

Board of
Directors
Report

2019

Board of Directors report – 2019

The Board of Directors is pleased to submit to the shareholders the annual report of Bank Aljazira for the fiscal year ending 31 December 2019.

Introduction

Bank Aljazira here-in-after referred to as “the Bank” or “BAJ” is a joint Stock Company incorporated in the Kingdom of Saudi Arabia and established pursuant to Royal Decree No. 46/M dated Jumada Al-Thani 12, 1395H (i.e. June 21, 1975). The Bank commenced its business on Shawwal 16, 1396H (October 9, 1976) with the takeover of the National Bank of Pakistan’s (NBP) branches in the Kingdom of Saudi Arabia.

The bank operates under commercial registration No. 4030010523 dated Rajab 29, 1396H (July 27, 1976) issued in Jeddah. The issued and fully paid share capital of the Bank amounts to SAR 8.2 billion divided into 820 million shares of SAR 10 each.

The objective of the Bank is to provide a full range of Shari’ah compliant banking products and services to retail and corporate customers including: current accounts, saving accounts, Murabaha, Istisna’a, Ijarah, Tawarruq, Musharaka, Wa’ad, foreign exchange, credit cards, and Sukuk which are approved and supervised by an independent Shari’ah board.

The bank conducts its business through the bank’s departments and sectors all over the Kingdom and has no branches operating abroad.

The Bank is recognized as one of the leading Shari’ah compliant fast-growing financial institutions in Saudi Arabia, which provides individuals, businesses and institutions with innovative Shari’ah compliant financial services through professional and dedicated staff.

Five-year financial highlights

The table below depicts the five-year historical financial performance of the Bank:

Financial highlights					
(In SAR millions, except where indicated)	2015	2016	2017	2018	2019
Loans and advances, net	42,174	42,099	39,790	40,897	49,660
Total assets	63,264	66,319	68,287	73,003	86,544
Customer deposits	49,765	51,602	50,278	51,804	62,697
Total Liabilities	55,851	58,216	59,459	61,759	74,955
Shareholders’ equity	7,413	8,104	8,829	11,244	11,590
Net income before Zakat and income tax	1,287	872	858	1,000	1,122
Net income after Zakat and income tax	1,287	729	830	378	991
Total Operating income	2,922	2,519	2,580	2,665	2,977
Net income growth (%)	124.77	(43.33)	13.82	(54.42)	161.98
Total Operating income growth (%)	31.23	(13.79)	2.43	3.30	11.72
Return on average equity (%)	18.96	9.40	9.80	3.77	8.68
Return on average assets (%)	1.98	1.13	1.23	0.54	1.24
Earnings per share (SR)	2.27	1.28	1.46	0.50	1.21

Note:

- 1) The earning per share and other ratios for the current and prior years have been calculated based on net income for the year after Zakat and income tax. Starting from the quarter ended June 2019 the Bank changed its accounting policy for reporting zakat and income tax and has reported zakat and income tax through the statement of income for the year ended 2019 and restated the year ended 2018. Previously zakat and income tax were reported in the statement of changes in shareholders’ equity.
- 2) The earning per share has been retrospectively adjusted for prior periods to reflect the effect of the changes in weighted average number of shares due to bonus shares issued in 2017 and bonus element included in the right shares issued in 2018.

Loans and Advances, net: totaled SAR 49.7 billion at the 2019 year-end, registering an increase of 21.4% compared to SAR 40.9 billion in 2018. The Bank continued to further diversify the loan portfolio over various economic sectors and broadened the client base, thus lowering the risk of concentration.

Placements with Other Banks and Other Financial Institutions: total outstanding as at the end of 2019 were SAR 1.4 billion versus SAR 1.3 billion in 2018. This is a short-term activity and represents the day to day liquidity / cash flow management.

Investments Book: the investment portfolio comprises of Sukuks, investment in equities and mutual funds. Total portfolio at the year-end was SAR 27.6 billion versus SAR 24.1 billion in 2018, an increase by 14.8%. This increase is mainly due to increased investment in government Sukuks.

Total Assets: Total assets amounted to SAR 86.5 billion at the end of 2019, as compared to SAR 73 billion in 2018, representing an increase of 18.5% over the past year.

Customer Deposits: customer deposits increased by 21%, to SAR 62.7 billion as at the end of 2019, compared to SAR 51.8 billion in 2018. The increase is mainly due to the increase in term deposits by 26.6% from SAR 23.9 billion to SAR 30.3 billion and demand deposits by 15.9% from SAR 26.6 billion to SAR 30.8 billion.

Total Liabilities: amounted to SAR 75 billion as at the end of 2019, compared to SAR 61.8 billion in 2018, representing an increase of 21.4% over the past year.

Geographical Analysis of Income

The bank realizes its operational income from its activities in the Kingdom of Saudi Arabia and has no branches operating abroad. The table below depicts region-wise analysis of the total operating income of the bank. The operating profit of Bank Aljazira includes the operational income of Aljazira Capital (100% subsidiary of the bank) which amounted to SAR 168 million for 2019.

'000 SAR					
Regions	Central	Eastern	Western	Head office	Total
Total Groups Operating Income	1,184,304	429,396	78,435	1,285,024	2,977,159

Main Business Segments/Sectors

The Bank's activities consist mainly of the following business lines:

Personal banking	Deposit, credit and investment products for individuals.
Corporate banking	Loans, deposits and other credit products for corporate, small to medium sized business and institutional customers.
Treasury	Treasury includes money market, foreign exchange, trading and treasury services.
Brokerage and asset management	Provides shares brokerage services to customers (this segment includes the activities of the bank's subsidiary Aljazira Capital Company).
Takaful Ta'awuni	Provides protection and saving products services. As required by the Insurance Law of Saudi Arabia, the Group has spun off its insurance business in a separate entity named Aljazira Takaful Ta'awuni Company (AJT). The current division represents the insurance portfolio of policies entered into by the Bank before 2014. During 2019, AJT has obtained from SAMA no objection to transfer the old insurance portfolio vide SAMA letter dated Rabi' Al-Thani 26, 1441 (December 23, 2019). The insurance portfolio will be transferred with effect from January 1, 2020 at a value to be agreed between the Bank and AJT and the financial impact of transfer is expected to be reflected in the Group's consolidated financial statements for the year ending December 31, 2020.
Others	Others include investment in associate, inter segment income and expense eliminations and gain on sale of other real estate.

The table below depicts total operating income, total operating expenses, and net profit before Zakat and income tax for each sector:

2019 (SR'000)	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Takaful Ta'awuni	Others	Total
Total operating income	1,402,208	556,712	1,138,666	167,642	17,599	(305,668)	2,977,159
Total operating expenses	(941,010)	(395,118)	(324,918)	(140,774)	(26,090)	(40,107)	(1,868,017)
Share in net income of associates	-	-	-	1,841	-	11,047	12,888
Net income/(loss) before Zakat and income tax	461,198	161,594	813,748	28,709	(8,491)	(334,728)	1,122,030

Subsidiaries and Associates

The following table summarizes the names of subsidiaries/associates, their share capitals, the Bank's holding percentage, their main business, their principal countries of operation and countries of incorporation as at 31st December 2019:

Subsidiaries / Associates	Country of incorporation	Country of operation	Nature of business	Share Capital	Ownership
Subsidiaries:					
Aljazira Capital Company (Closed Joint-Stock Company)	Saudi Arabia	Saudi Arabia	Brokerage and asset management	SAR 500 million	100%
Aman Development and Real Estate Investment Company (Limited-Liability Co.)	Saudi Arabia	Saudi Arabia	Holding and management of real estate collaterals on behalf of the Bank	SAR 1 million	100%
Aman Insurance Agency Company (Limited-Liability Co.)	Saudi Arabia	Saudi Arabia	Acting as an agent for bancassurance activities on behalf of the Bank	SAR 500 Thousands	100%
Al Jazira Securities Limited (Limited-Liability Co.)	Cayman Islands	Saudi Arabia	Carry out Shari'ah compliant derivative and capital market transactions	Authorized capital: USD 50,000, Paid up capital: USD 100	100%
Associate:					
Aljazira Takaful Ta'awuni Company (Listed Joint-Stock Company)	Saudi Arabia	Saudi Arabia	Shari'ah compliant protection and custody products	SAR 350 million	35%

The issued share capital of Aljazira Capital amounts to SAR 500 million divided into 50 million shares of SAR 10 each. The issued share capital of Aman Development and Real Estate Investment Company amounts to SAR 1 million divided into 100 shares of SAR 10,000 each. The issued share capital of Aman Insurance Agency Company amounts to SAR 500,000 divided into 50,000 shares of SAR 10 each. The authorized capital of Al Jazira Securities Limited amounts to USD 50,000, and its paid-up capital is USD 100 divided into 100 shares of USD 1 each. The issued share capital of Aljazira Takaful Ta'awuni amounts to SAR 350 million divided into 35 million shares of SAR 10 each.

The bank confirms that there were no debt securities in issue for any of these subsidiaries.

Bank's Profitability and growth of financial assets and liabilities

The Bank has recorded a net profit before zakat and income tax of SAR 1,122 million for the year ended December 31, 2019. This represents an increase of SAR 121.7 million or 12.2% compared to SAR 1,000.3 million for the financial year 2018. The net profit after zakat and income tax for the year ended December 31, 2019 was SAR 991 million. This represents an increase of SAR 613 million or 162% compared to SAR 378.3 million for the financial year 2018. Net income has increased by 162% mainly due to decrease in Zakat charge for the current year compared to previous year. The zakat charge for the previous year was higher as a result of zakat settlement agreement entered into with GAZT in respect of assessment years from 2006 to 2017. Furthermore, there is an increase in operating income by 12%. This increase in operating income is mainly attributable to increase in net special commission income by SAR 148.1 million, or 7.8% from SAR 1,904 million to SAR 2,052.2 million, net gain on derecognition of financial assets measured at amortized cost by SAR 69.6 million, net fee and commission income by SAR 40.9 million, or 7.2% from SAR 564.4 million to SAR 605.2 million, net exchange income by SAR 38.1 million, or 19.9% from SAR 191.8 million to SAR 229.9 million, net gain on FVIS financial instruments by SAR 10.2 million, or 232.6% from a loss of SAR 4.4 million to a gain of SAR 5.8 million. Earnings per share were SAR 1.21 for the year ended 31 December 2019 against SAR 0.50 for the financial year 2018.

Total assets were SAR 86.5 billion as of 31 December 2019, compared to SAR 73 billion at 31 December 2018, an increase of 18.5% or SAR 13.5 billion. Net loans and advances to customers amounted to SAR 49.7 billion at 31 December 2019, an increase of SAR 8.8 billion, or 21.4%, from SAR 40.9 billion at 31 December 2018. The Bank's investment portfolio totaled SAR 27.6 billion at 31 December 2019, an increase of SAR 3.6 billion or 14.8% compared to SAR 24.1 billion at 31 December 2018. Total liabilities were SAR 75 billion at 31 December 2019, compared with SAR 61.8 billion at 31 December 2018, an increase of 21.4% or SAR 13.2 billion. Customer deposits totaled SAR 62.7 billion at 31 December 2019, an increase of SAR 10.9 billion, or 21%, compared to SAR 51.8 billion at 31 December 2018. Subordinated Sukuk totaled SAR 2.0 billion at 31 December 2019 compared to SAR 2.0 billion at 31 December 2018.

Borrowings and Sukuk in issue

In the context of normal business practices, the Bank exchanges borrowings and funds with banks and SAMA, in accordance with the commission rate prevailing in the market and are appropriately disclosed in the consolidated financial statements of the Bank.

SAR 2,000 million 10-year subordinated sukuk

On June 2, 2016, the Bank issued 2,000 Subordinated Sukuk Certificates (Sukuk) of SAR 1 million each, with a profit distribution rate based on 6 month Saudi Inter-Bank Offered Rate (SIBOR), reset semi-annually in advance, plus a margin of 190 basis point per annum and payable

semi-annually in arrears on June 2 and December 2 each year until June 2, 2026, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after June 2, 2021 on meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the offering circular. These Sukuk are registered with the Saudi Stock Exchange (Tadawul).

As at	
31 December 2019	SAR'000
SAR 2,000 million 10 year subordinated sukuk	2,000,000
Total	2,000,000

Borrowing from Banks

Total outstanding at the end of 2019 were SAR 8.3 billion versus SAR 6.4 billion in 2018, higher by 28.5%. This is a short-term activity and represents day to day liquidity / cash flow management.

Staff Benefits and Schemes

In line with the supervisory instructions issued by SAMA, and the principles of Financial Settlement Council, the bank conducts periodical reviews to ensure consistency of staff compensations and reports to the Nomination and Remuneration Committee on the results of such reviews.

Compensation and benefits levels and amounts are determined by conducting periodic salary benchmark surveys and through other means of market pay intelligence, in order to enable the bank to keep abreast of the local and regional market conditions relating to bank staff employed in the Kingdom including taking risk aspects into consideration.

The structure of compensation is composed of a pay mix of fixed and variable pay, allowances, periodic meritorious reward schemes and non-cash benefits in line with the standards and norms for the financial services industry in the Kingdom of Saudi Arabia.

According to the Labor Law of the Kingdom of Saudi Arabia and the Bank's internal policies, staff end of service benefits are due for payment at the end of a staff service period. The total accrued amount of End of Service Benefits outstanding at the end of December 2019 totaled SAR 274 million.

Key Risks faced by the Bank

Bank Aljazira (BAJ) has adopted a fair, transparent and prudent approach towards Risk Management and thus continues to invest into building an infrastructure that is able to pro-actively identify, assess, measure and control the risks the Bank is faced with on an enterprise wide basis.

As a core risk management practice, BAJ management keeps a close track of the top and emerging risks that are expected to emanate and challenge not only the international economies and financial markets but also their ripple effects on the Saudi economy and consequently the financial industry.

The following describes some of the most prominent regional and global issues that have occurred in the review period:

- Significant increase of regional tension, with implications on the stability of the oil market and sustainable oil prices.
- Despite the challenges, the Kingdom of Saudi Arabia has managed to maintain the fiscal deficit under control as the government makes extensive efforts to implement various reforms to reduce the economic reliance on oil, is in line with the Kingdom's vision for 2030.
- Among the challenges considered by the government are to support non-oil economic and financial growth and create new work opportunities.
- Economic growth is expected to pick up due to strong fiscal stimulus and diversification efforts to support the non-oil sector.

1. Maintenance of Capital Adequacy:

Management ensures that the Bank continues to maintain adequate levels of quality capital, allowing it to support the envisaged growth in Risk Weighted Assets (RWA) and also to meet the regulatory capital adequacy expectations. In this regard, the Bank has developed a detailed and well thought of capital enhancement plan, which takes into consideration the underlying advantages, limitations, cost of capital generation and implementation timelines.

In its endeavor to strengthen the Bank's capital position, the management continues to remain at work and has chosen the optimal scenarios which would ensure not only the quantity of capital but also the quality of the capital whilst meeting the regulatory expectations.

2. Liquidity Management:

One of the key risks emanating from the recent global events and their impact on the regional and local financial markets has been the generation of liquidity / funds at a cost that does not outweigh the inflow of economic benefits derived from the financed assets. BAJ's management is cognizant of its liquidity requirements after taking into consideration the current and planned business requirements and has put in place a robust liquidity management framework which ensures a pro-active identification of current and assessed liquidity requirements and gauges the same against the cost of such liquidity. The Bank's ALCO team remains focused on ensuring that the funding / liquidity remains at reasonable costs providing the Bank an opportunity to finance the growth of high yielding assets. On the other hand, the bank has implemented the ILAAP comprehensive procedures (Institutional Liquidity Assessment) as per the supervisory requirements issued by SAMA. The ILAAP process focuses mainly on assessment of liquidity risks for the bank, structure of governance, related strategies and the emergency arrangements to deal with liquidity events.

3. Asset Quality:

BAJ's management focused on ensuring that the quality of assets, across its lines of businesses remains of an acceptable quality, thus rationalizing any unwarranted classifications, provisioning and / or write-offs. The Bank has remained selective across all business segments and has approached its target customer segments with a well-defined approach based on:

- Establishment of a clearly defined credit policy.
- Clearly defining target markets and levels of acceptable risks
- Identified industry segments in terms of risks, rewards, regulatory requirements and their performance trends.
- Risk Acceptance Criteria to ensure risk associated with a particular industry and/ or segment are assessed and managed through specific qualifying parameters and review, control and report same as per the approved limits set by the Board.
- Maintenance of a Target Obligor Risk Rating across its business segments and portfolios to ensure that the same supports the planned asset quality growth, probability of default and cost of credit.

The Bank has adopted a structured approach to adopt IFRS-9 as well as the expected credit losses framework in line with the regulatory mandate.

Market Risk Management

The Bank's willingness to accept risk is influenced by various factors including market volatility, business direction, macro-economic and subjective factors. This is managed and contained through relevant market risk limits and policies governed under the approved risk management framework and regulatory compliance. The Bank continually monitors its market risk by quantifying its capital requirement, profit rate risk, currency risk and by ensuring that its Treasury Business operates within its respective limits. Risk appetite covering Market Risk is subject to the following drivers:

- Capital Adequacy Ratio (CAR)
- Liquid Assets Ratio
- Net Stable Funding Ratio (NSFR)
- Liquidity Coverage Ratio (LCR)
- Loan-to-Deposit Ratio (LDR)
- Concentration of Funding Sources
- Market Risk Factors

Market Risks

Introduction

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices.

Management of Market Risks

Delegated by the Board, the Market Risk Policy Committee (MRPC) is responsible for the policies, limits and controls used in managing market risks. The Bank has an approved Market Risk Policy and Treasury Limits Package that clearly defines policies, procedures, and limits of market risk exposures.

The primary objective is to manage volatility in earnings and highlight the market risk and liquidity risk profile to Senior Management, Board Risk Committee (BRC), Asset and Liability Committee (ALCO), the Board of Directors and SAMA.

Foreign Exchange Risks

Foreign Exchange risk is the risk that financial assets that are denominated in foreign currency lose value, or financial liabilities that are denominated in foreign currency gain value. The MRPC has set limits on net open positions by currency. There are limits for USD, Other G10 Currencies, GCC Currencies, and currencies in other regions. The Bank has negligible exposure in foreign exchange because its assets and liabilities are mainly denominated in Saudi Riyals (SAR) and to a limited extent in United States Dollars (USD) or in USD-pegged currencies.

Equity Price Risk

Equity price risk refers to the risk of a decrease in fair values of the Bank's investments in equities. The Bank's portfolio of securities is regularly marked to market and positive/negative changes are taken into the Bank's equity or income statement.

Capital Treatment for Market Risk

Bank Aljazira computes the minimum capital requirements against market risk using the Standardized Approach. The capital serves as a financial buffer to withstand any adverse market risk movements. Profit rate risk and liquidity risks are covered under BASEL Pillar 2 risk assessments which are the primary risk factors experienced in the Bank's activities.

Stress Testing

The Bank performs Stress Testing semi-annually to further evaluate potential losses. By evaluating the size of the unexpected losses, the Bank is able to understand the risk profiles and potential exposures to unlikely but plausible events in abnormal market conditions using multiple scenarios and undertake the appropriate measures. Given the current economic environment, a broad spectrum of scenarios including liquidity and impact on sources of funding are considered. These scenarios are updated and may be redefined on an ongoing basis. The Stress Test results are reported to Senior Management, Board Risk Committee, Executive Committee, the Board and SAMA to facilitate and manage risks with more transparency.

Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, management actively pursues the diversification of funding sources, assets are priced taking liquidity into consideration while the Bank maintains an adequate balance of cash and cash equivalents.

The recent global financial crisis has resulted in a significant change in the regulation and supervision of liquidity risk in financial institutions. Arising from the Basel III liquidity risk management requirements, two ratios are used to manage liquidity risks: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Liquidity Risk Management Approach

In terms of day-to-day liquidity management, Treasury Business Group ensures sufficient funding is available to meet the Bank's payment and settlement obligations on a timely basis. The process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high-quality liquidity buffer as a protection against any unforeseen interruption to cash flows.
- Managing short term and long-term cash flows via maturity mismatch report and various indicators.
- Monitoring depositor concentration at Bank level to avoid undue reliance on large fund providers.
- Diversifying funding sources to ensure proper funding mix which are considered a part of the contingency finance plan and examined periodically.
- Ensuring that regulatory ratios such as SAMA Liquidity Ratio, LCR and NSFR are maintained above the required levels.
- Conducting semi-annually liquidity stress testing under various scenarios as part of prudent liquidity control to examine the effectiveness and robustness of the liquidity plans.
- Adopt ILAAP (Institutional Liquidity Adequacy Assessment) in line with the organizational requirements to focus on the assessment of liquidity risks for the bank.

All liquidity policies and procedures are governed by the Market Risk Policy Manual which is subject to review and approval every year by the Market Risk Policy Committee. In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of customers' term deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities in the form of cash and liquid assets which can be converted into cash within a period not exceeding 30 days.

The bank is currently holding an investment portfolio, with a large portion of it comprising of SAMA Floating Rate Notes and Government Sukuk. This portfolio is considered high quality and liquid with availability of funding (up to 85-90% depending on instrument) through SAMA's repo window.

Operational Risk

Introduction:

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risks and excludes reputational and strategic risks. Operational risks arise mostly from all activities conducted by the bank.

Management of Operational Risk

The established Operational Risk Management (ORM) Framework is designed to maintain a fruitful and effective cooperation between the risk management and the risk owners represented by the various business groups within the bank. While keeping the responsibility of managing the business within the business groups, common grounds were established to involve the operational risk management team in facilitating the risk identification, measurement and assessing of risks and relevant controls.

During the year, the operational risk management team conducted specialized data gathering through meetings with business heads and senior management endeavoring to gain a clear understanding of business directions by cascading the relevant business unit strategic objectives. The approach is designed to associate the management directions, with the allocated operational risk appetite, and the risk profile.

In preparation for and before commencing the risk identification and assessment activity across the bank, a comprehensive risk awareness program was developed and implemented involving management, risk champions and respective risk owners.

A detailed risk heat-map is formed in consultation with business group management to draw their attention to significant and key risks that requires management attention and action on a priority basis.

The key methods used to manage and monitor operational risks are as follows:

Risk & Control Self-Assessment (RCSA)

Risk and control self-assessment is a tool designed to control the performance of control procedures within a specific activity or business. As a part of this tool, a risk register and corresponding action plans are maintained and updated regularly. The review cycle involves discussions with the business groups and provision of periodical reports to the Risk Management Committee to seek directions on risk acceptance and treatment including decision for taking actions to review and to improve the control environment.

Under the Risk and Control Self-Assessment program, the operational risk management team holds workshops to identify and assess the risks and control measures at the level of business and support departments. Control measures are monitored periodically to ensure they perform according to the objectives for which it was designed.

A committee to review the policies and products and to supervise the development of new or existing policies and products has been established. The committee is responsible for holding discussions with the policy or products owners on all aspects of risks to ensure the treatment thereof in the proper way before these are launched.

Key Risk Indicators (KRIs)

Key Risk indicators represent a set of measures to gauge the risks of operation/activity through early warning signs which have been developed to indicate increased risk exposures in the bank. These indicators provide the directions of risk exposures by comparing the achieved results with the limits/indicators set and approved by the bank.

KRIs of business and support departments are defined and assessed through workshops and are periodically monitored by Operational Risk Management. Indicators which reflect the possibility of exposure to risks in excess of pre-set limits are analyzed and discussed in coordination with the respective business and support groups to adopt appropriate corrective plans.

Loss Data Management (LDM)

Loss Data Management is a structured central process to record the losses resulting from operational risks and events taking place in the bank. The purpose is to enable the bank to analyze failures of control measures and prevent recurrence of such events.

The bank has developed specific procedures for collection of data on internal losses through which the risk management group is advised of such losses to be recorded in the operational risk register. Risk Management Departments maintains a comprehensive data base on the operational losses from 2013 to date.

Business Continuity Management (BCM)

The Bank has developed and maintained a full-fledged Business Continuity Management (BCM) program that focuses on protecting the human life and building the continuity and recovery capabilities of key processes and assets. The program is structured based on international standards, best practices, and SAMA requirements and its scope extends to include:

- Crisis Management and Response
- Safety and Security
- People Continuity
- Business Recovery
- IT Disaster Recovery

The Bank's BCM program is ongoing and is regularly reviewed by internal and external stakeholders. These features enhance the Bank's readiness and the capabilities to respond to and manage adverse events, protect key assets, and continue critical processes. The results are minimized negative impacts, enhanced performance and reputation, and compliance to regulatory requirements.

Anti-Fraud Management Program

The bank, with the help of an external advisor reviews the anti-fraud program of the bank. The purpose of this initiative is to implement a comprehensive anti-fraud program that's capable of addressing the following elements:

- Review the structure of anti-fraud management governance and associated strategies.
- Development, Review and Updating of Anti-fraud management directory and policies and the controls contained therein.
- Upgrade the level of fraud risk assessment and measurements relating to fraud control.
- Implement a comprehensive solution for fighting and prevention of fraud as well as for disclosure of fraud in all bank parts.
- Establish a mechanism for transfer of related knowledge, capacities and expertise in the practices of Operational Risk Management in the bank and the bank's operational activities.

Outsourcing

Complying with SAMA regulations on outsourcing, the bank has established a special department to manage the activities of suppliers and external parties. The Operational Risk Management team is involved in reviewing the risk assessment related to outsourcing of material banking activities. This involves a diligent review of operational risks and business continuity requirements that are associated with the outsourced activity.

Measurement of Operational Risk (OR) Capital Charge

Operational Risk capital charge is calculated using the Basic Indicator Approach (BIA) as per SAMA and BASEL III rules. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Bank. The Bank aims to move towards the approach recommended by Basel Banking Supervision in Basel 3 – Instructions for completion of reforms after the crisis – issued in December 2017 as well as the following instructions issued by SAMA. The bank is in the process of setting a detailed road map for adopting the new method according to the time schedules recommended by the organizing authorities.

The bank will also continue to collect losses data and linking thereof with the business lines in a bid to establish a comprehensive record of internal losses before shifting to the new approach subject to the final directions of SAMA.

Capital Adequacy under BASEL II and BASEL III

The Saudi Arabian Monetary Authority (SAMA) has been at the forefront of ensuring that the Saudi Banking Sector adopts and implements the best practices that Bank for International Settlements proposes and has accordingly issued various guidelines to that effect.

As per SAMA guidelines, BASEL III became effective January 1, 2013 and has brought significant amendments to the computation of regulatory capital and Pillar I risk weighted assets. Furthermore, the Pillar II and Pillar III requirements have also undergone an enhancement under this revised framework.

In December 2017, the Basel Committee on Banking Supervision (BCBS) issued comprehensive reforms to the present Basel III which reforms are meant to seek to restore credibility in the calculation of risk weighted assets (RWAs) and improve the comparability of banks' capital ratios.

The reforms of Basel Banking Control Committee seek to review the standard approach for calculation of credit and market risks and update the credit assessment and operational risks in order to create more sensitivity to risks and comparability. The levied controls on the use of internal forms aim to mitigate the unjustifiable contrast in the calculation of risk weighted assets by banks.

RWAs are an estimate of risk that determines the minimum level of regulatory capital a bank must maintain to deal with unexpected losses. A prudent and credible calculation of RWAs is an integral element of the risk-based capital framework.

With the foregoing in mind, the Bank therefore, monitors the adequacy of its capital using standards and their underlying ratios as set and enforced by SAMA. The Bank's Internal Capital Adequacy Assessment Process (ICAAP) is designed to capture capital requirements for Pillar-II risks, on an as-is and forward-looking basis while taking into consideration the Bank's current exposures and future growth plans. The ICAAP also assesses the resilience of the Bank's business and capital models under various levels of plausible and severe stress scenarios. Based on the Pillar II framework and on a fully consolidated basis, it reflects a risk centric and realistic approach to the assessment of BAJ current and planned capital requirements.

The capital adequacy disclosures have been prepared in accordance with the Basel disclosure guidelines, as issued by SAMA from time to time and as applicable to the Bank.

As a new requirement for 2018, the Saudi Arabian Monetary Authority (SAMA) requires that Banks develop the Internal Liquidity Assessment Plan (ILAAP). The purpose of the ILAAP is to inform the Board of the Bank as well as the regulator of an assessment of the Bank's liquidity risks and the impact on regulatory requirements and capital, where relevant.

ILAAP is a tool that enables the Bank to systematically assess its liquidity requirements given its strategies, business plans, risks and policies. The Bank is in the development phase of ILAAP and on track to comply with regulatory guidelines in this regard.

Accounting Standards

The Bank maintains proper books of accounts and records in an accurate manner. The consolidated financial statements have been prepared in accordance with 'International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA); and in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Bank.

The accounting policies used in the preparation of annual consolidated financial statements for the year ended December 31, 2019 are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for changes in accounting policies due to adoption of IFRS 16 'Leases' and changes to the accounting treatment of Zakat and income tax.

Appointment of External Auditors

The External Auditors are responsible for the annual audit and quarterly review of the bank's financial statements. The Bank's Annual General Meeting held on 16 April 2019 (corresponding to 11/08/1440) approved the recommendation of the Board of Directors and the Audit Committee to re appoint EY and KPMG Al Fozan and partners as the external Auditors of the Bank for the financial year ended 31 December 2019.

Statutory Payments

The statutory payments paid by the bank in the year 2019 consisted mainly from zakat, income tax and amounts payable to GOSI as staff contributions. The following table includes details of such payments.

The Bank has made the following payments during the year in respect of the mentioned captions:

Type of Statutory Payments	SAR in million
Zakat (for 2018)	65.91
VAT and Withholding tax	75.32
Zakat and VAT paid for previous periods *	149.20
Advance income Tax (for the year 2019)	2.64
GOSI (including Bank and staff shares)	78.45
Visa, Iqama and related services etc.,	2.59

The bank announced on 20 December 2018 that it has agreed with Zakat and Income Tax Department on the settlement of zakat liabilities due for the previous periods up to the end of the fiscal year 2017 against payment of SAR 551 million. An advance payment of this settlement (20%) was paid in 2018, and the balance will be paid on five equal installments within five years commencing on 1 December 2019G (first installment of SAR 88.2 million was paid in 2019) and ending on 1 December 2023.

* This amount includes SAR 88.2 million as first installment of the agreement made with the Zakat and Income Tax Department for settlement of Zakat assessments payable for the previous years up to the end of the fiscal year 2017.

Penalties, fines and Regulatory Restrictions:

The bank acknowledges its full commitment to enforce all banking instructions and systems and the regulatory rules and regulations issued by the supervisory authorities in the conduct of its daily business. The following tables reflect details of the penalties imposed against the bank:

Saudi Arabian Monetary Authority penalties

Subject of violation	Fiscal year 2018		Fiscal year 2019	
	Number of Penalties	Total amount of Penalties SAR	Number of Penalties	Total amount of Penalties SAR
Violation of SAMA supervisory instructions	10	486,794	13	19,017,200
Violation of SAMA instructions for protecting customers	1	55,000	Nil	-
Violation of SAMA instructions related due diligence	2	570,000	Nil	-
Violation of SAMA instructions regarding the level of performance of ATMs and point of sale machines	Nil	-	Nil	-
Violation of SAMA instructions for due diligence in Anti money laundering and the financing of terrorism	1	75,000	Nil	-

The penalties imposed on the bank in the year 2019 relate to comments on the instructions of the Responsible Financing Principles for retail customers, the standard form of home finance contracts (Murabaha and Ijara) for retail customers and the delay in crediting the salaries of some customers till September 2019. Full clarifications on these points were submitted to SAMA, and the bank took the necessary measures

to enhance the points raised, improve channels of internal communication as well as communication with the regulatory authorities in order to eliminate recurrence of any further violations.

Other Penalties, fines and Regulatory Restrictions

Zakat and Income Tax Department and other government related entities have imposed fines on the Bank with a total of SAR 217.5 thousand during 2019 as specified below:

Name of the Authority	SAR in thousand
Zakat and Income Tax Department	20.0
Riyadh municipality	189.6
Eastern Province municipality	2.5
Medina municipality	2.0
Ministry of Rural and Municipal Affairs	3.4
Total	217.5

Related Party Transactions

In the ordinary course of its activities, the Group transacts business with related parties. In the opinion of the management and the Board of Directors, the related party transactions are conducted on approved terms. The related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA.

The balances as at December 31st, 2019 resulting from such transactions and included in the consolidated financial statements were as follows:

	2019 SR' 000	2018 SR' 000
Subsidiary companies		
Investments	501,480	501,480
Customer deposits	20,730	1,984
Due from banks and other financial institutions	651,371	505,825
Due to banks and other financial institutions	290,117	290,479
Receivables	289,599	210,184
Payables	14,625	15,369
Commitments and contingencies	530,247	530,247
Notional values of outstanding derivative contracts	2,796,949	2,958,992
Associate and affiliate entities with significant influence		
Investments	148,332	135,770
Customer deposits	238,400	374,417
Accrued expenses payables	24,850	3,700
Advance against sale of investments	22,353	-
Directors, key management personnel, other major shareholders and their affiliates		
Loans and advances	28,955	103,569
Customers' deposits	4,139,319	47,311
Contingencies and commitments	977	2,427

Other major shareholders represent shareholdings of more than 5% of the Bank's issued share capital.

	2019 SR' 000	2018 SR' 000
Mutual Funds under subsidiary's management		
Investments	287,024	33,456
Loans and advances, net	418,182	392,349
Customer deposits	-	548

Income, expenses and other transactions with related parties included in the consolidated financial statements:

	2019 SR' 000	2018 SR' 000
Special commission income	128,861	131,574
Special commission expense	242,521	155,321
Fees and commission income	404	31
Custody fee	2,624	839
Net share of expenses to associate	22,850	22,147
Insurance premium paid	55,032	40,311
Surplus distribution received from associate	1,169	1,450
Claims received	10,729	10,486
Directors' remuneration	7,315	7,834
Dividend received	-	7,350
Income under shared service agreements	3,391	3,391
Reimbursement of expense to a subsidiary	117	103
Reimbursement of rent expense	7,983	8,825
Rent expense for branches	2,705	2,457
Operating expenses	-	92
Sale of sukuk to an associate	99,895	-
Participation in DMO sukuk auction for an associate	75,552	-

Total amount of remunerations paid to directors and key management personnel during the year:

	2019 SR' 000	2018 SR' 000
Short-term employee benefits	104,597	98,467
Termination benefits	33,416	29,633

Key management personnel are those persons, including executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The contracts and dealings between the Bank and AlJazira Takaful Ta'awuni Company (AJT) in 2019 amounted to SAR 273.8 MM. These transactions are deemed to be related party transactions given that below member of the Board of directors of the Bank has direct or indirect interest in them as he is the Deputy Chairman of BAJ Board of Directors and Chairman of AJT:

- Engr. Abdulmajeed bin Ibrahim Al-Sultan

'000 SAR		
Nature of Contract	Period of the Contract	Transaction amount in 2019
Cost & Resource allocation arrangement - net amount	Ended on 31 December 2019	22,850
Personal Dinar Insurance Policy	One Year	23,874
Mortgage Insurance Policy	One Year	28,091
Group Life Insurance Policy	One Year	2,351
Staff Credit Cover Policy	One Year	717
Special commission expense	Dealings	8,565
Claims received	Dealings	10,729
Surplus distribution received	One Year	1,169
Sale of Sukuks	Dealings	99,895
Participation in DMO Sukuk Auction through BAJ	Dealings	75,552
Total		273,793

The contracts and dealings between the Bank and AlJazira Capital in the year 2019 amounted to SAR 28.7 million. These transactions are deemed to be related party transactions given that below member of the Board of directors of the Bank has direct or indirect interest in them as he is board member of the Bank and AJC:

- Mr. Nabil bin Dawood Al-Hoshan

'000 SAR		
Nature of Contract	Period of the Contract	Transaction amount in 2019
Service Level Agreement	Effective, unless terminated	3,391
Special Commission expense on time deposits	Dealings	1,159
Special Commission income on money market placements	Dealings	13,532
Rent for branches	Dealings	7,983
Custody fee	Effective, unless terminated	2,624
Total		28,689

List of rental contracts where the below listed members of board directors may have direct or indirect interest:

					'000 SAR
Contractor	Name of the related party	Relationship	Nature of Contract	Period of the Contract	Amount Paid in Year 2019
Mr. Ahmed bin Othman Al-Kasabi	Eng. Tarek bin Othman Al-Kasabi	Brother of Mr. Ahmed bin Othman Al-Kasabi	Rental for Al-Hassan Bin Ali Road branch	10 years	290
Dallah Health Care Holding Company	Eng. Tarek bin Othman Al-Kasabi	Board member in Dallah Health Care Holding Company	Rental for ATM in Riyadh	5 years	32
Investor/ Consolidated Company for Real Estate Development Owner/ Consolidated Brothers Co.	Eng. Abdul Majeed bin Ibrahim Al-Sultan	Owns part of Consolidated Brothers Co. for development	Rental for Al-Mather Branch	12 years	1,087
Investor/ Consolidated Company for Real Estate Development Owner / Mr. Ibrahim bin Abdul Mohsen Al-Sultan	Eng. Abdul Majeed bin Ibrahim Al-Sultan	Son of Mr. Ibrahim bin Abdul Mohsen Al-Sultan	Rental for Heteen Branch	12 years	966
Consolidated Brothers Co.	Eng. Abdul Majeed bin Ibrahim Al-Sultan	Owns part of Consolidated Brothers Co. for development	Rental for Al-Rehab Branch	12 years	330
Total					2,705

Note: The above amounts also include VAT wherever applicable.

Board of Directors Assurance:

The Board of Directors assures shareholders and other stakeholders that to the best of their knowledge and in all material aspects:

- Proper books of account have been maintained
- The system of internal control is sound in design and has been effectively implemented; and
- There are no significant doubts concerning the bank ability to continue as a going concern
- There are no business or contracts in which the bank is a party, or in which any board member, the CEO, Managing Director, Senior Financial Officer, or senior executives of the bank, or any party directly related to them, hold large interests, except as otherwise disclosed in the (Related Parties Transactions) herein and in the Note 35 - (Transactions with related parties) of the audited financial statements for 2019.
- The Board of Directors did not recommend replacement of the Bank's auditors prior to their term of appointment, and there have been no contradiction between the recommendations of the Audit Committee and the Board resolutions.

Deals with related parties and information relating to any businesses or contracts, in which the bank is a party, or in which any board member, the CEO, Managing Director, Senior Financial Officer, or any party related to them, hold large interests, are disclosed in the (Related Parties Transactions) herein and in Note 35 – (Transactions with related parties) of the financial statements for 2019.

Description of Company's Policy for dividend distribution

In line with the bank's Articles of Association and BAJ Governance document, the bank's dividends policy complies with the Banking Control Law and with the rules and regulations issued by the various competent regulatory authorities. The Bank pays dividends to shareholders as follows:

- Sums required for payment of the Zakat due on Saudi shareholders and the tax due on non-Saudi shareholders shall be calculated according to the laws and regulations in force in Kingdom of Saudi Arabia. Such sums shall be paid by the bank from the net profits paid to these parties
- 25% of net profits, after deduction of Zakat and Tax as hereinabove detailed will be transferred to statutory reserve until this reserve is equal to the paid-up capital of the bank.
- Based on the Board recommendation and AGM endorsement, dividends will be distributed to shareholders in accordance with the numbers of shares held by them.
- Net undistributed dividends will be held as retained profits or transferred to the statutory reserve.

2018 Dividends:

The Shareholders annual general meeting held on 16 April 2019 approved the recommendation of the board of directors to distribute cash dividends of SAR 410 million (net of Zakat) to shareholders for the year ended 31 December 2018, at the rate of SAR 0.5 per share, which represents 5% of the share nominal value. These dividends were distributed to shareholders effective May 5th, 2019.

Proposed way to distribute dividends for the year 2019:

The Board of Directors approved the distribution of a provisional dividend to shareholders for the first half of the fiscal year ended December 31, 2019, which was announced on Tadawul on August 1, 2019, in an amount of SAR 246 million, representing SAR 0.3 per share, or 3% of the share nominal value. The distribution and payment of these provisional dividends have been completed effective August 26, 2019.

For the proposed dividends for the second half of 2019, the Bank announced on Tadawul on January 26, 2020 the recommendation of the Board of Directors to the General Assembly to distribute cash dividends to the bank's shareholders, for the second half of fiscal year 2019, of SAR 246 million at the rate of SAR 0.3 per share, or 3% of the share nominal value.

This brings the total dividends distributed to shareholders for the fiscal year ended December 31, 2019, to SAR 492 million, at the rate of SAR 0.60 per share, or 6% of the share nominal value. Dividends due for the second half of 2019 will be entitled to shareholders registered in the Securities Depository Centre as at the end of the second trading day following the General Assembly date. Payment of dividends is subject to the approval of the AGM to be held on Wednesday, 22/08/1441 H, 15/04/2020. Cash dividend distributions transferred through the resident financial broker for non-resident foreign investors will be subject to a deduction tax of 5% as per Article (68) of the income tax rule and article (63) of executive regulations.

Banking Transactions with the Directors, CEO and CFO:

Notwithstanding the Related Parties Transactions (the details of which are as specified above) in this report which were conducted with third parties at an arm's length, no essential interests exist for any director, the CEO or the CFO.

Credit Ratings

The strength of the credit rating is a sign of the bank's relative financial strength and enhances the Bank's ability to access optimal sources of financing, particularly as credit ratings take into account the financial strengths, liquidity position and reputation of Aljazira Bank taking into consideration the local sovereign rating. The table below reflects the bank's latest credit assessment:

Credit Ratings	Fitch Rating	Moody's	Islamic Int'l Rating Agency
	Mar-19	Oct-19	Feb-19
Short term		F2	F2
Long term		+BBB	
Basic Credit rating (long Term)	baa3		
Outlook Rating	Stable	Stable	Stable
Bank Deposits (short term)	Baa1 / P-2		
International scale			A-/A2
Local scale			A+ / A1 SA

Local supervisory requirements and international standards:

In line with local and international supervisory standards, Bank Al Jazira has taken several measures to monitor the execution of the works in accordance with the instructions of the Saudi Arabian Monetary Authority and the related best international practices. The Compliance and Anti-Money-Laundering and Terrorism Finance Combating Group plays an active role as one of the three defense line systems in enabling Bank Al Jazira to achieve its strategic objectives that have been developed in line with the standards and regulations of the Compliance and Combating Financial Crimes Policy.

In its keenness to ensure the implementation of SAMA instructions and the recommendations of the Financial Action Group, bank Al Jazira has established sustainable controls at the level of the Bank and its various business sectors, which has been reflected significantly in all aspects, including the modifying of the know-your-customer policy and enhancing of staff awareness of the risks of non-compliance and financial crimes. This has been implemented through intensive training courses for staff and awareness messages through electronic channels, as well as review of all policies and strengthening of the automated system for monitoring the risks of non-compliance and anti-money laundering operations and financial crimes including bribery and corruption, and a timetable for reviewing and monitoring the effectiveness of those policies and procedures to comply with regional and global developments.

Board of Directors Secretariat and Governance Group:

The General Secretariat of the Board of Directors is responsible for arranging and organizing the work of the Board and its sub-committees, including preparation for and holding of meetings, keeping records of meetings, receiving incoming correspondence and documenting the

decisions related to the work of the Board and committees and following up on the implementation thereof; all tasks and responsibilities entrusted to the Group by the chairman and members of the Board. The Secretariat of the Board of Directors is also responsible for the works and reports concerning the bank's various business processes and the reporting to the Board of Directors and its committees thereon for review and appropriate decisions.

In addition, the Group is responsible for leading and managing the bank's governance aspects in line with the governance principles issued by the Saudi Arabian Monetary Authority (SAMA) and the CMA's Corporate Governance Regulations. The Group takes into account the formulation and alignment of the bank's governance guidelines and complementary policies relating to addressing conflicts of interest, disclosure, etc., in addition to aligning of the board and committees terms of reference to ensure consistency with the applicable rules and the best practices. The Group contributes to the assessment, suitability and training aspects of the Board of Directors and committees.

As part of the Board's keenness to comply with the supervisory requirements and to promote best governance practices by ensuring the effective implementation of these practices and in order to protect the interests of the Bank on one hand and the rights of shareholders and stakeholders on the other in all activities carried out by the Bank, the Board of Directors has resolved to form a governance committee to oversee the actions needed to promote governance practices perfectly and to ensure that these practices are implemented in all activities of the Bank.

Principles of Corporate Governance

Bank Aljazira is aware of the positive implications of adopting the principles of corporate governance that require the bank to observe highest professional and ethical standards in its business by implementing disclosure and transparency rules, thereby contributing to the strengthening and improvement of the efficiency of bank's business and relations with its stakeholders. The Bank believes that adoption of these principles will enhance investor confidence in the Bank and positively reflect on the integrity of the banking industry in the Kingdom of Saudi Arabia.

In its keenness, as a financial institution operating in the Kingdom of Saudi Arabia, to align applicable governance principles with the rules and regulations of the supervisory and regulatory authorities and the best practices, Bank Aljazira conducted, in the year 2019, a comprehensive review of all aspects of governance in the bank, including an updated policy that regulates the potential conflict of interests for the board directors and senior executives, and an updated policy that governs disclosure mechanisms and requirements. These two policies were implemented after having been approved by the Bank's Board of Directors. In the Bank's endeavors to enhance channels of its communication with its shareholders, the Bank continued its initiatives to urge shareholders holding share certificates, who did not receive their dividends for the past period, to contact the bank in order to update their information and arrange their share rights. A link in the bank's website has been provided for this purpose.

The Bank's Articles of Association and Governance Document guarantee shareholders' right to dividends and to attend, discuss and vote at the general meeting assemblies, and dispose of their shares. Based on the bank's disclosure policy, information and data relating to general meetings, balance sheets, financial statements and directors annual report are provided to shareholders on a continuous basis, published in newspapers and posted on the Bank's electronic website. In the bank's endeavors to further enhance the awareness of its shareholders, the papers relating to general meetings are printed and distributed to shareholders before the holding these general meetings.

In its keenness to comply with the supervisory requirements as provided for in the Corporate Governance Rules issued by CMA and the Governance Principles for banks issued by the Saudi Arabian Monetary Authority, as well as with the other best local and global practices, the bank, in order to satisfy these requirements in a documented framework and methodology, has conducted a comprehensive review, in the year 2019, to ensure that the bank's level of compliance with the governance requirements and with the best applicable practices is evaluated on a regular basis.

The aligned governance framework of Bank Aljazira covers the following policies:

a) Corporate Governance Policies

- Disclosure Policy – reformulated to cope with the regulatory environment variables and approved by the board of directors on 17 September 2019.
- Policy regulating relationships with stakeholders – this policy has been comprehensively reformulated to cover the regulation of relationships with stakeholders and was approved by the board of directors on 19 June 2019.
- Policy regulating relationships with related parties – approved by the board of directors on 16 December 2019
- Policy for remuneration and compensation of board members and members of the board committees and executive management – approved by the Bank's general meeting on 16 December 2019.
- Policy for addressing conflict of interests – approved by the board of directors on 19 June 2019
- Policy for verification of directors' independency – approved by the board of directors on 19 June 2019
- Policies and procedures governing membership of the board of directors – approved at the board's meeting held on 19 June 2019.
- Dividend Distribution Policy – approved at the board meeting held on 19 June 2019.
- Professional and Ethical Conduct Policy - approved at the board meeting held on 19 June 2019
- Bank Aljazira Updated Governance Document - approved at the board meeting held on 19 June 2019

b) Terms of reference of board committees:

The Bank conducted and completed, in 2019, a review of the rules and terms of reference of the board and board sub-committees including (Executive Committee, Audit Committee, Nominations and Remuneration Committee, Risk Committee, Governance Committee, Social Responsibility Committee) in a bid to align such terms with the rules of Corporate Governance, Banks Appointment Standards, Banking Control Law, Corporate Governance Rules and Companies Act. In 2019, the board of directors approved the terms of reference of the board and all board sub-committees, while the bank's general meeting held on 16 December approved the updated terms of reference of the Nomination and Remuneration Committee and Audit committee as per the supervisory requirements.

In accordance with their terms of reference, the board committees shall review their performance and terms of reference on an annual basis in order to ensure their business is carried out at the highest levels of efficiency and that they are committed to comply with the supervisory requirements, while they will recommend any changes deemed appropriate for the approval of the Board of Directors or the General Meeting Assembly.

c) Assessment of the effectiveness of the board, board members and board committees:

As per the supervisory directives contained in the Governance Principles Document, the Corporate Governance Rules and Bank Al Jazira Governance Document, the board of directors evaluates, on an annual basis, the effectiveness of its members and the volume of their participation in its business, both individually and as a group, as well as the effectiveness of the board sub-committees. In the fourth quarter of 2019 the bank designed, prepared and implemented the frameworks for evaluating the effectiveness of the committee business and the tasks performed within the scope of the missions assigned to them, and the result of assessment was submitted to the board. The board, under the directives of the Nomination and Remuneration Committee concluded a self-assessment of the effectiveness of the Board and members for the year 2019, and the results of the evaluation process were provided to the Nomination and Remuneration Committee and the Board of Directors. The bank seeks to entrust the evaluation process to an external consultant to be conducted every three years.

d) Training courses to board and sub-committee members:

In its keenness to enhance the skills of the members of the board and board committees in all aspects of banking industry, direct training and remote learning programs were designed for the whole board term (Jan 2019 – Dec 2021). These programs cover all members of the board and sub-committees. In addition, a number of special training functions were implemented in 2019 covering aspects of governance, compliance and financial crime fighting determinants, money laundering and terrorism financing, credit risks, cyber security.

e) Shareholders rights

Under the related supervisory directives, and as a general rule, the bank is keen to enable shareholders to exercise their legal rights relating to the shares, including the submission of comments and suggestions regarding the bank and performance. To this effect, an e-mail address (ssu@baj.com.sa) was assigned to receive inquiries from all shareholders, and the board was informed of all such inquiries and feedback. In addition, and as per the Bank's practices, the board addressed all questions and inquiries of shareholders raised at the bank's general meetings held in the year 2019 and through the shareholders unit. The board reviews such comments and reacts appropriately to them.

Shareholders Registry submissions

In 2019, submissions to shareholders registry were made as per following details:

No. of submissions made to shareholders register	Submission date	Reasons
(1)	01/01/2019	Others
(2)	24/02/2019	Others
(3)	18/03/2019	Others
(4)	31/03/2019	General Meeting
(5)	11/04/2019	Others
(6)	17/04/2019	Dividends File
(7)	02/05/2019	Others
(8)	28/05/2019	Others
(9)	11/06/2019	Others
(10)	04/08/2019	Dividends File
(11)	27/08/2019	Others
(12)	29/10/2019	Others
(13)	16/12/2019	General Meeting
(14)	02/01/2020	Others

In general, Bank Aljazira complies in letter and spirit with all mandatory provisions and directives contained in the CMA Corporate Governance Rules, which compliance is reflected by incorporating such mandatory requirements in the bank's articles of association, governance document and terms of reference of the board of directors and its sub-committees. Such requirements were also incorporated in the policies and governance frameworks of Bank Aljazira, and in the internal policies and business directories regulating the business of the bank's various departments. These requirements provide for guarantee of shareholders right to the shares and to participate in the general meetings and be provided with all information that enable them to exercise such rights; disclosure of financial and non-financial information; full compliance with transparency requirements within the legal limits; determination of the duties of the board and liabilities of its members and the formation of its various sub-committees in line with its terms of reference which are consistent with the regulatory directives.

1) Composition of the board of directors and membership categories

As per the provisions of the Bank's articles of association, the board of directors of Bank Aljazira consists of 9 members. On 19 Dec 2018, the bank's general meeting convened to select and elect the board directors for a new term from 01 January 2019 to 31 Dec 2021 based on the accumulative voting method. The following members were elected:

SN	Director's name
1	Eng. Tarek bin Othman Al-Kasabi
2	Eng. Abdul Majeed bin Ibrahim Al-Sultan
3	Mr. Nabil bin Dawood Al-Hoshan
4	Mr. Abdullah Bin Saleh Al Rasheed
5	Mr. Ibrahim Bin Abdulaziz Al Shaia
6	Mr. Adel bin Saud Dahlawi
7	Mr. Ibrahim bin Abdullah AlHdaithi
8	Mr. Turki bin Abdullah AlFawzan
9	Eng. Abdulkareem bin Ibrahim Al-Mayouf

In line with the supervisory instructions, after having obtained the consent of the regulatory authorities, a chairman, deputy chairman of the board and a managing director were selected from among the board members. The bank announced on Tadawul website, on 11 Jumada I, 1440 (17 Jan. 2019), SAMA approval of the appointment of:

- Eng. Tarek bin Othman Al-Kasabi – Chairman of the Board of Directors
- Eng. Abdulmajeed bin Ibrahim Al-Sultan – Deputy Chairman of the Board of Directors
- Mr. Nabil bin Dawood Al-Hoshan – Managing Director

The Board of directors has also selected and appointed the chairmen and members of the board sub-committees for the board term 01 Jan 2019 – 31 Dec 2021, as follows:

1. Executive Committee
2. Risk Committee
3. Nomination and Remuneration Committee
4. Governance Committee
5. Social Responsibility Committee (Khair AlJazira le ahl Al-Jazira program)
6. Audit Committee (members appointment was ratified by the general assembly meeting held on 19 Dec 2018).

On 21 Nov 2019, the membership of Eng. Abdulkareem bin Ibrahim Al-Mayouf ended, and the Board, as of 31 Dec 2019, consists of the following members:

SN	Director's name	Membership Classification (Executive – Non-Executive – Independent)
1	Eng. Tarek bin Othman Al-Kasabi	Non-Executive
2	Eng. Abdul Majeed bin Ibrahim Al-Sultan	Non-Executive
3	Mr. Nabil bin Dawood Al-Hoshan	Executive
4	Mr. Abdullah Bin Saleh Al Rasheed	Independent
5	Mr. Ibrahim Bin Abdulaziz Al Shaia	Independent
6	Mr. Adel bin Saud Dahlawi	Independent
7	Mr. Ibrahim bin Abdullah AlHdaithi	Non-Executive
8	Mr. Turki bin Abdullah AlFawzan	Non-Executive

2) Names of board directors, board committee members and executive management and their present and past positions, qualifications and experience:

A. Board of directors:

S	Name	Present Position	Past Position	Qualifications	Experience
1	Eng. Tarek bin Othman Al-Kasabi	<ol style="list-style-type: none"> 2019 – Member, GOSI Board of Directors 1998 - Member, BAJ Board of Directors 2016 - Chairman, BAJ 1995 – Chairman, Dallah Healthcare Company 2010 - Chairman, Ataa Educational Company 2008 – Chairman, Rozam Investment Company 1998 - Chairman, Technical Technology Localization Company 2018 – Member of the Board, Al-Balad Al-Amin Urban development Company 2018 – Member of the Board, Dahiat Sumou Company 2006 - Board Director, Kingdom University (Kingdom of Bahrain) 2013 – Chairman RZM Gayrimenkul Anonim Sirketi (Turkey) 2013 – Chairman, NEBA Gerimenkul Yatirimlari VE Ticaret A.S (Turkey) 	<ol style="list-style-type: none"> 2008 -2013 – Chairman, Aljazira Capital 1994-.2007 – Member of the Board, Aseer Trading, Tourism and Industry Company 2007 –2019 – Vice Chairman, Aseer Trading, Tourism and Industry Company 2012-2019 – Chairman, Serb real-Estate Investment Company 	Bachelor of Civil Engineering, King Saud University - 1976.	Member of the Board of BAJ since 1998, member of Executive Committee, Previous Chairman of Risk Committee. Chairman and member of the Boards of Directors of many investment companies in and out of the Kingdom of Saudi Arabia.
2.	Eng. Abdul Majeed bin Ibrahim Al-Sultan	<ol style="list-style-type: none"> 1993 - Member of the Board of Consolidated Brothers for Development Co. 2004 - Member of the Board, Aljazira Bank 2013 - Chairman of the Board, Aljazira Takaful Ta'awuni Co. 2013 – Member of the Board, Royal and Sun Alliance Insurance Company (Egypt). 2019 - Chairman of the Board, Al-Durra Development Company 	<ol style="list-style-type: none"> 1991 – 2007: Member of the Board, Saudi Packing Materials Manufacturing Company 1998-2018: Member of the Board, Qassim Cement Company 	1989 – Bachelor of Engineering– King Saud University, Riyadh	Member of the Board of Directors of Bank Aljazira since 2004. Chairman of the Board, Aljazira Takaful Ta'awuni Company. Member of the Boards of various other investment companies in and out of the Kingdom of Saudi Arabia.
3.	Mr. Nabil bin Dawood AlHoshan	<ol style="list-style-type: none"> 2010 – CEO, BAJ 2013 – Managing Director, BAJ 2013 – Member of the Board, Aljazira Capital 2019 – Vice Chairman, AlJazira Capital 	<ol style="list-style-type: none"> 1984 – 1998 – Head of Retail Banking Group, Central province, SABB 1998 – 2001 : Head of Retail Banking Services, Eastern Province, SAMBA 2001-2006: Head of Retail Banking, ANB 2006-2010: Member of the Board, SABB Takaful 2006-2010: Head of Retail Banking, SABB 	1984- Bachelor of Accounting, University of King Saud, Riyadh	Wide past experience in a number of Saudi banks at corporate banking group, retail banking group and branch network.
4.	Mr. Abdullah Bin Saleh Al Rasheed	<ol style="list-style-type: none"> 2015 - CEO and Constituent Partner, , Adae Financial and Management Consulting Company 2016 – Member of the Board, Bank Aljazira 2018 – Member of the Board, Basma Real-Estate Marketing Company 2018 – CEO and Chairman of Board of Governors, Insurance International Company 	<ol style="list-style-type: none"> 1983-1984, Estimate Budgets Officer, ANB 1984-1988: Financial Affairs Officer, Office of the Educational Attache of KSA in Canada 1988-1992: Financial Affairs Officer, Ministry of Higher Education 1992-2001- Assistant General Manager, Saudi Traveler Cheques Company 2001-2005: Deputy Chief Financial Affairs and member of the Board, Al-Othaim Trading Company 2006-2008: Deputy Chief of Finance and member of the Board of Abdullah Al-Othaim Markets Company 2008-2014: Deputy Chief Officer, Khalid Al Baltan Group Co., Riyadh 2017 - Member of the Board, Mahara Human resources Company 	1989 – Bachelor of Engineering –King Saud University, Riyadh.	Member of the Board of Directors of Bank AlJazira since 2004. Chairman of the Board, Aljazira Takaful Company. Member of the Boards of various other investment companies in and out of the Kingdom of Saudi Arabia

S	Name	Present Position	Past Position	Qualifications	Experience
5.	Mr. Ibrahim Bin Abdulaziz Al-Shaia	<ol style="list-style-type: none"> 2014 - Manager Finance, GOSI 2016 - Member of the Board, Bank Aljazira. 2019 - Member of the Board, Masdar Company 	<ol style="list-style-type: none"> 2002 – 2004: Financial Auditor, Al-Rashid Accountants, Auditors and Legal Consultants. 2008-2009: Part-time advisor for development of financial and electronic administrative work, International Accounting and Auditing Authority for GCC Countries. 2011-2014: Member of the Board, Al Safwa, Elite Cement Company 2011-2015: Head of Budget Department, GOSI 	<p>2004: Bachelor of Accounting, King Saud University</p> <p>2008: Master of Professional Advanced Accounting, University of Queensland For Technology, Australia</p>	Past and present experience in accounting and auditing fields at various financial and investment institutions
6.	Mr. Adel bin Saud Al-Dahlawi	<ol style="list-style-type: none"> 2018 – Assistant CEO For Investment, Dallah Holding Company 2019- Member of the Board, Dallah Health Services Company 2018- Member of the Board, Al-Buhaira Company 2019- Member of the Board, Spanish Restaurants Company 2018- Member of the Board and general manager, Flower Palace Company 2017- Partner and Constituent, Mawthooq Financil Consulting Company 2019- Member of the Board, Bank Aljazira 	<ol style="list-style-type: none"> 1994-2002: Manager Credit – Corporate Credit Dept., Saudi Faransi Bank 2002-2006: Assistant Manager, Corporate Credit, SAMBA 2006-2011: Assistant CEO for Investment, Dallah Holding Company 2011-2017: Managing Director and CEO, Etqan Capital Company 	1993 – Bachelor of Medical Science, King saud University	-Commercial banks -Corporate Credit -Investment Management, Banking Investment and Financial Advisory Services.
7.	Mr. Ibrahim bin Abdullah Al-Hedaithi	<ol style="list-style-type: none"> 2019- CEO, Middle Easte Financial Investment Company (MEFC Capital) 2019- Member of the Board, Bank Aljazira 	<ol style="list-style-type: none"> 1983-1989: Finance Manager, Military Affairs, Secretariat General of GCC 1985-1995: Financial Controller, Military Affairs, Secretariat General of GCC 1995-1996 Assistant Director, Investment Department, Secretariat General of GCC 1996-2009: Director, Investment Department, Secretariat general of GCC June 2009 – Dec 2018: Managing Director, Middle East Financial Investment Company (MEFC Capital)> 	1983- Bachelor of Business Administration, King Saud University	Past and present eperience in financial and investment affairs.
8.	Mr. Turki bin Abdullah Al-Fawzan	<ol style="list-style-type: none"> Director, real-Estate Investment Department, Middle East Financial Investment Company (MEFC Capital) 	<ol style="list-style-type: none"> 2004-2005: OIC, Mutual Funds Operations, SAMBA 2006-2007: Assistant Manager, Mutual Funds Department, Bank Al-Bilad 2007-2009: Director, Mutual Funds, Saudi faransi Credit Agricole Company 2009-2011: Manager Mutual Funds, Al-Inmaa Investment Company 2011-2012: Deputy Head of Mutual Funds, Rana Investment Company 	2003 – Bachelor of Accounting, King Fahd University for Petroleum and Minerals	Wide experience in real-estate investment and mutual funds at the banking sector and specialized investment companies.
9.	* Eng. Abdulkareem bin Ibrahim Al-Mayouf	<ol style="list-style-type: none"> 2009 – CEO, Advanced Developpers Real-Estate Company 2015- Managing Director, Tihama Advertising, Public Relations and Marketing Company 2017- Member of the Board, National Company for Agricultural Marketing (Thimar) 	<ol style="list-style-type: none"> 2012-2015: Director general, Business Development and Strategic Planning, Systems IT Company 	<p>2009- Master of Engineering Management, South California University, USA</p> <p>2008- Bachelor of Electical Engineering, South California University, USA</p>	Wide experience in the fields of Real-Estate and Agricultural Investment, marketing and Public Relations.

* The membership of Eng. Abdulkareem bin Ibrahim Al-Mayouf in the board of directors, Remuneration and Nomination Committee and Governance Committee ended on 24 Rabi I, 1441 corresponding to 21 November 2019

B. Members of board committees

S	Name	Present Position	Past Position	Qualifications	Experience
1	Eng. Tarek bin Othman Al-Kasabi	1. 2016: Chairman of the Executive Committee, BAJ	1. 1998-2015: Member of BAJ Executive Committee 2. 2013-2015: Chairman of BAJ Risk Committee	Bachelor of Civil Engineering, King Saud University - 1976	Member of the Board of BAJ since 1998, member of Executive Committee, Previously Chairman of Risk Committee. Member of the Boards of many investment companies in and out of the Kingdom of Saudi Arabia
2	Eng. Abdul Majeed bin Ibrahim Al-Sultan	1. 2016: Member of BAJ Executive Committee 2. 2016-2017: Member of Khair Aljazira Le-Ahl Aljazira Committee. 3. 2018 - Chairman of Khair Aljazira Le-Ahl Aljazira Committee.	1. 2009-2012: Member of BAJ Executive Committee 2. 2004-2009: Chairman of BAJ Audit Committee	1989 – Bachelor of Engineering – King Fahd University For Petroleum and Minerals	Member of the Board of Directors of Bank Aljazira since 2004. Chairman of the Board, Aljazira Takaful Ta'awuni Company. Member of the Boards of other investment companies in and out of the Kingdom of Saudi Arabia
3	Mr. Nabil bin Dawood AlHoshan	1. 2013: Member of BAJ Executive Committee	1. 2013-2015: Member of of BAJ Risk Committee 2. 2013-2015: Member of BAJ Nomination and Remuneration Committee	1984- Bachelor of Accounting, University of King Saud, Riyadh	Various past experience in a number of Saudi banks at Corporate Banking Group, Retail Banking Group and branch network
4	Mr. Abdullah Bin Saleh Al Rasheed	1. 2017: Member of Audit Committee, Saudi Gas Cylinder Factory. 2. 2019: Chairman of BAJ Risk Management Committee 2. 2019: Chairman, BAJ Remuneration and Nomination Committee 4. 2018- Member of Audit Committee Majid Investment & Real Estate Development Company		1983 – Bachelor of Management, King Saud University, Riyadh.	Past experience at a number of financial, consulting, administrative and retail companies
5	Mr. Ibrahim Bin Abdulaziz Al Shaia	1. 2016: Member of of BAJ Risk Committee 2. Member of Remuneration and Nomination Committee, BAJ 3. Member of Audit Committee, Hasana Company 4. Member of Audit Committee, Masdar Company	1. 2010-2013: Member of Audit Committee, Saudi Fransi Insurance Company. 2. 2013-2015: Chairman, Audit Committee – Elite Cement Company	2004: Bachelor of Accounting, King Saud University 2008: Master of Professional Advanced Accounting, University of Queensland For Technology, Australia	Previous and present experience in accounting and auditing fields at financial and investment institutions
6	Mr. Adel bin Saud Al-Dahlawi	1. 2019- Member of BAJ Executive Committee 2. 2019- Chairman of Audit Committee, BAJ	1- CEO – Etqan Capital	1993 – Bachelor of Medical Science, King saud University	Commercial banks, Corporate Credit, Investment Management, Banking Investment and Financial Advisory Services.
7	Mr. Ibrahim bin Abdullah Al-Hedaithy	1. 2019- Member of BAJ Executive Committee	1. Jan 2019-30 Jun 2019: Chairman of Baj Governace Committee	1983- Bachelor of Business Administration, King Saud University	Past and present eperience in financial and investment affairs.
8	Mr. Turki bin Abdullah Al-Fawzan	1. 2019- Member, Risk Committee, BAJ		2003 – Bachelor of Accounting, King Fahd University for Petroleum and Minerals	Wide experience in real-estate investment and mutual funds at the banking sector and specialized investment companies.

S	Name	Present Position	Past Position	Qualifications	Experience
9	* Eng. Abdulkareem bin Ibrahim Al-Mayouf	<ol style="list-style-type: none"> 2017- Present: Member of the Board, National Company for Agricultural Marketing (Thimar) 2019- Member of Remuneration and Nomination Committee, BAJ 	<ol style="list-style-type: none"> Director general, Business Development and Strategic Planning, Systems IT Company 	<p>2009- Master of Engineering Management, South California University, USA</p> <p>2008- Bachelor of Electrical Engineering, South California University, USA</p>	<p>Various experience in the fields of Real-Estate and Agricultural Investment, marketing and Public Relations.</p>
10	Mr. Fawaz Bin Mohammed Al-Fawaz	<ol style="list-style-type: none"> 2012: Member of BAJ Audit Committee 2013: Member of Audit Committee, Malaz Insurance Company 2015: Chief Financial Officer, National Industrialization 	<ol style="list-style-type: none"> 1983-1999: Assistant Deputy Head of Finance, SABIC 2000-2004: Director General of Services, Accounting Department, SABIC 2004-2009: Director General of Finance, SABIC 2007-2015: Deputy Chairman of the Board and Chairman of Audit Committee, Yanbu National Petrochemical Company 	<p>1983: Bachelor of Accounting, King Saud University</p>	<p>Wide past experience in accounting and auditing fields at investment institutions.</p>
11	Mr. Taha Bin Mohammed Azhari	<ol style="list-style-type: none"> 2012: Member of BAJ Audit Committee 2015: Senior Financial Officer, Saudi Civil Aviation Company Holding 2017: Member of the Board of Directors, Batec Logistics and Investment Company 2017: Director of the Board, Zahrat Al Waha Company. 	<ol style="list-style-type: none"> 1993-1995: Financial Auditor, Arthur Anderson, Riyadh 1995-1998: Internal Auditor, SAMBA Group 1998-2001: Compliance and Quality Assurance Officer, SAMBA Group 1999-2001: Internal Auditor, SAMBA Group 2001-2004: Head of Internal Audit and Risk Group, Al-Othaim Trading Group. 2004-2008: General Manager Finance Department, Saudi Super Stores Company (Carrefour) 2008-20015: Economic Advisor to the CEO, National Water Company. 2013-2016: member of Audit Committee, Aljazira Capital 	<p>1993: Bachelor of Accounting, King Saud University</p>	<p>Wide previous experience in accounting and auditing fields at many financial and investment institutions in and out of the Kingdom</p>
12	Mr. Abdulaziz Bin Ibrahim bin Saad Al-Hadlaq	<ol style="list-style-type: none"> 2013: Member of Khair Aljazira Le-Ahl Aljazira Committee, BAJ 	<ol style="list-style-type: none"> 1996-1998: Assistant General Manager, International Organizations Affairs, Ministry of Labor and Social Affairs. 1998-2005: General Manager, International Organizations Affairs, Ministry of Labor and Social Affairs 1996-2005: Member of the Board, International Work Organization 2005-2006: General Supervisor of Public Affairs and Social Media Department, Ministry of Social Affairs 2005-2007: Director of International Cooperation, Ministry of Social Affairs For Social Development 2007-2011: Deputy Assistant Minister, Ministry of Social Affairs For Social Development 2001-2013: Deputy Minister, Ministry of Social Affairs for Social Development 2013-2017: Member of Shura Council 	<p>1982: Bachelor of Social Services, King Saud University</p> <p>1984: Diploma of Community Development, Research and Training Center.</p> <p>1991: Diploma of International Development, Missouri Columbia University, USA</p> <p>1992: Masters of Community Development, Missouri Columbia University, USA</p>	<p>Past experience at various departments of the Ministry of Social Affairs in addition to membership of many international community-related organizations</p>

c. Executive Management

Name: **Mr. Nabil AlHoshan**

Position: Chief Executive Officer and Managing Director

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
King Saud University, Kingdom of Saudi Arabia	Accounting	Bachelor Degree	1984

Previous positions				
Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	SABB	Head of Retail Banking - Central Region	1984 – 1998
Banks and Financial Services	Listed Joint-Stock Company	SAMBA	Head of Retail Banking - Eastern Region	1998 – 2001
Banks and Financial Services	Listed Joint-Stock Company	ANB	Head of Retail Banking	2001 – 2006
Insurance	Listed Joint-Stock Company	SABB Takaful	Member of Board of Directors	2006 – 2010
Banks and Financial Services	Listed Joint-Stock Company	SABB	Head of Retail Banking	2006 – 2010
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Member of Nomination and Remuneration Committee	2013 – 2015
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Member of the Risk Management Committee	2013 – 2015

Current Positions				
Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	CEO and Managing Director	2010
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Executive Committee Member	2013
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Managing Director	2013
Securities	Closed Joint-Stock Company	Aljazira Capital	Member of Board of Directors	2013

Name: **Mr. Yasser Al-Hedaithy**

Position: Head of Treasury Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
King Saud University, Riyadh, Kingdom of Saudi Arabia	Accounting	Bachelor Degree	1994

Previous positions				
Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	SAMBA	Held several positions and the latest was Director of Derivatives Trading	1994 – 2001
Banks and Financial Services	Listed Joint-Stock Company	SAMBA	Head of Trading Department - Treasury Group	2001 – 2008
Banks and Financial Services	Listed Joint-Stock Company	ANB	Head of Treasury Group	2008 – 2009
Investment	Limited Liability Company	Emaar Investment	Private Business Management	2009 – 2010

Current Positions				
Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Treasury Group	2010

Name: **Mr. Tarek Al-Shubaily**

Position: Head of Human Capital Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
Ohio State University, United States of America	Business Administration	Bachelor Degree	1981

Previous positions				
Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Oil	A Company owned by the Kingdom's Government	ARAMCO	Held several positions and the latest was Deputy Head of Finance and Administration	1982 – 1994
Trading	Limited Liability Company	Mada Trading Co. Ltd. - United Kingdom	Special Projects Deputy General Manager	1994 – 1995
Multi-investment	Limited Liability Company	Mawaridh Holding Co.	Assistant Vice Chairman	1996 – 1997
Banks and Financial Services	Listed Joint-Stock Company	SABB	Held several positions and the latest was Director General of Human Resources	1997 – 2008
Capital Market	Joint - Stock Company	Capital Market Authority (Tadawul)	Director General of Human Resources	March/ September 2009

Current Positions				
Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Human Capital Group	2010

Name: **Mr. Hamad Al-Ajaji**

Position: Head of Private Banking Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
University of Tennessee, Knoxville - USA	Business Administration	Bachelor Degree	1984

Previous positions				
Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	SABB	Chief Executive Officer - Credit Cards Divisions	1994 – 2002
Banks and Financial Services	Listed Joint-Stock Company	SABB	Chief Executive Officer - Consumer Credit Services	
Banks and Financial Services	Listed Joint-Stock Company	SABB	Chief Executive Officer - Credit Card Products Division	
Banks and Financial Services	Listed Joint-Stock Company	SABB	Chief Executive Officer - Premiere Division	2002 – 2004
Banks and Financial Services	Listed Joint-Stock Company	SABB	Head of Private Banking Group	2004 – 2011

Current Positions				
Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Private Banking Group	2012

Name: **Mr. Khalid Al-Othman**
 Position: Head of Retail Banking Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
London Business School - UK	Business Administration	Master Degree	2012

Previous positions				
Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	Banque Saudi Fransi	Head of Retail Banking in Central Region	2003 – 2006
Banks and Financial Services	Listed Joint-Stock Company	NCB	Head of Retail Banking in Central Region	2006 – 2008
Banks and Financial Services	Listed Joint-Stock Company	Al Bilad Bank	Head of Retail Banking Branches	2008 – 2010
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Retail Banking Branches	2010 – 2011

Current Positions				
Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Retail Banking Group	2011

Name: **Mr. Hazim Al Megren**
 Position: Head of Corporate and Institutional Banking Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
King Saud University - KSA	Computer Information Systems	B.A. Computer Science	1995

Previous positions				
Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Banks and Financial Institution	Listed Joint Stock Company	SAMBA	Senior Relationship Manager (Assistant General Manager)	1995 – 2003
Banks and Financial Institution	Listed Joint Stock Company	Gulf International Bank	Corporate Banking Group (Vice President and Team Leader)	2003 – 2008
Banks and Financial Institution	Listed Joint Stock Company	Bank Aljazira	Regional Head Central Region Corporate Banking	2008 – 2018

Current Positions				
Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banking and Financial Institution	Listed Joint Stock Company	Bank Aljazira / Corporate & Institutional Banking Group	Head of Corporate and Institutional Banking Group	01 June 2018

Name: **Mr. Ahmed Al Hassan**
Position: Chief Operating Officer

Educational and professional qualifications

University	Field of Specialty	Qualifications	Year
King Saud University - Kingdom of Saudi Arabia	Computer Sciences	Bachelor Degree	2002

Previous positions

Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Governmental	Governmental Body	SAMA	Systems Analyst	2002 – 2005
Governmental	Governmental Body	SADAD	IT Director	2005 – 2009
Banks and Financial Services	Listed Joint-Stock Company	SABB	Director of Banking Channels Development	2009 – 2011
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Logistics Transformation Department	Feb 2011- Jun 2011
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of IT Department	Jun 2011 – 2017

Current Positions

Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Chief Operations Officer	2017

Name: **Mr. Shahid Amin**
Position: Chief Financial Officer

Educational and professional qualifications

University	Field of Specialty	Qualifications	Year
University of West London	Economics	Bachelor Degree	1990
The Association of Chartered Certified Accountants - UK	Accounting	Member FCCA	1997

Previous positions

Sector	Legal Entity	Company/Organization	Position	Duration of Service
Media	Government Body	British Broadcasting Corporation	Graduate Finance Trainee	1990 – 1993
Retail	Listed Joint-Stock Company	Dixons Carphone PLC	Branch Accountant	1993 – 1997
Distribution	Listed Joint-Stock Company	Hasbro	Northern European Analyst	1997 – 1998
Financial Consultations	Shareholding Company	Lauren Consulting Group - London Branch	Senior Consultant	1998 – 2000
Financial Consultations	Private Company	BA Consulting- London Branch	Senior Consultant	2000 -2002
Banks and Financial Services	Shareholding Company	HSBC Group - London Branch, has been authorized to work in the Group's branch in Saudi Arabia	Head of Cost Management and Finance Coordinator	2002 – 2007
Banks and Financial Services	Listed Joint-Stock Company	SABB	Head of Finance Products Development	2007 – 2010
Banks and Financial Services	Shareholding Company	Al Hilal Bank	Executive Vice President for Finance and Strategic Planning	2010 – 2012

Current Positions

Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Chief Financial Officer	2012

Name: **Mr. Khalid O. Al-Mogrin**

Position: Head of Legal Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
King Saud University, Kingdom of Saudi Arabia	Law	Bachelor Degree	1990
American University, Washington D.C. U.S.A	Law	Master Degree	1998

Previous positions				
Sector	Legal Entity	Company/Organization	Position	Duration of Service
Government	Government	Saudi industrial Development Fund, SIDF	Assistant Legal Advisor	1994 – 1995
Energy	Closed Joint-Stock Company	Arab petroleum Investment Corporation	Cases Researcher	1995 – 1999
Energy	Closed Joint-Stock Company	Arab petroleum Investment Corporation	Legal Counsel	1999 – 2001
Banks and Financial Services	Listed Joint-Stock Company	SAMBA	Senior Manager	2001 – 2002
Banks and Financial Services	Listed Joint-Stock Company	SAMBA	Deputy of Legal Department Head	2002 – 2004
Government	Government	Communication and Information Technology Commission	Legal Counsel & Manager of Dispute Resolution	2004 – 2005
Banks and Financial Services	Listed Joint-Stock Company	Bank Albilad	GM of Legal Affairs	2005 – 2010

Current Positions				
Sector	Legal Entity	Company/Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Legal and Board Secretary	2010

Name: **Dr. Fahad Al-Elayan**

Position: Head of Sharia and Social Responsibility Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
Faculty of Sharia- Al Imam University	Education	Bachelor Degree	1990
Applied Linguistics - Al Imam University	Education	Master Degree	1995
Ohio University, United States of America	Education	PhD	2001

Previous positions				
Sector	Legal Entity	Company/Organization	Position	Duration of Service
Charity	Charity Foundation	King Abdul Aziz Public Library	Director of the National Cultural Project	2003
Education	Governmental Organization	Ministry of Education	Part time consultant	2003-2007
Education	Governmental Organization	Al Imam Mohammed Bin Saud Islamic University, Saudi Arabia	Vice Dean of the University Center for Community Service and Continuing Education	2005-2008
Education	Governmental Organization	Al Imam Mohammed Bin Saud Islamic University	Faculty member, Education and Social Science College	2001-2018

Current Positions				
Sector	Legal Entity	Company/Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Sharia and Social Responsibility	2008
Charity	Charity Foundation	Awareness and Social habilitation Society	Member of Board of Directors	2017
Sport and Youth	Governmental Organization	Al Shabab Club	Member of Board of Directors	2018

Name: **Mr. Osama Al-Ibrahim**

Position: Chief Risk Officer

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
King Fahd University of Petroleum and Minerals	Industrial Management	Bachelor Degree	1994

Previous positions				
Sector	Legal Entity	Company/Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	SAMBA	Customer Relations Manager and Head of Customer Relations	1996 – 2006
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Corporate Banking Division - Central Region	2006 – 2008
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Corporate Banking Division - KSA	2008 – 2014

Current Positions				
Sector	Legal Entity	Company/Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Chief Risk Officer	2017

Name: **Mr. Sami Al-Rajhi**

Position: Head of Fawri Banking Services Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
Nebras Commercial Secondary Institute, Riyadh, Saudi Arabia	Banking	Commercial Diploma	2002
The Arab Financial Academy for Banking & Financial Sciences - The Hashemite Kingdom of Jordan	Banking	Banking Diploma	2003

Previous positions				
Sector	Legal Entity	Company/Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	Al Rajhi Bank	Operations Management Supervisor	1990-1993
Banks and Financial Services	Listed Joint-Stock Company	Al Rajhi Bank	transfer center Supervisor	1993 – 1996
Banks and Financial Services	Listed Joint-Stock Company	Al Rajhi Bank	transfer centers Supervisor	1996 – 2006
Banks and Financial Services	Listed Joint-Stock Company	Al Rajhi Bank	Director of Brokerage Department	2006 – 2007
Banks and Financial Services	Listed Joint-Stock Company	NCB	Director of Transfer Department	2007
Banks and Financial Services	Listed Joint-Stock Company	Al Bilad Bank	Director General of Injaz Sector	2008 – 2013

Current Positions				
Sector	Legal Entity	Company/Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Fawri Banking Services Group	2013

Name: **Mr. Yaqoob Al Oraini**

Position: Chief Compliance and AML Officer

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
Northern Colorado	Social Science & Sociology	Bachelor Degree	1998

Previous positions				
Sector	Legal Entity	Company/Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	SAMBA	Senior Relationship Manager, Corporate Banking	2005 – 2006
Banks and Financial Services	Listed Joint-Stock Company	SAMBA	Senior Manager, Compliance Department	2005 – 2006
Banks and Financial Services	Listed Joint-Stock Company	ANB	Senior Manager Private Services	2006 – 2008
Banks and Financial Services	Listed Joint-Stock Company	Alawwal Bank	Director of Support Group	2008 – 2011
Banks and Financial Services	Listed Joint-Stock Company	Alawwal Bank	Head of Compliance Group	2011 – 2018

Current Positions				
Sector	Legal Entity	Company/Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira / Compliance	Chief Compliance and AML Officer	08 April 2018

Name: **Mr. Mohammed Al Obaid**

Position: Head of Corporate Governance and Board Secretariat Group

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
King Saud University	Administrative Sciences	BA	1990

Previous positions				
Sector	Legal Entity	Company/Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	SABB	Various Posts	1993 – 2004
Banks and Financial Services	Listed Joint-Stock Company	SABB	Deputy Corporate Secretary and Head of Compliance	2004 – 2014
Banks and Financial Services	Listed Joint-Stock Company	SABB	Corporate Secretary	2015 – 2017

Current Positions				
Sector	Legal Entity	Company/Organization	Position	Appointment Date
Financial Services	Closed Joint-Stock Company	Amlak International Real Estate Finance Company	Member of Audit Committee	Oct 2017
Banking and Financial Institutions	Listed Joint-Stock Company	Bank Aljazira	Head of Corporate Governance and Board Secretariat Group	April 2019

Name: **Mr. Abdulaziz Al Zammam**
Position: Chief Internal Audit Executive

Educational and professional qualifications			
University	Field of Specialty	Qualifications	Year
University of London – Royal Holloway - UK	Information Security	Masters of Science	2007
King Saud University	Computer Science	Bachelor Degree	2001

Previous positions				
Sector	Legal Entity	Company/Organization	Position	Duration of Service
Government	Government	SAMA	Banking Inspector	2002 – 2010
Semi Government	Governmental Body	Ministry of Communication and IT	Audit and Compliance	2010 – 2013
Banking and Financial Services	Listed Joint Stock Company	Riyad Bank	VP – Audit Division Head	2013 – 2019

Current Positions				
Sector	Legal Entity	Company/Organization	Position	Appointment Date
Banking and Financial Institutions	Listed Joint-Stock Company	Bank Aljazira	Chief Internal Audit Executive	March 2019

3) Brief description of the responsibilities and functions of board committees such as Audit and Nomination and remuneration committees Details of Committee names, chairmen and members, number and dates of meetings and member attendance for each meeting are also listed:

1. Board Executive Committee

As per the bank's articles of association and its terms of reference, the executive committee of Bank Aljazira consists of 5 board members chosen by the board of directors and chaired for the board term by the chairman of the board of directors. The board of directors determines the authorities and powers of this committee. It is the responsibility of the executive committee, in accordance with the delegated powers, to monitor the implementation of the strategy and policies set by the board of directors, risk management and control of the bank's performance, recommend the balance sheet and action plan submitted for the fiscal year, and ensure proper implementation of the policies of the board of directors, in addition to monitoring the efficiency of internal control standards and policies implementation. The committee holds 6 meetings at least per year. The executive committee for the current term has been re-formed at the board of directors' meeting (211) held on 07 Jumada I, 1440H (13 January 2019). The committee held 11 meetings during 2019 which were attended by members of the committee as described in the table below:

	Name	Functional Duties	No. of meetings: 11 (eleven) meetings										
			1st. meeting 29/01 2019	2nd. meeting 07/02 2019	3rd. meeting 19/02 2019	4th. meeting 18/03 2019	5th. meeting 16/04 2019	6th. meeting 22/05 2019	7th. meeting 28/05 2019	8th. meeting 19/06 2019	9th. meeting 17/09 2019	10th. meeting 18/11 2019	11th. meeting 16/12 2019
1	Eng. Tarek bin Othman Al-Kasabi	Chairman of Executive Committee	√	√	√	√	√	√	√	√	√	√	√
2	Eng. Abdul Majeed bin Ibrahim Al-Sultan	Member	√	√	√	√	√	√	√	√	√	√	√
3	Mr. Nabil bin Dawood Al-Hoshan	Member	√	√	√	√	√	√	√	√	√	√	√
4	Mr. Adel bin Saud Al-Dahlawi	Member	√	√	√	√	√	√	√	X	√	√	√
5	Mr. Ibrahim bin Abdullah Al-Hedaithi	Member	√	√	√	X	√	√	√	√	√	X	√

2. Audit Committee:

This committee plays a key role in helping the Board of Directors to meet its supervisory duties regarding the integrity of the bank's financial statements and the independency and qualifications of auditors, effectiveness of disclosure controls and procedures, effectiveness of the internal audit and external auditors, adequacy of the Bank's internal accounting systems and financial controls, supervision of the bank's compliance department and evaluation of its alignment with the ethical policies and regulatory and supervisory requirements.

The Extra-ordinary general assembly, in its meeting held on 19 Rabia II, 1441 (16 Dec 2019), ratified the terms of reference and duties of the audit committee. The committee reviews the quarterly financial statements and assists the board of directors in carrying out the evaluation and annual review of the efficiency of internal controls, identifying potential risks and development of strategic plans to mitigate them.

The results of the annual audit of effectiveness of the bank's internal control procedures have reflected good and acceptable levels of controls. In this regard, BAJ adopts all policies and procedures required by the various statutory bodies and best international practices

The audit committee membership consists of the chairman to be chosen from among the non-executive members of the board of directors and two independent members at least from outside the bank. The committee holds 4 meetings at least per year, and the meetings of audit committee are attended by the Chief Internal Audit and the Chief Financial Officer on a regular basis. The meetings are also attended by the CEO and senior executives as required. The audit committee was re-formed for this term at the board meeting No. 211 held on 07 Jumada I, 1440 (13 Jan 2019). The committee held 6 meetings during 2019 which were attended by the chairman and members, as shown in the table below:

	Name	Functional Duties	No. of meetings: 6 (Six) meetings					
			1st. meeting 28/01/2019	2nd. meeting 20.03.2019	3rd. meeting 15.04.2019	4th. meeting 21.07.2019	5th. meeting 10.09.2019	6th. meeting 20.10.2019
1	Mr. Adel bin Saud Al-Dahlawi	Chairman of Audit Committee	√	√	√	√	√	√
2	Mr. Fawaz Mohammed Al Fawaz	Member of Audit Committee	√	√	√	√	√	√
3	Mr. Taha Bin Mohammed Azhari	Member of Audit Committee	√	√	√	√	√	X

3. Nomination and Remuneration Committee

The board of directors, based on its powers and authorities, forms the Nomination and Remuneration Committee which consists of 3 members appointed by the board after having obtained SAMA non-objection. The functions and duties of the committee focus on recommending nominations to the Board of Directors as per the approved policies and standards, performing annual reviews on the skills required for the membership of the board of directors, performing reviews of the board of directors' structure and recommending those changes that could be carried out. The committee is also responsible for ensuring the independence of independent members and lack of any conflict of interests in case any director was also a member in any other company's board, ensuring recommended appointment is commensurate with the proper skills and required qualifications, and development and review of remuneration for the directors and senior executives.

The Extra-ordinary general meeting, in its 58th meeting held on 19 Rabia II, 1441 (16 Dec 2019), ratified the terms of reference and duties of the Nomination and Remuneration Committee. The committee holds two meetings at least per year.

The members of the Nomination and Remuneration Committee were appointed for the present board term at the board's meeting No. 211 held on 07 Jumada I, 1440H (corresponding to January 13, 2019). The committee held two meetings during 2019 which were attended by the chairman and members of the committee as reflected in the table below:

	Name	Functional Duties	No. of meetings: 2 (Two) meetings	
			2nd.meeting 16/04/2019	1st. meeting 07.11.2019
1	Mr. Abdullah Bin Saleh Al Rasheed	Chairman of the Nomination and Remuneration Committee	√	√
2	Mr. Ibrahim Bin Abdulaziz Al Shaia	Member of the Nomination and Remuneration Committee	√	√
3	* Eng. Abdulkareem bin Ibrahim Al-Mayouf	Member of the Nomination and Remuneration Committee	√	√

4. Board Risk Committee

This committee assists the board of directors in fulfilling the responsibilities of overseeing the risks in the bank's businesses and controls. Its duties and responsibilities, as per its terms of reference aligned in 2019, are focused on supervision and control, review of the bank's ability to manage and undertake risks based on appropriate analysis, and formulation of appropriate risk management policies. It also approves the credit rating system in the bank and risk policies for assets and liabilities management as developed by the Assets and Liabilities Committee. The committee measures the exposures to financial risks and other significant exposures as well as the steps taken by the management to monitor, control and report cases of risks, including, but not limited to, review of credits, market, liquidity, reputational, operational, fraud and strategic risks in addition to evaluating exposures, tolerance levels and approval of appropriate transactions or commercial restrictions. The committee also reviews the scope of risk management and the targeted activities related to the functions of the Bank's risk management.

As per its terms of reference, the board risk committee holds 4 meetings at least per year.

The members of the board risk committee for the current term have been appointed at the board of directors' meeting No. 211 held on 07 Jumada I, 1440H (January 13, 2019). The committee held 6 meetings during 2019 which were attended by the chairman and members as stated in the table below:

	Name	Functional Duties	No. of meetings: 6 (Six) meetings					
			1st. meeting 20.02.2019	2nd. Meeting 28.03.2019	3rd. meeting 01.05.2019	4th. Meeting 11.09.2019	5th. meeting 26.09.2019	6th. Meeting 03.12.2019
1	Mr. Abdullah Bin Saleh Al Rasheed	Chairman of the Board Risk Committee	√	√	√	√	√	√
2	Mr. Ibrahim Bin Abdulaziz Al Shaia	Member of the Board Risk Committee	√	√	√	√	√	√
2	Mr. Turki bin Abdullah AlFawzan	Member of the Board Risk Committee	√	√	X	√	X	√

5. Committee of the 'Khair Aljazira le Ahl Aljazira' program

This committee plays an important role in assisting the board of directors in the fulfillment of its social responsibilities related to the 'Khair Aljazira le Ahl Aljazira' program. It is responsible for the formulation of policies and procedures related to the activities and social responsibility programs, approval of the annual budget for 'Khair Aljazira le Ahl Aljazira' program, approval of the annual plan for the program, creating solutions for the obstacles that might hinder the social responsibility programs and review of the objectives of the program by highlighting the bank's role in the community service. It also contributes and participates actively in many social responsibility programs in the Kingdom, builds cooperation and communication between the bank and the authorities related to those programs and establishes specific partnerships with associations and charities in the kingdom which contribute to highlighting the role of private sector in enhancing the process of social responsibility. The Committee also strives to create an appropriate environment to help the youth and rehabilitate them for the market, and it provides distinctive programs for rehabilitating disabled people. The committee of the 'Khair Aljazira le Ahl Aljazira' program reports annually to the Board of Directors about the activities and functions of 'Khair Aljazira le Ahl Aljazira' program.

As per its terms of reference, the social responsibility committee holds 4 meetings at least per year.

The members of the social responsibility committee for the current term have been appointed at the board of directors' meeting No. 211 held on 07 Jumada I, 1440H (January 13, 2019). The committee held 4 meetings during 2019 which were attended by the chairman and members as stated in the table below:

	Name	Functional Duties	No. of meetings: 4 (Four) meetings			
			1st. meeting 28.01.2019	2nd. meeting 16.05.2019	3rd. meeting 08.10.2019	4th. meeting 09.12.2019
1	Eng. Abdulmajeed bin Ibraheem Al-Sultan	Chairman of Social Responsibility Committee ('Khair Aljazira le Ahl Aljazira' program Committee)	√	√	√	√
2	Mr. Abdulaziz Bin Ibrahim bin Saad Al-Hadlaq	Member of Social Responsibility Committee ('Khair Aljazira le Ahl Aljazira' program Committee)	√	√	√	√
3	Dr. Fahd bin Ali Al-Olayan	Member of Social Responsibility Committee ('Khair Aljazira le Ahl Aljazira' program Committee)	√	√	√	√

6. Governance Committee

In line with the supervisory requirements of the Companies Act, the rules provided for in the Governance Principles for banks operating in the Kingdom, and the guidelines contained in the corporate governance rules issued by CMA, which call for the formation of committees emanating from the board of directors to undertake part of the board duties relating to governance affairs, the board of directors was keen to fulfill these supervisory requirements and to enhance best practices by ensuring the effective implementation of such practices in order to protect the bank's as well as shareholders' and stakeholders' interests in all activities conducted by the Bank.

The Board of Directors approved at its meeting No. 211 held on 07 Jumada I, 1440 (13 Jan 2019) the formation of the governance committee and appointment of its members. The committee held three meetings in 2019 as stated in the table below:

	Name	Functional Duties	No. of meetings: (3) Three meetings		
			1st. meeting 03.03.2019	2nd. meeting 20.03.2019	3rd. meeting 20.05.2019
1	Mr. Ibrahim bin Abdullah Al-Hedaithi (*)	Chairman of Governance Committee	√	√	√
2	Eng. Abdulkareem bin Ibrahim Al Mayouf (*)	Member of Governance Committee	√	√	√
3	Mr. Alwaleed bin Fahd Al-Sinani (*)	Member of Governance Committee	√	√	√

(*) Membership of Mr. Ibrahim bin Abdullah Al-Hedaithi in the Governance Committee ended on 27 June 2019

(*) Membership of Mr. Abdulkareem bin Ibrahim Al Mayouf in the Governance Committee ended on 21 Nov 2019

(*) Membership of Mr. Alwaleed bin Fahd Al-Sinani in the Governance Committee ended on 18 June 2019

4. Details of the entities in/out of the Kingdom, in which members of BAJ Board of Directors hold/held board membership or management positions, excluding BAJ membership:

Director's name	Names of the companies in which members of the Bank Board hold present board membership or management positions	In /out of the Kingdom	Company type (Listed joint-stock/unlisted joint-stock/limited liability, etc...)	Names of companies in which members of the Bank Board held past board membership or management positions	In /out of the Kingdom	Company type (Listed joint-stock/unlisted joint-stock/limited liability, etc...)
Tarek bin Othman Al-Kasabi	<ol style="list-style-type: none"> GOSI Dallah Health Services Company Ataa Educational Company Rozam Investment Company Technical Technology Localization Company Al-Balad Al-Amin Company for Urban Development Kingdom's University Company (Kingdom of Bahrain) RZM Gayrimenkul Anonim Sirketi (Turkey) NEBA Gerimenkul Yatirimlari VE Ticaret A.S (Turkey) 	In Kingdom In Kingdom In Kingdom In Kingdom Out of Kingdom Out of Kingdom Out of Kingdom Out of Kingdom	Government Dept. Listed Joint-Stock Listed Joint-Stock Closed Joint-Stock Limited Liability Co. Closed Joint-Stock Limited Liability Co. Closed Joint-Stock Closed Joint-Stock	<ol style="list-style-type: none"> Aljazira Capital Aseer Trading, Tourism and Industry Company Serb Real-Estate Investment Company 	In Kingdom In Kingdom In Kingdom	Closed Joint-Stock Closed Joint-Stock Closed Joint-Stock
Eng. Abdul Majeed bin Ibrahim Al-Sultan	<ol style="list-style-type: none"> Consolidated Brothers for Development Co. Aljazira Takaful Ta'awuni Royal and Sun Insurance Company (Egypt) Al-Durrah Development Company 	In Kingdom In Kingdom Out of Kingdom In Kingdom	Limited Liability Listed Joint-Stock Listed Joint-Stock Listed Joint-Stock	<ol style="list-style-type: none"> Packing and Wrapping Manufacturing Company Qassim Cement Company 	In Kingdom In Kingdom	Listed Joint-Stock Listed Joint-Stock
Mr. Nabil bin Dawood AlHoshan	<ol style="list-style-type: none"> Aljazira Capital 	In Kingdom	Closed Joint-Stock			
Mr. Abdullah Bin Saleh Al Rasheed	<ol style="list-style-type: none"> Adae Financial and Management Consulting Co Insurance World Company Saudi Gas Cylinder Manufacturing Company Majid Investment and Real Estate Development Company 	In Kingdom In Kingdom In Kingdom In Kingdom	Limited Liability Limited Liability Closed Joint-Stock Closed Joint-Stock	<ol style="list-style-type: none"> ANB Educational Attache of KSA in Canada Ministry of Higher Education Saudi Traveler Cheques Company Al-Othaim Commercial Company Al-Othaim Holding Company Khalid Al Baltan Group, Riyadh Mahara Human Resources Company 	In Kingdom Out of Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	Listed Joint-Stock Government Dept. Government Dept. Closed Joint-Stock Listed Joint-Stock Closed Joint-Stock Limited Liability Listed Joint-Stock
Mr. Ibrahim Bin Abdulaziz Al Shaia	<ol style="list-style-type: none"> GOSI 	In Kingdom	Government Body	<ol style="list-style-type: none"> Al-Rashid Accountants, Auditors and Legal Consultants. Accounting and Auditing Organization for GCC Countries. Saudi Fransi Insurance Company 	In Kingdom In Kingdom In Kingdom	Limited Liability Government Body Listed Joint-Stock

Director's name	Names of the companies in which members of the Bank Board hold present board membership or management positions	In /out of the Kingdom	Company type (Listed joint-stock/ unlisted joint-stock/ limited liability, etc...)	Names of companies in which members of the Bank Board held past board membership or management positions	In /out of the Kingdom	Company type (Listed joint-stock/ unlisted joint-stock/ limited liability, etc...)
Mr. Adel bin Saud Dahlawi	1. Dallah Health Services Company 2. Flower Palace International Company 3. Fast-Food Restaurants, Spain 4. Al-Buhaira Company, Tunisia	In Kingdom Out of Kingdom Out of Kingdom Out of Kingdom	Public Joint-Stock Public Joint-Stock Limited Joint-Stock Private Joint-Stock Anonymous Joint-Stock	1. Saudi Faransi Bank 2. SAMBA 3. Dallah Holding Company 4. Etqan Capital Company 5. Mawthooq Company	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	Public Joint-Stock Public Joint-Stock Limited Liability Saudi Closed Joint-Stock Office
Mr. Ibrahim bin Abdullah Al-Hedaithi	1. Middle East Financial Investment Company (MEFC) 2. Freshlink Company LTD 3. Beaat Alwatan National Environment Company	In Kingdom Out of Kingdom In Kingdom	Closed Joint-Stock Limited Liability	1. Body Masters Company 2. Albasar Medical Services Ltd. Co.	In Kingdom In Kingdom	Limited Liability Limited Liability
Mr. Turki bin Abdullah Al-Fawzan	1. Middle East Financial Investment Company (MEFC)	In Kingdom	Closed Joint-Stock	1. SAMBA 2. Rana Investment Company 3. Inma'a Investment Company 4. Saudi Faransi Credit Agricole Company	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	
Eng. Abdulkareem bin Ibrahim Al-Mayouf	1. Advanced Developers Real-Estate Investment Company 2. Tihama Advertising, Public Relations and marketing Company 3. National Company for Agricultural Marketing (Thimar).	In Kingdom In Kingdom In Kingdom	Listed Joint-Stock Listed Joint-Stock	1. Systems Information Technology Company	In Kingdom	

5. Statement of Shareholders General meetings held during the past fiscal year and the names of attending directors:

Two shareholders general meetings were held in the year 2019G:

1) First Extra-Ordinary General Meeting held on 16 April 2019.

The following agenda was discussed:

- To approve the directors report for the fiscal year ended 31 December 2018.
- To approve the financial statements for the fiscal year ended 31 December 2018.
- To approve the auditors' report for the fiscal year ended 31 December 2018.
- To relieve the directors from their liability for the year ended 31 December 2018.
- To approve the appointment of the auditors of the bank from the list of nominees based on the recommendation of the audit committee, to review and audit the financial statements of the first, second and third quarters, and the annual financial statements for the year 2019 and to fix their fees.
- To approve the Board recommendation for distribution of dividends to shareholders for the fiscal year ended 31 December 2018 of SAR 0.5 per share after deduction of Zakat, which represents 5% of the paid-up capital, in the amount of SAR 410 Million. Eligibility for the dividends will be to the shareholders holding the shares as at the end of trading on the general meeting day and who are registered in the bank's share registry at the depository center as at the end of the second trading day following the due date. Dividend distribution date will be announced at a future date.
- To approve amendment of article 20 of the bank's articles of association relating to Audit Committee
- To approve amendment of article 24 of the bank's articles of association relating to the quorum and resolutions of the board of directors
- To approve amendment of article 31 of the bank's articles of association relating to general assemblies
- To approve amendment of article 43 of the bank's articles of association relating to annual reports

11. To approve amendment of article 46 of the bank's articles of association relating to disputes
12. To approve the transactions and contracts which will be concluded between the bank and AlJazira Takaful Ta'awuni Company (Related Party) as the board director, Eng. Abdulmajeed bin Ibrahim Al-Sultan (Non-Executive director), holds indirect interest therein, and also because he is a member of the board of AlJazira Takaful Ta'awuni Company. The contracts cover the collective insurance agreement for the personal finance portfolio, collective insurance agreement for the real-estate finance portfolio, collective insurance services agreement for bank staff and agreement for protection of staff loan portfolio. The sum of this related transaction in the year 2018 amounted to SAR 92.2 Million. No preferential conditions apply to this transaction.
13. To approve the transactions and contracts which will be concluded between the bank and AlJazira Capital (Related Party) as the board director, Mr. Nabil bin Dawood Al-Hoshan (Executive director), holds indirect interest therein (being a member of the board of AlJazira Capital). This transaction covers common services, Tamam product partnership agreement, agreement for special commission expenses on term deposits and branch rental expenses agreement. The sum of this related transaction in the year 2018 amounted to SAR 26.4 Million. No preferential conditions apply to this transaction.
14. To approve the transactions and contracts which will be concluded between the bank and Mr. Ahmed bin Othman bin Abdullah Alkasabi as the bank's chairman, Eng. Tareq bin Othman Alkasabi, (Non-Executive director) holds indirect interest therein being the brother of the owner of the leased property. The transaction covers a lease contract of a property located at Al-Hasan bin Ali Street that is used as a branch of the bank. The rental for the year 2018 of this property amounted to SAR 276, 555 for the contract period 01.02.2018 – 31.01.2019G. No preferential conditions apply to this deal.
15. To approve the transactions and contracts which will be concluded between the bank and Consolidated Brothers Development Company as the director of the board, Eng. Abdulmajeed bin Ibrahim Al-Sultan (Non-Executive director), holds indirect interest therein being a shareholder of Consolidated Brothers Development Company. The transaction represents a lease contract of the property used as a branch of the bank, located in Al-Rehab District, Al-Arba'een Street opposite to National Guards Complex in Jeddah. The rental for the year 2018 of this property amounted to SAR 330, 000 for the contract period 30.04.2018 – 29.04.2019G. No preferential conditions apply to this transaction.
16. To approve the transactions and contracts which have been concluded between the bank and Consolidated Brothers Development Company as the director of the board, Eng. Abdulmajeed bin Ibrahim Al-Sultan (Non-Executive director), holds indirect interest therein being a shareholder of Consolidated Brothers Development Company. The transaction represents a lease contract of the property used by the bank's Al-Ma'athar Road branch in Riyadh. The rental for the year 2018 (1439H) of this property amounted to SAR 900,000 for the contract period 22.06.1439H – 21.06.1440H. No preferential conditions apply to this transaction.
17. To approve the transactions and contracts which have been concluded between the bank and United Company for Real-Estate Development as the latter has leased out the land plot located on Turki Al-Awal Street, Hiteen District, Riyadh, which is owned by Mr. Ibrahim bin Abdulmohsen Al-Sultan as the director of the board, Eng. Abdulmajeed bin Ibrahim Al-Sultan (Non-Executive director), holds indirect interest therein being the son of Mr. Ibrahim bin Abdulmohsen Al-Sultan. The transaction represents a lease contract of the bank branch in Hiteen District (Hiteen plaza), Riyadh. The rental of this property for the year 2018 amounted to SAR 920,000 for the contract period 06.04.1439H – 05.04.1440H. No preferential conditions apply to this transaction.
18. To approve the transactions and contracts concluded between the bank and Dallah Health Company, which represent a lease contract of an ATM location in which the director of the board, Eng. Tareq bin Othman Alkasabi (Non-Executive director), being the chairman of Dallah Health Company, holds an indirect interest. The transaction in the year 2018 represented a lease contract of an ATM location at Dallah Hospital in Riyadh. The rental for this property amounted to SAR 30, 000 for the contract period 01.05.2018 – 30.04.2019. No preferential conditions apply to this transaction.

The Bank published on 17 Sha'aban 1440 (17 April 2019), on Tadawul and BAJ sites, the resolutions taken at this General Meeting.

2) Second Extra-Ordinary General Meeting held on 16 Dec 2019.

The following agenda was discussed:

1. To approve amendment of article (22) of the bank's Articles of Association relating to the appointment of the chairman/deputy chairman/chief executive officer, managing director and secretary
2. To approve the remuneration policy for the board members, sub-committee members and senior executives.
3. To approve the social responsibility policy
4. To approve amendment of audit committee terms of reference
5. To approve amendment of remuneration and nomination committee terms of reference
6. To authorize the board of directors to pay dividends on half yearly or quarterly basis, for the year 2020, if any, and to fix due date and payment date as per the regulatory instructions issued, in implementation of the Companies Act and in line with the bank's financial position, cash flows and investment and expansion plans.
7. To vote on authorizing the board of directors of the powers of the ordinary general meeting, as per the authorization provided for in

item 1 of article 71 of the Companies Act, for one year from the ordinary general meeting approval, or up to the end of the authorized board term, whichever occurs first, in line with the regulatory controls and instructions issued in implementation of the Companies Act provisions regarding listed joint-stock companies

The Bank published on 20 Rabi II, 1441H (17 Dec 2019), on Tadawul and BAJ sites the resolutions taken at this General Meeting.

The table below shows board directors attendance of the two meetings:

S	Name	1st. EOGM (16.04.2019)	2nd. EOGM (16.12.2019)
1	Eng. Tarek bin Othman Al-Kasabi	√	√
2	Eng. Abdul Majeed bin Ibrahim Al-Sultan	√	√
3	Mr. Nabil bin Dawood Al-Hoshan	√	√
4	Mr. Abdullah Bin Saleh Al Rasheed	√	√
5	Mr. Ibrahim Bin Abdulaziz Al Shaia	√	√
6	Mr. Adel bin Saud Dahlawi	√	√
7	Mr. Ibrahim bin Abdullah AlHdaithi	√	√
8	Mr. Turki bin Abdullah AlFawzan	√	√
9	Eng. Abdulkareem bin Ibrahim Al-Mayouf	√	X

6. Management Committees

The governance framework of Bank Aljazira is based on the structure of the board of directors, 6 board sub-committees and 11 management committees. The governance structure is also based on a series of governance empowerment factors which ensure achievement of required clarity and good discipline of governance, namely: institutional values, design of organizational structure, procedures and policies, bank's matrix of authorities as well as effective communication at internal and external levels.

Bank Aljazira formed the following management committees to undertake specific tasks and responsibilities. Membership of these committees is restricted to the bank's employees and officials who are directly involved in the business of these committees:

- **Management Committee**
- **Credit Committee**
- **Asset and Liabilities Committee**
- **IT Steering Committee**
- **Risk Management Committee**
- **Market Risk Policies Committee**
- **Compliance Committee**
- **Product Review Committee**
- **Business Continuity Committee**
- **SMEs Committee**
- **Information Security Committee**

7. Notification relating to shareholding of major shareholders:

The Bank did not receive any notifications from shareholders and related parties regarding change of their shareholding in the bank as per the provisions of article 68 of the requirements for securities issuance and continuous liabilities issued by the Capital Market Authority. The following tables include description of the interests of major shareholders, board directors and senior executives and their spouses and minor children in the bank's shares or debt instruments:

Description of any interest, securities or subscription right held by major shareholders:

S	Name of interested person	Beginning of the year 2019		End of the year 2019		Net change	% change
		No. of share	Debt instruments	No. of share	Debt instruments		
1	Consolidated Brothers Development Company	54,070,295	-	54,070,295	-	-	0%

Description of any interest, securities and subscription rights held by the directors of the Board and their spouses and minor children

S	Name of interested person	Beginning of the year 2019		End of the year 2019		Net change	% change
		No. of share	Debt instruments	No. of share	Debt instruments		
1	Eng. Tarek bin Othman Al-Kasabi	25,093	-	-	-	-25,093	-100%
2	Eng. Abdulmajeed bin Ibrahim Al-Sultan	2,731	-	2,731	-	-	0%
3	Mr. Nabil bin Dawood Al- Hoshan	5,464	-	5,464	-	-	0%
4	Mr. Adel bin Saud Dahlawi	0	-	0	-	-	0%
5	Mr. Turki bin Abdullah AlFawzan	50	-	50	-	-	0%
6	(*) Mr. Abdulkareem Ibrahim Al-Mayouf	1,000	-	0	-	-1,000	-100%
7	Mr. Abdullah Bin Saleh Al Rasheed	2,050	-	2,050	-	-	0%
8	GOSI, represented by Mr. Ibrahim Bin Abdulaziz Al Shaia	25,890,372	-	7,390,992	-	-18,499,380	-71%
9	Mr. Ibrahim bin Abdullah Al-Hedaithi	10,172	-	10,172	-	-	0%

Description of any interest, securities or subscription right held by major shareholders:

S	Name of interested person	Beginning of the year 2019		End of the year 2019		Net change	% change
		No. of share	Debt instruments	No. of share	Debt instruments		
1	Mr. Nabil bin Dawood Al- Hoshan CEO and Managing Director	5,464	-	5,464	-	-	0%
2	Mr. Shahid Amin Senior Finance Officer	-	-	-	-	-	0%
3	Mr. Mohammed bin Ibrahim Al-Obaid Company Secretary and Head of Governance Group	-	-	-	-	-	0%

8. Number and dates of Board meetings held in the last fiscal year, and attendance record detailing names of attending directors:

As per the Bank's Articles of Association, the board of directors shall hold at least (4) four meetings at least per year. In 2019, the board held (8) eight meetings as detailed in the table below:

Director's name	No. of meetings: 5 (Five) meetings							
	1st. meeting 13.09.2019	2nd. meeting 16.04.2019	3rd. meeting 4.05.2019	4th. meeting 08.05.2019	5th. meeting 19.06.2019	6th. meeting 17.09.2019	7th. meeting 21.11.2019	8th. meeting 16.12.2019
Eng. Tarek Othman Al Kasabi	√	√	√	√	√	√	√	√
Eng. Abdulmajeed Ibrahim Al Sultan	√	√	√	√	√	√	√	√
Mr. Nabil Dawood Al-Hoshan	√	√	√	√	√	√	√	√
Mr. Abdullah bin Saleh Al Rasheed	√	√	√	√	√	√	√	√
Mr. Ibrahim bin Abdulaziz Al Shaia	√	√	√	√	√	√	√	√
Mr. Adel bin Saud Dahlawi	√	√	√	√	X	√	√	√
Mr. Ibrahim bin Abdullah Al-Hedaithi	√	√	√	√	√	√	√	√
Mr. Turki bin Abdullah AlFawzan	√	√	√	√	√	√	√	√
Mr. Abdulkareem Ibrahim Al-Mayouf	√	√	√	X	√	√	X	X

9) Details of any arrangements or agreement under which any director of the board or senior executive of the bank has waived any remuneration or right:

The Bank is not aware of any arrangements or agreements for the waiver by any of the directors of the board or senior executives of any of their rights to any remuneration.

10) Details of any arrangements or agreement under which any shareholder of the bank has waived any right to dividends:

The Bank is not aware of any arrangements or agreements for the waiver by any of the bank shareholders of any of their rights to any dividends.

11) Actions taken by the Board to notify its members – particularly non-executives – of shareholders suggestions and comments regarding the bank and its performance:

In line with the relevant supervisory directives and as a general rule, the Bank facilitates the full exercise of shareholders of all their statutory rights related to the shares, including the making of suggestions and comments about the Bank and its performance. In line with the Bank's practices, the Board has directly answered the questions and queries raised by Shareholders at the two AGMs held in 2019, or through Shareholders Unit. The Board reviews such suggestions and comments and takes the appropriate action in this regard.

Compensation Policy and Directors and Senior Executives Remuneration

The BAJ reward and compensation policy determined the rewards and compensations payable to members and non-members of the Board of Directors in accordance with the rules set out by the supervisory authorities. The policy is based on the recommendations of the Remuneration and Nomination Committee; it is designed to be adequate to attract members for the board and sub-committee who hold the appropriate qualifications and experience to match the bank's activities. In general, the policy is subject to the rules of Companies Act, Principles of Governance of Banks operating in the Kingdom of Saudi Arabia, the Rewards and Compensation rules issued by the Saudi Arabian Monetary Agency, Corporate Governance rules and the implementing rules of the Companies Act relating to listed joint-stock companies issued by CMA, BAJ Articles of Association, BAJ Governance Document and BAJ Compensation policy and SAMA Circular, which provide that the maximum reward, compensation or benefits paid annually to members of the Board and sub-committees shall not exceed SAR 500,000, excluding

the chairman and members of Audit Committee. During 2019, none of the board members or sub-committees did any work of a technical or advisory nature, and therefore did not receive any special benefits for that. The following table details the rewards and compensations paid to members of the Board and sub-committees for their membership, and for senior executives of the bank, during the year, emphasizing that there was no fundamental deviation from the rules and regulations governing such compensation:

(SAR thousands)

	Fixed compensation (divided into 6 categories)	Variable compensation (divided into 5 categories)	End-of-service award	Total	Expenses Allowance
Board members	4,001	70	-	4,071	33
Independent directors	1,751	45	-	1,796	28
Non-executive directors	1,800	25	-	1,825	5
Executive directors	450	-	-	450	-
5 senior executives including CEO and Senior Finance Officer	17,240	18,410	-	35,650	-
Audit Committee members	300	85	-	385	10
Remuneration and Nomination Committee members	-	30	-	30	-
Risk Management Committee members	-	85	-	85	-
Executive Committee members	-	215	-	215	-
Social Responsibility (Khair Aljazira Le Ahl Aljazira) Committee members	200	60	-	260	-
Governance Committee members	50	45	-	95	-

* The audit committee, Social Responsibility Committee and Governance Committee includes members who are not directors of the board.

Internal Audit Group

The Bank's Internal Audit Group performs internal independent audit and control review function for the Bank, covering all businesses, functions, and geographies. The group uses standardized internal audit methodologies in providing confirmation and independent opinion in relation to assessment of risks and internal control systems including the submission of recommendations and follow up to optimize the internal control systems' efficacy end enhance awareness of their efficiency and importance.

The Chief Audit Executive manages the group and the Audit Committee has an oversight responsibility for ensuring that the group's objectives are achieved. Internal Audit pursues a risk-based approach in the planning and execution of audit evaluation engagements on risk-based prioritization. The scope of internal audit encompasses all aspects of internal systems, governance and risk management systems.

Internal Audit provides an independent and objective evaluation assurance of risk and control activity for senior management and furnishes them with recommendation and information concerning activities reviewed.

The Group maintains a Quality Assurance and Improvement Program that covers all aspects of the internal audit activity.

Annual Review of the Effectiveness of Internal Control Procedures

Being a financial institution, the Bank attached high importance to the internal control environment. At the Bank, effective internal control procedures are in place across the organization by applying the principle of 3 defense lines. This is adopted based on their suitability to the work patterns of the bank taking into consideration the best practices and international standards applicable in the banking and financial industry and by contracting with international organizations to provide advisory services to evaluate and optimize the efficiency of control systems, and their effectiveness is continuously monitored and tested by the control functions in the Bank, and additionally tested by the independent external auditors and regulatory inspection team.

The Board of Directors and its committees as well as the executive management play a vital role in the enhancement of internal control environment through direct supervision of the functions of the bank's control groups such as Internal Audit, Compliance and Risk groups. The internal control process relies basically on the efficacy of the control systems in the bank. The effective internal control increases confidence in the financial reports and audit processes.

The results of the annual audit of the effectiveness of the internal control procedures of the Bank have reflected good and acceptable levels of controls.

Audit Committee review of the adequacy of the bank's internal control systems.

During 2019, the Audit Committee reviewed various reports to assess and measure the adequacy of internal controls and systems, including the financial statements and risk reports. The committee also reviewed the minutes of the various management committees such as the Risk Management Committee and the Compliance Committee. The committee's discussions and resolutions are documented in the minutes of the meetings and issues that require attention are brought to the Board of Directors.

During the year, members of the Audit Committee held meetings with the heads of internal audit groups, risks, compliance, financial control and external auditors, where the Committee was briefed on the latest developments on issues requiring the committee's attention. The Committee also received internal audit reports, regulatory and supervisory reports, as well as the letters of external auditors made to the management during the year and reviewed the management's action plans for the issues filed.

The audit committee also reviewed the effectiveness of the internal control system, procedures for compliance with the Bank's internal policies and relevant regulatory and legal requirements in Saudi Arabia, and whether the management has fulfilled its duties in establishing an effective internal control system and seek independent confirmation by the internal audit for assessment of the adequacy and effectiveness of such internal controls.

The Audit Committee confirms to the Board of Directors and shareholders that, to their best knowledge and in all material respects, the bank's internal control system is adequate and effectively implemented. The committee also confirms that the recommendations relating to appointment, dismissal, assessment or fixing of the fees of the auditors were approved by the Board.

Retail Banking Group

The Retail Banking Group continues to redefine banking services and enhances BAJ position within the Saudi banking market by offering innovative products and digital banking solutions to the highest standards compliant with Islamic Sharia.

Our products and services are designed to satisfy the customer needs which reflect the bank's mission, from opening accounts through branches or via the Internet and to avail our products like debit cards, credit cards, personal finance, in addition to a leading group of real estate financing products.

The retail Group is striving to provide the best banking services through a growing network of distribution channels represented by 78 branches, 19 Ladies sections, 607 ATMs, and 10,192 Point of Sale devices. Furthermore, our Electronic Banking services are among the best in the Saudi Market with AlJazira Phone being awarded for being the best in contact center and customer service in the world. AlJazira SMART and AlJazira Online re-launch has made a great impact on usage and transaction-based returns. Overall, retail Liabilities portfolio has increased by 26% to reach SAR 42.038 million in Dec 2019. Meanwhile, the Group's Loans book has increased by 27% in Dec 2019 to SAR 27,568 million from SAR 21.659 million in Dec 2018.

Following the promising growth in the Real Estate finance market, the Bank's real estate finance portfolio grew by 26% in 2019, with an estimated market share of 5.8% by year end. This is due to the cooperation of the bank by launching all programs and initiatives of the Ministry of Housing and the Real Estate Development Fund, which would achieve the ambitious goals of Vision 2030 regarding the housing sector.

As the country witnessed the world's biggest initial public offering, BAJ played a major role in facilitating the subscription of ARAMCO IPO through its multiple channels, including digital platform. In addition, BAJ provided up to SAR 2 million IPO financing to the customers with no administration fees, while supporting the IPO via awareness campaigns throughout the subscription period.

Private Banking and Wealth Management Group

The Private Banking Group serves the high net worth Individuals segment by providing a comprehensive array of private Sharia- compliant banking services and products.

The group devotes all of its experience and capabilities to deliver & achieve the financial goals and objectives of its customers in a professional and timely manner.

Customer deposits amounted to SAR 11.572 Million as of the end of 2019.

The Group Collaborates closely with Aljazira Capital to provide advisory services and investment opportunities for HNW individuals. This continuous collaboration has led to a significant increase in the size of our customer investment portfolios, where the total value of the Group's customer Portfolios reached SAR 7, 618 Million as of the end of 2019.

The Group meets the credit needs of its customers through its credit unit with an objective to meet the credit requirements of all its customers in a way that meets their finance needs and purpose of investments. Total credit facilities portfolio increased by 140% to reach to SAR 1,985 million as of the end of 2019.

The Group serves its customers through 4 centers located in Riyadh, Jeddah, AlKhobar and Makkah. These centers offer all services and banking transactions needed by HNW individuals through highly qualified Saudi cadres.

And As Part of our continuous effort to grow and progress in a very competitive market and make sure we continue to provide our high net worth individual Family Office and endowment Clients with full suite of wealth products and services we have recently signed an advisory agreement with Royal Vision Group a DIFC licensed wealth advisory company to assist private banking in developing our sharia compliant wealth management proposition platform.

This Agreement also comes in line with the agreed action points recommended in the latest strategy paper that was approved by BAJ board of directors.

Banking Services Group - FAWRI

Fawri continued to excel its performances year on year but 2019 has been extremely remarkable, as Fawri managed to take substantial market share despite of stiff competition mainly from new entrants and made a landmark introduction of "Fawri Account Card", first of its kind in the history of Saudi Remittance Business.

Expanding remittance branch network to 61 centers Kingdom-wide, Fawri has also added electronic platforms to send money for both BAJ & Non-BAJ (Fawri) customers. Through "Fawri Account Card",

Fawri customers can send money at their fingertips Via JOL, BAJ ATMs and BAJ Smart App. In addition, this card can also be used for making Government & Utility payments and POS purchases (MADA).

In association with MTO Partners - MoneyGram and RIA, payout network has been expanded to 600,000+ locations across the World. Besides, Fawri now has 21 DIRECT CORRESPONDENT partners in 10 countries namely Philippines, Pakistan, Egypt, Nepal, Sri Lanka, Yemen, India, Jordan, Sudan and Indonesia.

On marketing front, Fawri continued to be pioneers and led from the front by strengthening its marketing team and by executing several promotional campaigns throughout the year, garnering utmost visibility and customer reach.

Moving forward in 2020, Fawri is determined to increase its market share and revenue pool by introducing cost-efficient products & services primarily; focus on digitalization of remittances and Social media platforms.

Enterprise Risk Management Group (ERMG)

During the year 2019 Bank Aljazira continued its drive to focus on strengthening the Risk Management culture and ensuring the same is institutionalized at an enterprise wide basis. With this objective set forth, the management remained committed to ensure that the bank adopts best in class risk management practices supported by necessary infrastructure, in terms of people, processes and systems so that the practices adopted become embedded in the cultural fabric of the bank.

The priority has been to strengthen the Enterprise Risk Management function with core emphasis on the following:

1. Building a robust architecture and risk strategy to facilitate not only the current business strategy but also to adapt to the changing business landscape and environment.
2. Investment in and development of risk analytics capabilities and technology to lay a strong foundation for the Risk Data Warehouse. In this regards the bank has planned to invest in relevant technology infrastructure to adopt the Basel Committee on Banking Supervision (BCBS) 239 practices. The ultimate vision of the bank is aimed at developing a state-of-the art Risk Data Warehouse serving as the single source of truth for all risk data and analytics needs.
3. Delineation of the approvals and review processes, ensuring that Risk Approvers and Reviewers remain independent with an objective of strict adoption to Credit Committee Culture and minimum four eyes principle.
4. Enterprise Information Security Function in line with the banks mission and strategy, continued its effort to strengthen, protect information and information systems to ensure that the confidentiality, integrity and availability of all information is commensurate with mission needs, information value, and associated threats.
5. Alignment and strategizing Capital Adequacy process in sync with bank's strategic direction. The Internal Capital Adequacy Assessment Process (ICAAP) goals are being continually rationalized in accordance with the existing strategic focus and the business plan on an annual basis. Capital adequacy assessment has been carried out in accordance with the nature, size and complexity of the Bank's Business Model along with detailed documentation.
6. The Bank has also developed its Internal Liquidity Adequacy Assessment Process (ILAAP) Framework in accordance with regulatory mandate. ILAAP primarily focuses on the Bank's Liquidity Risk Assessment, Governance structure, associated strategies and contingency arrangements to deal with both, foreseeable and unforeseen liquidity events.
7. Implementation of the Basel Program, perceived as a critical opportunity to:

- a. Upgrade and align the bank's risk management policies and procedures to ensure that the same are in line with the global best practices and local regulatory requirements.
 - b. Develop, institutionalize and monitor detailed Risk Appetite Framework, which acts not only as a connection between the Board's strategy and Business execution of the same, but also serves as a feedback loop to ensure alignment of the strategy with the prevailing business and regulatory environment.
 - c. Review, validate and improve the Pillar – 2 Risk Assessment Models, on a continuing basis, aligning them to the industry's best practices and SAMA guidelines and expectations.
 - d. Continuously update Pillar-1 reporting to ensure that these reports are accurate, timely and remain in line with the regulatory expectations.
8. Refining and Strengthening the Stress Testing framework, prepared in light of best practices, SAMA and Basel guidelines enabling the bank to conduct Regulatory stress testing across various risk parameters and scenarios. Results of the stress testing are taken as a valuable feedback for business and capital planning purposes on a forward-looking basis.
 9. Ensuring that the bank remains compliant with Financial Institution under IFRS-9.
 10. Implementation of an Operational Risk Policy/ Framework that is compliant with the recommendations of the Basel Committee and SAMA. This framework aims to promote and encourage a culture of risk awareness and loss prevention across the Bank. It lays down the principles of how operational risks are identified, assessed, mitigated, monitored & reported within the Bank.
 11. Ensuring through validation and calibration that Bank's credit risk rating models and score cards maintain their forecasting power to assess the risk associated with default of a prospective and / or existing customer. The bank has been at the forefront in successfully validating and implementing its recalibrated risk rating models.
 12. Re-organization of Fraud Risk Management & Investigation Unit under the auspices of the Enterprise Risk Management. Bank is in the process of putting in place the best in class Fraud Risk Management Program capable of addressing both, SAMA requirements and international best practices.

Corporate and Institutional Banking Group (CIBG)

Corporate Banking Group (CBG)

With its unique Shari'a compliant corporate banking products and services, Bank AlJazira has positioned itself among the leading banks offering world class banking experience. The financial instruments offered to corporate and commercial clients have enabled the bank to be dynamic in accommodating the financial requirements of our clients. Moreover, the working environment structure and the swift decision making have paved the way to extend to our clients personalized financial banking services including but not limited to advisory solutions. All these initiatives and efforts has contributed to diversify our clients' base to include government and public sectors, financial institutions and top tier private sector companies.

Our endeavors in CBG are to pursue unmatched corporate banking expertise, thus helping to formulate a strategic partnership with our clients via offering standards continuing to receive appreciation from our partners.

BAJ's Corporate Banking Business demonstrated an excellent performance, growing its loan book by 18% and focused on developing new market segments. The overall client relationship became the key driver of performance and cross-sell of BAJ's powerful suite of Islamic products was emphasized. Corporate Banking Segment remains an active participant in public and private sector projects. We have built a well-diversified portfolio on the strength of our long-term relationships where we aim to contribute with a range of financing, trade, foreign exchange and other supporting services. The growth in advances remains cautious and selective in order to maintain our focus on asset quality and to minimize the risk of portfolio impairment given the overall macroeconomic environment.

Economic slowdown is now showing positive signs of recovery and we are well poised to gain momentum by capitalizing on our key strengths being our existing market position, strong brand name and relationship-driven business model combined with a dedicated approach, strong focus on risk management, resilient revenues and proven management track record. Going ahead, we aim to further consolidate our business by growing selectively in avenues offering an acceptable risk profile.

Specialized Finance (SFD)

In line with the overall focus of the Bank, the Specialized Finance Division (SFD) offers its expertise in project and structured financial solutions along with the agency functions to large corporate customers. It continues to achieve a solid performance in FY2019 which has been a turning point in its development and repositioning. Having re-strategized its resources, SFD has continued playing active roles in the project and syndication finance arena with other leading banks in major mega-deals. This year has offered many refinancing opportunities which have been considered on a selective basis.

During the year, Bank Aljazira was also conferred upon a Top Partner Award during the Strategic Partnership Conference held by the International Islamic Trade Finance Corporation (ITFC), the trading arm of Islamic Development Bank for its contribution to Syndicate Financing deals, which are a strong testament of the well diversified capabilities of the Division.

Commercial Banking Services (CBS)

Commercial Banking Services (CBS) was established in 2012 to provide a wide range of commercial banking products and services to small and medium enterprises in the Kingdom. Operating out of three regional offices, CBS provide a full suite of products connecting and serving all commercial banking clients around the Kingdom via its various channels. Accordingly, customer base reached a current level of around 800 clients.

Going forward, CBS will continue to provide enhanced services to play a pivotal role in delivering Shari'a compliant banking products and services that meet and exceed customer requirements.

SME's are the commercial backbone of any economy, and supporting their growth and prosperity remains one of BAJ's main goals. Accordingly, and along with the kingdom's 2030 vision, the bank endeavors to increase SME's contribution to the overall GDP from 20% to 35%. To help achieve that goal, the bank continues its strategic alliances with government bodies that help and support this sector, such as the Saudi Industrial Development Fund, through the Kafalah program, where the bank is considered a very decent contender within the banks ranked at the second highest tier with the aim to reach top tier ranking in 2020.

We are also working on increasing our alliances with other government bodies such as the General Authority for Small and Medium Enterprises (Monsha'at), Saudi Development Bank, Saudi agricultural Bank and MODON, which will be extremely helpful for all parties.

2019 was a difficult year, as BAJ had to manage various challenges both internally and externally. Internally, in the form of reaping the benefits of the complete overhaul of CBS personnel, policies & procedures & overall working environment, enforcing discipline, efficiency and hard work, and externally through working in difficult overall market conditions and commercial environment. Operationally, Profits were much higher than the previous year, with the bottom line surging into double digit growth.

Looking forward, we are to focus on growing this very important and profitable area of the bank, with the support and guidance of the banks higher management, whom are very confident that we can continue the very strong turnaround and have BAJ's CBS become the top service provider for SME's in the kingdom.

Financial Institutions Unit (FIU)

Financial Institutions Unit (FIU) manages the bank relationship with domestic and international banks, other financial institutions, as well as supra-national entities, FIU specializes in understanding regional trade, cash management business need along with the intensive insight into the dynamic variable of our correspondents home countries, The FIU succeeded in managing and developing a rapidly growing global partner bank network to enable BAJ to cater to its core clients' banking needs around the world by enhancing the capabilities of BAJ for meeting customer requirements and facilitating the finance of money remittances and commercial transactions, In addition, FIU has the ambition to make BAJ the partner bank of choice in the Kingdom.

Public Sector Unit (PSU)

Public Sector is a business unit within Corporate & Institutional Banking Group that manage Government and quasi-government entities. Our portfolio consists of various sectors such as industrial customers in the Power Sector, Energy, Petrochemical, Shipping, Transportation and Telecommunications. The complex nature and quality of the services required by Public Sector clients necessitates dedicated and well-established specialists team to serve the needs of Public customers, the services provided by the unit covers finance solutions, property finance, banking investment services, project finance, cash management solutions and latest e-banking technologies. The Public Sector Unit is also a gate for other modern products and services in Treasury and Investment Banking services.

Global Transaction Services (GTS)

Global Transaction Services (GTS) stands as the leading business in providing banking solutions, liquidity services, and commercial and investment transactions to the customer of commercial and financial institutions in all part of the Kingdom of Saudi Arabia.

GTS payment solutions cover a complete spectrum of domestic and international transactions which consist corporate e-banking (E-Corporate) and (E-Trade) that aims to provide cash management and transaction service in the best cost – effective and time – efficient manner, aptly supported by state of the art technological platforms where its technical solutions are tuned to be error-free. GTS continuously works with the clients to enhance its services and delivery by addressing the change needs of its customers and by leveraging on the technological advancement in the Banking Industry.

GTS provides full support to all products available for corporate clients as well as the commercial finance services such as enabling the full sight of the account information and the establishment of local or foreign payment services within a secure environment around the clock. These futures are in addition to Payroll Services and wages protection system (WPS) offered under the name of "Rawatebcom", Payroll Services is dedicated to corporate customers in order to simplify payroll administrative activities for their employees. This service is provided in a high level of security to manage payroll data with simplicity rapidity and convenience.

The growth strategy of GTS is aligned with the fundamental trends that are driving change in terms of digitization and processing modernization across all business sectors in Saudi Arabia.

Micro, Small and Medium size Enterprises (MSMEs)

- **Currently approved definition of MSMEs**

MSMEs customers have been categorized in line with the bank's internal policies and standards based on SAMA guidelines, as follows:

Entity Type	Annual Revenues (Sales)SR MM	Number of Employees (Full Time)*
Micro Small	0 to 3	01 to 05
Small	3 to 40	06 to 49
Medium	40 to 200	50 to 249
Large	Greater than the above criteria	

*Bank AlJazira considers Annual revenue as the main criteria, however, if these criteria are not available, then the number of full time employees becomes the main criteria for segmenting MSME clients.

- **Initiatives for MSMEs taken by the Bank**

- BAJ has established 3 dedicated Units for SME located in 3 Regions (i.e. Central, Eastern & Western)
- Established Kafalah Team to cater the needs of Micro Small Entities clients.
- Established a new Risk Acceptance Criteria / Customer Selection Criteria for SME including a scoring mechanism for a fast track approval.
- Established a dedicated Call Centre (SME Phone Banking) to serve SME existing and new prospect clients. Toll free number "800 244 9090"
- A new unit to attract new customers and act as a central unit for reception and review of all special cases relating to MSMEs customers.
- Creation of new provisions in the Bank's Articles of Association for classification of customer categories and the needs of SME customers.
- Review of the overall performance of MEMEs on a monthly basis through a committee headed by the CEO.
- Develop a dedicated training programs for RM focusing on relationship, credit & risk management.
- SME is also in the final stage of concluding Credit Card for SME customers.
- In the final stages of launching the new "A'amal" (Businesses) program which represents a set of integrated banking and financial solutions to meet the requirements of enterprise customers.
- In the final stage of launching a 6-month training program for businessmen at small and medium projects to enable them change their ideas into real enterprises/companies.

- **MSMEs unit and staff in the unit**

MSMEs unit is managed by CBS within the Institutional Corporate Banking Group. CBS has more than 58 dedicated staff serving MSMEs clients.

Number of training and workshop for staff and customers :

Number of training for Staff	286
Number of training for Customer	1

Loans, Commitments and Contingencies granted to micro, small and medium enterprises:

	'000 SAR			
	2019			
	Micro	Small	Medium	Total
Loans to MSMEs on BS	48,896	215,111	550,354	814,361
Loans to MSMEs off BS	85,366	258,425	153,786	497,577
On BS MSMEs Loans as a % of Total BS Loans	0.1%	0.4%	1.1%	1.6%
Off BS MSMEs Loans as a % of Total BS Loans	0.2%	0.5%	0.3%	1.0%
Number of Loans on and off BS	131	533	558	1222
Number of Customers for Loans	322	240	143	705
Number of Loans guaranteed by Kafalah program (on & Off BS)	33	73	15	121
Amount of Loans guaranteed by Kafalah program (on & Off BS)	20,653	56,119	37,738	114,510

	2018			
	Micro	Small	Medium	Total
Loans to MSMEs on BS	42,278	240,622	683,650	966,550
Loans to MSMEs off BS	52,091	331,049	203,530	586,670
On BS MSMEs Loans as a % on Total BS Loans	0.1%	0.6%	1.7%	2.4%
Off BS MSMEs Loans as a % on Total BS Loans	0.1%	0.8%	0.5%	1.4%
Number of Loans on and off BS	87	466	589	1,142
Number of Customers for Loans	347	249	141	737
Number of Loans guaranteed by Kafalah program (on & Off BS)	43	84	7	134
Amount of Loans guaranteed by Kafalah program (on & Off BS)	26,244	55,193	9,868	91,305

Treasury Group

Treasury ended another successful year by achieving higher year on year profitability, while optimally managing the balance sheet in terms of liquidity and risk, through efficient portfolio optimization and diversification of funding sources. Thus, Treasury continues to strongly contribute to bank's net income.

Liquidity shortage was witnessed by the market in the last quarter owing to issuance of ARAMCO's IPO that lead to significant deposit withdrawals. Additionally, as a Primary Dealer of NDMC Sukuk, Treasury continued to contribute towards the success of these Sukuk, in the primary and secondary market. Despite all, funding requirement were met at optimal cost.

Customer business, in particular foreign exchange income grew by 20% year on year on account of partnership with business groups and competitive pricing. The new initiative of selling NDMC Sukuk in the secondary market generated positive results and the targets were successfully achieved.

Treasury increased its investment portfolio by SAR 3.3 billion (15%) from SAR 24 billion to SAR 27.3 billion over prior year, net of redemptions, the majority of which are in Saudi government issuances, which are zero risk-weighted. These investments have further strengthened out investment book liquidity and credit profile.

Treasury continues to operate in resilient internal control environment with strict adherence to the policies, procedures and risk framework. The periodical assessments help enhance the policies and systems to comply with best practices and regulatory commitments.

Human Capital Group (HCG)

Following through from the goals and progress achieved in 2018, the HCG continued its vital strategic role in 2019 as a full practical, consultative, advisory and administrative partner to all business functions, while complying with all relevant regulatory guidelines and mandates, with continued focus on recruitment, development, systems application enhancements, leading to a mix of long term top talent retention and a noticeably improved performance excellence curve for the bank.

As before, the HCG continues to address the entire range of generalized and specialized HC roles and exercises line control oversight over all HC and staff issues and practices, including line HC management awareness and capability elevation, aimed at supporting and achieving the Bank's corporate goals and business targets to sustain continued growth and increased shareholder value, while enhancing BAJ reputation, as a workplace of choice.

In 2019, the HCG continued to collaborate with all business groups to increase proficiency and effectiveness of all available human capital by focusing on the HC's Relationship Management role in conveying all strategic and critically important business line staff initiatives and programs to all business areas. This emphasized the now well-established dynamic approach spearheaded by the completion and launch of more technology oriented initiatives designed to establish and enforce a cohesive and continual administrative self-services improvement and learning culture for all Bank personnel, and to advance the routine administrative capabilities and efficiencies of line managers by utilizing and expanding upon the latest technologies.

Additionally, 2019 was again a very regulatory intensive year for the HCG, which underwent, contributed to, and was a key participant in several bank wide thematic regulatory, independent, and internal audits, culminating a myriad of corrective policy, oversight and implementation actions undertaken to assure the highest possible HC practices regulatory and best practices compliance ratings, entailing an almost continual development and update of policy and practices approvals and submission of policy whitepapers to match the rapidly developing and changing regulatory and governance demands and environment, including completion of all necessary requisites for Board approval of no less than 21 HC Policy and Practices update and revision tracts, plus 84 Executive Job Description regulatory mandated new amendments and additions, and the submission of 20 separate thematic regulatory audit compliance reports throughout the entire year.

As was the case in 2018, the Recruitment Division continued its robust Saudi recruitment and training program in 2019, through the recruitment of (243) Saudi male and female staffers for all business lines bank wide, as well as continuing to be a great talent attractor in general, in keeping with the bank's continued commitment towards numerous new job and internship training opportunities for high school and trade school diploma holders, undergrads & post graduate candidates.

The Bank has accordingly maintained its already high success rate of effective Saudization of more than 93%. Furthermore, 2019, also reflected an optimum current bank needs and market demand training activity totals with more than (480) annual training events taking place, in addition to the administration of Bank and System wide required regulatory Compliance, Security and Anti-Fraud and Anti Money Laundering and other compliance and conduct requirement refreshers for the entire bank population.

As a cumulative result, impressive significant improvement across all categories and overall ratings serve to even further consolidate the strong strategic partnership ties between the HCG and all other BAJ banking units, and establishing one of the most dynamic, attractive and satisfying yet challenging banking work-environment.

Staff ethical and professional principles:

Bank Aljazira has a proven track record in taking the right actions towards its employees, customers, shareholders, regulators and regulatory and supervisory bodies. The values of Bank Aljazira represent the basis on which the bank relies in working to achieve the bank's overall objectives.

The bank has adopted a number of ethical and professional principles as set out in the staff "Code of Conduct" which encourage the creation of an appropriate work environment and help achieve the aspired growth, under the existing protection systems against financial crime, bribery and corruption..

The policies and standards embraced by the Bank Aljazira provide an appropriate framework for employees to conduct their business. These policies and standards help staff to take the best decisions in their endeavor to achieve long-term and sustainable growth. It is the responsibility of all Bank's employees to comply with these policies and to demonstrate the bank's values through their internal and external dealings and relations with colleagues, customers, regulators and the community as a whole at all times.

Sharia Group:

Sharia Quality:

The Sharia Group of Bank Aljazira focuses on Sharia Quality control of the bank services and products with a view to achieve the expectations of its customers and shareholders as a pioneer Islamic bank through intensive review and audit of the bank's transactions to ensure all activities of the Bank and its subsidiaries are compliant with the Islamic Sharia rules. The Group submits quarterly reports to the bank's Sharia Board, and the review of the Bank's transactions is based on the international audit criteria for selection of samples.

Services and Products:

The Sharia Group believes that innovation and development derived from the Islamic Sharia Rules is an essential requirement to promote Islamic banking industry in order to be able to grow, compete and meet the accelerating and renewable market requirements. Therefore, the Group permanently cooperates with business groups within the bank to innovate and develop their tools and services and seeks to automate a lot of their processes to facilitate customer's transactions and enable them to invest their time in a better manner avoiding human errors as far as possible. A prominent achievement of the Sharia group in the field of development was the innovation of Aramco IPO financing mechanism in collaboration with the Retail Banking Group and Aljazira Capital.

Research:

The Group is aware that to maintain the Bank's status as a pioneer bank in the Islamic banking field, it is required to collect information and prepare reports and questionnaires about Islamic banking market and its products and the

extent of customers' satisfaction about it as well as fields of competition, strengths and weaknesses and customers' expectations.

The Research Department of the Group continued to collect and analyze data and information, prepare various reports, particularly in respect of Islamic finance, Islamic insurance and investment in the Kingdom of Saudi Arabia. In this context, three reports on the Islamic Financing Activity in the Saudi market have been prepared, namely: (Islamic Banking, Islamic Insurance and Sukuk).

Learning and Training: The Bank considers its employees its most valuable assets and most important tools for conducting its business. Therefore, the Sharia Group focuses on the development of employees' skills in the Islamic Banking field. To this effect, the Group has- in cooperation with the HR Group- conducted direct training courses in the Islamic Banking Industry to all bank staff.

Publication of Books and Scientific Research Papers: The Group has adopted a plan to spread knowledge through publishing and distributing of books and scientific research papers which cater for financial developments, particularly the Islamic finance issues. Published books and scientific research papers are distributed to students and educational and financial institutions free of charge. This year, the Group published and distributed two research papers:

- Fikh rules for venture capital finance
- Special Purpose Vehicle, a Fikh Application Study

Support to Islamic financial Industry: The Bank, through its Sharia Group, continued its support to the infra-structure of Islamic Financial Industry, such as the Accounting and Auditing Organization for Islamic Financial Institutions, General Council of Islamic Banks and Financial Institutions, Council of Islamic Financial Services, based on the bank's belief in the importance of supporting these institutions to enable them develop Islamic Financial Industry and achieve the standardization thereof.

The role of the Bank's Sharia Group reflected positively on how the community and customers looked at the bank and enhanced the level of confidence in the Bank as an Islamic bank. It also contributed to the Bank's winning of many awards in the Islamic Financial Services field.

Our excellence and leadership in the Islamic banking industry is due to the Bank's compliance, in all its transactions, with the principles and rules of Islamic Sharia as well as with the decisions and recommendations of their honor the scholars, members of the bank's Sharia Board.

Social Responsibility Group: (Khair Aljazira le Ahl Aljazira program) 2019

Bank Aljazira emphasized the continuation of its role as a key partner in the enhancement of sustainable development and a major contributor to the achievement of the objectives of Kingdom's Vision 2030 as evidenced by the social programs and partnerships it has entered into with non-profit institutions, charities and public sector institutions. Furthermore, Bank Aljazira continued, through its Khair Aljazira le Ahl Aljazira program, to sponsor and implement a number of quality projects in the field of community service which aim to meet the community's needs and aspirations around the Kingdom regions. To this effect, a total of 82 community projects were implemented in 32 cities, regions and centers.

The bank has focused, in the year 2019, on the enablement and rehabilitation programs for the most needy segments of our community by providing support and finance to micro projects (interest-free loans) for productive families to enable them to establish their micro projects which success has consequently increased their income and improved their living and educational standards, enabling thereby the economic and social establishment of the individuals of such families.

In this context, Bank Aljazira program advocating innovation "Mubtakiroon" was implemented as one of major projects which helped to enable innovation, creativity and entrepreneurship skills. The project was implemented as a business platform for innovated projects in the renewable and alternate power with a wide contribution by a considerable number of female and male entrepreneurs.

During the holy month of Ramadan, the Bank, through "Tafreej" program participated in the release of a number of financial-rights prisoners in Al Jouf Region, in collaboration with the Governorate of Al Jouf (Emirah). The Bank also continued to participate in the project for establishment and operation of Al-Tamayoz Autism Center, in its second year of operation. This establishment and operation of this center was sponsored by Saudi banks for the first 5 years of launch.

Quality programs were also provided to the handicapped persons and their families covering training, rehabilitation and employment by introducing quality programs targeting disabled persons (Mobility disablement, Blind, Deaf, Down Syndrome, Hypertension, Autism). In addition, the bank continued to focus on providing educational and professional rehabilitation to male and female youths by introducing training programs to prepare them to the labor market and to enable them to own life basic skills.

In its continuous endeavors to develop non-profit sector, the Bank has implemented a set of leading development programs for the social work leaders. It has also established the infra-structure for charitable and community societies by providing them with the basic equipment, as well as giving attention to the spreading of financial, legal, health, educational and environmental awareness programs and others in the various cities and regions of the Kingdom.

The number of male and female youth who benefited from the various activities and functions of ('Khair Aljazira le Ahl Aljazira') program in 2019 amounted to 7,653 persons in the different cities and regions of the Kingdom of Saudi Arabia.

Aljazira Capital:

Aljazira Capital (AJC) successfully retained its 14% market share in local brokerage for its retail customer base. Although 2019 witnessed quieter trading conditions than the previous year, AJC delivered another profitable result for the year and is well placed to build on its solid business offerings.

AJC's business success is founded on its commitment to ensure a reliable and efficient trading experience on its proprietary trading systems for its customers. The Company continually seeks to improve its brokerage product offerings so that customers are always assured of a great trading experience. AJC's brokerage customers also benefited from the enhanced product offerings for margin finance during the year, allowing clients to enhance their trading returns with leverage. AJC's local brokerage business executed trades during 2019 amounting to SAR 143 billion (2018: SAR 201 billion).

Management focused its efforts during 2019 on the development of its investment banking services and custody business for institutional clients. At the same time, the Company successfully maintained its growth trajectory for asset management with the launch of a USD Murabaha Fund and an IPO Investment Fund. AJC was particularly proud to be associated with the historic initial public offering of Saudi Aramco shares (the IPO) to the market during December 2019. AJC clients confirmed their belief in the attractiveness of the IPO with bids to buy of SAR 31 billion. As expected, the offer was a success and well over subscribed due to its popularity with investors.

During the year, AJC, in recognition of its business development and management, was a proud recipient of two awards from International Finance: 'Most Innovative Islamic Brokerage House, Saudi Arabia' and 'Best Brokerage CEO, Saudi Arabia'.

AJC management is optimistic regarding the potential for further development and growth of local markets during 2020. Management believes that the economic prospects for the Saudi economy remain positive for the further development of the capital markets in the Kingdom of Saudi Arabia.

Future Plans:

Bank Aljazira is one of the leading Sharia compliant financial services institutions in the Kingdom of Saudi Arabia. Over the past years the bank has applied a strategic transformation plan to become a full-fledged bank with a wide range of banking and financial products and services. The bank's principal lines of business are Retail Banking, FAWRI (Remittance Business), Private Banking, Corporate Banking, Global Transaction Services and Treasury Services. These offerings are complimented by other financial services offered by the bank subsidiaries (Aljazira Capital) such as Investment banking, Asset management, Brokerage and Securities Services and Takaful insurance.

In 2019, the bank achieved several significant milestones and has continued to post strong asset growth. This has been driven by building a strong customer franchise with retail and corporate customers ranging from large to medium and small corporations applying extensive focus towards cross selling of the bank's retail, treasury, corporate, finance and investment banking franchise. Moreover, many initiatives launched earlier, which mainly focused on enhancing the efficiency of the Bank's services and activities, were successfully completed and contributed to increasing the business profitability and customer service quality at all levels.

In Retail Banking, we will continue our investments in leveraging new technologies to serve our existing and potential customers including our end to end "Online Account Opening" service and the use of our digital channels to perform all transactions and apply for the products and services of the bank.

Adding to that, we will continue to introduce new and innovative products and services that provide solutions to all customer segments with particular emphasis on providing an easy and distinct customer experience along with high quality of service levels. These objectives are coupled with our endeavors to optimize the capabilities of sales teams to the highest levels, which will ultimately contribute to increased market share and revenues and reduced expenses of the bank. The bank has also drawn up plans to expand its network of branches, Fawri centers and ATMs under a totally new concept which addresses the market's advanced trends and customers' needs.

Corporate Banking has strengthened their business model aiming at better serving the Bank's corporate customers in providing banking solutions for their corporate customers and businesses sectors through extensive packages of best finance trade products and import services, in addition to cash management services and e-banking, which have been instrumental in the overall growth of the Bank's assets and profitability.

Looking forward, based on its strategy 2023 (continuous success), the bank will continue to record increased growth in performance and achieve shareholders aspirations in terms of net profits and return on share, increased asset growth and loans and customer deposits portfolios. In achieving these objectives, the bank shall rely on its plans for implementing its strategy programs and initiatives which focus on a number of key areas, including: innovation and digital transformation, investment and ongoing development of bank's technologies, increase of cross selling of bank's products and services to retail and corporate customers and provision of such services on the bank's digital channels (Aljazira Smart and Aljazira Online). The bank will continue its support to small and medium enterprises and provide specialized services to specific segments coupled with training of bank staff to offer specific services to them segments. The bank will further continue its customer-oriented approach in its endeavors to achieve customer requirements and ambitions as well as to strengthen customer business relationships and loyalty to the bank.

Awards and Certification

- In recognition of its efforts in developing and educating its staff – Awarded to BAJ by IOF (Institute of Finance formerly known as Institute of Banking)
- Change Leaders Award for the Private Sector – Awarded to BAJ during the 10th Business Management Forum
- Call Center awards – Gold Medal and First Rank in three Categories, Best Customer Call Center, Best Customer Service and Best Branch Support Category in Europe Middle East and Africa 2019 – Awarded to BAJ by Contact Center World
- Most Innovative Islamic Bank – Saudi Arabia 2019, awarded to BAJ by International Finance Magazine
- Best Credit Card Offerings – Saudi Arabia 2019, Awarded to BAJ by Global Business Outlook Magazine
- Most Innovative E-Banking Platform – Saudi Arabia 2019, Awarded to BAJ by Global Business Outlook Magazine
- Award for being one of the Best Performing Companies in the Corporate Governance Index – Awarded to BAJ by Alfaisal University Corporate Governance Center
- Call Center Awards – Gold Medal and Rank 1 for Best Customer Service and Gold Medal and Rank 1 for Best Contact Center in the World 2019 – Awarded to BAJ by Call Center World
- Excellence Award in Syndicated Financing – Awarded to BAJ by International Islamic Trade Finance Corporation (ITFC)
- Top CEO in GCC 2018 – Awarded to BAJ by Trends Magazine and INSEAD Business School
- Princess Sitah bin Abdulaziz for Excellence in Social Work National Achievement Award – Awarded to BAJ by His Highness Prince Fahd bin Abdullah bin Saud Al Kabeer and the Ministry of Labor and Social Development
- Call Center Awards – Gold Medal and First Rank in Best Customer Service Category, Silver Medal for the Best Contact Center Category in Europe Middle East and Africa and Silver Medal for the Best Contact Center Manager in Europe Middle East and Africa – Contact Center World
- Critics Choice Best Islamic Digital Banking Award – Awarded to BAJ by Cambridge International Financial Advisory
- Critics Choice Best Islamic Retail Banking Innovation Award – Awarded to BAJ by Cambridge International Financial Advisory
- Best Customer Service Award Gold Medal and First Rank – Awarded to BAJ by Contact Center World
- Best Social Responsibility Program K.S.A. 2017 – CPI Financial
- Critics Choice Best Islamic Retail Bank in Saudi Arabia 2017 – Cambridge Analytica
- Contact Center Award – Silver Medal Best Customer Service 2017 in the Middle East, Europe and Africa
- Best Customer Service, Abshir Baezzak Program - Awarded to BAJ by Banker Middle East Product Awards
- Most Innovative Personal Banking Provider, Saudi Arabia – Awarded to BAJ by Al Global Media
- Top Three Banks with the Highest ATM Performance and Cash Management – Awarded to BAJ by Saudi Arabian Monetary Authority (SAMA)
- Best Private Bank in Saudi Arabia 2016 – Awarded to BAJ by Global Banking and Finance Review
- Best Regional Bank to Watch 2016 – Awarded to BAJ by Private Banker International
- Top 100 CEO in GCC – Awarded to BAJ by Trends Magazine and INSEAD Business School
- Best Donor Organization 2016 – Non Governmental Arab Grants Council
- Critics Choice Best Islamic Retail Bank in Saudi Arabia 2015 – Cambridge IF Analytica
- Best Remittance Middle East 2015 – CPI Financial
- Best Donor Organization – Non-Governmental Arab Grants Council
- Best Private Bank 2015 – Global Banking and Finance Review
- Best Call Center Awards in 2015 at the finals of the global call centers competition held in USA:
 - Golden medal – and first rank for (Best Call Center in the world for the year).
 - Silver medal and second rank for (Best Customer Service in the world for the year).
- Okaz Awards for Professional Excellence 2015 – Okaz Newspaper
- Award for Being among the Top 100 Saudi Brands for 2015 – offered by HRH Prince Faisal Bin Bandar Bin Abdulaziz, Governor of Riyadh, under the supervision of Al Watan Newspaper
- Best Retail Bank 2014 – World Finance banking
- Best Credit Card 2014 – The Banker Middle East.
- Best Real Estate Financing 2014 – The Banker Middle East.
- Best Islamic Bank in KSA – World Finance Magazine

- Best Mobile Banking Award – MENA region by “the EUROPEAN” Magazine
- Ideal Institution award for Support of Social and Developmental Actions – Bahrain / GCC Council of Ministers of Social Affairs.
- Award for being among the TOP 100 Saudi Brands in the presence of Prince Bandar Bin Khalid Al-Faisal, Chairman of Aseer Publishing, and Large Number of Government, Private and Media Representatives.
- Silver medal and second rank for “Best Call Center in the world”, World Call Centers Company.
- 7 awards in the Call Center World Awards – MENA, for 2013, Vienna as follows:
 - ✓ Gold Medal – Best Call Center Awards
 - ✓ Gold Medal – Best Customer Service Award
 - ✓ Silver Medal – Sales Incentives Award
 - ✓ Gold Medal – Executive Leader Award
 - ✓ Gold Medal – Technical Support Award
 - ✓ Gold Medal – Supervisor Award
 - ✓ Silver Medal – Call Center Agent Award
- Best Call Center Manager in the Middle East – Dubai Insights Middle East
- Best Call Center worldwide for 2013, Rank 1 and Gold Medal.
- Best Customer Service worldwide for 2013, Rank 1 and Gold Medal
- Best Call Center in Europe, Middle east and Africa, Rank 1 and Gold Medal.

Gratitude

The Board of Directors of Bank Aljazira takes this opportunity to express their thanks and gratitude to our wise government under the leadership of the Custodian of the two Holy Mosques, King Salman bin Abdul Aziz Al Saud, HRH Prince Mohammad bin Salman Abdulaziz Al Saud, the Crown Prince and Deputy Prime Minister and Minister of Defense, and all Ministers.

We are also grateful for the continued support and guidance of the Ministry of Finance, the Ministry of Commerce and Industry, Saudi Arabian Monetary Authority and Capital Market Authority.

The Board of Directors wants also to take this opportunity to express its sincere thanks and appreciation to the Bank’s Shareholders and customers for their confidence and continued support and to the Bank’s management and all staff members for their performance and achievements.