011**

			SAR '000 Sensitivity of equity (other reserves)				
2019	Increase/decrease in basis points	Sensitivity of special commission income	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Currency							
SAR	± 10	± 145,152	–	–	± 12,754	± 133,803	± 146,557
USD	± 10	± 18,235	± 82	± 1,118	± 26,105	± 101,862	± 129,167

34. MARKET RISK (continued)

(34.2) Market risk – Banking book (continued)

(34.2.1) Special commission rate risk (continued)

(a) Special commission rate sensitivity of assets, liabilities and off-statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its consolidated financial position and cash flows. The table below summarizes the Group's exposure to special commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of the contractual re-pricing or the maturity dates. The Group manages exposure to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The table below summarizes the Group's exposure to special commission rate risks:

	SAR '000					
2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	26,237,293	–	–	–	30,586,384	56,823,677
Due from banks and other financial institutions, net	1,000,131	738,545	1,076,169	–	10,821,977	13,636,822
Investments, net	8,843,967	6,141,531	47,992,904	71,860,866	10,013,427	144,852,695
– Held at FVIS	373,197	769,592	133,698	432,943	7,247,160	8,956,590
– Held at FVOCI	1,214,402	2,522,119	18,860,993	35,976,531	2,766,267	61,340,312
– Investments held at amortised cost	7,256,368	2,849,820	28,998,213	35,451,392	–	74,555,793
Financing and advances, net	72,643,103	128,281,331	74,427,589	71,267,240	88,875	346,708,138
– Consumer & Credit Card	8,548,133	33,626,852	62,153,320	69,473,872	–	173,802,177
– Corporate	49,813,145	76,867,018	5,001,160	1,012,372	–	132,693,695
– International	4,732,010	9,665,230	7,153,275	780,996	694	22,332,205
– Others	9,549,815	8,122,231	119,834	–	88,181	17,880,061
Positive fair value of derivatives, net	4,328,277	2,085,464	718,154	–	766,201	7,898,096
Total financial assets	113,052,771	137,246,871	124,214,816	143,128,106	52,276,864	569,919,428
Liabilities						
Due to banks and other financial institutions	46,642,352	15,447,492	8,999,079	–	3,939,234	75,028,157
Customers' deposits	60,609,088	29,154,395	162,386	–	326,492,852	416,418,721
– Current and call accounts	6,116,384	–	–	–	313,259,222	319,375,606
– Time	53,614,031	29,154,395	162,386	–	–	82,930,812
– Others	878,673	–	–	–	13,233,630	14,112,303
Debt securities issued	720,771	682,308	–	369,611	–	1,772,690
Negative fair value of derivatives, net	5,016,782	3,651,434	701,156	–	375,071	9,744,443
Total financial liabilities	112,988,993	48,935,629	9,862,621	369,611	330,807,157	502,964,011
On-statement of financial position gap	63,778	88,311,242	114,352,195	142,758,495	(278,530,293)	
Off-statement of financial position gap	7,774,075	11,766,519	(6,328,619)	(13,154,653)	–	
Total special commission rate sensitivity gap	7,837,853	100,077,761	108,023,576	129,603,842	(278,530,293)	
Cumulative special commission rate sensitivity gap	7,837,853	107,915,614	215,939,190	345,543,032	67,012,739	

2019	SAR '000 Within 3 months	3-12 months	1-5 years	Over 5 years	Non-special commission bearing	Total
Assets						
Cash and balances with SAMA	15,942,001	–	–	–	29,440,208	45,382,209
Due from banks and other financial institutions, net	4,656,899	1,869,745	969,095	–	9,069,555	16,565,294
Investments, net	34,622,875	16,391,204	35,410,767	38,154,905	9,496,821	134,076,572
– Held at FVIS	1,084	934,748	164,985	–	7,249,613	8,350,430
– Held at FVOCI	7,575,997	8,447,851	14,287,882	28,155,097	2,247,208	60,714,035
– Investments held at amortised cost	27,045,794	7,008,605	20,957,900	9,999,808	–	65,012,107
Financing and advances, net	78,012,871	100,957,982	63,823,608	38,550,724	498,147	281,843,332
– Consumer & Credit Card	8,113,455	23,008,983	55,386,281	36,133,682	9,681	122,652,082
– Corporate	57,356,620	66,467,113	2,434,646	1,994,586	–	128,252,965
– International	5,444,380	7,813,994	5,841,994	422,456	1,175	19,523,999
– Others	7,098,416	3,667,892	160,687	–	487,291	11,414,286
Positive fair value of derivatives, net	2,685,611	1,505,747	486,073	16,294	582,314	5,276,039
Total financial assets	135,920,257	120,724,678	100,689,543	76,721,923	49,087,045	483,143,446
Liabilities						
Due to banks and other financial institutions	52,434,192	5,955,437	81,600	–	3,714,815	62,186,044
Customers' deposits	73,390,071	21,870,625	1,365,603	–	256,763,016	353,389,315
– Current and call accounts	6,130,837	–	–	–	244,569,300	250,700,137
– Time	66,787,201	21,870,625	1,365,603	–	–	90,023,429
– Others	472,033	–	–	–	12,193,716	12,665,749
Debt securities issued	800,996	215,105	–	–	–	1,016,101
Negative fair value of derivatives, net	2,883,439	2,479,662	454,986	10,424	253,069	6,081,580
Total financial liabilities	129,508,698	30,520,829	1,902,189	10,424	260,730,900	422,673,040
On-statement of financial position gap	6,411,559	90,203,849	98,787,354	76,711,499	(211,643,855)	
Off-statement of financial position gap	6,656,420	868,227	(833,313)	(6,678,164)	–	
Total special commission rate sensitivity gap	13,067,979	91,072,076	97,954,041	70,033,335	(211,643,855)	
Cumulative special commission rate sensitivity gap	13,067,979	104,140,055	202,094,096	272,127,431	60,483,576	

The off-statement of financial position gap represents the net notional amounts of derivative financial instruments, which are used to manage the special commission rate risk.

(34.2.2) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

At the year end, the Group had the following significant net exposures denominated in foreign currencies:

Currency	2020 SAR '000 Long (short)	2019 SAR '000 Long (short)
US Dollar	**893,612**	608,741
TRY	**2,161,726**	2,060,257

A long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short position.

34. MARKET RISK (continued)

(34.2) Market risk – Banking book (continued)

(34.2.2) Currency risk (continued)

The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2020 on its significant foreign currency positions. The analysis is performed for reasonably possible movements of the currency rate against the Saudi Riyal with all other variables held constant, including the effect of hedging instruments, on the consolidated statement of income; the effect on equity of foreign currencies other than Turkish Lira (TRY) is not significant. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

	2020 SAR '000			2019 SAR '000		
Currency	Increase/ decrease in currency rate in %	Effect on profit	Effect on equity	Increase/ decrease in currency rate in %	Effect on profit	Effect on equity
TRY	**± 10%**	**± 24,398**	**± 280,615**	± 10%	± 16,708	± 307,053

(34.2.3) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks.

The effect on equity (other reserves) as a result of a change in the fair value of equity instruments quoted on Saudi Stock Exchange (Tadawul) and held as FVOCI at 31 December 2020 and 31 December 2019 due to reasonably possible changes in the prices of these quoted shares held by the Group, with all other variables held constant, is as follows:

	2020 SAR '000		2019 SAR '000	
Market index – (Tadawul)	Increase/ decrease in market prices %	Effect on equity (other reserves)	Increase/ decrease in market prices %	Effect on equity (other reserves)
Impact of change in market prices	**± 10%**	**± 237,202**	± 10%	± 191,260

(34.3) Interest rate benchmark reform

The Bank has established a committee to oversee NCB's IBOR transition journey supported by working group. The committee is updated on monthly basis on the overall progress of the project including key achievements. The transition project will include changes to systems, processes and models, as well as managing related tax and accounting implications. Further, the Bank currently anticipates that the areas of significant change will be amendments to the contractual terms of LIBOR-referenced floating-rate debt, derivatives and update of hedge designations. Further, the project will also manage the timely and comprehensive communication of the IBOR transition with the customers and assisting them in taking informed and timely decision.

IBOR reforms exposes the Bank to various risk which are managed and monitored closely. Some of the key risks which the Bank is exposed to include the following:

- Conduct risk arising on account of discussion with the client for repapering of existing contacts that extends beyond Dec 2021;
- Financial risk that may transpires at the time of transition to RFR's; and
- Operational risk on account of changes in the systems, models and process.

The table below shows the Bank's exposure at the year end to significant IBORs subject to reforms that are yet to transition to risk free rates. These exposures will remain outstanding until the IBOR ceases and will therefore transition to the reference rate in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

	2020 SAR '000		
	Non-Derivative Financial Assets	Non-Derivative Financial Liabilities	Derivatives Nominal amount
LIBOR USD	**26,866,112**	**5,137,500**	**140,727,683**
LIBOR JPY	**–**	**1,080,000**	**1,080,000**
Total	**26,866,112**	**6,217,500**	**141,807,683**

35. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management has diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Group has lines of credit in place that it can access to meet liquidity needs.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA of 7% of average demand deposits and 4% of average savings and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of the deposit liabilities, in the form of cash, Saudi Government Bonds or assets which can be converted into cash within a period not exceeding 30 days.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. One of these methods is to maintain limits on the ratio of liquid assets to deposit liabilities, set to reflect market conditions. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale and Saudi Government Bonds excluding repos. Deposits liabilities include both customers and Banks, excluding non-resident Bank deposits in foreign currency.

(35.1) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 and 31 December 2019 based on contractual undiscounted repayment obligations; as special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities as shown on note (35.2) below (Maturity analysis of assets and liabilities for the expected maturities). Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	SAR '000					
Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2020						
Due to banks and other financial institutions	**2,787,788**	**40,290,640**	**15,813,326**	**16,619,599**	**1,694,573**	**77,205,926**
Customers' deposits	**341,081,203**	**52,646,991**	**29,193,405**	**1,495,861**	**24,852**	**424,442,312**
– Current and call accounts	**319,435,217**	**–**	**–**	**–**	**–**	**319,435,217**
– Time	**7,533,683**	**52,646,991**	**29,193,405**	**1,495,861**	**24,852**	**90,894,792**
– Others	**14,112,303**	**–**	**–**	**–**	**–**	**14,112,303**
Debt securities issued	**–**	**738,301**	**1,190,912**	**–**	**–**	**1,929,213**
Derivative financial instruments (gross contractual amounts payable)	**–**	**56,380,121**	**32,695,914**	**47,091,320**	**9,353,832**	**145,521,187**
Lease Liabilities	**–**	**215,886**	**638,274**	**2,568,023**	**1,384,489**	**4,806,672**
Total undiscounted financial liabilities	**343,868,991**	**150,271,939**	**79,531,831**	**67,774,803**	**12,457,746**	**653,905,310**

	SAR '000					
Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2019						
Due to banks and other financial institutions	9,585,040	50,260,944	5,814,877	81,395	–	65,742,256
Customers' deposits	264,677,944	65,968,349	22,822,940	2,607,290	58,782	356,135,305
– Current and call accounts	250,751,836	–	–	–	–	250,751,836
– Time	1,260,359	65,968,349	22,822,940	2,607,290	58,782	92,717,720
– Others	12,665,749	–	–	–	–	12,665,749
Debt securities issued	–	818,920	603,830	–	–	1,422,750
Derivative financial instruments (gross contractual amounts payable)	–	34,384,261	20,862,531	44,601,557	11,408,180	111,256,529
Lease Liabilities	–	76,849	220,858	1,009,264	815,794	2,122,765
Total undiscounted financial liabilities	274,262,984	151,509,323	50,325,036	48,299,506	12,282,756	536,679,605

The contractual maturity structure of the credit-related and commitments and contingencies are shown under note (20.2(a)).

35. LIQUIDITY RISK (continued)

(35.2) Maturity analysis of assets and liabilities

Below is an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See note (35.1) above for the contractual undiscounted financial liabilities.

	SAR '000			
2020	Less than 1 year	Over 1 year	No-fixed maturity	Total
Assets				
Cash and balances with SAMA	37,226,309	12,049,319	7,548,049	56,823,677
Due from banks and other financial institutions, net	7,858,753	139,854	5,638,215	13,636,822
Investments, net	14,783,918	119,304,728	10,764,049	144,852,695
– Held at FVIS	825,288	133,698	7,997,604	8,956,590
– Held at FVOCI	3,873,150	54,700,717	2,766,445	61,340,312
– Held at amortized cost	10,085,480	64,470,313	–	74,555,793
Financing and advances, net	2,888,187	343,819,951	–	346,708,138
– Consumer & Credit Card	1,990,394	171,811,783	–	173,802,177
– Corporate	261,409	132,432,286	–	132,693,695
– International	–	22,332,205	–	22,332,205
– Others	636,384	17,243,677	–	17,880,061
Positive fair value of derivatives, net	117,710	7,780,386	–	7,898,096
Investments in associates, net	–	–	441,614	441,614
Property, equipment and software, net	–	–	5,842,454	5,842,454
Right of use assets, net	33,501	122,611	1,369,174	1,525,286
Other assets	–	–	21,717,216	21,717,216
Total assets	62,908,378	483,216,849	53,320,771	599,445,998
Liabilities				
Due to banks and other financial institutions	58,440,002	16,588,155	–	75,028,157
Customers' deposits	199,742,271	212,318,303	4,358,147	416,418,721
– Current and call accounts	102,841,777	212,175,682	4,358,147	319,375,606
– Time	82,924,955	5,857	–	82,930,812
– Others	13,975,539	136,764	–	14,112,303
Debt securities issued	1,164,918	607,772	–	1,772,690
Negative fair value of derivatives, net	164,824	9,579,619	–	9,744,443
Other liabilities	184,166	–	16,082,840	16,267,006
Total liabilities	259,696,181	239,093,849	20,440,987	519,231,017

2019	Less than 1 year	Over 1 year	No-fixed maturity	Total
	SAR '000			
Assets				
Cash and balances with SAMA	25,774,652	9,896,301	9,711,256	45,382,209
Due from banks and other financial institutions, net	10,288,342	405,273	5,871,679	16,565,294
Investments, net	12,440,844	111,831,534	9,804,194	134,076,572
– Held as FVIS	628,804	164,981	7,556,645	8,350,430
– Held at FVOCI	4,498,754	53,967,732	2,247,549	60,714,035
– Held at amortized cost	7,313,286	57,698,821	–	65,012,107
Financing and advances, net	3,790,686	278,052,646	–	281,843,332
– Consumer & Credit Card	2,127,604	120,524,478	–	122,652,082
– Corporate	1,283,974	126,968,991	–	128,252,965
– International	–	19,523,999	–	19,523,999
– Others	379,108	11,035,178	–	11,414,286
Positive fair value of derivatives, net	9,615	5,266,424	–	5,276,039
Investments in associates, net	–	–	438,483	438,483
Property, equipment and software, net	–	–	5,496,576	5,496,576
Right of use assets, net	–	–	1,669,825	1,669,825
Other assets	–	–	16,070,416	16,070,416
Total assets	52,304,139	405,452,178	49,062,429	506,818,746
Liabilities				
Due to banks and other financial institutions	59,457,373	2,728,671	–	62,186,044
Customers' deposits	179,515,000	171,039,114	2,835,201	353,389,315
– Current and call accounts	76,961,990	170,902,946	2,835,201	250,700,137
– Time	90,019,354	4,075	–	90,023,429
– Others	12,533,656	132,093	–	12,665,749
Debt securities issued	81,262	934,839	–	1,016,101
Negative fair value of derivatives, net	85,209	5,996,371	–	6,081,580
Other liabilities	196,490	–	14,606,367	14,802,857
Total liabilities	239,335,334	180,698,995	17,441,568	437,475,897

36. GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND CONTINGENCIES AND CREDIT EXPOSURE

(36.1) The distribution by geographical region for major categories of assets, liabilities and commitments and contingencies and credit exposure at year end is as follows:

	SAR '000					
2020	The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	Other countries	Total
Assets						
Cash and balances with SAMA	54,989,188	57,896	237,280	1,202,508	336,805	56,823,677
Due from banks and other financial institutions, net	1,423,983	449,535	1,490,717	6,171,950	4,100,637	13,636,822
Investments, net	97,081,082	14,918,406	5,934,469	6,539,296	20,379,442	144,852,695
– Held at FVIS	2,411,708	773,490	1,509,404	1,010,419	3,251,569	8,956,590
– Held at FVOCI	29,052,636	9,736,504	3,417,981	4,044,918	15,088,273	61,340,312
– Held at amortised cost	65,616,738	4,408,412	1,007,084	1,483,959	2,039,600	74,555,793
Financing and advances, net	303,304,668	13,082,874	–	27,137,576	3,183,020	346,708,138
– Consumer & Credit Card	173,802,177	–	–	–	–	173,802,177
– Corporate	112,328,453	12,414,253	–	4,767,969	3,183,020	132,693,695
– International	–	–	–	22,332,205	–	22,332,205
– Others	17,174,038	668,621	–	37,402	–	17,880,061
Positive fair value of derivatives, net	3,726,094	1,245,109	2,809,183	117,710	–	7,898,096
Investments in associates, net	439,440	–	–	–	2,174	441,614
Total	460,964,455	29,753,820	10,471,649	41,169,040	28,002,078	570,361,042
Liabilities						
Due to banks and other financial institutions	26,125,269	20,096,737	18,378,827	4,749,002	5,678,322	75,028,157
Customers' deposits	385,958,795	516,800	31,328	29,802,189	109,609	416,418,721
– Current and call accounts	304,228,692	505,720	4,467	14,527,235	109,492	319,375,606
– Time	68,507,553	–	26,861	14,396,398	–	82,930,812
– Others	13,222,550	11,080	–	878,556	117	14,112,303
Debt securities issued	–	–	–	1,772,690	–	1,772,690
Negative fair value of derivatives, net	478,806	84,996	9,015,817	164,824	–	9,744,443
Total	412,562,870	20,698,533	27,425,972	36,488,705	5,787,931	502,964,011
Commitments and contingencies (note 20.2)	38,227,304	3,380,614	921,755	4,530,258	5,329,560	52,389,491
– Letters of credit	5,779,321	1,013,247	173,559	535,918	1,926,745	9,428,790
– Guarantees	21,367,435	1,401,726	699,710	3,803,814	3,389,415	30,662,100
– Acceptances	1,524,096	147,028	48,486	190,526	13,400	1,923,536
– Irrevocable commitments to extend credit	9,556,452	818,613	–	–	–	10,375,065
Credit exposure (credit equivalent) (note 31.2):						
Commitments and contingencies	24,772,168	2,286,808	645,624	2,575,636	2,775,867	33,056,103
Derivatives	7,601,945	4,887,446	12,243,417	155,779	857,453	25,746,040

2019	SAR '000 The Kingdom of Saudi Arabia	GCC and Middle East	Europe	Turkey	Other countries	Total
Assets						
Cash and balances with SAMA	43,647,371	36,083	267,626	1,090,489	340,640	45,382,209
Due from banks and other financial institutions, net	4,070,582	2,542,580	1,185,194	6,321,940	2,444,998	16,565,294
Investments, net	88,782,759	16,796,435	1,642,607	3,747,047	23,107,724	134,076,572
– Held at FVIS	2,516,396	332,432	935,900	793,785	3,771,917	8,350,430
– Held at FVOCI	31,598,098	9,969,194	296,632	2,953,262	15,896,849	60,714,035
– Held at amortised cost	54,668,265	6,494,809	410,075	–	3,438,958	65,012,107
Financing and advances, net	242,758,524	9,023,646	–	24,444,074	5,617,088	281,843,332
– Consumer & Credit Card	122,652,082	–	–	–	–	122,652,082
– Corporate	109,816,352	8,349,663	–	4,749,730	5,337,220	128,252,965
– International	–	–	–	19,523,999	–	19,523,999
– Others	10,290,090	673,983	–	170,345	279,868	11,414,286
Positive fair value of derivatives, net	2,864,310	627,342	1,689,221	9,615	85,551	5,276,039
Investments in associates, net	436,309	–	–	–	2,174	438,483
Total	382,559,855	29,026,086	4,784,648	35,613,165	31,598,175	483,581,929
Liabilities						
Due to banks and other financial institutions	3,330,489	20,218,754	33,376,423	1,441,901	3,818,477	62,186,044
Customers' deposits	326,578,977	1,161,612	26,611	25,607,849	14,266	353,389,315
– Current and call accounts	240,281,176	954,051	–	9,450,761	14,149	250,700,137
– Time	74,104,085	207,561	26,611	15,685,172	–	90,023,429
– Others	12,193,716	–	–	471,916	117	12,665,749
Debt securities issued	–	–	–	1,016,101	–	1,016,101
Negative fair value of derivatives, net	864,625	75,708	5,054,058	85,208	1,981	6,081,580
Total	330,774,091	21,456,074	38,457,092	28,151,059	3,834,724	422,673,040
Commitments and contingencies (note 20.2)	37,326,201	3,344,580	1,090,630	4,612,437	7,461,741	53,835,589
– Letters of credit	5,627,802	592,893	49,455	462,446	2,243,192	8,975,788
– Guarantees	22,168,380	1,784,632	1,041,175	3,958,491	4,755,634	33,708,312
– Acceptances	1,028,000	–	–	191,500	462,915	1,682,415
– Irrevocable commitments to extend credit	8,502,019	967,055	–	–	–	9,469,074
Credit exposure (credit equivalent) (note 31.2):						
Commitments and contingencies	24,118,686	1,886,729	698,480	2,919,577	4,579,380	34,202,852
Derivatives	6,243,698	2,216,960	7,460,049	7,461	–	15,928,168

The credit equivalent of commitments and contingencies and derivatives is calculated according to SAMA's prescribed methodology.

(36.2) The distribution by geographical concentration of non-performing financing and advances and corresponding ECL allowances are as follows:

2020	SAR '000 The Kingdom of Saudi Arabia	Turkey	Total
Non performing financing and advances	**4,791,104**	**1,337,331**	**6,128,435**
ECL allowances (stage 3)	**(3,580,803)**	**(954,880)**	**(4,535,683)**
Net	**1,210,301**	**382,451**	**1,592,752**
2019			
Non performing financing and advances	3,650,927	1,678,469	5,329,396
ECL allowances (stage 3)	(3,154,271)	(910,532)	(4,064,803)
Net	496,656	767,937	1,264,593

37. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

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 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.

Fair value information of the Group's financial instruments is analysed below:

(a) Fair value information for financial instruments at fair value

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 instrument;

Level 2: Quoted prices in active markets for similar assets and liabilities or 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 an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	SAR '000			
2020	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	–	7,898,096	–	7,898,096
Financial assets held at FVIS	1,804,947	4,983,767	2,167,876	8,956,590
Financial assets held at FVOCI	41,161,033	20,028,175	151,104	61,340,312
Investments held at amortized cost, net – fair value hedged (note 6.3 a)	–	4,975,557	–	4,975,557
Total	42,965,980	37,885,595	2,318,980	83,170,555
Financial liabilities				
Derivative financial instruments	–	9,744,443	–	9,744,443
Total	–	9,744,443	–	9,744,443

	SAR '000			
2019	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	–	5,276,039	–	5,276,039
Financial assets held as FVIS	1,349,339	5,246,776	1,754,315	8,350,430
Financial assets held at FVOCI	40,165,948	20,390,941	157,146	60,714,035
Investments held at amortized cost, net – fair value hedged (note 6.3 a)	–	5,077,768	–	5,077,768
Total	41,515,287	35,991,524	1,911,461	79,418,272
Financial liabilities				
Derivative financial instruments	–	6,081,580	–	6,081,580
Total	–	6,081,580	–	6,081,580

(b) Fair value information for financial instruments not measured at fair value

The fair value of financing and advances, net amounts to SAR 356,408 million (2019: SAR 290,470 million).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customers' deposits and debt securities issued at 31 December 2020, 31 December 2019 are not materially different from their respective carrying values.

(c) Valuation technique and significant unobservable inputs for financial instruments at fair value

The Group uses various valuation techniques for determination of fair values for financial instruments classified under levels 2 and 3 of the fair value hierarchy. These techniques and the significant unobservable inputs used therein are analysed below.

The Group utilises fund managers reports (and appropriate discounts or haircuts where required) for the determination of fair values of private equity funds and hedge funds. The fund manager deploys various techniques (such as discounted cashflow models and multiples method) for the valuation of underlying financial instruments classified under levels 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

For the valuation of unquoted debt securities and derivative financial instruments, the Group obtains fair value estimates from reputable third party valuers, who use techniques such as discounted cash flows, option pricing models and other sophisticated models.

(d) Transfer between Level 1 and Level 2

There were no transfers between level 1 and level 2 during 31 December 2020 (31 December 2019: Nil).

(e) Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balance for Level 3 fair values.

Movement of level 3 is as follows:

	2020 SAR '000	2019 SAR '000
Balance at beginning of the year	**1,911,461**	920,695
Total gains (realised and unrealised) in consolidated statement of income	**52,337**	237,076
Purchases	**1,004,951**	897,208
(Sales) and other adjustments	**(649,769)**	(143,518)
Balance at end of the year	**2,318,980**	1,911,461

(f) Sensitivity analysis for significant unobservable inputs in valuation of financial instruments at fair value

Significant unobservable inputs were applied in the valuation of hedge funds and private equities for the year ended 31 December 2020 and the impact of the sensitivity is not material.

38. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. The related party transactions are governed by the limits set by the Banking Control Law and the regulations issued by SAMA and approved by the board of directors and management. Related party balances include the balances resulting from transactions with Governmental shareholders.

Major shareholders represent shareholdings of more than 5% of the Bank's issued share capital. Related parties are the persons or close members of those persons' families and their affiliated entities where they have control, joint control or significant influence over these entities.

(38.1) The balances as at 31 December included in the consolidated financial statements are as follows:

	2020 SAR '000	2019 SAR '000
Bank's Board of Directors and Senior Executives:		
Financing and advances	**1,011,859**	963,372
Customers' deposits	**136,134**	237,188
Commitments and contingencies	**7,741**	12,527
Investments (Assets under Management)	**153,342**	55,880
Other liabilities – end of service benefits	**42,274**	36,115
Balances of companies and institutions owned by 5% or more by related parties:		
Financing and advances	**13,611,530**	6,634,387
Customers' deposits	**9,374,747**	7,339,076
Commitment and contingencies	**2,571,151**	1,433,776
Investments	**4,345,473**	1,083,142
Major shareholders:		
Customers' deposits	**36,401,171**	26,357,463
Group's investment fund		
Investment	**1,320,085**	718,580

(38.2) Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2020 SAR '000	2019 SAR '000
Special commission income	**1,004,451**	378,808
Special commission expense	**269,057**	244,832
Fees and commission income and expense, net	**469,592**	368,449

38. RELATED PARTY TRANSACTIONS (continued)

(38.3) The total amount of compensation paid to the Group's Board of Directors and key management personnel during the year is as follows:

	2020 SAR '000	2019 SAR '000
Directors' compensation	**9,975**	10,710
Short-term employee benefits	**80,475**	78,197
End of service benefits	**4,108**	1,867

The Bank's Board of Directors includes the Board and Board related committees (Executive Committee, Risk Management Committee, Compensation and Nomination Committee and Audit Committee). For Group's senior executives compensation (see note 39).

39. GROUP'S STAFF COMPENSATION

The following table summarizes the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended 31 December 2020 and 2019, and the forms of such payments:

	2020			2019		
Categories of employees	Number of employees	Fixed compensation (on accrual basis) SAR '000	Variable compensation (on cash basis) SAR '000	Number of employees	Fixed compensation (on accrual basis) SAR '000	Variable compensation (on cash basis) SAR '000
Senior Executives	**19**	**30,166**	**95,239**	20	31,247	124,582
Employees engaged in risk taking activities	**587**	**276,576**	**178,762**	588	271,224	180,111
Employees engaged in control functions	**582**	**212,438**	**89,333**	596	208,358	86,878
Other employees	**6,191**	**1,163,511**	**249,049**	6,295	1,162,961	230,006
Other employee related benefits	**–**	**413,085**	**–**	–	395,853	–
Subsidiaries	**5,955**	**608,284**	**160,601**	5,384	603,057	147,281
Group total	**13,334**	**2,704,060**	**772,984**	12,883	2,672,700	768,858

All forms of payment for fixed and variable compensation are either in cash or shares in NCB.

The Bank's Senior Executives are those persons, including an executive director, having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Employees engaged in risk taking activities comprise those officers of the business sectors of Consumer Banking, Corporate and Treasury, who are the key drivers in undertaking business transactions, and managing related business risks.

Employees engaged in control functions include employees in Risk Management, Internal Audit, Compliance, Finance and Legal divisions.

The Group's variable compensation and other employees related benefits recognized as staff expenses in the consolidated statement of income for 2020 is SAR 846 million (2019: SAR 877 million).

40. CAPITAL ADEQUACY

Capital adequacy ratio

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.

The Group monitors the adequacy of its capital using the ratios and weights established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. SAMA requires banks to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted asset at or above the agreed minimum of 8%. Regulatory Capital is computed for Credit, Market and Operational risks which comprise the Pillar 1 minimum capital requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III – which are effective from 1 January 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

The following table summarizes the Bank's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	Risk Weighted Assets	
	2020 SAR '000	2019 SAR '000
Credit risk	**377,284,842**	336,884,053
Operational risk	**37,739,086**	36,073,511
Market risk	**10,415,366**	17,039,531
Total Pillar-1 – risk weighted assets	**425,439,294**	389,997,095
Core capital (Tier 1)	**81,916,210**	69,723,480
Supplementary capital (Tier 2)	**4,548,388**	3,014,128
Core and supplementary capital (Tier 1 and Tier 2)	**86,464,598**	72,737,608
Capital Adequacy Ratio (Pillar 1):-		
Core capital (Tier 1 ratio)	**19.3%**	17.9%
Core and supplementary capital (Tier 1 and Tier 2 ratios)	**20.3%**	18.7%

Tier 1 capital of the Group comprises share capital, statutory reserve, other reserves, proposed dividend, retained earnings, tier 1 eligible debt securities, foreign currency translation reserve and non-controlling interests less treasury shares, goodwill, intangible assets and other prescribed deductions. Tier 2 capital comprises of eligible debt securities issued and prescribed amounts of eligible portfolio (collective) provisions less prescribed deductions.

The Group uses the Standardized approach of Basel III to calculate the Risk-Weighted Assets and required regulatory capital for Pillar -1 (including Credit Risk, Market Risk and Operational Risk). The Group's Risk Management is responsible for ensuring that minimum required Regulatory Capital calculated is compliant with Basel III requirements. Quarterly prudential returns are submitted to SAMA showing the Capital Adequacy Ratio.

41. GROUP'S INTEREST IN OTHER ENTITES

(41.1) Material partly-owned subsidiaries

(a) Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which TFKB operate. The supervisory frameworks require TFKB to keep certain levels of regulatory capital and liquid assets, limits its exposure to other parts of the Group and comply with other ratios. The carrying amounts of TFKB's assets and liabilities are SAR 40,496 million and SAR 38,055 million, respectively (2019: SR 32,518 million and SR 29,790 million, respectively).

(b) Non-controlling interests in subsidiaries

The following table summarises the information relating to the Group's subsidiary (TFKB) that has material non-controlling interests (NCI).

	2020 SAR '000	2019 SAR '000
Summarised statement of financial position		
Financing and advances, net	**22,332,206**	19,523,998
Other assets	**18,164,092**	12,993,859
Liabilities	**38,055,036**	29,790,253
Net assets	**2,441,262**	2,727,604
Carrying amount of NCI	**804,885**	899,291
Summarised statement of income		
Total operating income	**1,597,255**	1,482,819
Net income	**363,987**	249,267
Total comprehensive income (loss)	**(286,354)**	21,971
Total comprehensive income (loss) attributable to NCI	**(94,410)**	7,244
Summarised cash flow statement		
Net cash from operating activities	**632,051**	4,515,121
Net cash (used in) investing activities	**(2,328,199)**	(2,044,672)
Net cash from financing activities	**1,005,859**	(3,001,567)
Net (decrease) in cash and cash equivalents	**(690,289)**	(531,118)

41. GROUP'S INTEREST IN OTHER ENTITES (continued)

(41.2) Involvement with unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Hedge funds	To generate returns from trading in the units/shares of the fund and/or via distributions made by the fund. These funds are financed through the issue of units/shares to investors.	• Investments in units issued by the funds.
Private equity funds	To generate returns from long-term capital appreciation in the net worth of the fund, realised via periodic distributions and eventual exit at the end of the life of the fund. These funds are financed through the issue of units/shares to investors.	• Investments in units/shares issued by the funds.

The table below sets out an analysis of the carrying amounts of interest held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held.

	2020 SAR '000	2019 SAR '000
Hedge funds	**323,831**	302,066
Private equity funds	**260,680**	217,635
Total	**584,511**	519,701

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. At 31 December 2020, the Group holds an interest in all structured entities it has sponsored.

42. COMPARATIVE FIGURES

Except as disclosed in note 3.3, there have been no reclassifications which are material to the consolidated financial statements.

43. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

The Coronavirus ("Covid-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Bank continues to be cognisant of both the micro and macroeconomic challenges that Covid-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

The Bank has also revised certain inputs and assumptions used for the determination of expected credit losses ("ECL"). The revisions mainly revolved around:

- adjusting macroeconomic factors/inputs used by the Bank in its ECL model including observed default rates;
- revisions to the scenario probabilities; and
- refinement of staging criteria in light of the SAMA support measures and to effectively identify exposures where lifetime ECL losses may have been triggered despite repayment holidays."

The Bank's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

The Bank continues to monitor the lending portfolios closely and reassess the provisioning levels as the situation around Covid-19 evolves; however, the aggregate impact of various Covid-19 related adjustments contributed an additional ECL of SAR 884 million during the year 2020.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to Covid-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (MSME) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP encompasses mainly the following programs:

- Deferred payments program;
- Facility Guarantee program;
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA, the Bank was required to defer payments for a total of nine months (original deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September for a period of six months and then further deferring the installments falling due within the period from 15 September 2020 to 14 December 2020 for a period of three months without increasing the facility tenure.

Further to the above, SAMA on 29 November 2020 extended the deferred payment program until 31 March 2021. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 without increasing the facility tenure.

The accounting impact of the above changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net special commission income.

As a result of the above program and related extensions, the Bank has deferred the payments of SAR 9 billion on MSMEs portfolio and accordingly, has recognised total modification losses of SAR 461 million during the year. The total exposures against these customers amounted to SAR 22 billion as at the year end.

The Bank generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current Covid-19 support packages have not, in isolation, been treated as an indication of SICR.

Moreover, due to this programme the Bank has booked SAR 195 million incremental total ECL for the MSME portfolio having total exposure of SAR 22 billion.

If the balance of the customers under Covid-19 support packages in stage 1 move to stage 2, an additional ECL provisions would be provided during 2021 based on the credit facility level assessment and the ability to repay amounts due after the deferral period ends.

As at 31 December 2020, the Bank has participated in SAMA's facility guarantee programs and the accounting impact for the period is immaterial.

Furthermore, during the year ended 31 December 2020, the Bank has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SR 269 million.

Government grant in respect to the SAMA support programs

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received in aggregate SAR 9.5 billion of profit free deposit in number of tranches from SAMA during the year ended 31 December 2020, with varying maturities. Management had determined based on the communication from SAMA, that the profit free deposits primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. By end of December 2020, total income of SAR 495 million has been recognised in the statement of income. The management has exercised certain judgements in the recognition and measurement of this grant income. During the year ended 31 December 2020, SAR 108 million has been charged to the statement of income relating to unwinding of the day 1 income.

Subsequently on 30 December 2020, the Bank received extension of profit free deposit whereby maturities of significant portion of the deposits were extended by further twenty one months. The extension resulted in a modification gain of SAR 286 million which has been accounted for in accordance with government grant accounting requirements, taking into consideration the related costs including fee waivers under the aforementioned SAMA support programs (namely PSFSP and liquidity support for the Saudi banking sector) and was recorded in statement of income.

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

Moreover, in respect to the liquidity support, the Bank received SR 7.1 billion profit free deposit with one year maturity. Management has determined that this government grant primarily relates to liquidity and fees waiver support. The benefit of the subsidised fundingratehas been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 98 million, all of which has been recognised in the statement of income as at 31 December 2020.

Health care and Private sector support:

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the Covid-19 outbreak, the Bank has decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This resulted in the Bank recognising a day 1 modification loss of SR 166 million during the year ended 31 December 2020, which was presented as part of net special commission income. SAR 38 million has been recognized in the statement of income on unwinding the discount on financing during the year.

44. INVESTMENT SERVICES

The Bank offers investment management services to its customers through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors, with assets totaling of SAR 185,589 million (2019: SAR 156,009 million).

45. PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2020:

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1 June 20	Amendments to IFRS 16: Leases for Covid-19 rent related concessions	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
1 January 23	Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current"	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification The amendment is not expected to have an impact on the consolidated financial statements of the Group.
1 January 22	Reference to the Conceptual Framework – Amendments to IFRS 3	In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.
1 January 22	Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
1 January 22	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'.
1 January 22	Amendments to IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

46. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were approved by the Board of Directors on 8 February 2021, corresponding to 26 Jumada al-Akhirah 1442H.

Hussein H. Eid
Acting Chief Financial Officer

Talal A. AlKhereiji
Acting Chief Executive Officer

Saeed M. Al-Ghamdi
Chairman

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