بنك الجزيرة
BANK ALJAZIRA

2020
ANNUAL REPORT

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In the Name of Allah,
The most gracious, the most merciful

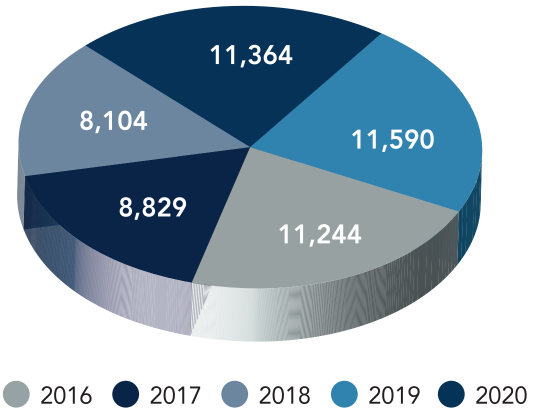
King Salman bin Abdulaziz Al Saud
Custodian of the Two Holy Mosques

HRH Prince Mohammed bin Salman bin Abdulaziz Al Saud
The Crown Prince & Deputy Prime Minister & Defense Minister

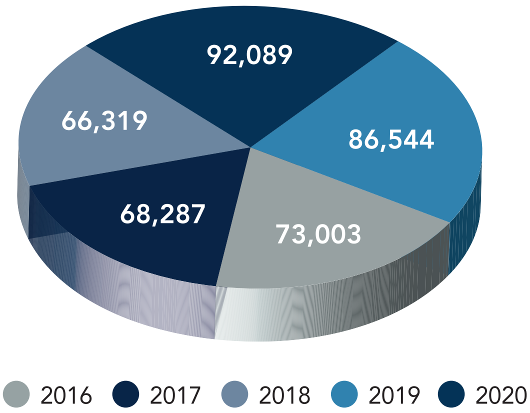
FINANCIAL HIGHLIGHTS

Financial highlights

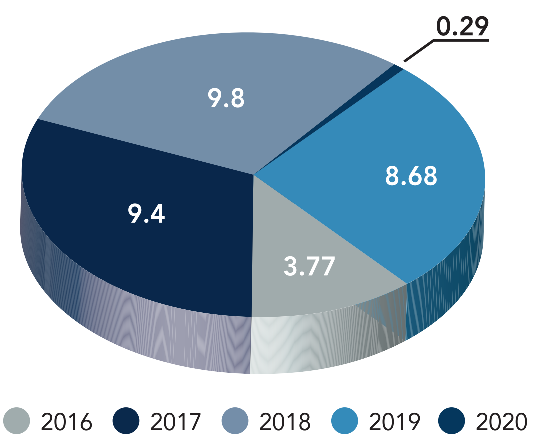
(In SAR millions, except where indicated)	2016	2017	2018	2019	2020
Loans and advances, net	42,099	39,790	40,897	49,660	**53,961**
Total assets	66,319	68,287	73,003	86,544	**92,089**
Customer deposits	51,602	50,278	51,804	62,697	**68,004**
Total Liabilities	58,216	59,459	61,759	74,955	**80,724**
Shareholders' equity	8,104	8,829	11,244	11,590	**11,364**
Net income before Zakat and income tax	872	858	1,000	1,122	**31**
Net income after Zakat and income tax	729	830	378	991	**34**
Total Operating income	2,519	2,580	2,665	2,977	**3,287**
Net income growth (%)	(43.33)	13.82	(54.42)	161.98	**(96.59)**
Total Operating income growth (%)	(13.79)	2.43	3.30	11.72	**10.41**
Return on average equity (%)	9.40	9.80	3.77	8.68	**0.29**
Return on average assets (%)	1.13	1.23	0.54	1.24	**0.04**
Earnings per share (SR)	1.28	1.46	0.50	1.21	**0.04**



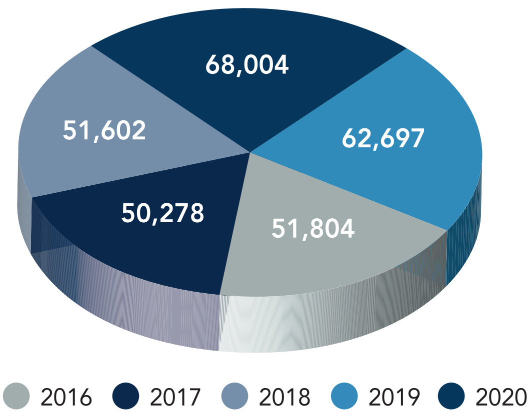
Shareholders' equity (In SAR millions)



Total Assets (In SAR millions)



Return on average equity (%)



Customer deposits (In SAR millions)

OUR MISSION

Be the core bankers to our chosen target customers, helping them grow their business and their wealth through:

- Offering exceptional client service
- Offering tailored products and services
- Be a trusted advisor

Board of Directors

Engr. Tarek bin Othman Al-Kasabi
Chairman of the Board

Engr. Abdulmajeed bin Ibrahim Al-Sultan
Deputy Chairman of the Board

Mr. Khalifa bin Abdulatif Al-Mulhem
Member

Mr. Abdullah bin Saleh Al-Rasheed
Member

Mr. Ibrahim bin Abdulaziz Al-Shaia
Member

Mr. Adil bin Saud Dahlawi
Member

Mr. Ibrahim bin Abdullah Al-Hedaithy
Member

Mr. Turki bin Abdullah Al-Fozan
Member

Mr. Naif bin Abdulkareem Al-Abdulkareem
CEO and Managing Director

Chairman's Statement

Praises be to Allah, the Almighty, the Lord of the worlds, and Prayers and Peace be upon his Messenger Prophet Mohammed, and his de-scendants and all his followers.

Dear Shareholders,

On behalf of the Board of Directors of Bank Aljazira, I am pleased to present to you the Bank's Annual Report for the year 2020.

Thanks to the Almighty Allah and the prudent leadership of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and to His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince, Deputy Prime Minister and Minister of Defense, the Saudi economy was able to oppose all international predictions of deflation attributed to the pandemic effects. Our prudent government has adopted specific measures to protect the national economy against the complications of Covid 19, including, but not limited to, the pumping of about SAR 100 billion into the economy, particularly the private sector, on top of other stimulus initiatives (including several exemptions and deferrals of fee and tax payments to support the private sector).

Our prudent government managed to control the pandemic with high professionalism that was globally recognized, through a package of initiatives and incentives as mentioned herein-above. Such initiatives aimed to mitigate the financial and economic impacts that the private sector may go through, including, but not limited to: extension of grace periods, rescheduling of loans to the most needy enterprises in amounts which exceeded SAR 6 billion, support of employment through the allocation of funds of SAR 4 billion targeting more than 300,000 beneficiaries working in the private sector by providing employment and training support programs, and increase of direct lending portfolio to micro and small enterprises up to SAR 2 billion, benefiting 6,000 entrepreneurs. Furthermore, SAR 2 billion have been allocated to finance indirect lending programs made through financial institutions. Furthermore, by a resolution of the Ministry of Finance, SAR 120 billion were allocated to mitigate the financial and economic impacts on the private sector.

As a result of this pandemic, the world has seen the largest, fastest, and most serious shock in the recent history, which brought about various challenges to the economic, health and social aspects in all countries. The effects of this situation extended to cover the national economy, whereby low oil prices and pandemic consequences influenced the major events in Saudi Arabia, including Hajj and Umrah season, thereby affecting the volume of financial transactions, transfers, and hospitality.

The government managed to create a healthy balance between spending requirements and the necessity to maintain stability and financial sustainability. The national economy achieved a record level of non-oil revenues in 2020, which amounted to around SAR 358 billion, or 46.5 percent of the total government revenues (SAR 770 billion), compared to SAR 412 billion of oil revenues, or 53.5 percent of the total government revenues. There was also a significant improvement in the government revenues, and a significant decrease is expected in the deficit in the coming years.

The government of the Kingdom of Saudi Arabia launched various initiatives to support liquidity through financing, guarantees and capital injection in the public sector. The Saudi Central Bank announced a number of different initiatives designed to assist the financial sector institutions in managing the effects of the pandemic.

The Kingdom of Saudi Arabia's hosting and presiding the G-20 summit in 2020 reflected the Kingdom's global economic and political weight and its role as a key member to achieve the group's aspired objectives. The Kingdom's presidency of the G-20 summit contributed to the initiatives for trade facilitation, increased competitivity and motivation of SMEs, as well as emphasized precautionary measures and health care to protect people under the current circumstances.

The Kingdom of Saudi Arabia has also contributed financial assistance to support the international efforts in addressing the COVID-19 pandemic. Such support was allocated to specific organizations and authorities to enable them to participate in the control of the pandemic and respond to global emergency cases, develop the health systems and training, support for early warning and pandemic response systems, especially in the low to middle-income and most- needy countries.

In terms of the local economy, the last weeks of 2020 saw the approval, by the Council of Ministers, of the Saudi Central Bank rules which aims to achieve three main objectives: to maintain monetary stability, support the stability of the financial sector, and support of economic growth. The new regulation included change of the name of Saudi Arabian Monetary Agency to be Saudi Central Bank, which shall report directly to His Majesty the King, while continuing to be financially and administratively independent, coping with the global practices of central banks.

It is expected that private sector will record good growth, particularly small and medium-sized enterprises, and that the third quarter of this year will witness the start point. It is also expected that the Saudi Arabia's budget for 2021 will also see a growth in the light of reliance on non-oil revenues, a prime objective of the Kingdom's vision 2030. The current budget stands at SAR 990 billion, while revenues are estimated at SAR 849 billion, which are positive and promising figures. It is expected that the major Public Investment Fund projects will support the economy, especially as the Fund is committed to inject more than SAR 160 billion in the local economy.

At the level of Bank Aljazira, I assure you that the bank's main objectives for the present and future are focused on providing a multi and integrated set of Shariah-compliant banking products and services to retail and corporate clients, including current and savings accounts, Murabaha, Istisnaa, Ijara Tawarruq, Musharaka, credit cards and Sukuk, which are approved and supervised by an independent Sharia commission.

In terms of potential risks and how to be addressed, Bank Aljazira has adopted a robust, transparent, and prudent plan for managing risk in general. Hence, the bank continues to invest in building an infrastructure that can effectively define, evaluate, and measure control over potential risks faced by the Bank on a large scale at the enterprise level.

The strength of the bank's credit rating is a sign of its relative financial strength; it enhances the bank's ability to access sources of financing at an optimal price.

In 2020, Bank Aljazira continued its campaign to focus on promoting a risk management culture and to ensure the application thereof at the bank level. As a result, the management has continued its commitment to ensure that the Bank adopts the best risk practices supported by the necessary infrastructure to achieve such goals, both in terms of individuals, operations, procedures, or regulations, so that those adopted practices become an integral part of the bank's cultural fabric.

During 2020, the Bank completed the holding of several drills to ensure business continuity. It has also implemented a comprehensive framework for the Bank's fraud risk management in line with the directives of the Saudi Central Bank (SAMA) and best domestic and international practices in this regard.

In its keenness to implement the instructions and regulations of the Saudi Central Bank, the bank has established sustainable controls at the level of its various business segments, which have largely reflected in all aspects, in addition to raising employees' awareness of the risks of non-compliance and financial crimes. Furthermore, we constantly aim to further enhance the activities of digital transformation so as to qualify as an Islamic innovative institution.

Looking ahead, the Bank is determined to continue the same growth momentum in 2021, particularly in the light of the present signs indicating end of the economic slowdown. The Bank is also looking to take advantage of its key strengths including a strong trademark, relationship-enhancing approach, dedication to service delivery, and a long track record in management, to provide our customers with a vital banking experience while focusing on strengthening Bank Aljazira's position as the bank of choice for retail, corporate and money remittance customers.

In line with job nationalization initiative, the Bank has successfully achieved a 100% Saudization ratio at its Fawri money transfer centers. The Bank has also given a great care to human resources in terms of support and development. The Board of Directors, at its meeting held on 7 Oct. 2020, appointed Mr. Naif Al Abdul Karim new CEO of the bank effective 1 November 2020 as part of the bank's strategy to involve distinguished national competencies and inject new blood in the bank's structure which are able to promote the bank's progress and continue the achievements realized so far.

Through its social responsibility program (Khair aljazira le ahl aljazira), Bank Aljazira endeavors to emphasize its active role in the community service and active presence in supporting sustainable development projects and the human capital. The Bank, in collaboration with the Ministry of Health, contributed SAR 5.6 million to the Health Endowment Fund and SAR 3.49 million to the Community Fund of the Ministry of Human Resources. In addition, it has launched and supported more than 22 projects across the Kingdom, including the provision of food baskets, medical supplies, and rental support, of which more than 7,500 persons have benefited.

During the past period, the Saudi Central Bank kept pace with the demands of the present times and the rapid economic and financial development around the world. This was in line with the Kingdom's vision 2030 which aims to make the Kingdom a successful and leading model country in the world at all levels. The Saudi central bank is the entity responsible for the development and management of monetary policies, selection of its tools and procedures, and clarification of the Bank's relationship with the government and relevant international external entities. A governance framework of the Bank's business and decisions has been aet up.

On Behalf of the Board of Directors and shareholders, I would like to express our ap-preciation and gratitude for the continuing sup-port of the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al-Saud, His Royal Highness Prince Mohammed Bin Salman Bin Abdulaziz Al Saud, Crown Prince, Deputy Premier and Defense Minister, Head of Economic and Development Affairs Council, His Excellency the Minister of Fi-nance, Saudi Central Bank, CMA and all bank staff members for their support, guidance and efforts in the development of the bank to ena-ble the bank meet all the financial needs of our customers and establish a strong and profitable bank for our shareholders.

In conclusion, we deeply extend all gratitude to Allah Almighty for this blessed success, and Prayers and Peace be upon his Messenger Prophet Mohammed, his descendants and all his followers.

Engr. Tarek Othman Al-Kasabi

Chairman

Executive Management

Mr. Naif A. Al Abdulkareem
Chief Executive Officer and Managing Director

Mr. Yasser Al Hedaithy
Head of Treasury Group

Mr. Mohammed Al Obaid
Head of Corporate Governance and Board Secretariat Group

Mr. Hamad Al-Ajaji
Head of Private Banking and Wealth Management Group

Mr. Khalid Al-Othman
Head of Retail Banking Group

Mr. Hazim Al Megren
Head of Corporate and Institutional Banking Group

Mr. Ahmed S. Al Hassan
Chief Operating Officer

Dr. Fahad Al-Elayan
Head of Sharia and Social Responsibility Group

Mr. Osama Al-Ibrahim
Chief Risk Officer

Mr. Shahid Amin
Chief Financial Officer

Mr. Khalid Al-Mogrin
Head of Legal Group

Mr. Sami Al-Rahji
Head of Fawri Banking Services Group

Mr. Hamad Al Essa
Chief Compliance & AML Officer

Mr. Abdulaziz Al Zammam
Chief Internal Audit Executive

Mr. Luay Al Nimri
Acting Head of Human Capital Group

CEO and Managing Director statement

Praises be to Allah, the Almighty, the Lord of the worlds, and Prayers and Peace be upon his Messenger Prophet Mohammed, and his descendants and all his followers.

Dear Shareholders,

On behalf of the Senior Management of Bank Aljazira, I am pleased to present to you the financial performance report for the year 2020.

You are aware that the covid-19 pandemic has badly impacted the various business sectors in the Kingdom of Saudi Arabia and the world during the year; several banking sectors have witnessed a significant decline in commercial and business activities, however, Bank Aljazira, thanks to Almighty Allah, its strategic vision and diverse growth initiatives, maintained its excellent position in the market.

In spite of the pandemic negative impacts, the Saudi banking sector as a whole was able to recover and overcome the state of recession dictated by the consequences of the pandemic, thanks to the prudent measures taken by the Kingdom of Saudi Arabia in handling the pandemic on one hand, and the initiatives, launched, specifically at the level of the banking sector, by the Central Bank of Saudi Arabia not to mention the strength and solidity of Saudi banking institutions, and their positive interaction with such initiatives, which aimed in their entirety to maintain the sustainability of production by the national institutions and companies.

In early 2020, the Government of Saudi Arabia initiated structured and rigorous measures to reduce the spread of COVID-19 virus. Side by side with these measures, the Bank was fully ready for the new working environment, through continuous communication with the supervisory authorities in terms of the optimal readiness of the infrastructure needed for business continuity, which helped him achieve good performance and growth. The Bank has also worked closely with the Central Bank of Saudi Arabia for the consistent implementation of the economic incentive program, thereby resulting in eased general liquidity restrictions in the market. During the year, Treasury maintained a diversified portfolio of government Sukuk, which recorded a growth of SAR 2.0 billion. Total orders in the monthly auctions amounted to SAR 8.2 billion, while allocations amounted to SAR 4.8 billion.

Retail Banking Group continued its efforts to enhance the Bank's position in the banking sector by offering banking products and solutions up to the highest sharia-compliant standards. The products and services provided to retail banking customers of the Bank are designed to live up to the needs of all customers, including account opening at branches or online, deposits, debit cards, credit cards and personal finance, as well as a leading range of mortgage products. The Bank has also endeavored to provide the best services through a growing network of distribution channels which consisted of 79 branches, 19 ladies' sections, 612 ATMs and 19,300 points of sale.

In addition, the bank's electronic banking stands as one of the best in the Saudi market, and the Bank received Best Call Center and Best Customer Service Awards.

The relaunch of Aljazira Smart application and Aljazira Online service has resulted in a significant improvement of the user experience and increased the number of online transactions. Overall, the Bank's portfolio of liabilities for retail customers increased to SAR 42,056 million in the fourth quarter of 2020. At the same time, the retail finance portfolio increased by 13% in the fourth quarter of 2020 to SAR 27,238 million from SAR 24,103 million as in December 2019.

The bank continued, through its private banking and wealth management group, to serve the high-net worth segment by offering a comprehensive and diversified bunch of Sharia compliant private banking services and products. The group also devotes all its expertise and potentials to achieve its customers' financial objectives and manage their wealth in a professional and reliable manner.

Despite this year's exceptional circumstances, the group has been able to achieve high growth rates compared to last year. Customer deposits average grew by 19% by the end of 2020, and the group collaborates closely with Aljazira Capital to provide investment advisory services and offer a variety of solutions for the major customer segment. The total size of financing portfolios of the group customers increased by 25% by the end of 2020.

In 2020, the Bank achieved several prime successes, and continued to record strong growth rates in its asset base, thanks to the strong working relationships established with retail customers and various companies, with a significant focus on joint sales activities at the level of retail and treasury products, companies and finance as well as investment banking products. In addition, the Bank has successfully implemented many of the initiatives it had previously launched, most of which focus on enhancing the effectiveness of the Bank's services and activities, thereby contributing to increased business profitability and improvement of the quality of services provided at all levels

The Bank was very keen to protect its staff at all business sectors during the pandemic and took the necessary steps to restrict the spread of the virus to them. The bank instructed all staff to abide by the precautions issued by the official authorities to avoid being infected. In addition, 2020 was marked for bank-wide initiatives, activities, control, and audits, as the Human Resources Group adopted various campaigns of correction as required to confirm the quality of keeping pace with the updated regulatory policies.

Looking ahead, we confirm our ambition to establish the position of Bank Aljazira as a Shariah-compliant banking institution, supportive of innovation and digital services in 2023, while continuing to invest in state-of-the-art technology to serve our current and expected customers, including innovative and superior product offerings, to enhance our position as a unique and excellent bank.

In recognition of its pioneering role on the global level, Bank Aljazira received many awards and recognition certificates on the local and world levels, reflecting the bank's role and efforts in meeting the needs of its valued customers by providing them with exceptional products and services. These awards included: Excellence Award for Corporate Governance Index for financial sector institutions listed in the Saudi Financial Market for the second time in a row, by the Corporate Governance Center at Al Faisal University, a certificate of accreditation by the British Chartered Accountants Association (ACCA), which represents an evidence that the bank is one of the elite organizations that provide opportunities for the continued professional development of its employees, and the gold medal and first place for "Best Customer Call Center", and "Best Customer Service" in the Middle East, Europe and Africa for 2020.

At the end, I would like to thank our customers for their strong confidence in Bank Aljazira. I would also like to thank the Ministry of Finance, Saudi Central Bank, Chairman and the Board of Directors, Senior Management, and all staff for their untiring efforts in achieving the bank's success. We look forward to continuing our way of success in the years to come.

May Allah almighty guide us towards success in the times to come.

Naif bin Abdulkareem Al-Abdulkareem

CEO and Managing Director

Board of Directors Report

The Board of Directors is pleased to present the Bank' s annual report and consolidated financial statements for the financial year ended 31 December 2020

The Board of Directors is pleased to submit to the shareholders the annual report of Bank Aljazira for the fiscal year ended on 31 December 2020. The report provides information about the Bank', Subsidiaries' and Associates' performance. In addition to the Bank's operation achievements, strategies, financial position, Board of Directors, committees and other integrated information.

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 up 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 committee.

The Bank conducts its business through the Bank's departments and branches 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)	2016	2017	2018	2019	2020
Loans and advances, net	42,099	39,790	40,897	49,660	**53,961**
Total assets	66,319	68,287	73,003	86,544	**92,089**
Customer deposits	51,602	50,278	51,804	62,697	**68,004**
Total Liabilities	58,216	59,459	61,759	74,955	**80,724**
Shareholders' equity	8,104	8,829	11,244	11,590	**11,364**
Net income before Zakat and income tax	872	858	1,000	1,122	**31**
Net income after Zakat and income tax	729	830	378	991	**34**
Total Operating income	2,519	2,580	2,665	2,977	**3,287**
Net income growth (%)	(43.33)	13.82	(54.42)	161.98	**(96.59)**
Total Operating income growth (%)	(13.79)	2.43	3.30	11.72	**10.41**
Return on average equity (%)	9.40	9.80	3.77	8.68	**0.29**
Return on average assets (%)	1.13	1.23	0.54	1.24	**0.04**
Earnings per share (SR)	1.28	1.46	0.50	1.21	**0.04**

Note:

1) Earnings 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 taxes 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 equity.
2) The Earnings per Share have 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 54.0 billion at 2020 year-end, registering an increase of 8.7% compared to SAR 49.7 billion in 2019. The Bank continued to further diversify the loan portfolio over various economic sectors and broadened the client base, thus lowering the risk of concentration.

Due from banks and other financial institutions: Total outstanding amount as at the end of 2020 was SAR 0.4 billion versus SAR 1.4 billion in 2019. 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 29.9 billion versus SAR 27.6 billion in 2019, an increase of 8.2%. This increase is mainly due to additional investment in government Sukuks.

Total Assets: Total assets amounted to SAR 92.1 billion at the end of 2020, as compared to SAR 86.5 billion in 2019, representing an increase of 6.4% over the previous year.

Customer Deposits: Customer deposits increased by 8.5% to SAR 68 billion as at the end of 2020, compared to SAR 62.7 billion in 2019. The increase is mainly due to increase in demand deposits by 21.3 % from SAR 30.8 billion to SAR 37.4 billion. In addition there is an increase of SAR 0.3 billion in saving deposits and SAR 0.2 billion in other deposits. This was partially offset by decrease in term deposits by 5.7% from SAR 30.3 billion to SAR 28.5 billion..

Total Liabilities: Amounted to SAR 80.7 billion as at the end of 2020, compared to SAR 75 billion in 2019, representing an increase of 7.7% over the previous 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 282 million as of the end of for 2020.

(SAR '000)

Regions	Central	Eastern	Western	Total
Total Operating Income	1,080,873	316,866	1,889,380	3,287,119

Main Business Segments

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 businesses 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) formed under the new Insurance Law of Saudi Arabia (Co-operative Insurance Companies Control Law). This segment represented the insurance portfolio of policies entered into by the Bank before 2014. During 2019, AJT obtained from SAMA no objection to transfer the insurance portfolio through letter dated 26 Rabi 'Al-Thani 1441 AH (corresponding to 23 December 2019). The

insurance portfolio has been transferred with effect from 1 January 2020 at zero value (no cost to AJT), including the transfer of all assets and liabilities related to this business.

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 operating segment:

(SAR '000)

2020	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Takaful Ta'awuni	Others	Total
Total operating income	1,687,957	605,297	1,052,908	281,953	-	(340,996)	3,287,119
Total operating expenses	(1,091,008)	(1,679,980)	(324,045)	(140,855)	-	(36,315)	(3,272,203)
Share in net income of associates	-	-	-	2,326	-	13,953	16,279
Net income/(loss) before Zakat and income tax	596,949	(1,074,683)	728,863	143,424	-	(363,358)	31,195

Subsidiaries and Associates

The following table summarizes the names of subsidiaries/associate, their share capital, the Bank's holding percentage, their main business, their principal country of operation and country of incorporation as at 31st December 2020:

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%
Aljazira 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 Join-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 Aljazira 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 31.2 million for the year ended December 31, 2020. This represents a decrease of 97.2% compared to SAR 1,122 million for the financial year 2019. The net profit after zakat and income tax for the year ended December 31, 2020 was SAR 33.8 million. This represents a decrease of 96.6% compared to SAR 991 million for the financial year 2019. Net income has decreased by 96.6% mainly due to higher expected credit losses during the year amounting to SAR 1,576 million or 904% compared to SAR 157 million for the financial year 2019. The net profit before expected credit losses and zakat and income tax for the year ended December 31, 2020 was SAR 1.6 billion. This represents an increase of SAR 328 million or 25.6% compared to SAR 1,279 million for the financial year 2019.

Total operating income of the Bank has increased by 10.4% during the current year. This increase in operating income is mainly due to increase in net special commission income by SAR 338.2 million, or 16.5% from SAR 2,052 million to SAR 2,390 million, other operating income by SAR 20.2 million, or 166% from SAR 12.2 million to SAR 32.4 million, exchange income by SAR 10.3 million, or 4.5% from SAR 230 million to SAR 240.1 million, net gain on FVIS financial instruments by SAR 4 million, or 69% from SAR 5.8 million to SAR 9.8 million and net gains on derecognition of financial assets measured at FVOCI by SAR 2.8 million, or 149% from SAR 1.9 million to SAR 4.7 million. This increase was partially offset by decrease in net gains on derecognition of financial assets measured at amortised cost by SAR 67.6 million, or 97% from SAR 69.7 million to SAR 2.1 million.

Earnings per share were SAR 0.04 for the year ended 31 December 2020 against SAR 1.21 for the financial year 2019.

Total assets were SAR 92.1 billion as of 31 December 2020, compared to SAR 86.5 billion at 31 December 2019, an increase of 6.4% or SAR 5.5 billion. Net loans and advances to customers amounted to SAR 54 billion at 31 December 2020, an increase of SAR 4.3 billion, or 8.7%, from SAR 49.7 billion at 31 December 2019. The Bank's investment portfolio totaled SAR 29.9 billion at 31 December 2020, an increase of SAR 2.3 billion or 8.2 % compared to SAR 27.6 billion at 31 December 2019. Total liabilities were SAR 80.7 billion at 31 December 2020, compared with SAR 75 billion at 31 December 2019, an increase of 7.7 % or SAR 5.8 billion. Customer deposits totaled SAR 68 billion at 31 December 2020, an increase of SAR 5.3 billion, or 8.5%, compared to SAR 62.7 billion at 31 December 2019. Subordinated Sukuk totaled SAR 2.0 billion at 31 December 2020 compared to SAR 2.0 billion at 31 December 2019.

Borrowings and Sukuk in issue

In the course of normal business practices, the Bank exchanges borrowings and funds with other 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 SR 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 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 and other financial institutions

Total outstanding at the end of 2020 were SAR 8.5 billion versus SAR 8.3 billion in 2019, higher by 3.3%. This is a short-term activity and represents day to day liquidity / cash flow management.

Staff Benefits and Schemes

To be in line with the supervisory directives issued by SAMA and the principles of the Financial Stability Board (FSB), the bank is conducting a periodic researches to ensure consistency of compensation structure of the employees which is being submitted to be revised by the Nomination and Remuneration Committee.

Compensation and benefits levels and amounts are determined by conducting periodic research that includes salary benchmark surveys and through other means of market pay intelligence, in order to enable Bank to keep abreast of the local and regional market conditions relating to bank staff employed in the Kingdom, which are contrasted to cyclical performance levels, and mitigated for any associated risks.

The distribution 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 staffer's service period. The total accrued amount of End of Service Benefits outstanding at the end of December 2020 totaled SR 279.7 million.

Key Risks faced by the Bank

Bank Aljazira (BAJ) has adopted a robust, transparent and prudent approach towards Risk Management and thus continues to invest into building an infrastructure that is able to proactively identify, assess, measure and control the risks the Bank is faced with on an Enterprise Wide basis. As a core risk management practice, the 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 thus the Financial Industry.

Some of the most prominent national and global issues during 2020 have been:

- The COVID-19 pandemic has engulfed economic and social activity globally at an unprecedented pace. Many countries have implemented severe domestic restrictions not seen before, including domestic travel bans, partial or full movement restrictions,

working remotely and the closure of schools, factories, shops and services. The world has entered the largest, fastest and most serious shock in modern history, posing economic, healthcare, social and moral challenges to countries. This has taken its toll on the national economy as well.

- Falling oil prices and the pandemic's impact on the key events, such as the pilgrimage season, have affected transactions, remittances, hospitability and corporates. Despite a drastic reduction in global demand for oil due to the COVID-19 economic downturn, KSA's oil exports has witnessed moderate resilience, predominantly linked to gaining the market share.
- The government and SAMA have announced various initiatives to manage the effects of pandemic on the economy. These steps are expected to restore the confidence in the economic indicators.
- During COVID-19 Pandemic, the liquidity outflows have increased due to the deferment of SME and large facilities repayment. Forecasted available liquidity buffer after shock-related outflows to determine capacity to support lending as encouraged by the Saudi Central Bank (SAMA).
- Given the profit (interest) rate cuts by SAMA and subsidized lending expected from banks for the private sectors, there is a squeeze in margins and revenue compression.

1. Maintenance of Capital Adequacy:

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

In its endeavor to fortify the Bank's capital position, the management continues to remain vigilant and has strategized 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. Therefore, the Bank has put in place a robust liquidity management framework which ensures a proactive 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 funding / liquidity remains at reasonable costs while providing the Bank an opportunity to finance the growth of high yielding assets. The Bank has also implemented a comprehensive ILAAP (Internal Liquidity Adequacy Assessment Process) regime 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 liquidity events.

3. Asset Quality:

The Bank has given due focus to ensure that the quality of assets, across its lines of business remains of a satisfactory quality, thus rationalizing any unwarranted classifications, provisioning and / or write-offs. The Bank has generally remained selective across all business segments and has approached its target customer segments with a well-defined approach based on:

- A clearly spelled out Credit Policy.
- Well defined Target Market, and Risk Acceptance Criteria
- Identified industry segments in terms of risks, rewards, regulatory requirements and their performance trends.
- Risk Appetite Framework to ensure risk associated with a particular Business line is duly reflected in the underlying Risk Appetite Matrices to be monitored, reviewed and reported in accordance with Board approved limits.
- 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 estimates. The Bank has implemented IFRS-9 through a structured approach to adopt IFRS-9 Expected Credit Losses (ECL) framework in line with the regulatory mandate. The

Bank has vigilantly monitored the Liquidity Risks in light of emerging situation because of COVID-19 Pandemic and taken the necessary actions to mitigate potential liquidity shortfall for the Bank.

Market Risk Management

The Bank's willingness to accept risk is influenced by various factors including market volatility, business direction, macroeconomic 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 continuously 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. Market Risk is subject to the following drivers:

- Maximum Cumulative Outflow of the Balance Sheet.
- Economic Value of Equity (EVE) and Stressed EVE (∆EVE)
- Net Stable Funding Ratio (NSFR)
- Liquidity Coverage Ratio (LCR)
- Loan-to-Deposit Ratio (LDR)
- Concentration of Funding Sources
- Market Risk Factors

Market Risks

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, Management Risk Committee, Asset and Liability Committee (ALCO), Board Risk Committee (BRC), 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 in line with applicable regulatory guidelines. These scenarios are updated and may be redefined on an ongoing basis. The Stress Test results are reported to Senior Management, Board Risk Committee, Management Risk Committee, the Board and SAMA to facilitate and manage risk resilience 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 flow;
- 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 is also considered as part of Contingency Funding Plan (CFP) and tested on a regular basis;

- Ensuring that regulatory ratios such as SAMA Liquidity Ratio, LCR and NSFR are maintained above the required levels.
- Conducting regular liquidity stress testing under various scenarios as part of prudent liquidity planning to examine the effectiveness and robustness of the liquidity plans.
- Instituting ILAAP (Internal Liquidity Adequacy Assessment Process) regime in accordance with regulatory mandate to focus on the Bank's Liquidity Risk Assessment.

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 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' time 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 85-100% depending on instrument) through SAMA's repo window.

Operational Risks

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Operational risk has an enterprise wide presence and can arise from any activity within the Bank.

Management of Operational Risk

The Operational Risk Framework is designed to establish an effective association between the risk management and the risk owners represented by various Business & Support groups within the Bank. Business & Support groups are responsible to manage the activities and risks within their respective groups, however processes have been established to involve the Operational Risk Management Division (ORMD) to facilitate risk identification, measurement, assessment and control.

In preparation for and before commencing the risk identification and assessment activity across the Bank, a comprehensive Risk Profiling program is being carried out involving management, risk champions and respective risk owners.

Assessment of risks and categorizing them into levels of significance is conducted in consultation with business/ support groups to draw their attention to risks that require management consideration.

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

Risk & Control Self-Assessment (RCSA)

Risk & Control Self-Assessment (RCSA) is a tool used to monitor the performance of controls within a process. A risk register with controls is maintained and updated regularly on an ongoing basis. The RCSA review cycle involves discussions with the business/ support groups and periodic submissions to the Management Risk Management Committee (MRC) to seek directions on risk acceptance and treatments including decision for taking actions to review and to improve the control environment.

The Bank's comprehensive RCSA program involves facilitation of workshops by ORMD to identify risks and control within each business and support function level. The controls are periodically assessed to ensure the processes are functioning as per the design.

The Bank has also established a Policy and Product Review Committee to oversee the development of new or existing policies and products. Responsibility of the committee is to challenge the policy or product owners on various aspects of risks to ensure they are adequately addressed before operationalization.

Key Risk Indicators (KRIs)

Key Risk Indicators (KRIs) are a metric to measure how risky a process is through early warning signals developed to indicate increasing risk exposures within the enterprise. KRI provides a trend of risk exposure by comparing it against the thresholds defined and accepted by the Bank.

KRIs for business and support groups are defined through workshops and periodically monitored by ORMD. Trends highlighting risk exposures over the defined thresholds are analyzed and discussed with respective business or support groups to develop appropriate corrective action plans.

Loss Data Management (LDM)

Loss Data Management is a centralized process to methodically record loss incidents occurring in the Bank to enable analysis of control failures and ensure such incidents do not recur.

The Bank has established an internal loss data collection process through which incidents are reported to ORMD for the purpose of recording and further management reporting. A comprehensive Loss Database from 2013 till date is maintained by ORMD.

Business Continuity Management (BCM)

The bank has developed and maintained a full-fledged Business Continuity Management (BCM) program that focuses on 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 and manage adverse events. The results are minimized negative impacts, enhanced performance and reputation, and compliance with regulatory requirements. Conducting several experiment aimed at ensuring business continuity without interruption.

Anti-Fraud Management Program

The Bank has implemented a comprehensive Anti-Fraud Risk Management framework in line with SAMA guidelines and international best practices. The Anti-Fraud Risk Management framework has addressed the following aspects:

- Reviewed the Fraud Risk Management Governance structure and associated strategy across the Bank.
- Developed, reviewed and updated Fraud Risk Management policies, procedures, processes and Manuals.
- Conducted and upgraded Fraud Risk Assessments and anti-fraud diagnosis.
- Implemented a comprehensive Fraud Prevention and Detection solution across the bank.
- Leveraging the awareness of fraud risk among BAJ staff and customers.

Outsourcing

Complying with SAMA regulations on outsourcing, the Bank has a dedicated department handling outsourcing and supplier activities. ORMD is involved in reviewing agreements related material outsourcing of 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 regime. 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 has an intent of migrating from BIA to the approach recommended by BCBS (Basel Committee on Banking Supervision) through its "Basel III – Finalizing post-crisis reforms" document issued in December 2017 and subsequent SAMA guidelines. The Bank is in the process of defining a road map to adopt the new approach as per the timelines suggested by the regulator. The Bank will continue to collect loss data and map it against the business lines to establish a comprehensive Internal Loss data history before migrating to the new methodology subject to receiving SAMA's final guidelines on the same.

Capital Adequacy under BASEL II and BASEL III

The Saudi Central Bank (SAMA) has been at the forefront of ensuring that the Saudi Banking Sector adopts and implements the best practices that Bank for International Settlements (BIS) 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.

During 2017, Basel Committee on Banking Supervision (BCBS) issued comprehensive reforms to the existing Basel III framework.

These new reforms seek to restore credibility in the calculation of Risk Weighted Assets (RWAs) and improve the comparability of bank's capital ratios. BCBS reforms seek revision to the standardized approaches for calculating Credit Risk, Market Risk, Credit Valuation Adjustment (CVA) and Operational Risk to bring about greater risk sensitivity and comparability. Constraints on using internal models aim to reduce unwarranted variability in banks' calculations of RWAs.

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 an additional requirement since 2018, the Saudi Central Bank (SAMA) requires that Banks develop the Internal Liquidity Assessment Plan (ILAAP) document. 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 duly follows ILAAP guidelines and complies 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, 2020 are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019. Based on the adoption of new standards, interpretations and amendments and in consideration of current economic environment, certain accounting policies as disclosed in the consolidated financial statements are applicable effective January 1, 2020 replacing, amending or adding to the corresponding accounting policies set out in 2019 annual consolidated financial statements.

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 15 April 2020 (corresponding to 22/08/1441) approved the recommendation of the Board of Directors and the Audit Committee to re appoint KPMG Al Fozan and partners and appoint Price Water House Coopers as the external Auditors of the Bank for the financial year ended 31 December 2020.

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 (related to 2019)	120.59
Value Added Tax & Withholding Tax	130.85
Zakat, VAT, WHT for previous periods	163.26
Advance Tax Payment for 2020	6.65
GOSI (including Bank and the employees)	80.08
Visa, Iqama and related services, etc	7.05

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%) has been paid in 2018, and the balance will be paid on five equal installments within five years commencing on 1 December 2019 and ending on 1 December 2023 (second installment of SAR 88.2 million was paid in 2020).

* This amount includes SAR 88.2 million as second 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.

Disclosure of details of the treasury Shares held by the Bank and details of uses of these Shares

The Bank does not hold treasury shares.

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 Central Bank penalties

Subject of violation	Fiscal year 2019		Fiscal year 2020	
	Number of Penalties	Total amount of Penalties SAR	Number of Penalties	Total amount of Penalties SAR
Violation of SAMA supervisory instructions	13	19,017,200	12	3,416,000
Violation of SAMA instructions for protecting customers	Nil	-	2	2,393,000
Violation of SAMA instructions related due diligence	Nil	-	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	Nil	-	1	400,000

The penalties imposed on the bank in the year 2020 relate to comments on the instructions of the Responsible Financing Principles for retail customers, And SAMA instructions related to consumer protection. A 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

Ministry of Municipal & Rural Affairs and Housing and other government related entities have imposed fines on the Bank with a total of SAR 265.84 thousand during 2020 most of them are related to the municipals regulations in regard to the Bank ATMs and branches as specified below:

Name of the Authority	SAR in thousand
Riyadh Municipality	206.04
Eastern Province Municipality	0.2
Ministry of Municipal & Rural Affairs and Housing	2.0
Jeddah Municipality	16.0
Jazan Municipality	5.0
Makkah Municipality	5.0
Ministry of Human Resources & Social Development	20.0
Najran Municipality	2.6
Onaiza Municipality	9.0
Total	**265.84**

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 Saudi Central Bank (SAMA).

Below table indicates the transactions as disclosed in the financial statements.

The balances as at December 31st, 2020 resulting from such transactions included in the consolidated financial statements are as follows:

	2020 SR' 000	2019 SR' 000
Subsidiary companies		
Investments	**501,480**	501,480
Customer deposits	**14,271**	20,730
Due from banks and other financial institutions	**698,548**	651,371
Due to banks and other financial institutions	**289,148**	290,117
Receivables	**155,320**	289,599
Payables	**41,055**	14,625
Commitments and contingencies	**530,247**	530,247
Notional values of outstanding derivative contracts	**2,707,585**	2,796,949
Associate and affiliate entities with significant influence		
Investments	**164,136**	148,332
Customer deposits	**303,056**	238,400
Accrued expenses payables	**5,400**	24,850
Accrued fee receivable	**5,400**	-
Advance against sale of investments	-	22,353
Directors, key management personnel, other major shareholders		
Loans and advances	**31,788**	28,955
Customers' deposits	**3,488,360**	4,139,319
Contingencies and commitments	**2,920**	977

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

	2020 SR' 000	2019 SR' 000
Mutual Funds under subsidiary's management		
Investments	**251,244**	287,024
Loans and advances, net	**-**	418,182

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

	2020 SR' 000	2019 SR' 000
Special commission income	**57,631**	128,861
Special commission expense	**201,357**	242,521
Fees and commission income	**6,813**	404
Custody fee	**4,846**	2,624
Net share of expenses to associate	**5,400**	22,850
Insurance premium paid	**49,860**	55,032
Surplus distribution received from associate	**957**	1,169
Claims received	**25,290**	10,729
Directors' remuneration	**8,014**	7,315
Income under shared service agreements	**3,391**	3,391
Reimbursement of expense to a subsidiary	**78**	117
Reimbursement of rent expense	**7,591**	7,983
Rent expense for branches	**704**	2,705
Sale of sukuk to an associate	**22,353**	99,895
Participation in DMO sukuk auction for an associate	**-**	75,552
Value of reserves and liabilities transferred to ATT for old Insurance portfolio	**53,552**	-

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

	2020 SR' 000	2019 SR' 000
Short-term employee benefits	**115,088**	104,597
Termination benefits	**38,942**	33,416

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 total contracts and transactions between the Bank Aljazira and Aljazira Takaful Cooperative Company (a related party) in 2020 amounted to approximately SAR 168.3 million. Whereas, a member of the Board of Directors, Eng. Abdul Majeed bin Ibrahim Al-Sultan, has an indirect interest in it because he is also a member of the Board of Directors of Aljazira Takaful Cooperative Company.

(SAR '000)

Business and contracts between the bank and Aljazira Company are cooperative takaful	Period of the Contract	Transaction amount in 2019
Resource Costing and Distribution Agreement - Net	Ended on 31 December 2020	5,400
Fee commission deduction	Ended on 31 December 2020	5,400
Insurance policy to finance personal dinars	One Year	20,145
Mortgage insurance policy	One Year	26,649
Life insurance policy	One Year	2,395
Employee credit coverage policy	One Year	671
Special commission expenses	Dealings	5,471
Claims received	Dealings	25,290
Surplus dividends received	One Year	957
Instruments sold	Dealings	22,353
The value of reserves and liabilities transferred under the Business Transfer Completion Agreement of the old insurance portfolio	It ends when the contract amount is transferred	53,552
Total		**16,284**

The contracts and dealings between the Bank and Aljazira Capital in the year 2020 amounted to SAR 17.6 million. These transactions are deemed to be related party transactions given that the former member of Board of Directors Mr. Nabil Dawood Al-Hoshan had direct or indirect interest in them as he was a board member in both the Bank and AJC. He resigned from the Board of the Bank and AJC effective from October 7, 2020:

(SAR '000)

Nature of Contract	Period of the Contract	Transaction amount in 2020
Service Level Agreement	Effective, unless terminated	2,598
Special Commission expense on time deposits	Dealings	119
Special Commission income on money market placements	Dealings	4,569
Rent expense	Dealings	5,537
Custody fee expense	Effective, unless terminated	3,698
Fees and commission income	Dealings	1,042
Total		**17,563**

Note: Transactions with Aljazira Capital Company have been included on a time proportionate basis up to October 06, 2020 as Mr. Nabil Dawood Al-Hoshan, being a common director, resigned effective from October 7, 2020 from the Bank and AJC.

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

(SAR '000)

Contractor	Name of the related party	Relationship	Nature of Contract	Term of Contract	Amount in 2020
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	289
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	34
Consolidated Brothers Co.	Eng. Abdulmajeed bin Ibrahim Al-Sultan	Owns part of Consolidated Brothers Co. for development	Rental for Al-Rehab Branch	12 years	381
Total					**704**

Note: The above amounts also include value added tax wherever applicable.

Board of Directors assurance 2020

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

- Accounting books have been properly maintained.
- The internal control system has been prepared on sound basis and effectively implemented.
- There are no significant doubts concerning the bank's 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 related directly to them, holds/held major interests, except as otherwise disclosed in the (Related Parties Transactions) section herein and in the Note 35 - (Transactions with Related Parties) of the audited financial statements for 2020.
- The Board of Directors did not recommend replacement of the Bank's auditors prior to the end of their term of appointment, and there have been no contradiction between the Audit Committee recommendations and the Board resolutions.

Transactions 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, holds/held major interests, are disclosed in the (Related Parties Transactions) section herein as well as in the Note 35 – (Transactions with Related Parties) of the audited financial statements for 2020.

Dividends distribution for the year 2019

The General Assembly of the bank's shareholders, held on Wednesday, Shaaban 22, 1441 (according to the Umm Al-Qura calendar), corresponding to April 15, 2020, approved the recommendation of the Board of Directors to distribute cash dividends to shareholders for the second half of the fiscal year ending on December 31, 2019 with a total amount of 246 million Saudi riyals after deducting zakat to Shareholders of the bank for the fiscal year on December 31, 2019, by 0.30 Saudi riyals per share, at a rate of 3% of the par value of the share. The distribution of these dividends to the shareholders was taken into account as of Tuesday 12 Ramadan 1441 corresponding to May 05, 2020 according to the Umm Al-Qura calendar.

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 remitted by the Company to authorities concerned shall be deducted from their share in the net profits.
- 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.
- From the remainder of the profits after deducting the statutory reserve, zakat and tax, an amount of not less than (2.5 present) of the paid-up capital shall be allocated for distribution. The Saudi and non-Saudi shareholders share must be distributed in a percentage paid from the value of the shares of Saudis and non-Saudis in accordance with what is proposed by the Board of Directors and decided by the General Assembly, if the remaining percentage of the profits owed to any of the Saudi shareholders or not Saudis are not sufficient to pay the profits to the shareholders concerned, the shareholders may not demand to pay them in the following year or years. The General Assembly may decide to distribute a percentage of the profits in excess of what was proposed by the Board of Directors.

- Net undistributed dividends will be held as retained profits or transferred to the statutory reserve.
- The percentage of contribution must be maintained for both Saudis and non Saudis when calculating the necessary allocations for the legal reserve and other reserves from net profits – after deducting zakat and tax and both groups must contribute to those reserves according to their ratios in the capital provided that their contributions are deducted from their shares in the net profits
- Subject to the provisions of paragraphs (A) (B) (C) (D) and (E) if this article the bank may after obtaining it not to the Central Bank of Saudi Arabia (SAMA) and in accordance with the relevant regulatory rules to distribute interim dividends to its shareholders on a semi annual or quarterly basis – if any

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	Moody's	Fitch Rating	Islamic Int'l Rating Agency
	Nov-2020	Nov-2020	May-2020
Credit Rating - Long Term	Baseline Credit Assessment BCA BAA3	Issuer Default Rating IDR BBB+	
Outlook	Negative	Negative	Not Assigned
Deposits Rating	BAA1/P-2	Issuer Default Rating IDR F2 Short Term	
International Scale			A-/A2
National scale			A+(sa) / A1 (sa)
Counterparty Risk Assessment CR	A3(cr)/P-2(cr)		
Overall Fiduciary Rating Score			71-75
Support Rating Floor		BBB+	
Viability Rating		BB+	

Local supervisory requirements and international standards:

In line with the local regulatory and supervisory requirements and international standards, Bank Aljazira has taken several measures to monitor the implementation of business in accordance with the instructions of the Saudi Central Bank and the best international practices in this regard. The Compliance and Anti Money Laundering and Combating Terrorism Financing Group plays an effective role in improving and developing the culture of compliance, Anti money laundering, monitoring the level of compliance across the bank, and setting the necessary supervisory controls that enable Bank Aljazira to achieve its strategic objectives that have been set in line with the standards and regulations followed by the compliance policy Financial crimes.

In the interest of Bank Aljazira to implement the instructions and regulations of Saudi Central Bank, Bank Aljazira has put in place sustainable controls at the level of the bank and its various business sectors, which have been greatly reflected in all aspects and raise the employees' awareness of the risks resulting from non-compliance and financial crimes, which were taken into account to be completed through training courses. The intensification of awareness-raising messages through electronic means, in addition to reviewing all policies and procedures, as well as strengthening the automated system to monitor the risks of non-compliance and anti-money laundering operations and financial crimes, including bribery and corruption, and setting a timetable for reviewing and monitoring the effectiveness of those policies and procedures to be in line 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 tasks of the board and its committees, including the preparation for and holding of meetings, keeping records of held meetings, receiving incoming correspondence, documenting the decisions related to the work of the board and committees, following up on the implementation of such decisions and all other 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 framework in line with the governance principles issued by the Saudi Central Bank (SAMA) and the CMA's Corporate Governance Regulations. The group undertakes the formulation and alignment of the bank's governance guidelines and complementary policies relating to addressing conflict of interests, disclosure, etc. as well as aligning of the board and committee terms of reference to ensure consistency with the applicable rules and best practices. The group also contributes to the assessment, suitability and training requirements for the board of directors and committees.

1) 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 investors' 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 2020, a comprehensive review of all aspects of governance in the bank, including an update 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 its endeavors to enhance channels of 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 guarantees 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, the updated 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 local newspapers and posted on the Saudi Capital Market's website (TADAWUL) and 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 of general meetings.

In its keenness to comply with the supervisory requirements as provided for in the Corporate Governance Rules issued by CMA and the Sharia Governance Framework for banks issued by the Saudi Central Bank in February 2020, 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 2020, 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) Articles of Association of Bank Aljazira

A comprehensive review of the Bank's articles of association was conducted in 2020 to ensure its rules are aligned with the supervisory requirements and best local and international practices. The updated version of the articles of association was approved at the extra-ordinary general meeting held on 15 Jumada I, 1442H (30 Dec 2020) and published on the bank's electronic website.

b) Corporate Governance Policies

- BAJ Governance Document as updated in line with the Sharia Governance Framework issued by SAMA in February 2020 and approved by the Board of Directors in its meeting held on 16 December 2020.
- Disclosure Policy – reformulated to cope with the regulatory environment variables.
- Policy regulating relationships with stakeholders – this policy has been comprehensively reformulated to cover the regulation of relationships with stakeholders including shareholders, management team, employees, customers, creditors, suppliers and all other parties dealing with the bank regardless of their capacities.
- Policy regulating relationships with related parties – approved by the bank's management – which covers regulating all contractual relationships with all related parties with a view to protect the bank's interests and align with the rules of the Companies Act and other regulations issued by the supervisory authorities.
- 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 30 December 2020.
- Policy for addressing conflict of interests.
- Policy for verification of directors, sub-committees and non-board members' independency – approved by the board of directors.
- Policies and procedures governing membership of the board of directors and sub-committees.
- Dividend Distribution Policy, in line with the provisions of the Companies Act and Banking Control Law and the rules and regulations issued by the supervisory authorities.
- Professional and Ethical Conduct Policy - approved by the board of directors

c) Terms of reference of board committees:

The Bank conducted and completed, in 2020, 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, 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 2020, the board of directors approved the updated terms of reference of the board and all board sub-committees, while the bank's general meeting held on 30 December 2020 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, composition 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.

d) 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 2020, the bank designed and implemented the frameworks for evaluating the effectiveness of the board of directors and sub-committee business and the tasks performed within the scope of the missions assigned to them, and the result of assessment was submitted to the Nomination and Remuneration Committee for review and recommendation to the board. The bank adopts a rotation process for assessment of board and committees for one time by an external consultant every three years.

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

In its keenness to enhance and develop 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 2020, a number of special training functions were implemented covering the following topics:

- Aspects relating to anti-money laundering and combating of terrorism financing.	- Business continuity aspects
- Aspects of Compliance	- Financial fraud combating aspects
- Cyber and information security frameworks	- Violation reporting policy aspects
- A glimpse of the best applications relating to corporate governance	- Sharia Governance frameworks

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, a dedicated telephone number 012 609 8394 and an e-mail address (ssu@baj.com.sa) were 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 2020 and through the shareholders unit. The board reviews such comments and reacts appropriately to them.

Shareholders Registry submissions

In 2020, submissions to shareholders registry were made as per following details:

No. of submissions made to shareholders register	Submission date	Reasons
(1)	01/03/2020	Others
(2)	26/03/2020	Others
(3)	16/04/2020	Dividends
(4)	26/04/2020	Others
(5)	11/08/2020	Others
(6)	25/10/2020	Others
(7)	23/12/2020	Others
(8)	30/12/2020	General meeting

In general, Bank Aljazira complies in letter and spirit with all mandatory provisions and directives contained in the CMA Corporate Governance Rules, except for what stated below, 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.

Article	Requirements	Reasons for bank non-compliance
95	Formation of Governance Committee (Guidance Article)	As per its terms of reference, the Board supervises all aspects of governance of the bank.
93 Subparagraph (b) From paragraph (4)	Disclosure of senior Executives bonuses	Data is included in the aggregate.

2) 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. 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 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. Social Responsibility Committee (Khair Aljazira le ahl Al-Jazira program)
5. Audit Committee (which members appointment was ratified by the general meeting held on 19 Dec 2018).

On 29 June 2020, Mr. Khalifa Abdulatif Al-Mulhem (Independent director) joined the board membership in succession to Mr. Abdulkareem Al-Mayouf (Independent director). On 7 October 2020, membership of Mr. Nabil bin Dawood Al-Hoshan ended by his resignation from the board as a board managing director, and the Board, as of 31 Dec 2020, 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. Abdulmajeed bin Ibrahim Al-Sultan	Non-Executive
3	Mr. Abdullah bin Saleh Al-Rasheed	Independent
4	Mr. Ibrahim bin Abdulaziz Al-Shaia	Independent
5	Mr. Adil bin Saud Dahlawi	Independent
6	Mr. Khalifa bin Abdulatif Al-Mulhem	Independent
7	Mr. Ibrahim bin Abdullah Al-Hedaithy	Non-Executive
8	Mr. Turki bin Abdullah Al-Fozan	Non-Executive

Number and dates of Board meetings held in fiscal year 2020, and attendance record detailing names of attending directors:

As per the Bank's Articles of Association, the board of directors holds (4) four meetings at least per year. In 2020, the board held (6) six meetings as detailed in the table below:

	1st. meeting 19.02.2020	2nd. meeting 15.04.2020	3rd. meeting 23.07.2020	4th. meeting 16.09.2020	5th. meeting 07.10.2020	6th. meeting 16.12.2020
Eng. Tarek bin Othman Al-Kasabi	√	√	√	√	√	√
Eng. Abdulmajeed Ibrahim Al-Sultan	√	√	√	√	√	√
Mr. Abdullah bin Saleh Al-Rasheed	√	√	√	√	√	√
Mr. Ibrahim bin Abdulaziz Al-Shaia	√	√	√	√	√	√
Mr. Adil bin Saud Dahlawi	√	√	√	√	√	√
Mr. Ibrahim bin Abdullah Al-Hedaithy	√	√	√	√	√	√
Mr. Turki bin Abdullah Al-Fozan	√	√	√	√	√	√
Mr. Khalifa bin Abdulatif Al-Mulhem (*)	-	-	√	√	√	√
Mr. Nabil Dawood Al-Hoshan (**)	√	√	√	√	-	-

(*) Mr. Khalifa bin Abdulatif Al-Mulhem joined the Board of Directors on June 29, 2020

(**) Mr. Nabil Al-Hoshan's membership in the Board of Directors has ended as of 07 October 2020

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

A. Board of directors:

S	Name	Present Position	Past Position	Qualifications	Experience
1	Eng. Tarek bin Othman Al-Kasabi	1. 2019 – Member, GOSI Board of Directors 2. 1998 - Member, BAJ Board of Directors 3. 2016 - Chairman, BAJ 4. 1995 – Chairman, Dallah Healthcare Company 5. 2010 - Chairman, Ataa Educational Company 6. 2008 – Chairman, Rozam Investment Company 7. 1998 - Chairman, Technical Technology Localization Company 8. 2018 – Member of the Board, Al-Balad Al-Amin Urban development Company 9. 2018 – Member of the Board, Dahiat Sumou Company 10. 2006 - Board Director, Kingdom University (Kingdom of Bahrain) 11. 2013 – Chairman RZM Gayrimenkul Anonim Sirketi (Turkey) 12. 2013 – Chairman, NEBA Gerimenkul Yatirimlari VE Ticaret A.S (Turkey)	1. 2008 -2013 – Chairman, Aljazira Capital 2. 1994- 2007 – Member of the Board, Aseer Trading, Tourism and Industry Company 3. 2007 –2019 – Vice Chairman, Aseer Trading, Tourism and Industry Company 4. 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. Abdulmajeed bin Ibrahim Al-Sultan	1. 1993 - Member of the Board of Consolidated Brothers for Development Co. 2. 2004 - Member of the Board, Aljazira Bank 3. 2013 - Chairman of the Board, Aljazira Takaful Ta'awuni Co. 4. 2013 – Member of the Board, Royal and Sun Alliance Insurance Company (Egypt). 5. 2019 - Chairman of the Board, Al-Durra Development Company	1. 1991 - 2007 - Member of the Board of Directors of the Construction Facilities Company. 2. 1991 – 2007: Member of the Board, Saudi Packing Materials Manufacturing Company 3. 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. Abdullah bin Saleh Al-Rasheed	1. 2015 - CEO and Constituent Partner, , Adae Financial and Management Consulting Company 2. 2016 – Member of the Board, Bank Aljazira 3. 2018 – Member of the Board, Basma Real-Estate Marketing Company 4. 2018 – CEO and Chairman of Board of Governors, Insurance International Company	1. 1983-1984, Estimate Budgets Officer, ANB 2. 1984-1988: Financial Affairs Officer, Office of the Educational Attache of KSA in Canada 3. 1988-1992: Financial Affairs Officer, Ministry of Higher Education 4. 1992-2001- Assistant General Manager, Saudi Traveler Cheques Company 5. 2001-2005: Deputy Chief Financial Affairs and member of the Board, Al-Othaim Trading Company 6. 2006-2008: Deputy Chief of Finance and member of the Board of Abdullah Al-Othaim Markets Company 7. 2008-2014: Deputy Chief Officer, Khalid Al Baltan Group Co., Riyadh 8. 2017 - Member of the Board, Mahara Human resources Company	1983 – Bachelor of Management, King Saud University, Riyadh.	Previous experience at a number of Financial, Investment, Management and Retail companies
4.	Mr. Ibrahim bin Abdulaziz Al-Shaia	1. 2014 - Manager Finance, GOSI 2. 2016 - Member of the Board, Bank Aljazira. 3. 2019 – Member of the Board, Masdar Company	1. 2002 – 2004: Financial Auditor, Al-Rashid Accountants, Auditors and Legal Consultants. 2. 2008-2009: Part-time advisor for development of financial and electronic administrative work, International Accounting and Auditing Authority for GCC Countries. 3. 2011-2014: Director of the Board, Elite Cement Company 4. 2011-2015: Head of Budget Department, GOSI	2004: Bachelor of Accounting, King Saud University 2008: Master of Professional Advanced Accounting, University of Queensland For Technology, USA	Past and present experience in accounting and auditing fields at various financial and investment institutions
5.	Mr. Adil bin Saud Dahlawi	1. 2020 – Managing Director For Investment, Dallah Holding Company 2. 2019- General Manager, Flower Palace Company- Morocco. 3. 2019- Member of the Board, Bank Aljazira 4. 2019- Member of the Board, Dallah Healthcare Services Company	1. 1994-2002: Manager Credit – Corporate Credit Dept., Saudi Fransi Bank 2. 2002-2006: Assistant Manager, Corporate Credit, SAMBA 3. 2006-2011: Assistant CEO for Investment, Dallah Holding Company 4. 2011-2017: Managing Director and CEO, Etqan Capital Company 5. - 2018 - 2002 AD - Assistant Chief Investment Officer (Dallah Company Al Baraka Holding).	1993 – Bachelor of Medical Science, King saud University	- Commercial banks - Corporate Credit - Investment Management - Banking Investment - Financial Advisory Services.
6.	Mr. Ibrahim bin Abdullah Al-Hedaithy	1. 2019- CEO, Middle Easte Financial Investment Company (MEFC Capital) 2. 2019- Member of the Board, Bank Aljazira	1. 1983-1989: Finance Manager, Military Affairs, Secretariat General of GCC 2. 1985-1995: Financial Controller, Military Affairs, Secretariat General of GCC 3. 1995-1996P Assistant Director, Investment Department, Secretariat General of GCC 4. 1996-2009: Director, Investment Department, Secretariat general of GCC 5. 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.

S	Name	Present Position	Past Position	Qualifications	Experience
7.	Mr. Turki bin Abdullah Al-Fozan	1. 2012-Director, real-Estate Investment Department, Middle East Financial Investment Company (MEFC Capital) 2. 2019- Member of the Board, Bank Aljazira	1. 2004-2005: OIC, Mutual Funds Operations, SAMBA 2. 2006-2007: Assistant Manager, Mutual Funds Department, Bank Al-Bilad 3. 2007-2009: Director, Mutual Funds, Saudi faransi Credit Agricole Company 4. 2009-2011: Manager Mutual Funds, Al-Inmaa Investment Company 5. 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.
8.	Mr. Khalifa bin Abdulatif Al-Mulhem	1. 1995 – Member of the Board, White Cement Company 2. 2004 – Chairman, Advanced Petrochemical Company 3. 2007 – Member of the Board, IGI Company, Jordan 4. 2013 – Chairman, Al-Jazira Support Services Company 5. 2017 – Member of the Board, Albahri Maritime Company 6. 2019 – Member of the Board, Walaa Insurance Company 7. 2020 – Member of the Board, Bank Aljazira	1. 1985-2002 – Member of the Board, SABB 2. 1987-1994-Director of the Board, Saudi Spanish bank. 3. 2003-2012- Member of the Board, Namaa Petrochemical Company. 4. 2012-2017 – Member of the Board, Etifaq Steel Company. 5. 2014-2017 – Member of the Board, GOSI	Bachelor of Business Administrtation-Colorado University- USA – 1978.	Present and previous experience in the financial and investment fields
9.	Mr. Nabil bin Dawood Al-Hoshan	1. 2010 – CEO, BAJ 2. 2013 – Managing Director, BAJ 3. 2013 – Member of the Board, Aljazira Capital 4. 2019 – Vice Chairman, Aljazira Capital	1. 1984 – 1998 – Head of Retail Banking Group, Central province, SABB 2. 1998 – 2001 : Head of Retail Banking Services, Eastern Province, SAMBA 3. 2001-2006: Head of Retail Banking, ANB 4. 2006-2010: Member of the Board, SABB Takaful 5. 2006-2010: Head of Retail Banking, SABB 6. 2010 - 2020 - CEO of Bank Aljazira. 7. 2013 AD - 2020 AD - Member of the Managing Board - Bank Aljazira. 8. 2010 AD - 2018 AD - Member of the Board of Directors - Al Jazira Capital. 9. 2019 AD - 2020 AD - Vice Chairman of the Board of Directors - Aljazira Capital.	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.

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. Abdulmajeed bin Ibrahim Al-Sultan	1. 2016: Member of BAJ Executive Committee 2. 2019 – Chairman, Khair Aljazira Le-Ahl Aljazira Committee.(Khair Aljazira Program) 3. 2020: Chairman of Remuneration and Nomination Committee, BAJ	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. Abdullah Bin Saleh Al-Rasheed	1. 2017: Member of Audit Committee, Saudi Gas Cylinder Factory. 2. 2018- Member of Audit Committee Majid Investment & Real Estate Development	1. 2019-2020 – Chairman of Risk Committee, BAJ 2. 2019-2020 – Chairman of Remuneration and Nomination Committee, BAJ	1983 – Bachelor of Management, King Saud University, Riyadh.	Past experience at a number of financial, consulting, administrative and retail companies
4	Mr. Ibrahim bin Abdulaziz Al-Shaia	1. 2020: Chairman of of BAJ Risk Committee 2. 2020: member of Executive Committee, BAJ 3. Member of Remuneration and Nomination Committee, BAJ 4. Member of Audit Committee, Hasana Company 5. 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 Advanced Professional Accounting, Queensland Technology University, USA	Previous and present experience in accounting and auditing fields at financial and investment institutions

S	Name	Present Position	Past Position	Qualifications	Experience
5	Mr. Adil bin Saud Dahlawi	1. 2019- Member of BAJ Executive Committee 2. 2019- Chairman of Audit Committee, BAJ 3. 2020 – Managing Director – Dallah Al Baraka Holding and investment Company 4. 2020 – General Manager Flower Palace Company	1. 1994 - 2002 - Credit Manager - Corporate Credit -Saudi Fransi Bank. 2. 2002 - 2006 AD Assistant General Manager - Corporate Credit -Samba Financial Group. 3. 2006 - 2011 AD - Assistant Chief Investment Officer -Dallah Al Baraka Holding Company. 4. 2011 - 2017 AD Managing Director and CEO - Itqan Capital Company. 5. 2018 AD - 2020 AD - Assistant Chief Investment Officer -Dallah Al Baraka Holding Company.	1993 – Bachelor of Medical Science, King saud University	Commercial banks, Corporate Credit, Investment Management, Banking Investment and Financial Advisory Services.
6	Mr. Ibrahim bin Abdullah Al-Hedaithy	1. 2018- Chairman of executive committee, Albasar medical services company 2. 2018 – Chairman of Audit Committee, Albasar medical services company 3. 2018 – Member of Remuneration and Nomination Committee, Albasar medical services company 4. 2020 – Member of Remuneration and Nomination Committee, BAJ	1. Jan 2019-30 Jun 2019: Chairman of Baj Governance Committee, BAJ 2. 2019-2020 – Member of the Executive Committee, BAJ	1983- Bachelor of Business Administration, King Saud University	Past and present eperience in financial and investment affairs.
7	Mr. Turki bin Abdullah Al-Fozan	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.
8	Mr. Khalifah bin Abdulatif Al-Mulhem	1. 2020 – Member of Remuneration and Nomination Committee, BAJ 2. 2020 – Member of Executive Committee, BAJ 3. Member of Risk Committee, BAJ	1. 2007-2018, Member of Executive Committee, BAJ 2. 2009-2011, member of Risk Committee, BAJ 3. 2013-2015 - Member of Risk Committee, BAJ 4. 2016-2018 -Chairman of Remuneration and Nomination Committee, BAJ	1978 – Bachelor of Business Administration, Colorado University, USA	Past and present experience in the financial and investment fields.
9	Mr. Nabil bin Dawood Al-Hoshan (*)		1. 2013-2015 – member of Risk Committee, BAJ 2. 2013-2015 – member of Remuneration and Nomination Committee, BAJ 3. 2013 – 2020 – member of Executive Committee, BAJ	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
10	Mr. Fawaz bin Mohammed Al-Fawaz	1. 2012: Member of BAJ Audit Committee 2. 2013: Member of Audit Committee, Malaz Insurance Company 3. 2015: Chief Financial Officer, National Industrialization	1. 1983-1999: Assistant Deputy Head of Finance, SABIC 2. 2000-2004: Director General of Services, Accounting Department, SABIC 3. 2004-2009: Director General of Finance, SABIC 4. 2007-2015: Deputy Chairman of the Board and Chairman of Audit Committee, Yanbu National Petrochemical Company	1983: Bachelor of Accounting, King Saud University	Wide past experience in accounting and auditing fields at investment institutions.
11	Mr. Taha bin Mohammed Azhari	1. 2012: Member of BAJ Audit Committee 2. 2015: Senior Financial Officer, Saudi Civil Aviation Company Holding 3. 2017: Member of the Board of Directors, Batec Logistics and Investment Company 4. 2017: Director of the Board, Zahrat Al Waha Company.	1. 1993-1995: Financial Auditor, Arthur Anderson, Riyadh 2. 1995-1998: Internal Auditor, SAMBA Group 3. 1998-2001: Compliance and Quality Assurance Officer, SAMBA Group 4. 1999-2001: Internal Auditor, SAMBA Group 5. 2001-2004: Head of Internal Audit and Risk Group, Al-Othaim Trading Group. 6. 2004-2008: General Manager Finance Department, Saudi Super Stores Company (Carrefour) 7. 2008-20015: Economic Advisor to the CEO, National Water Company. 8. 2013-2016: member of Audit Committee, Aljazira Capital	1993: Bachelor of Accounting, King Saud University	Wide previous experience in accounting and auditing fields at many financial and investment institutions in and out of the Kingdom

S	Name	Present Position	Past Position	Qualifications	Experience
12	Mr. Abdulwahab bin Abdulkareem Al-Betairi	1. 2020: member of Risk Committee, Bank Aljazira 2. 2020 – Member of the Board of Directors of the National Company for Petrochemical Industries NATPET 3. 2015 - AD - Member of the Board of Directors of Alujain 4. 2015: Member of the Board, Sunbulah Group 5. 2015 - Executive Partner - Watar Business Partners Trading Company 6. 2014: Chairman of the Board, Investment Bakheet Assets 7. 2013: Member of the Board, Tadamon Al-Himmah Company Ltd. Liability. 8. 2004: Member of the Board, Manafez Ambulance and Disabled Vehicles Company 9. 2019: Member of the Board, Riyadh Cables Company.	1. 2002 – 2004 – Investment Specialist, the Saudi American Bank (SAMBA) 2. 2018-2020 Deputy Chairman of Advisory Committee, CMA 3. 2004-2014: Member of Executive Committee, Family Office Company, Bahrain	2010 – Master Business Administration, (London Business School)	He holds various past experience in accounting and auditing at many financial and investment institutions in and out of the Kingdom.
13	Mr. Tareq bin Abdulrahman Al-Shubaily	1. 2020: Member of Remuneration and Nomination Committee, BAJ 2. 2013: Member of Remuneration and Nomination Committee, Jazira Takaful Ta'awuni 3. 2020: Member of Remuneration and Nomination Committee, Aljazira Capital	1. 1982-1984: Remuneration and Incentives Controller, Petroline Crude Oil Project. 2. 1984-1987: Assistant Manager, Industrial Affairs,Petroline Mobil Refinery, Yanbu 3. 1987- 1989: Manager, HR, Petroline Company, Rabegh. 4. 1990-1993: Manager Human Resources, Planning and Recruitment, SMARK Company. 5. 1993-1994: Deputy Director General of Finance and Administration, Petronal-Smark company. 6. 1994-1995: Deputy General Manager for Special Projects, MADA Trading Co. Ltd., London, UK 7. 1996-1997:Executive Assistant to Deputy CEO, Almawarid Company Holding. 8. 1997-2008:General manager Human resources, SABB Mar-Sep 2009: General Manager Human Capital TADAWUL 9. 2010-2020: Head of Human Capital Group, BAJ	1981- Bachelor of Business Administration, Ohio University, USA	Past experience in human resources domain.
14	Mr. Abdulaziz bin Ibrahim bin Saad Al-Hadlaq	1. 2013: Member of Khair Aljazira Le-Ahl Aljazira Committee, BAJ	1. 1996-1998: Assistant General Manager, International Organizations Affairs, Ministry of Labor and Social Affairs. 2. 1998-2005: General Manager, International Organizations Affairs, Ministry of Labor and Social Affairs 3. 1996-2005: Member of the Board, International Work Organization 4. 2005-2006: General Supervisor of Public Affairs and Social Media Department, Ministry of Social Affairs 5. 2005-2007: Director of International Cooperation, Ministry of Social Affairs For Social Development 6. 2007-2011: Deputy Assistant Minister, Ministry of Social Affairs For Social Development 7. 2001-2013: Deputy Minister, Ministry of Social Affairs for Social Development 8. 2013-2017: Member of Shura Council	1. 1982: Bachelor of Social Services, King Saud University 2. 1984: Diploma of Community Development, Research and Training Center. 3. 1991: Diploma of International Development, Missouri Columbia University, USA 4. 1992: Masters of Community Development, Missouri Columbia University, USA	Past experience at various departments of the Ministry of Social Affairs in addition to membership of many international community-related organizations
15	Dr. Fahad bin Ali Al-Elayan	1. 2017: member, Social Awareness and Rehabilitation committee 2. 2018: member, Al-Shabab Social and Educational Club. 3. 2019: member of social responsibility committee (Khair Aljazira le Ahl Aljazira program), BAJ 4. 2020: member of work group, General Council of Sustainability – General Council of Banks and Islamic Institutions	1. 2003 - M - Director of the national cultural project for the renewal of the link The book, King Abdulaziz Public Library 2. 2003-2007 - Part-time advisor to the Ministry of Higher Education 3. 2005-2014 - Member of the Board of Directors of the Youth Club (General Supervisor of Social Responsibility) 4. 2005-2008 - Vice Dean of the University Center for Service Society and Continuing Education Imam Muhammad bin University Saud Islamic - Kingdom of Saudi Arabia 5. 2001-2018 - M - Faculty Member - College of Science Social / College of Education - Imam Muhammad bin Saud University Islamic - Kingdom of Saudi Arabia	1. 1990 Bachelor's College Sharia - Imam University Muhammad bin Saud Islamic University. 2. 1995 MA - Linguistics Applied - Imam University Muhammad bin Saud Islamic University. 3. 2001- PhD in Education Ohio University - States United States of America	He has multiple experiences in the academic and Educational including research and studies In addition to memberships of several related parties Developmental and social work, and participations Cultural and scientific.

* 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
* The board membership of Mr. Nabil Al-Hoshan ended after his resignation on 07 October 2020

c. Executive Management

Name: **Mr. Naif A. Al Abdulkareem**
Position: Chief Executive Officer and Managing Director

Educational and professional qualifications

University	Field of Specialty	Qualifications	Year
King Saud University	Financial Management	Bachelor Degree	1995
University of Illinois	Business Administration	Master Degree	2001

Previous positions

Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	Riyadh Bank	Credit Relationship Manager	2001 –2004
Banks and Financial Services	Listed Joint-Stock Company	NCB	Regional Manager – Retail Banking	2004 –2011
Banks and Financial Services	Listed Joint-Stock Company	SABB	Head of Private Banking	2011-2012
Banks and Financial Services	Listed Joint-Stock Company	SABB	GM Branches & Wealth Management	2012 –2013
Banks and Financial Services	Listed Joint-Stock Company	SABB	GM Retail & Wealth Management	2014 –2019
Banks and Financial Services	Listed Joint-Stock Company	SABB	DMD-Retail & Wealth Management	2019-2020
Banks and Financial Services	Closed Joint-Stock Company	SANID	Board Member/Excom Member	2014 –2017
Banks and Financial Services	Limited Liability Company	SABB Insurance Agency	Chairman of the Board	2012 –2018
Banks and Financial Services	Listed Joint-Stock Company	SABB Takaful	Board Member/Excom Member	2016 –2018
Financial Services	Closed Joint-Stock Company	HSBC-SA	Board Member	2017 –2019
Financial Services	Closed Joint-Stock Company	SIMAH	Board Member	2017 -2020

Current Positions

Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Chief Executive Officer	2020

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. Hamad Al-Ajaji

Position: Head of Private Banking and Wealth Management 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 and Wealth Management 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	Head of Corporate and Institutional Banking Group	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
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Legal Group and Board Secretary	2012 - 2019

Current Positions

Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Legal Group	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 Social Responsibility	2008
Charity	Listed Joint-Stock Company	Bank Aljazira	Head of Sharia and Social Responsibility Group	2015
Sport and Youth	Charity Foundation	Awareness and Social habilitation Society	Member of Board of Directors	2017
Charity	Governmental Organization	Al Shabab Club	Member of Board of Directors	2018
Sport and Youth	Specialized Organization	CIBAFI Sustainability Working Group (SWG	Member of the General Council Sustainability Working Group	2020

Name: **Mr. 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
Banks and Financial Services	Government	SAMA	Banking Inspector	2002 - 2010
Banks and Financial Services	Governmental Body	Ministry of Communication and IT	Audit and Compliance	2010 - 2013
Banks 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
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Chief Internal Audit Executive	March 2019

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. 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. Luay Al Nimri**
Position: Acting Head of Human Capital Group

Educational and professional qualifications

University	Field of Specialty	Qualifications	Year
Arab Open University	Business Management	Bachelor Degree	2010

Previous positions

Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	Samba Financial Group	Customer Service Manager	1984 – 1998
Banks and Financial Services	Listed Joint-Stock Company	Samba Financial Group	Tele Sales Manager	1998 – 2001
Banks and Financial Services	Listed Joint-Stock Company	Samba Financial Group	In house collection Manager	2001 – 2006
Banks and Financial Services	Listed Joint-Stock Company	ANB	Head of Phone Banking	2006 – 2010
Banks and Financial Services	Listed Joint-Stock Company	SABB	Head of Direct Sales	2006 – 2010
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Call Center & Telesales	2013 – 2015
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Head of Collections & Remedial Division	2013 – 2015

Current Positions

Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Acting Head of Human Capital Group	2020

Name: **Mr. Hamad Al Essa**
Position: Chief Compliance & AML Officer

Educational and professional qualifications

University	Field of Specialty	Qualifications	Year
King Saud University	Computer Science	Bachelor Degree	1984

Previous positions

Sector	Legal Entity	Company/ Organization	Position	Duration of Service
Banks and Financial Services	Listed Joint-Stock Company	Bank AlBilad	Chief Compliance & Anti-Money laundering officer	2016 - 2020

Current Positions

Sector	Legal Entity	Company/ Organization	Position	Appointment Date
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Chief Compliance & AML Officer	2020

Name: **Mr. Nabil Al Hoshan***
Position: Chief Executive Officer and Managing Director (resigned Oct 2020)

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	2013 – 2020
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Executive Committee Member	2013 – 2020
Banks and Financial Services	Listed Joint-Stock Company	Bank Aljazira	Managing Director	2013 – 2020
Financial Services	Closed Joint-Stock Company	Aljazira Capital	Member of Board of Directors	2013 – 2020

* Mr. Nabil Alhoshan has resigned on 07 October 2020.

4) Brief description of the responsibilities and functions of board committees:

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. The board of directors determines the authorities and powers of this committee. It is the responsibility of the executive committee, in accordance with its delegated powers, to monitor the implementation of the strategy and policies set by the board of directors, 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 in the fourth quarter of 2020, and it consists now of Engineer Tarek Al-Kasabi as chairman and Engineer Abdulmajeed Al-Sultan, Mr. Adil Dahlawi, Mr. Ibrahim Al-Shaia and Mr. Khalifah Al-Mulhem as members. The committee held 11 meetings during 2020 which were attended by members of the committee as described in the table below:

	Name	Functional Duty	No. of meetings										
			1st. meeting 22/01 2020	2nd. meeting 19/02 2020	3rd. meeting 15/04 2020	4th. meeting 17/05 2020	5th, meeting 17/06 2020	6th. meeting 23/08 2020	7th. meeting 16/09 2020	8th. meeting 21/10 2020	9th. meeting 18/11 2020	10th. meeting 16/12 2020	11th. meeting 30/12 2020
1	Eng. Tarek bin Othman Al-Kasabi	Chairman of Executive Committee	√	√	√	√	√	√	√	√	√	√	√
2	Eng. Abdulmajeed bin Ibrahim Al-Sultan	Member	√	√	√	√	√	√	√	√	√	√	√
3	Mr. Adil bin Saud Abdulhameed Dahlawi	Member	√	√	√	√	√	√	√	√	√	√	√
4	Mr. Khalifa bin Abdulatif Al-Mulhem (*)	Member	-	-	-	-	-	-	-	-	-	√	√
5	Mr. Ibrahim bin Abdulaziz Al-Shaia (*)	Member	-	-	-	-	-	-	-	-	-	√	√
6	Mr. Ibrahim bin Abdullah Al-Hedaithy (*)	Member	√	√	√	√	√	√	√	√	√	-	-
7	Mr. Nabil bin Dawood Al-Hoshan (*)	Member	√	√	√	√	√	√	√	-	-	-	-

(*) The committee was reformed by the Board of Directors effective 12 November 2020 after the appointment of Mr. Khalifah Abulatif Al-Mulhem as chairman and Mr. Ibrahim Al-Shaia in place of Mr. Ibrahim Al-Hedaithy and Mr. Nabil Al-Hoshan.

2. Audit Committee:

As per its terms of reference, the committee consists of 3 – 5 members. 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 all relations with the related parties and evaluation of its alignment with the ethical policies and regulatory and supervisory requirements.

The 61st Extra-ordinary general assembly, in its meeting held on 30 Dec 2020, 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 pf 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 lease 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 for this term consists of Mr. Adil Dahlawi, chairman and Mr. Fawaz Al-Fawaz and Mr. Taha Azhari, members. The committee composition was ratified by the General Meeting held on 19 Dec 2018. The committee held 5 meetings during 2020 which were attended by the chairman and members, as shown in the table below:

	Name	Functional Duties	No. of meetings				
			1st. meeting 27.01.2020	2nd. meeting 01.04.2020	3rd. meeting 20.05.2020	4th. meeting 20.07.2020	5th. meeting 20.10.2020
1	Mr. Adil bin Saud Dahlawi	Chairman of Audit Committee	√	√	√	√	√
2	Mr. Fawaz bin Mohammed Al Fawaz	Member	√	√	√	√	√
3	Mr. Taha bin Mohammed Azhari	Member	√	√	√	√	√

3. Nomination and Remuneration Committee

The board of directors, based on its powers and authorities, forms the Nomination and Remuneration Committee which consists of 3-5 members from and out of 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, assessment of the effectiveness of the board and sub-committees, performing reviews of the board of directors' and management 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 61st Extra-ordinary general meeting, in its meeting held on 30 Dec 2020 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 was reformed by the board in the fourth quarter of 2020, and it consists of Engineer Abdulmajeed Al-Sultan, chairman, Khalifa Abdulatif Al-Mulhem, Mr. Ibrahim Al-Hedaithy, Mr. Ibrahim Al-Shaya and Mr. Tareq Al-Shubaily, members. The committee held 3 meetings during 2020 which were attended by the chairman and members of the committee as reflected in the table below:

	Name	Functional Duties	No. of meeting		
			1st. meeting 23.02.2020	2nd. Meeting 29.06.2020	3rd. meeting 01.12.2020
1	Eng. Abdulmajeed bin Ibrahim Al-Sultan	Chairman of the Nomination and Remuneration Committee	-	-	√
2	Mr. Ibrahim bin Abdulaziz Al-Shaia	Member	√	√	√
3	Mr. Khalifah bin Abdulatif Al-Mulhem	Member	-	-	√
4	Mr. Ibrahim bin Abdullah Al-Hedaithy	Member	-	-	√
5	Mr. Tareq bin Abdulrahman Al-Shubaily	Member – non-Board member	-	-	√
6	Mr. Abdullah bin Saleh Al-Rasheed (*)	Chairman of the Nomination and Remuneration Committee	√	√	-

(*) The committee was reformed by the Board of Directors effective 12 November 2020 after the appointment of Eng. Abdulmajeed bin Ibrahim Al-Sultan , Mr. Khalifah bin Abdulatif Al-Mulhem , Mr. Ibrahim bin Abdullah Al-Hedaithy and Mr. Tareq bin Abdulrahman Al-Shubaily. While the membership of Mr. Abdullah bin Saleh Al-Rasheed ended.

4. Board Risk Committee

As per its terms of reference, the Board Risk committee consists of 3-5 members and hold 4 meetings per year at least. This committee assists the board of directors in fulfilling the responsibilities of overseeing the risks in the bank's businesses and controls relating to such risks. Its duties and responsibilities are focused on supervision and control, review of bank's ability to manage and undertake risks based on the analysis provided on the extent of risk management, formulation of appropriate risk management policies which need to be applied - adoption of the classification system applied in the bank and the basic policies for management of assets and liabilities as developed by the ALCO 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.

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 (13 January 2019). The committee was reformed by the board in the fourth quarter of 2020, and it consists of Mr. Ibrahim Al-Shaia, chairman, Mr. Khalifa Abdullatif Al-Mulhem, Mr. Turki Al-Fozan and Mr. Abdulwahab Al-Betairi, members. The committee held 5 meetings during 2020 which were attended by the chairman and members of the committee as reflected in the table below:

	Name	Functional Duties	No. of meetings				
			1st. meeting 20.02.2020	2nd. Meeting 17.03.2020	3rd. meeting 12.05.2020	4th. Meeting 13.09.2020	5th. meeting 10.12.2020
1	Mr. Ibrahim bin Abdulaziz Al-Shaia	Chairman of the Board Risk Committee	√	√	√	√	√
2	Turki bin Abdullah Al-Fozan	Member	√	√	√	√	√
3	Mr. Khalifah bin Abdulatif Al-Mulhem	Member	-	-	-	-	√
4	Mr. Abdulwahab bin Abdulkareem Al-Betairi	Member (non-Board member)	-	-	-	-	√
5	Mr. Abdullah bin Saleh Al-Rasheed (*)	Chairman of the Board Risk Committee	√	√	√	√	-

(*) The committee was reformed by the Board of Directors effective 12 November 2020 after the appointment of Mr. Khalifah bin Abulatif Al-Mulhem and Mr. Abdulwahab Al-Betairi. While the membership of Mr. Abdullah bin Saleh Al-Rasheed has ended.

5. Social Responsibility Committee (Khair Aljazira le Ahl Aljazira' program)

As per its terms of reference, the CSR committee consists of 3-5 members and holds 4 meetings per year at least. 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.

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			
			1st. meeting 26.01.2020	2nd. meeting 04.05.2020	3rd. meeting 20.09.2020	4th. meeting 13.12.2020
1	Eng. Abdulmajeed bin Ibrahim Al-Sultan	Chairman of Social Responsibility Committee	√	√	√	√
2	Mr. Abdulaziz bin Ibrahim bin Saad Al-Hadlaq	Member (Non-board member)	√	√	√	√
3	Dr. Fahd bin Ali Al-Elayan	Member (Non-board member)	√	√	√	√

5) 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 memberships:

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"
Eng. Tarek bin Othman Al-Kasabi	1. GOSI 2. Dallah Health Services Company 3. Ataa Educational Company 4. Rozam Investment Company 5. Technical Technology Localization Company 6. Al-Balad Al-Amin Company for Urban Development 7. Kingdom's University Company (Kingdom of bahrain) 8. RZM Gayrimenkul Anonim Sirketi (Turkey) 9. NEBA Gerimenkul Yatirimlari VE Ticaret A.S (Turkey)	In Kingdom 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	1. Aljazira Capital 2. Aseer Trading, Tourism and Industry Company 3. Serb Real-Estate Investment Company	In Kingdom In Kingdom In Kingdom	Closed Joint-Stock Closed Joint-Stock Closed Joint-Stock
Eng. Abdulmajeed bin Ibrahim Al-Sultan	1. Consolidated Brothers for Development Co. 2. Aljazira Takaful Ta'awuni 3. Royal and Sun Insurance Company (Egypt) 4. Al-Durrah Development Company	In Kingdom In Kingdom Out of Kingdom In Kingdom	Limited Liability Listed Joint-Stock Listed Joint-Stock Listed Joint-Stock	1. Packing and Wrapping Manufacturing Company 2. Qassim Cement Company	In Kingdom In Kingdom	Listed Joint-Stock Listed Joint-Stock
Mr. Abdullah bin Saleh Al-Rasheed	1. Adae Financial and Management Consulting Co 2. Insurance World Company 3. Saudi Gas Cylinder Manufacturing Company 4. 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	1. ANB 2. Educational Attache of KSA in Canada 3. Ministry of Higher Education 4. Saudi Traveler Cheques Company 5. Al-Othaim Commercial Company 6. Al-Othaim Holding Company 7. Khalid Al Baltan Group, Riyadh 8. 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	1. GOSI 2. Masdar Company	In Kingdom In Kingdom	Government Body One Person Company	1. Al-Rashid Accountants, Auditors and Legal Consultants. 2. Accounting and Auditing Organization for GCC Countries. 3. Saudi Fransi Insurance Company	In Kingdom In Kingdom In Kingdom	Limited Liability Government Body Listed Joint-Stock
Mr. Adil 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-Hedaithy	1. ESNA Holding 2. Bank Aljazira 3. Body Masters 4. Albasar Medical Services Ltd. 5. Meras (Arabia) Holding Co. 6. Sultan Delight Burger	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	Holding Listed Joint-Stock Limited Liability Limited Liability Joint-Stock Limited Liability	1. MEFFIC Capital 2. Freshlink Ltd.	In KSA In KSA	Closed J S Limited Liability
Mr. Turki bin Abdullah Al-Fozan	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	
Mr. Khalifa bin Abdulatif Al-Mulhem	1. White Cement Company 2. Advanced Petrochemical Company 3. IGI Company, Jordan 4. Al-Jazira Support Services Company 5. Albahri Maritime Company 6. Walaa Insurance Company	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	Listed Joint-Stock Listed Joint-Stock Closed Joint-Stock Closed Joint-Stock Listed Joint-Stock Listed Joint-Stock	1985-2002 – Member of the Board, SABB 2. 1987-1994-Director of the Board, Saudi Spanish bank. 3. 2012-2017 – Member of the Board, Etifaq Steel Company. 4. 2007-2018 Member of the Board, BAJ	In Kingdom In Kingdom In Kingdom In Kingdom	Listed JS JS Closed JS Listed JS
Mr. Nabil bin Dawood Al-Hoshan (*)				1. Aljazira Capital	In Kingdom	Closed J S

- **The board membership of Mr. Nabil Al-Hoshan ended after his resignation on 07 October 2020**

6) Statement of Shareholders General meetings held during the fiscal year 2020 and the names of attending directors:

Two shareholders general meetings were held in the year 2020:

1) First Extra-Ordinary General Meeting held on 15 April 2020

The following agenda was discussed:

1. To approve the directors report for the fiscal year ending 31 December 2019.
2. To approve the financial statements for the fiscal year ending 31 December 2019.
3. To approve the auditors' report for the fiscal year ending 31 December 2019.
4. To relieve the directors from their liability for the year ending 31 December 2019.
5. To approve the appointment of the bank 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 2020 and to fix their fees.
6. To approve the Board recommendation for distribution of dividends to shareholders for the fiscal year ending 31 December 2019 of SAR 0.30 per share after deduction of Zakat for the eligible shares of 820 Million shares, which represents 3% of the paid-up capital, in the amount of SAR 246 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.
7. 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 and approval thereof for a next year. The sum of this related transaction in the year 2019 amounted to SAR273,8 Million. No preferential conditions apply to this transaction.
8. 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 2019 amounted to SAR 28,7 Million. No preferential conditions apply to this transaction.

The Bank published on 23 Sha'aban 1441 (16 April 2020), on Tadawul and BAJ websites, the resolutions taken at this General Meeting.

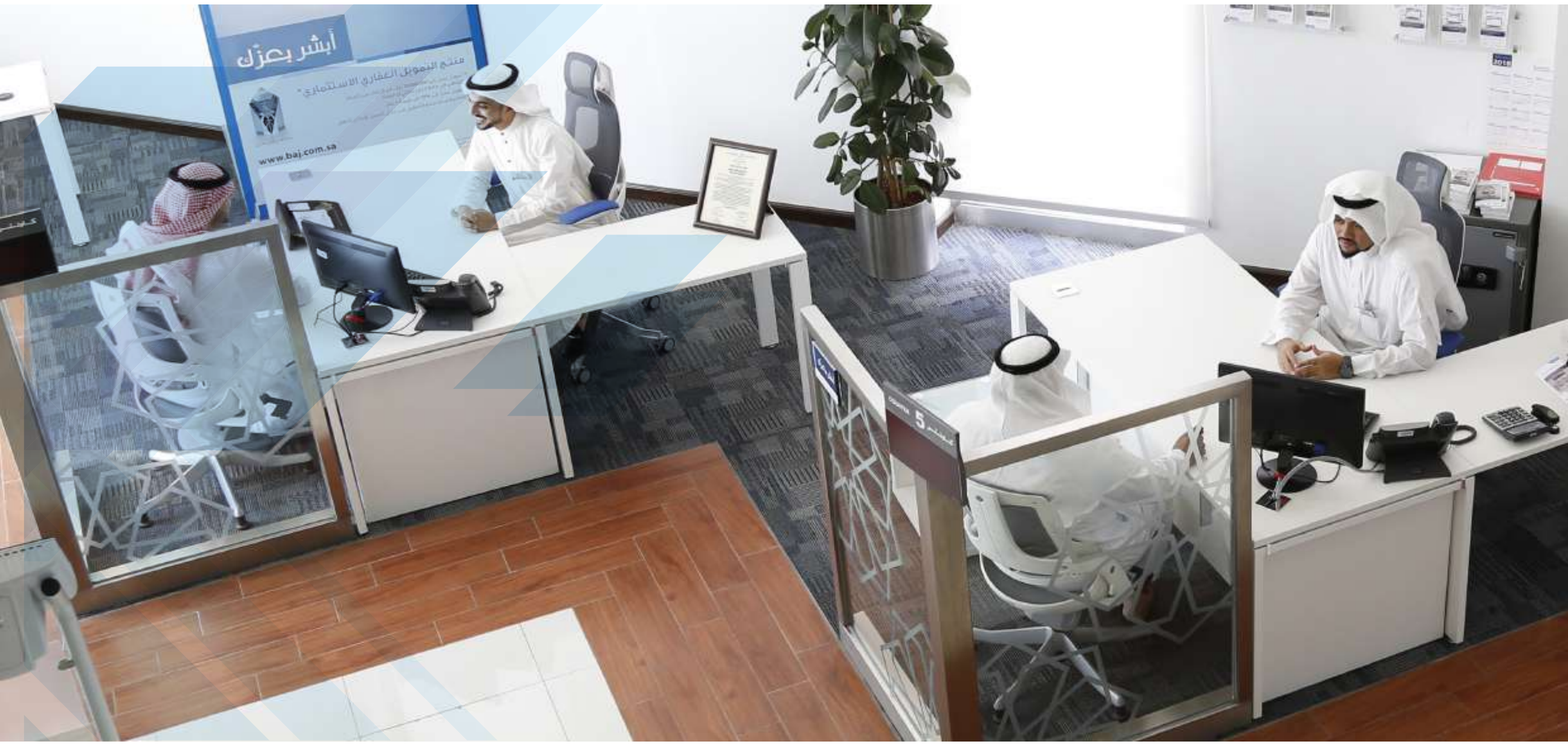
2) Second Extra-Ordinary General Meeting held on 30 Dec. 2020

The following agenda was discussed:

1. To approve amendment of audit committee terms of reference
2. To approve amendment of Remuneration and Nomination terms of reference.
3. To approve the Board resolution appointing Mr. Khalifa bin Abdulatif Al-Mulhem, (independent member) on the Board of Directors in the vacant position effective June 29, 2020 to the end of the current term of the Board on December 31, 2021, to succeed the former member (Abdulkareem bin Ibrahim Al-Mayouf) (independent member).
4. To authorize the board of directors to pay dividends on half yearly or quarterly basis, for the year 2021.
5. To authorize 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.
6. To approve amendment of remuneration policy for members of the board, sub-committees and executive committee.
7. To approve transfer of SAR 68 Million from the general reserve to retained earnings.
8. To approve amendment of Article 3 of the Bank's Articles of Association relating to Company objectives.
9. To approve addition of Article 4 of the Bank's Articles of Association relating to shareholding of companies
10. To approve amendment of Article 5 of the Bank's Articles of Association relating to Company head office and other offices.
11. To approve amendment of Article 6 of the Bank's Articles of Association relating to Company term.
12. To approve amendment of Article 7 of the Bank's Articles of Association relating to Company's capital.
13. To approve amendment of Article 8 of the Bank's Articles of Association relating to issuance of shares at premium and co-held shares.
14. To approve amendment of Article 9 of the Bank's Articles of Association relating to share transfer.
15. To approve amendment of Article 10 of the Bank's Articles of Association relating to transfer records.

16. To approve amendment of Article 11 of the Bank's Articles of Association relating to share trading.
17. To approve amendment of Article 12 of the Bank's Articles of Association relating to reservation of share and sale of reserved shares.
18. To approve amendment of Article 13 of the Bank's Articles of Association relating to Capital increase.
19. To approve amendment of Article 14 of the Bank's Articles of Association relating to Capital Decrease.
20. To approve amendment of Article 17 of the Bank's Articles of Association relating to Board of Directors.
21. To approve amendment of Article 18 of the Bank's Articles of Association relating to membership termination.
22. To approve amendment of Article 19 of the Bank's Articles of Association relating to Board authorities.
23. To approve amendment of Article 20 of the Bank's Articles of Association relating to Executive committee.
24. To approve amendment of Article 21 of the Bank's Articles of Association relating to Audit Committee.
25. To approve amendment of Article 22 of the Bank's Articles of Association relating to board member remuneration relating to board meetings
26. To approve amendment of Article 24 of the Bank's Articles of Association relating to Board meetings.
27. To approve the addition of Article 26 of the Bank's Articles of Association relating to Disclosure of personal interests and company competition.
28. To approve amendment of Article 28 of the Bank's Articles of Association relating to shareholders meetings.
29. To approve amendment of Article 29 of the Bank's Articles of Association relating to attendance of shareholders meetings.
30. To approve amendment of Article 31 of the Bank's Articles of Association relating to ordinary general assemblies.
31. To approve amendment of Article 32 of the Bank's Articles of Association relating to extra-ordinary general meetings.
32. To approve amendment of Article 33 of the Bank's Articles of Association relating to general assemblies.
33. To approve amendment of Article 37 of the Bank's Articles of Association relating to voting rights.
34. To approve amendment of Article 38 of the Bank's Articles of Association relating to decision taking conditions at shareholders meetings.
35. To approve amendment of Article 39 of the Bank's Articles of Association relating to shareholders rights to raise questions at the general assemblies.
36. To approve amendment of Article 46 of the Bank's Articles of Association relating to dividend distribution.
37. To approve amendment of Article 48 of the Bank's Articles of Association relating to disputes.
38. To approve amendment of Article 49 of the Bank's Articles of Association relating to company dissolution and liquidation.
39. To approve amendment of Article 51 of the Bank's Articles of Association relating to confidentiality pledge by board members and staff.

The Bank published on 16 Jumada I, 1442 (31 Dec 2020), on Tadawul and BAJ websites, the resolutions taken at this General Meeting.



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

S	Name	1st. EOGM (15.04.2020)	2nd. EOGM (30.12.2020)
1	Eng. Tarek bin Othman Al-Kasabi	√	√
2	Eng. Abdulmajeed bin Ibrahim Al-Sultan	√	√
3	Mr. Abdullah bin Saleh Al-Rasheed	√	√
4	Mr. Ibrahim bin Abdulaziz Al-Shaia	√	√
5	Mr. Adil bin Saud Dahlawi	√	-
6	Mr. Ibrahim bin Abdullah Al-Hdaithy	√	-
7	Mr. Turki bin Abdullah Al-Fozan	√	√
8	Mr. Khalifah bin Abdulatif Al-Mulhem (*)	-	√
9	Mr. Nabil bin Dawood Al-Hoshan (**)	√	-

*The Board membership of Mr. Khalifah bin Abdulatif Al-Mulhem started in the 29th of June 2020.

** The board membership of Mr. Nabil Al-Hoshan ended effective 7th October 2020

7) 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 esponsibilities. 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**

8) 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 2020		End of the year 2020		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 2020		End of the year 2020		Net change	% change
		No. of share	Debt instruments	No. of share	Debt instruments		
1	Eng. Tarek bin Othman Al-Kasabi	-	-	-	-	-	0%
2	Eng. Abdulmajeed bin Ibrahim Al-Sultan	2,731	-	2,731	-	-	0%
3	Mr. Adil bin Saud Dahlawi	-	-	-	-	-	0%
4	Mr. Turki bin Abdullah Al-Fozan	50	-	50	-	-	0%
5	Mr. Abdullah bin Saleh Al Rasheed	2,050	-	2,050	-	-	0%
6	Mr. Ibrahim bin Abdulaziz Al-Shaia representing GOSI	7,390,992	-	7,390,992	-	-	0%
7	Mr. Ibrahim bin Abdullah Al-Hedaithy	10,172	-	10,172	-	-	0%
8	(*)Mr. Khalifah bin Abdulatif Al-Mulhem	4,068,722	-	314,304	-	- 3,754,418	-%92.28
9	(**) Mr. Nabil bin Dawood Al-Hoshan	5,464	-	5,464	-	-	0%

*The Board membership of Mr. Khalifah bin Abdulatif Al-Mulhem started in the 29th of June 2020.

**The board membership of Mr. Nabil Al-Hoshan ended effective 7th October 2020

Description of any interest, securities and subscription rights held by senior executives, their spouses and minor children:

S	Name of interested person	Beginning of the year 2020		End of the year 2020		Net change	% change
		No. of share	Debt instruments	No. of share	Debt instruments		
1	Mr. Naif bin Abdulkareem Al-Abdulkareem CEO	-	-	-	-	0	0%
2	Mr. Shahid Amin Senior Finance Officer	-	-	-	-	0	0%
3	Mr. Mohammed bin Ibrahim Al-Obaid Company Secretary and Head of Governance Group	-	-	-	-	0	0%
4	Mr. Nabil bin Dawood Alhoshan Board member, CEO and Managing Director(*)	5,464	-	5,464	-	0	0%

*The board membership of Mr. Nabil Alhoshan ended effective 7th October 2020

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 company 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 2020, 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

Compensation Policy

The BAJ reward and remuneration 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 subject to the rules of Companies Act, Principles of Governance of Banks operating in the Kingdom of Saudi Arabia, the Rewards and remuneration rules issued by the Saudi Central Bank , 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 2020, 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:

Remunerations of Senior Executives

Board Remuneration

For the year ending 31, Dec 2020

	Fixed remunerations							Variable remunerations						End-of-service award	Aggregate Amount	Expenses Allowance
	Specific Amount	Allowance for attending Board meetings	Total allowance for attending committee meetings committee	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total			
First: Independent Directors																
Mr. Abdullah bin Saleh Al-Rasheed	450,000	20,000	30,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Mr. Ibrahim bin Abdulaziz Al-Shaia	450,000	5,000	45,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	9,994
Mr. Adil bin Saud Abdulhameed Dahlawi *	550,000	-	75,000	-	-	-	625,000	-	-	-	-	-	-	-	625,000	-
Mr. Khalifa bin Abdulatif Al-Mulhem	229,313	20,000	15,000	-	-	-	264,313	-	-	-	-	-	-	-	264,313	-
Total	1,679,313	45,000	165,000	-	-	-	1,889,313	-	-	-	-	-	-	-	1,889,313	9,994
Second: Non-Executive Directors																
Eng. Tarek bin Othman Al-Kasabi	450,000	-	50,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Eng. Abdulmajeed bin Ibrahim Al-Sultan	450,000	-	50,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Mr. Ibrahim bin Abdullah Al-Hedaithy	450,000	-	50,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Mr. Turki bin Abdullah Al-Fozan	450,000	25,000	25,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Total	1,800,000	25,000	175,000	-	-	-	2,000,000	-	-	-	-	-	-	-	2,000,000	-
Third: Executive Directors																
Mr. Nabil bin Dawood Al-Hoshan	343,970	15,000	35,000	-	-	-	393,970	-	-	-	-	-	-	-	393,970	-
Total	343,970	15,000	35,000	-	-	-	393,970	-	-	-	-	-	-	-	393,970	-

*This amount also contains the amount received for his membership in the Audit Committee

Committee Members Remuneration

(SAR)

	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending Board meetings	Total
Executive Committee members			
Eng. Tarek bin Othman Al-Kasabi	-	50,000	50,000
Eng. Abdulmajeed bin Ibrahim Al-Sultan	-	25,000	25,000
Mr. Adil bin Saud Abdulhameed Dahlawi	-	50,000	50,000
Mr. Khalifa bin Abdulatif Al-Mulhem	-	5,000	5,000
Mr. Ibrahim bin Abdulaziz Al-Shaia	-	5,000	5,000
Mr. Ibrahim bin Abdullah Al-Hedaithy	-	45,000	45,000
Mr. Nabil bin Dawood Al-Hoshan	-	35,000	35,000
Total	-	**215,000**	**215,000**
Audit Committee members			
Mr. Adil bin Saud Abdulhameed Dahlawi	100,000	25,000	125,000
Mr. Fawaz bin Mohammed Al-Fawaz	100,000	25,000	125,000
Mr. Taha bin Mohammed Azhari	100,000	25,000	125,000
Total	**300,000**	**75,000**	**375,000**
Remuneration and Nomination Committee members			
Eng. Abdulmajeed bin Ibrahim Al-Sultan	-	5,000	5,000
Mr. Ibrahim bin Abdulaziz Al-Shaia	-	15,000	15,000
Mr. Khalifa bin Abdulatif Al-Mulhem	-	5,000	5,000
Mr. Ibrahim bin Abdullah Al-Hedaithy	-	5,000	5,000
Mr. Tareq bin Abdulrahman Al-Shubaily	13,698	5,000	18,698
Mr. Abdullah bin Saleh Al-Rasheed	-	10,000	10,000
Total	**13,698**	**45,000**	**58,698**
Risk Committee members			
Mr. Ibrahim bin Abdulaziz Al-Shaia	-	25,000	25,000
Mr. Turki bin Abdullah Al-Fozan	-	25,000	25,000
Mr. Khalifa bin Abdulatif Al-Mulhem	-	5,000	5,000
Mr. Abdulwahab Bin Abdulkareem Al-Betairi	13,698	5,000	18,698
Mr. Abdullah bin Saleh Al-Rasheed	-	20,000	20,000
Total	**13,698**	**80,000**	**93,698**
Social Responsibility Committee members (Khair Al-jazira Le Ahl Aljazira)			
Eng. Abdulmajeed bin Ibrahim Al-Sultan	-	20,000	20,000
Mr. Abdulaziz bin Ibrahim Al-Hadlaq	100,000	20,000	120,000
Dr. Fahd bin Ali Al Elayan	100,000	20,000	120,000
Total	**200,000**	**60,000**	**260,000**

** The Audit Committee, Remuneration and Nomination Committee, Risk Management Committee and Social Responsibility Committee includes members who are not Directors of the Board.*

Remuneration of five senior executives, including the CEO and chief financial officer:

SAR

Senior Executives	Fixed remunerations				Variable remunerations						End-of- service award	Total remuneration for Board executives, if any	Aggregate Amount
	Salaries	Allowances	In-kind benefits	**Total**	Periodic remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	**Total**			
5 senior executives including CEO and Senior Finance Officer	15,181,623	1,045,424	-	16,227,047	4,000,000	-	17,634,500	-	-	21,634,500	6,651,931	-	44,513,478

Internal Audit Group

The Bank's Internal Audit Group performs internal independent audit and control review function for the Bank, covering all businesses and functions. 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 2020, 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 reinforces BAJ position within the Saudi banking industry by offering innovative products and smart banking solutions with a nationwide distribution network of 79 branches, 19 Ladies sections, 612 ATMs, and 19,300 Point of Sale devices. Our products and services are designed to meet the end-to-end needs of all customers from online account opening to time deposits, debit and credit cards to personal finance in addition to a wide range of mortgage finance products.

Furthermore, our Electronic Banking services are among the best in the Saudi Market with Aljazira Phone being awarded for the best in customer service in the world. Aljazira SMART and Aljazira Online re-launch has made a great impact on usage and transaction based returns. Overall, BAJ Liabilities portfolio has increased to reach SAR 42,056 million in Q4 2020. Meanwhile, the Group's Loans book has increased by 13% in Q4 2020 to reach SAR 27,238 million from SAR 24,103 million in Dec 2019. Following the promising growth in the Real Estate finance market, the Bank's real estate finance portfolio grew by 18% in 2020 compared to 2019, with an estimated market share of over 4% by year end.

Aljazira savings account was launched on July 2020 as a unique and highly flexible product in accordance with Sharia regulations that takes into account customer's best interest. The account has the ability to be opened and managed directly via the Internet without the need to visit a branch and without a minimum requirement, with the possibility of opening multiple accounts and obtaining monthly returns.

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. Despite the exceptional circumstances during the year, the group continued to achieve major growth compared to last year.

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.

The average customer deposits increased by 19% as of the end of 2020.

During the year, the Group Collaborates closely with Al Jazira Capital to provide advisory services and investment opportunities for HNW individuals, and in establishing a new Wealth Management Department. Its primary aim is to support Private Banking in developing sharia compliant wealth management proposition platform. This continuous collaboration has led to a significant increase in the size of our customer investment portfolios. The total loans and advances has increased by 25% as of the end of 2020.

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.

The Group serves its customers through 3 centers located in Riyadh, Jeddah and AlKhobar. These centers offer all services and banking transactions needed by HNW individuals through highly qualified Saudi cadres.

Banking Services Group - FAWRI

Despite of all challenges and limitations of being relatively new in the remittance business, Fawri continued to expand its market share and reaffirm its position amongst the top remittance service providers in the Kingdom of Saudi Arabia.

In the year 2020, Fawri has propelled a significant transformation in remittances through digital platforms by persistently improvising customer experience of sending money through BAJ digital platforms at very competitive pricing. The introduction of "Online customer registration" and "Online customer complaint system" has been a valuable addition to service excellence thereby; strengthening the trust of our customers.

Complying with Saudization policy, Fawri has successfully managed to achieve 100% Saudization at its remittance centers. In addition, two new centers were added including; a fully dedicated ladies branch taking the tally to "62 remittance centers" across the Kingdom. More remarkably, Fawri has made a giant leap by launching and equipping remittance centers with "Instant Fawri Card printing" and "POS machines".

Fawri continues to expand its Global outreach through MoneyGram and RIA wherein money can be collected from over 600,000 payout locations, in addition to having a separate and direct presence in 10 countries through "24 direct correspondent banking partners".

Going forward, Fawri will continue to offer innovative products and services to all customer segments with the prime focus on digital channels and by providing a hassle-free customer experience..

Enterprise Risk Management Group (ERMG)

During the year 2020 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 and also SAMA's Cyber Security Framework, 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 Compliance and AML division. Bank has put 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)

Bank Aljazira continued in offering its Sharia compliant products and services to its growing clients. Its diverse range of products and services have enabled the Bank to reach out to a wide client base, thereby building strategic partners and offering a unique banking experience. The professional approach and quality service offered have remained a hallmark of the bank in attracting and retaining clients in a highly competitive market for corporate and commercial lending. Moreover, the working environment and competent staff members equipped with valuable corporate banking expertise, supported by expeditious decision making process have well positioned the bank to provide customized financial and banking services and advisory solutions to corporate clients, which is well appreciated by the clients. We take pride in the success achieved in terms of significantly expanding our client base which includes government and public sectors, financial institutions and top tier private sector companies operating across diverse economic segments.

In 2020, CBG has continued with its untiring efforts to promote and uphold the service values and attributes which have enabled us to become successful. We realize that providing total customer satisfaction together with the efficient service standards and wide array of products is key to achieving success.

COVID 19 global pandemic seriously impacted business sectors across all segments in the Kingdom during the year and many corporate clients experienced significant decline in business activity. As a result, achieving business targets has become a challenge. However, with its strategic vision coupled with the significant initiatives for growth, the bank has been well equipped to remain a front runner amongst the fully Shari'a compliant corporate banking groups in the Kingdom.

During 2020, CBG performed exceedingly well achieving a 12% growth in its financing portfolio over the preceding year. Motivated efforts to solicit new business and exploiting our close bond with existing clients to capture new financing opportunities have been the key drivers behind our good performance. During the year, excellent progress was also achieved in terms of cross selling BAJ's wide range of Islamic products. Our portfolio remains well diversified and hence is devoid of any excessive exposure to a single market segment. While exerting maximum efforts to grow, CBG has employed a cautious and selective approach to ensure that asset quality is maintained and the risk of portfolio impairment is minimized considering the overall macroeconomic environment.

In 2021, CBG intends to continue with the same growth momentum buoyed by the signs that the economic slowdown is beginning to fade away. We will look to capitalize on our key strengths which include the strong brand name, relationship-driven approach, dedicated service, emphasis on risk management and proven management track record, to provide our clientele a more enlivening banking experience with a view to further consolidating the position of Bank Aljazira as the preferred choice amongst corporate clients.

Specialized Finance Division (SFD)

Specialized Finance Division participates in syndicated deals for mega projects, in line with Bank's growth strategy and risk appetite. Capitalizing on its specialty, SFD is also engaged in offering its expertise in project finance solutions and providing agency functions to large corporate customers. Despite the challenges experienced during the year 2020 mainly due to global COVID-19 pandemic, SFD has far exceeded its budgeted asset and recorded a remarkable growth of 39% by participating with other leading banks in mega syndicated deals arranged in favour of corporate and sovereign clients. Going forward, our focus is to actively consider playing major roles in future financing opportunities in line with the initiatives of the Kingdom for participation of private sector in large strategic projects.

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 900 clients.

Going forward, CBS will continue to provide enhanced Shari'a compliant products and services in order to meet and exceed customer requirements and expectations. 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 General Authority of Small and Medium Enterprises "Monsha'at" through the Kafalah program, where the bank is considered a very decent contender within the banks ranked at the second highest tier with the continuous aim to reach top tier ranking.

2020 was a difficult year, as BAJ had to manage various challenges both internally and externally given the current COVID-19 situation and negative aftermaths. However, we managed to sail through with minimal troubles given the hard work of all the people on the ground and also benefiting from the various government programs dedicated to support SMEs.

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 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. Also, among the services provided by GTS to is the cash transfer and delivery service.

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 also provides full support to all products available for corporate clients in coordination with the relevant departments such as Point of sales, Payment gateway, Business credit cards for corporate 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**

  MSME clients are categorized in line with the regulatory guidance and internal policy of the Bank, and are segmented 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

*Bank Aljazira considers Annual revenue as the main criteria, however, if this criteria is 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 centers for MSMEs located in the 3 main Regions (Central, Eastern & Western)
- Established Kafalah coordination team to streamline all matters between the bank and Kafalah program.
- Has in place a specific Risk Acceptance Criteria/ Customer Selection Criteria which includes a scoring mechanism aimed to improve overall turnaround time.
- Has in place a dedicated Call Centre (MSME Phone Banking) to serve existing and new prospect clients. Toll free number "800 244 9090"
- Has in place an Acquisition and Business Intelligence unit mainly to acquire new to bank clients and to act as a centralized unit for all corporate referrals.
- Has in place a segmentation module within the bank core system to differentiate between MSME clients segments, relationship, needs etc.
- Actively monitoring MSME activities/ performance on a monthly basis through a committee headed by the CEO.
- Continuous development of dedicated training programs for MSME RMs focusing on relationship, credit & risk management.
- Launched a Credit Card product for MSME clients.
- In the final stages of launching a new proposition called "AMAAL" which is a package of integrated banking and financial solutions specifically catered for MSME clients.

MSMEs unit and staff:

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	15
Number of training for Customer	-

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

(SAR '000)

	2020			
	Micro	Small	Medium	Total
Loans to MSMEs off BS	224,832	1,285,563	2,571,079	4,081,474
On BS MSMEs Loans as a % on Total BS Loans	100,857	301,861	1,027,403	1,430,121
Off BS MSMEs Loans as a % on Total BS Loans	0.4%	2.4%	4.8%	7.6%
Number of Loans on and Off	0.2%	0.6%	1.9%	2.7%
Number of Customers for Loans	179	387	591	1157
Number of Loans guaranteed by Kafalah program (on & Off)	371	272	166	809
Amount of Loans guaranteed by Kafalah program (on & Off)	55	63	18	136
Amount of Loans guaranteed by Kafalah program (on & Off BS)	39,213	49,921	42,763	131,897

	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 % on Total BS Loans	0.1%	0.4%	1.1%	1.6%
Off BS MSMEs Loans as a % on Total BS Loans	0.2%	0.5%	0.3%	1.0%
Number of Loans on and Off	131	533	558	1222
Number of Customers for Loans	322	240	143	705
Number of Loans guaranteed by Kafalah program (on & Off)	33	73	15	121
Amount of Loans guaranteed by Kafalah program (on & Off)	20,653	56,119	37,738	114,510

Treasury Group

Early 2020, the government started taking structured and strict measures to control the spread of COVID-19 pandemic. Treasury was well positioned for the new business environment by being engaged with the regulator on the readiness of optimal business continuity infrastructure. This helped Treasury to show strong performance and business growth. Treasury also worked closely with the central bank for smooth implementation of its stimulus program that eased overall liquidity conditions in the market.

On customer business, in particular Foreign Exchange, 4.5% growth was seen as a result of competitive pricing and market penetration. The sales teams continued to expand the business by tapping both new customers and market segments, widening the range of products and services, and aggressively pursuing cross selling strategies.

Treasury maintains a well-diversified portfolio, which during the year grew by SAR 2 billion, of zero-risk-weighted Sukuk, thus further strengthening the bank's investment book and credit profile. Being an appointed Primary Dealer for the NDMC (National Debt Management Center), Treasury stood to its commitments with total bids in the monthly auctions amounted to SAR 8.2 billion with allocations of SAR 4.8 billion, which clearly demonstrates Treasury's ability to reach customer base despite the constraints induced by the pandemic.

By means of state-of-the-art infrastructure, systems and technology, Treasury operated seamlessly during the pandemic, causing no services disruption to its customers. Additionally, Treasury continues to operate in a robust internal control environment implemented through a range of policies and procedures. Periodic reviews helps to strengthen policies and systems to align with best market practices and evolving regulatory requirements.

Human Capital Group

The year 2020 stands alone and unprecedented in light of the impact of the worldwide COVID 19 Pandemic, which resulted in some very significant social and professional effects and implications for the activities and operations of the Human Capital Group and the Bank on the whole.

The main concern of the Human Capital Group was therefore the safety of all staff across all sectors to minimize the spread of the contagion, and the stressing of the need to follow all necessary prescribed personal and organizational safety precautions, stemming from the official Health authorities containment directives and instructions.

In addition to the preparations necessary to contain and manage the human challenges of the pandemic, the Human Capital Group continued its unrolling and implementation of the advancements realized in 2020G, in a continuation and strengthening of its role as a full strategic and dynamic partner, complementing all areas of the bank through the implementation of all applicable official directives, and by keeping pace with all national regulatory and security requirements for contagion containment, while assuring maximum business continuity to assure the Banks's reputation and the welfare and safety of the staff and their families.

As for the contagion containment activities, the Human Capital Group took the initiative in eliminating and excluding all group workshops, training events, and other mass gatherings, replacing them with virtual conferencing and training, and other "remote" focused activities associated with correct social distancing health and safety directives in full compliance with the contagion containment imperatives issued by the Saudi Central Bank, (SAMA) and the national health authorities, from planning and implementing the technical and security requirements for remote working, to the distribution of work tasks for all areas to assure business continuity.

The Human Capital Group was also keen on the execution of all possible elements of its 2020 work plan and all individual and organizational transactions, in addition to its usual staff activities oversight through the establishment of a control center to support and advise all business units on the optimum means to manage their areas through the challenges presented by the contagion.

Additionally, 2020 was unique in its focus on regulatory compliance and audit initiatives for the bank as a whole, in which the Human Capital Group was a chief participant in the implementation of a myriad of corrective actions needed to keep pace with expanding novel regulatory requirements.

As was the case in 2019, the Recruitment Division continued its robust Saudi recruitment program in 2020, through the recruitment of select Saudi male and female staffers for all business lines bank wide, as well as continuing to offer select job and career opportunities, in keeping with the bank's continued commitment towards numerous new job and internship training prospects for college high school and trade school diploma holders, undergrads & post graduate candidates, which serves as one of the top attractors of desired fresh Saudi talents .

The Bank has accordingly maintained its already high success rate of effective Saudization of more than 94%. Furthermore, 2020 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.

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: Keeping in mind customers and shareholders satisfaction and expectations, the Shariah Group focuses on the Shariah quality control of Bank Al-Jazira services and products by conducting intensive review and audit of the bank's transactions to ensure all activities of the Bank and its subsidiaries are compliant with the Islamic Shariah rules. The Group submits quarterly reports to the bank's Shariah Board. Review of the Bank's transactions is based on the international audit criteria for sample selection.

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.

Governance: During the year, the Shariah Group developed and approved several regulations, procedures and policies to comply with the requirements of the Sharia governance framework of local banks operating in the Kingdom as issued by the Saudi Central Bank to enhance the Sharia governance, namely:

1. Shariah Committee terms of reference,
2. Shariah Group policies guide,
3. Shariah processes guide,
4. Sharia Group Communication and escalation policy,
5. Collaboration with the Governance Group for adjusting Aljazira Bank's governance framework to cope with the " Sharia governance framework of local banks operating in the Kingdom as issued by the Central Bank".

Services and Products: The Shariah Group believes that innovation and development derived from the Islamic Shariah Rules is an essential requirement to promote Islamic banking industry so as to be able to grow, compete and meet the accelerating and renewable market requirements. To this effect, the Group permanently cooperates with other business groups within the bank to innovate and develop their tools and services and helps in the automation of a lot of their processes to facilitate customer's transactions and enable them to achieve utmost investment of their time and avoid human errors as far as possible.

Research: The Group is aware that maintaining the Bank's status, as a pioneer bank in the Islamic banking industry, requires collection of information and preparation of reports and surveys about Islamic banking market and products, extent of customers' satisfaction and aspects of competition, points of strength and weaknesses and customers' expectations.

The Research Department of Sharia Group continued to collect and analyze data and information, prepare various reports, particularly on Islamic finance in the Kingdom of Saudi Arabia. In this context, 4 reports on Islamic finance activity in the Saudi market have been issued and published on the Bank's website, namely:

1. Islamic banking in the Saudi market,
2. Insurance Industry in the Saudi market,
3. Sukuk market in the Kingdom of Saudi Arabia,
4. COVID-19 impacts on the financial sector in the Kingdom of Saudi Arabia.

Apart from the above, the Research and Development Department has pursued and coordinated a study "Bank Aljazira experience in transforming to Islamic finance" which was prepared by a specialized team of Al-Sayari Office. The study highlights the distinguished and pioneering transformation experience of the Bank from a traditional bank to an Islamic Sharia-compliant bank.

Learning and Training: The Bank considers its employees its most valuable assets and most important tools for conducting its business. Based on this, the Shariah Group focuses on the development of employees' skills in the Islamic Banking industry in collaboration with the Human Resources Group.

Publication of Books and Scientific Research Papers: The Group has adopted a plan to spread knowledge through publishing and distribution of books and academic research papers which cater

for the financial aspects, particularly the Islamic finance issues. Such published books and academic research papers are distributed to students and educational and financial institutions free of charge. Two books were released this year:

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

Support to Islamic financial Industry: The Bank, through its Sharia Group, continues its support to infra-structure organizations of Islamic Financial Industry, including the Accounting and Auditing Organization for Islamic Financial Institutions - as the Bank sponsored the printing of Sharia standards, Council General of Islamic Banks and Financial Institutions, Council of Islamic Financial Services based on the bank's belief in the importance of supporting such institutions to enable them develop Islamic Financial Industry and achieve standardization. In spite of the exceptional circumstances dictated by COVID-19 pandemic this year, to cope with the latest developments in the Islamic finance industry, the Shariah Group participated in many of the conferences and workshops that were organized by such entities remotely via the electronic channels,

The efforts of the Bank's Shariah Group have reflected positively on how the community and customers look at the bank and have also enhanced the level of confidence therein as an Islamic bank and contributed to the Bank's winning of many awards in the Islamic financial services domain.

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

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

Bank Aljazira continues, through its social responsibility program ('Khair Aljazira le Ahl Aljazira' program), to emphasize its vital role in the community service and its active presence and support to sustainable development projects and Kingdom's male and female human resources.

The Covid19 pandemic was given a great attention by ('Khair Aljazira le Ahl Aljazira' program), and in the bank's awareness of the importance to participate in the government's efforts in mitigation of the pandemic impacts on individuals and institutions, lots of initiatives were launched in partnership with government and private organizations to help the most affected segments.

As part of its initiatives, Bank Aljazira contributed the amount of SAR 5.6 Million to the Health Endowment Fund in partnership with the Ministry of Health. It has also contributed SAR 3.49 Million to the Community Fund with the Ministry of Human Resources and Social Development. In addition, more than 22 initiatives were launched and supported across the Kingdom, including provision of food baskets, medical supplies and rental fees support for more than 7,500 beneficiaries.

In support of home-based businesses, the Bank provided support to a number of producing families for manufacturing of more than 40,000 cloth masks to be distributed to the most-needy segments of people.

Beneficiaries of Al-Qard Al-Hasan portfolio, through which the bank offers loans to productive families and micro-enterprises, were advised that payment of their repayment instalments was deferred for 6 months.

Despite the pandemic and crisis that impacted the year 2020, ('Khair Aljazira le Ahl Aljazira' program) community initiatives continued through the year, using available resources and means, to train and prequalify male and female youth, provide support to the disabled and their families as well as to non-profit sector; the number of those who benefitted from such initiatives exceeded 51,000 beneficiary through 59 community projects across the various regions of the Kingdom.

As part of its specific projects to serve endowments and non-profit sector, the bank has issued a book specialized in the (Endowment Mutual Funds) which book stands as a valuable guide for the parties wishing to benefit from such service.

At the Bank's internal level, an initiative was launched in the holy month of Ramadan for the bank staff to contribute for the provision of housing for a needy family through (Jood-Eskan) platform of the Ministry of Housing, and the bank's employees contributed the full amount in a very short period of time.

Support Group

In spite of the challenges and difficulties seen in the year 2020 , particularly the emergence of Covid 19 pandemic, Support Group continued to offer best services and support as needed to all groups and various departments to achieve the bank's objectives. .

The Group continued during the year to enhance its role by having contributed to a significant part of the achievements made towards equipping the new head office building in Jeddah, which construction works started in early 2020. In addition, two new branches were inaugurated and 4 new Fawri Money Transfer centers delivered in various regions of the Kingdom.

In line with the bank's strategic goals and objectives, Information Technology group continued to develop a technical platform that's aligned with the highest technology standards to support the development of current and future solutions as well as to support the bank's products and services in keeping pace with the remarkable increase in the volume of banking operations through digital channels and Aljazira Phone.

Strategy & Innovation division

Strategy department manages the relationship between the aspirations and orientations of the Bank's board of directors / executive management and those of the various business groups; the department supports and follows up on all matters required for the implementation of the approved plan to achieve the vision and objectives of the Bank's 2023 strategy while submitting its periodic reports to the Board of Directors.

The Innovation Department works to build and stimulate the innovation environment and concept of creative thinking in the bank; it seeks to provide innovative financial products and services through the process of linking and creating partnerships with start-ups and financial technology companies (Fintech).

Information Technology Group

In its endeavors to enhance the development of present and future solutions in support of the bank's products and services, the Information Technology Group continues to build a technical platform that's aligned with the highest international technology standards.. The new technical solutions provided were designed according to the bank's strategic goals and objectives that aim to meet the banking business objectives, support business continuity and present internal improvement initiatives for the bank, taking into account the challenges related to the mandatory continuous upgrade of the bank's systems during this period.

Examples of key accomplishments for the year 2020 include the completion of testing all bank's systems to ensure successful functioning for five working days from the backup data center, upgrade of Cisco verification service engine, upgrade of the payments system to the latest version and upgrade of the network security incident monitoring system.

Bank Operations Division

The responsibilities of this Division and its various departments and units include the handling of the various types of operations conducted at the bank, including the incoming and outgoing transfers to and from local banks through Saria system, international SWIFT payments, the most recent Central Bank system, IPS, direct debit transactions, standing payment orders, and internal departments operations of payment, transfers, etc. This is in addition to the implementation of new personal finance, supplementary, and residential real-estate financing for customers, including review of the opening and maintenance of accounts and application of Know Your Customer processes.

Apart from the above, the Division has successfully managed to keep pace with the remarkable increase in the volume of banking operations in 2020 as certain services have significantly increased due to the Covid 19 pandemic and the Saudi Central Bank's initiatives to mitigate its effects on citizens and merchants, which included the waiving of transfer fees, rescheduling of personal and commercial financing products, and exemption from account freezing due to expiration of identity.

Logistics & Shared Services

This group is specialized in providing all services and logistic support to Aljazira Group in terms of professional advice, consultation on the designs and implementation of the Bank's network expansion program, (Branches, FAWRI centers, ATMs, premises, and others);improvement of existing workplaces to be more compatible with business needs; provision of clean environment and utility services to employees and customers at all branches and head office buildings, including the security and safety to staff, clients and properties at all times; securing the continuity of business by making sure that all government permits and licenses are valid in addition to providing mailing services, storage, photocopying and archiving of daily banking transactions.

During the year, two retail branches were delivered, while Yanbu branch is still under construction and scheduled to be delivered by July 2021.

In addition, 4 Fawri centers were delivered, and a number of improvements were made to some centers for business requirements purposes along with other unplanned modifications as needed by other businesses, including ATMs where facilities for the handicapped were made such as ramps and dedicated parking.

Automation & Robotics Division

The principal objective of the Department of Automation and Robotics is to transform the bank to automation through the adoption and utilization of fastest emerging technologies in Robotics Process Automation, (RPA), Artificial Intelligence (AI), Machine Learning and Data Analytics.

As a team, we strive to contribute to the achievement of the bank's objectives to become the most modern and innovative Islamic bank, thus achieving expansion in the region. In the past six months, we were able to launch 5 robots, which contributed to saving costs and operational efficiencies, increasing productivity and reducing risks.

Digital Transformation and Channels Division:

The Digital Transformation and Channels Division is responsible for leading the digital transformation efforts across all bank sectors. This includes the management of digital channels for retail services such as Aljazira SMART. Aljazira Online, Aljazira Watch and for corporate services such as M-Corp and the electronic site E-Corp.

During the year 2020, the division delivered several projects such as the introduction of a new channel "Aljazira Watch" on Apple watches, the digital updating of KYC information, Digital opening of savings accounts, ESAL Payments and SADAD bulk payments.

Property and Contract Management division:

Property and Contract Management division consists of 5 units: Asset and Contract Management Unit, Business Continuity Unit, Special Projects Unit, Aman Real Estate Development and Investment Company and the Real Estate Appraisal Unit.

Contracts and Assets Management Unit:

The main achievements of this unit focused on the management of 44 real estate properties for a value of SAR 747 million and review, signing and keeping of 117 contracts worth of SAR 18,68 million.

Business Continuity Management Unit:

The Business Continuity Unit conducted a Crisis management simulation exercise which included in – house awareness training workshops for 215 employees and a business continuity test for 23 divisions in Riyadh and 27 in Jeddah.

Special Projects Unit:

The Special Projects Unit managed to obtain in February 2020 Executive Committee approval for the budget of Riyadh Headquarters Building project.

Aman Real Estate Development and Investment Company:

The management of **Aman Real Estate Development and Investment Company** managed to implement several transactions including the following:
22 Ejarah and 3,638 Murabaha Transactions, 320 Real Estate Returns, 47 sales to third parties, 34 Bayt Hassan transactions, 1,209 miscellaneous transactions, 127 POAs, 407 authorization letters, 73 corporate transactions and a total of 14,392 issued reports.

Project Management Office:

PMO provides support and organization to all BAJ annual projects in alignment with the concerned businesses. PMO delivered all Saudi Central Bank's (SAMA) required projects such as the Saudi Payment IPS, SAMA Tanfeeth Phase-II, GPI Swift Project, Saudi Payment, MBI as the first bank in Saudi Arabia, Withaq Portal and Natheer Service.

Supplier Management and Cost Rationalization Unit:

SMCR Unit had a remarkable role in achieving many of the bank's objectives, which was reflected in an increased total savings of SAR 126 million. Such increase was realized from various points which included: a saving in the Information Technology contracts of 12%, a saving in the insurance costs of 12%, a saving in the purchasing services of 4%, and a reduction of the recurring supply chain costs of 160%.

Aljazira Capital:

Local and global trading market conditions during 2020 made it a rewarding year for Aljazira Capital's (AJC) businesses. AJC maintained its leading position in the local brokerage market where trading volumes were well over double 2019 volumes. The year also witnessed a substantial increase in trading by clients on AJC's international trading platforms. AJC's contribution to BAJ Group is reflected in a solid financial performance for 2020 with a net operating income of SAR 145 million (2019: SAR 29 million).

Maintaining a leading position in the local brokerage business remains a core priority for AJC. During 2020, AJC's efforts were well rewarded and resulted in an increase in its equity brokerage fees to SAR 163 million (2019: SAR 55 million). Executed trades by AJC's local brokerage business during 2020 amounted to SAR 336 billion (2019: SAR 143 billion).

Investment Banking Services and Wealth Management product offerings were a particular focus for AJC during 2020 and we are pleased to report significant progress on the development of both these businesses. Investment Banking Services participated in the successful underwriting of the rights issue for Zain Saudi Arabia and acted as M&A advisor for Walaa Cooperative Insurance Company and Al-Ahlia Insurance Company. Investment Banking Services was also pleased to act as advisor on the acquisition by Dallah Healthcare of Kingdom Hospital. The Wealth Management Division successfully launched its business with some attractive investment opportunities for clients.

AJC was proud to receive from Refinitiv the 'Best International Equities Fund Award' for its International Equities Fund's performance over both three and five years. Refinitiv also recognized AJC's Diversified Aggressive Fund performance with its Best Fund award over three years.

Notwithstanding the geopolitical uncertainties in the region and the impact of the COVID pandemic, management remains optimistic regarding the prospects for the further development and growth of the financial services industry in the Kingdom of Saudi Arabia.

Future Plans:

Bank Aljazira is a leading Sharia-compliant financial services institution operating in the Kingdom of Saudi Arabia. The Bank offers a full range of banking products and services including Retail Banking, FAWRI (Remittance Business), Private Banking, Corporate Banking, Global Transaction Services and Treasury Services.

These offerings are further complemented with non-banking financial services in the form of Aljazira Capital and Aljazira Takaful, who offer services such as Investment banking, Asset management, Brokerage and Securities Services and Takaful insurance.

In 2020, the bank achieved several significant milestones and has continued to post strong asset growth. This has been driven through building a strong customer franchise with retail and corporate customers applying extensive focus towards cross-selling of the bank's retail, treasury, corporate, finance and investment banking products and services.

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.

Looking forward, the Bank has a stated ambition of being an Innovative Islamic institution leveraging digital by 2023.

In Retail Banking, we will continue our investments in leveraging new digital technologies to serve our existing and potential customers including innovative and superior product offerings that makes us unique.

Adding to that, we expect to drive exceptional service with a set of rich, connected customer's journeys demonstrating a deeply personal touch. To reach these goals, we have embarked on a digital transformation journey to improve our operations, get closer to our customers and empower our employees.

In Corporate Banking, we have built new digital platforms aimed at better serving the needs of the Bank's corporate customers through extensive packages of best finance trade products and import services, in addition to cash management services and e-Corp, which will be instrumental in the overall growth of the Bank's assets and profitability. Furthermore, we expect to have key offering in the various industries on new digital and mobile platforms.

We aim to continuously improve our execution efforts, leveraging digital to be an innovative Islamic institution.

Awards and Certification

BAJ was granted a number of awards and recognitions locally and internationally which reflects the banks integrity, professionalism and efforts in providing its valuable clients an exceptional products and services, and these are as follows;

- Excellence in Corporate Governance Index for Financial Sector Institutions for the 2nd year – Awarded to BAJ by Alfaisal University Corporate Governance Center – for the year 2020
- BAJ received Accreditation Certificate as "Approved Employer" status from the British Association of Chartered Certified Accountants (ACCA) for the year 2020
- Contact Center Awards – Gold Medals and 1st Rank for Best Contact Center and Best Customer Service in Europe Middle East and Africa for the year 2020
- 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
- Contact Center World Awards – Gold Medal and 1st rank in three Categories, Best Contact Center, Best in Customer Service and Best Branch Support Categories in Europe Middle East and Africa 2019.
- 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
- Contact Center World Awards – Gold Medal and 1st Rank for Best Contact Center and Best in Customer Service in the World 2019 – Awarded to BAJ by Contact 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
- Contact 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

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, 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, Saudi Central Bank (SAMA) and Capital Market Authority.

The Board also want 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.

بنك الجزيرة
BANK ALJAZIRA

Branches Network

Western Region

Makkah

Aziziah Branch Tel: (+966) 12 5571010		**Al Shawqiya Branch** Tel: (+966) 12 5391826
Al-Awali Branch Tel: (+966) 12 5501453		**Al Sitteen Branch** Tel: (+966) 12 5970339

Madinah

Madinah Branch Tel: (+966) 14 8451111 Fax: (+966) 14 8451953		**Khalidiyah Branch** Tel: (+966) 14 8491328 Fax: (+966) 14 8692579
Madinah Branch (Ladies) Tel: (+966) 14 8451956 Fax: (+966) 14 8451952		**Khalidiyah Branch (Ladies)** Tel: (+966) 14 8693381

Jeddah

Jeddah Main Branch (Al Nahda; formerly) Tel: (+966) 12 6098888 Fax: (+966) 12 2346838	**Al Bsateen Branch** (Alaya; formerly) Tel: (+966) 12 6949224	**Al Rehab Branch** Tel: (+966) 12 6756460
Jeddah Main Branch (Ladies) Tel: (+966) 12 6098888 Fax: (+966) 12 2347227	**Al Salama Branch** Tel: (+966) 12 6919719	**Al Rehab Branch (Ladies)** Tel: (+966) 12 6750190
Tahlia St. Branch Tel: (+966) 12 2610725	**Al Safa Branch** Tel: (+966) 12 6736712	**Makkah Road Branch** Tel: (+966) 12 6896600
Tahlia St. Branch (Ladies) Tel: (+966) 12 2610730 Fax: (+966) 12 2610731	**Sari Branch** Tel: (+966) 12 6901390	**Al Musa'adia Branch** Tel: (+966) 12 6610112
Khalid Bin Al-Waleed St. Branch Tel: (+966) 12 6518070	**Al Samer Branch** Tel: (+966) 12 2721870	**Al Musa'adia Branch (Ladies)** Tel: (+966) 12 6673700
Prince Sultan St. Branch Tel: (+966) 12 6075450	**Al Rabwa Branch** (Almakaronah; formerly) Tel: (+966) 12 6827683	**Al Noor Branch** Tel: (+966) 12 6098752
Prince Sultan St. Branch (Ladies) Tel: (+966) 12 6070828	**Al Naeem Branch** Tel: (+966) 12 6134333	**Al Balad Branch** Tel: (+966) 12 6485533

Taif

Al Taif Main Branch Tel: (+966) 12 7600116 Fax: (+966) 12 7600116		**Shehar Branch** Tel: (+966) 12 7426678 Fax: (+966) 12 7401737

Rabigh	Tabouk	Yanbu
Rabigh Branch Tel: (+966) 12 4233311 Fax: (+966) 12 4233366	**Tabouk Branch** Tel: (+966) 14 4432676 Fax: (+966) 14 4218320	**Yanbu Branch** Tel: (+966) 14 3572953

بنك الجزيرة
BANK ALJAZIRA

Branches Network

Central Region

Riyadh

Al Worood Branch (Olaya) Tel: (+966) 11 2157000	**Al Malqa Branch** Tel: (+966) 11 4102998 Fax: (+966) 11 4103017	**Al Kharj Branch** Tel: (+966) 11 5476259 Fax: (+966) 11 5476273
King Fahad Road Branch Tel: (+966) 11 2051870	**Al-Rayyan Branch** Tel: (+966) 11 2080166	**Al Rawdah Branch** Tel: (+966) 11 2543847 Fax: (+966) 11 2543843
King Fahad Road Branch (Ladies) Tel: (+966) 11 2051865	**Al-Rayyan Branch (Ladies)** Tel: (+966) 11 2085366	**Al Shefa Branch** Tel: (+966) 11 2715589
King Abdullah Road Branch Tel: (+966) 11 2642123 Fax: (+966) 11 2071361	**West Ring Road Br.** (Dahrat Al-Badiah;formerly) Tel: (+966) 11 4338441	**Ishbilia Branch** Tel: (+966) 16 8124276
King Abdullah Road Br. (ladies) Tel: (+966) 11 2642047	**Al Takhasusi Branch** Tel: (+966) 11 2936599	**Al Sahafa Branch** Tel: (+966) 11 2251657
Al Qods Branch (Uqba Bin Nafe'a; formerly) Tel: (+966) 11 2781416	**Al-Suwaidi Branch** Tel: (+966) 11 4288695 Fax: (+966) 11 4493064	**Al Mrouj Branch** Tel: (+966) 11 4154893
Al Qods Branch (Ladies) Tel: (+966) 11 2784387	**Al-Suwaidi Branch (Ladies)** Tel: (+966) 11 4287523 Fax: (+966) 11 4288735	**Al Malaz Branch** Tel: (+966) 11 2915490
Khurais Road branch Tel: (+966) 11 2256399	**Al-Nafl Branch** Tel: (+966) 11 2751086	**Huteen Branch** Tel: (+966) 11 2145324
Al Nassem Branch Tel: (+966) 11 2357813 Fax: (+966) 11 2356876	**Al-Nafl Branch (Ladies)** Tel: (+966) 11 2751086 Fax: (+966) 11 2755681	**Qurtobah Branch** Tel: (+966) 11 2936599
Al Ma'ather Branch Tel: (+966) 11 8108058 Fax: (+966) 11 8108058		

Qasim	Hail	ALJOUF
Buraidah Branch Tel: (+966) 16 3835310	**Hail Branch** Tel: (+966) 16 5712157	**Jouf Branch** Tel: (+966) 14 6460315
Onizah Branch Tel: (+966) 16 3624121		

Southern Region

Khamis Mushait		Abha
Khamis Mushait Branch Tel: (+966) 17 2216465	**Khamis Mushait Branch (Ladies)** Tel: (+966) 17 2351441	**Abha Branch** Tel: (+966) 17 2260798 Fax: (+966) 17 2296243
Jazan		**Najran**
Jazan Branch Tel: (+966) 17 3228594	**Abu Areesh Branch** Tel: (+966) 17 3402129	**Najran Branch** Tel: (+966) 17 5236291 Fax: (+966) 17 5238267

بنك الجزيرة
BANK ALJAZIRA

Branches Network

Eastern Region

Dammam

Dammam Main Branch Tel: (+966) 13 8321272 Fax: (+966) 13 8343314		**Al Jalawea Branch** Tel: (+966) 13 8153394 Fax: (+966) 13 8153379
Al Faisaliah Branch Tel: (+966) 13 8116653 Fax: (+966) 13 8116702		**Jarir Branch** Tel: (+966) 13 8420237 Fax: (+966) 13 8417226

Al Khobar

Al-Hada District Branch Tel: (+966) 13 8820040 Fax: (+966) 13 8878653	**Al Shatee Branch** Tel: (+966) 13 8324838 Fax: (+966) 13 8084458	**King Khalid St. Branch** Tel: (+966) 13 8942512 Fax: (+966) 13 8985330
Al-Hada District Branch (Ladies) Tel: (+966) 13 8828848 Fax: (+966) 13 8828722	**Al Shatee Branch (Ladies)** Tel: (+966) 13 8326314 Fax: (+966) 13 8082283	**Al Khobar Main Branch** Tel: (+966) 13 8346928 Fax: (+966) 13 8348156

Dhaharan

Al Doha Branch Tel: (+966) 13 8683512 Fax: (+966) 13 8912059	**Al Doha Branch (Ladies)** Tel: (+966) 13 8916927 Fax: (+966) 13 8912869	**Tilal Al Doha Branch** Tel: (+966) 13 8309188 Fax: (+966) 13 8309188

Al Ahsa

Al Hofuf Main branch Tel: (+966) 13 5863555 Fax: (+966) 13 5843111	**Al Shahbiyah Branch** Tel: (+966) 13 5995530 Fax: (+966) 13 5889078	**Al Shahbiyah Branch (Ladies)** Tel: (+966) 13 5995570 Fax: (+966) 13 5995560
Al Mabraz Branch Tel: (+966) 13 5730616 Fax: (+966) 13 8084381		**Al Salmaniyah Br.** (Al Nakheel; formerly) Tel: (+966) 13 5754310 Fax: (+966) 13 5364987

Jubail		Hafer Al Baten
Jubail Industrial –AlFanateer Br. Tel: (+966) 13 3670157 Fax: (+966) 13 3670157	**Jubail Plaza Branch** Tel: (+966) 13 3672701 Fax: (+966) 13 3471426	**Hafer Al Baten Branch** Tel: (+966) 13 7313417 Fax: (+966) 137313417

Qateef

Qateef Branch Tel: (+966) 13 8545463 Fax: (+966) 13 8545367		**Qateef Branch (Ladies)** Tel: (+966) 13 8558326 Fax: (+966) 13 8529877

Fawri فوري

خدمات تحويل الأموال
Money Transfer Services

Central Region

Al Batha/ Gaghazali BR. - 6101 Tel : (+966) 11 4068467 11 4068524	Manfouha Br. - 6108 Tel : (+966) 11 4571278 11 4571329	Sultanah Br. - 6114 Tel : (+966) 11 4283873 11 4285096
AL-Balad (Manila) Br. - 6102 Tel : (+966) 11 8108056 11 8108058	Al Naseem Br. - 6111 Tel : (+966) 11 2324529 11 2328366	Al Yarmouk Br. - 6112 Tel : (+966) 11 8103904 11 8103905
AL-Askary Br. - 6105 Tel : (+966) 11 4774889 11 4776472	Al Badiah Br. - 6109 Tel : (+966) 11 4101878 11 4101890	Al Rass Br. - 6522 Tel : (+966) 16 3392670 16 3392680
AL-Morooj Br. - 6106 Tel : (+966) 11 2031861 11 2033058	Al Sulay Riyadh - 6113 Tel : (+966) 11 2415523 11 2415570	Al-Shamaisi Br. - 6118 Tel : (+966) 11 8103242 11 8403198
Al-Khalidiya Br. - 6103 Tel : (+966) 11 4469290 11 4469311	Anas Ibn Malek - Al Yasmine - 6115 Tel : (+966) 11 8120043 11 8120051	Al Margab Br. - 6116 Tel : (+966) 11 4023424 11 4023430 /11 4023435
Al-Kharj Br. - 6120 Tel : (+966) 11 5456467 11 5456476	Industrial 2 - 6119 Tel : (+966) 11 8104209 11 8109653	Al Atyaf Mall Br. - 6131 Tel : (+966) 11 8102703 11 8103714
Al-Mountazah Br. - 6107 Tel : (+966) 11 4083414 11 4083384	Buraidah Br. Qaseem 6501 Tel : (+966) 16 3694869 16 3271294	Al Rabea Br. - 6132 Tel : (+966) 11 8102443 11 8102342
Al-Rawdah Br. - 6110 Tel : (+966) 11 2278447 11 2277506	Haiel Br. - 6510 Tel : (+966) 16 5349317 16 5349318	Villagio Mall Br. - 6130 Tel: 920013001
Al-Sulimania Br. - 6104 Tel : (+966) 11 4778350 11 4778541	Um Al Hammam Br. - 6117 Tel : (+966) 11 4824559 11 4824327	

Eastern Region

Jubail - 6705 Tel : (+966) 13 3448685 13 3448760	Al-Jalaweyah Br. - 6703 Tel : (+966) 13 8172190 13 8172623	Jubail - Industrial Br. - 6707 Tel : (+966) 13 3441119 13 3618118
Dammam Main - 6701 Tel : (+966) 13 8341347 13 8341976	Al Akrabiah Br. - 6714 Tel : (+966) 13 8984349 13 8949425	Hafr Al Batin Br. - 6747 Tel : (+966) 13 7310049 13 7310151
Block 91– 6702 Tel : (+966) 13 8190058 13 8190049	Industrial 2 Br. - 6709 Tel : (+966) 13 8021910 13 8021859	Lulu Al Dammam Br. - 6704 Tel : (+966) 13 8309023 13 8321202
Al Thouqba Br. - 6711 Tel : (+966) 13 8088319 13 8089747	Al Jubail 2 Br. - 6706 Tel : (+966) 13 3615383 13 3632256	
Al Eisa Mall – Al-Khobar Br. - 6710 Tel : (+966) 13 8084917 13 8088173	Al Ahsa Br. - 6731 Tel : (+966) 13 5732774 13 5732775	

Western Region

Al- Balad Br. - 6301 Tel : (+966) 12 2899757 12 2894596	Al Medina Al Menwara Br. - 6340 Tel : (+966) 14 8280357 14 8280328	Rabegh Br. - 6380 Tel : (+966) 12 4221246 12 4221247
Al- Heraa Br. - 6302 Tel : (+966) 12 6826902 12 6834007	Al Salama Br. - 6304 Tel : (+966) 12 2861719 12 605 8581	Al Joof Br.6570 Tel : (+966) 14 6222139 14 6222368 / 14 6222372
Al- Bawadi Br. - 6303 Tel : (+966) 12 6558167 12 6558592	Najran Br. - 6620 Tel : (+966) 17 5221993 17 5221846	Baish Br.- 6661 Tel : (+966) 17 3340447 17 3340225
Mishrifa Br. - 6306 Tel : (+966) 12 6737669 12 6736713	Bin Ladin Br. - 6316 Tel : (+966) 12 6811358 12 6811357	Al Otaibiah Br. 6363 Tel : (+966) 12 5970058 12 5970289
Abha Br. - 6605 Tel : (+966) 17 2240401 17 2283150	Khamis Musheit Br. - 6614 Tel: (+966) 17 2740534 17 2740535	Yanbu 2 Br. 6348 Tel : (+966) 14 3570124 14 3570190
Taif Br. - 6330 Tel : (+966) 12 7322543 12 7327792	Al Sharafiah Br. - 6308 Tel : (+966) 12 6304023 12 6303762	Al Khumra Br. 6317 Tel: 920013001
Bani Malik Br. - 6307 Tel : (+966) 12 6727797 12 6727727	Jizan Br. - 6646 Tel : (+966) 17 3220638 17 3220640	Bisha Br. 6618 Tel: 920013001
Al-Hamdaniyah Br. - 6311 Tel : (+966) 12 6071194 12 6070316	Tabuk Br. - 6580 Tel : (+966) 14 4216147 14 4221603	
Yanbu Br. - 6347 Tel : (+966) 14 3572748 14 3573406	Al Kakyah Br. - 6360 Tel : (+966) 12 5307034 12 5306986	

الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

Central Region

King Fahd Road Tel: (+966) 11 2256000 Fax: (+966) 11 2256182	**King Fahd Road-Ladies** Tel: (+966) 11 2256000 Fax: (+966) 11 2256182	**Al-Nafel** Tel: (+966) 11 2751086 Fax: (+966) 11 2742590
Ocbah Bin Nafee Tel: (+966) 11 2780486 Fax: (+966) 11 2780486	**Ocbah Bin Nafee-Ladies** Tel: (+966) 11 2781416 Fax: (+966) 11 2780486	**Al-Suwaidi** Tel: (+966) 11 4288716 Fax: (+966) 11 4493064
Al-Riyan Tel: (+966) 11 2083385 Fax: (+966) 11 2080166 - Ext. 306	**Al-Riyan - Ladies** Tel: (+966) 11 2083449 Fax: (+966) 11 2080166 - Ext. 306	

Qasim Region

Oniza Tel: (+966) 16 3634615 Fax: (+966) 16 3618412		**Buraida** Tel: (+966) 16 3835230 Fax: (+966) 16 3835204

Eastern Region

Al-Khubar Alhada Tel: (+966) 13 8820040 Fax: (+966) 13 8820040		**Jubail** Tel: (+966) 13 3670190 Fax: (+966) 13 3471426
Qatif Tel: (+966) 13 8545370 Fax: (+966) 13 8529925		**Hafuf** Tel: (+966) 13 5861590 Fax: (+966) 13 5854092

Western and Southern Region

Mosaadia Tel: (+966) 12 6606020 Fax: (+966) 12 6606020 - Ext. 8887	**Mosaadia - Ladies** Tel: (+966) 12 6606020 Fax: (+966) 12 6606020 - Ext. 8887	**Al-Nahda** Tel: (+966) 12 6098560 Fax: (+966) 12 6098553
Madina Al-Monawara Tel: (+966) 14 8451959 Fax: (+966) 14 8457255	**Khamees Mushait** Tel: (+966) 17 2358385 Fax: (+966) 17 2219580	**Makkah Al-Mukarrama** Tel: (+966) 12 5230421 Fax: (+966) 12 5571010 - Ext. 600

Aljazira Capital Toll free Number

800 116 9999

الجزيرة تكافل
Aljazira Takaful

Western Region

Jeddah	Al Andalus Dist Madina Rd - South (Mosaedia Center 3)	Tel: (+966) 12 6688877 Fax: (+966) 12 6677319
Madinah	King Abdullah Rd. - Sultana St. Intersection – Entrepreneurship Bldg 2nd Floor	Tel: (+966) 14 8318311

Central Region

Riyadh	King Abdullah Rd., Al Quds Dist.	Tel.: (+966) 11 2404052 Fax: (+966) 11 2784214 Ext : 381

Eastern Region

Khobar	King Saud Rd with Prince Faisal bin Fahad Rd. Close to Abdulatif Jamil Co. Side of Mall of Dhahran	Tel:(+966) 13 8821142

Takaful Ta'awuni Toll free Number

800 244 0959

INTERNAL CONTROL STATEMENT

Management Responsibility

Management is responsible for establishing and maintaining an adequate and effective internal control system. An internal control system includes the policies, procedures and processes, which are designed under supervision of the Board of Directors (the Board) to achieve the strategic objectives of the Bank.

Scope of Internal Audit Department

The scope of internal Audit Department, independent from line management, includes the assessment of the adequacy and effectiveness of the internal control system across the Bank, as well as to ensure the implementation of the compliance with all prescribed policies and procedures. All significant and material findings of internal Audit assessments are reported to the Board audit committee of the Bank. The Audit committee actively monitors the adequacy and effectiveness of the internal control system to ensure that identified risks are mitigated to safeguard the interest of the Bank.

Concerted and integrated efforts are made by all functions of the Bank to improve the control environment at grass root level through continuous reviewing and streamlining of procedures to prevent and rectify any control deficiencies. Each function, under the supervision of the senior executive management, is entrusted with the responsibility to oversee rectification of control deficiencies identified by internal and external auditors. The Compliance function, through centrally automated applications and physical examinations, ensures adherence to regulatory requirements and the Bank's internal policies and procedures.

Evaluation and Assessment of the Effectiveness of the Internal Controls

The Bank's Internal control system has been designed to provide reasonable assurance to the Board, on the management of risks to achieve the Bank's strategic objectives. Internal controls systems, no matter how well designed, have inherent limitations, and may not prevent or detect all control deficiencies. Moreover, the projection

of current evaluations of the effectiveness to future periods is subject to a limitation that controls may become inadequate due to changes in conditions or compliance with policies or procedures.

Management has adopted Internal Controls integrated framework as recommended by SAMA through its guidelines on Internal Controls.

Audit Committee also reviews the assessment report on the effectiveness of the internal control system, as prepared by the internal Audit department of the Bank. The report on assessment of internal controls does not contain material weaknesses in the Bank's internal control framework which has not been adequately addressed by the management.

Management Response on the Evaluation of Internal Controls

Based on the results of the ongoing evaluation of internal controls carried out by the Management during the year, the Management considers that the Bank's existing internal control system is adequately designed, operating effectively, and monitored consistently. Nevertheless, the Management continuously endeavors to enhance and further strengthen the internal control system of the Bank.

Board of Directors Response on the Evaluation of Internal Controls

Based on the above, the Board of Directors has duly endorsed Management's evaluation of the internal control system, as prescribed by SAMA.

Shahid Amin	**Abdulaziz Al-Zammam**	**Hamad Al Essa**
Chief Financial Officer	Chief Internal Audit Executive	Chief Compliance and AML Officer

Sharia 'h Supervisory Board's Annual Report

Praise be to Allah, the Almighty, and Peace be upon Allah's Messenger Prophet Mohammed, his companions and all his followers.

The Shareholders of Bank Aljazira,

The Sharia'h Board of Bank Aljazira has reviewed and discussed the quarterly reports prepared by the Bank's Sharia Group which include, the results of auditing and inspection of the procedures used by the Bank based on randomly selected samples from all types of operations.

The Sharia Board has also reviewed the principles followed and contracts concluded relating to the transactions, applications and products launched by the Bank during the fiscal year 2020 in order to express legal opinion and issue fatwas, instructions and necessary decisions.

The responsibility for ensuring the Bank is operating in accordance with the rules and principles of Islamic Sharia'h lies with the executive management of the bank, whereas the Sharia'h Board's responsibility is restricted to providing an independent opinion based on its monitoring of the Bank's operations and presenting of this report to you.

We have done our auditing after having obtained all the necessary information and explanations which we considered necessary to provide reasonable assurance that the Bank did not violate the Sharia rules and principles of Islamic law, and It is our opinion that:

The contracts. Operations and transactions executed by the Bank during the period covered by the above-mentioned report are generally compliant with the rules of Islamic Sharia, and that the observations made on some of these operations do not materially affect the integrity thereof from the Sharia point of view. These instances were rectified by the management of the Bank,

The Sharia Supervisory Board would like to thank the Bank's sharia group and executive management for their dedication and cooperation.

May Allah guide us to the right path.

Assalamu'alaikum warahmatullahi wabarakatuh

Sheik Abdulla Bin Suleiman Al-Mane'e	**Chairman**
Dr. Abdullah Bin Mohammed Al-Mutlaq	**Vice Chairman**
Dr. Mohammed Bin Ali El-Gari	**Member**
Dr. Fahad Bin Ali Al-Elayan	**Rapporteur**

FINANCIAL STATEMENTS

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Certified Public Accountant
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License No. 46/11/323 issued 11/3/1992

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Jeddah 21464
Kingdom of Saudi Arabia
License No. 25

Independent Auditors' Report on the Audit of the Consolidated Financial Statements To the Shareholders of Bank Aljazira (A Saudi Joint Stock Company)

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances: Expected credit loss allowance against loans and advances: As at December 31, 2020, the gross loans and advances of the Group were SAR 56,154 million (2019: SAR 50,669 million) against which an expected credit loss ("ECL") allowance of SAR 2,193 million (2019: SAR 1,009 million) was maintained. We considered this as a key audit matter, as the determination of ECL involves significant management judgement and this has a material impact on the consolidated financial statements of the Group. Moreover, the COVID-19 pandemic has resulted in heightened uncertainty regarding the economic outlook in particular and hence has increased the levels of judgement needed to determine the ECL. The key areas of judgement include:	▪ We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy and model methodology including key changes made in light of the COVID-19 pandemic. ▪ We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. ▪ We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant "IT" general and application controls) over: • the ECL model, (including governance over the model, its validation, approval of key assumptions and post model adjustments, if any);

Key audit matter	How our audit addressed the key audit matter
1. Categorisation of loans into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. The Group has applied additional judgements to identify and estimate the likelihood of borrowers that might have experienced SICR notwithstanding the various government support programs that resulted in deferrals provided to certain counterparties. The deferrals were not deemed to have triggered SICR by themselves. 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of counterparties, expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages. 3. The need to apply post model overlays using expert credit judgement to reflect all relevant risk factors that might not be captured by the ECL model. Application of these judgements, particularly in light of the global pandemic, have given rise to greater estimation uncertainty and the associated audit risk around ECL calculations as at December 31, 2020. Refer to the summary of significant accounting policy note 3 (c)(v) for the impairment of financial assets; note 2 (c)(i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 7 which contains the disclosure of impairment against loans and advances; and note 30.2 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	• the classification of borrowers into various stages and timely identification of SICR and the determination of default / individually impaired exposures; • the IT systems and applications underpinning the ECL model; and • the integrity of data inputs into the ECL model. ▪ For a sample of customers, we assessed: • the internal ratings determined by management based on the Group's internal rating model and considered these assigned ratings in the light of external market conditions and available industry information in particular with reference to the impact of the COVID-19 pandemic. We also assessed that the internal ratings were consistent with the ratings used as inputs in the ECL model; • the staging as identified by management; and • management's computation of ECL. ▪ We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio including for customers who were eligible for deferral of installments under government support programs and with a specific focus on customers operating in sectors most affected by the COVID-19 pandemic. ▪ We assessed the governance process implemented and the qualitative factors considered by the Group when applying overlays, or making any adjustment to the output from the ECL model, due to data or model limitations. ▪ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic. ▪ Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing the reasonableness of assumptions used in the ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and assumptions used in overlays. ▪ We assessed the adequacy of disclosures in the consolidated financial statements.
SAMA support program and related government grant In response to the COVID-19 pandemic, the Saudi Central Bank (SAMA) launched a number of initiatives including the liquidity support programme for banks and the Private Sector Financing Support Program ("PSFSP"). The PSFSP was launched in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME"). The PSFSP included deferred payments program whereby the Bank deferred the installment payable by MSMEs during the period from March 14, 2020 to March 31, 2021. In order to compensate the Group with respect to the losses incurred in connection with the above PSFSP and the liquidity support programme, the Group has received various profit free deposits of varying maturities from SAMA. The difference between the market value of deposits calculated using market rates of deposits of similar size and tenure and the profit free deposits has been considered as a government grant and accounted for in accordance with the International Accounting Standard 20: Government Grants ("IAS 20"). As of December 31, 2020, the Bank has received SR 4,193 million under the various SAMA support programs. We considered the accounting treatment of the SAMA support programme and government grant as a key audit matter because: ➢ These represent significant events and material transactions that occurred during the period and thereby required significant auditors' attention;	We obtained an understanding of the various programs and initiatives taken by SAMA and assessed the purpose of the various deposits received by the Group in order to assess whether the IAS 20 criteria were met for government grant recognition. We obtained the details of the deposit amounts received during the year by the Group. We assessed the reasonableness of the relevant discount rate used for the computation of government grant. We tested the accuracy of the government grant computation and assessed the basis for the timing of recognition of the government grant being at a point in time or over a period thereby matching the expense/ related costs which the government grant was intended to compensate. We assessed the disclosures included by management in the consolidated financial statements in relation to government grant as required by IAS 20.

Key audit matter	How our audit addressed the key audit matter
➢ the recognition and measurement of government grant involved significant management judgement including but not limited to: • determining the appropriate discount rate to be used to calculate the grant income on the deposit; and • identifying the objective of each individual deposit to determine the timing of recognition of the grant. Refer to the significant accounting policy note 3(i) to the consolidated financial statements relating to government grant accounting, note 2 (c) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to government grant recognition and note 42 which contains the disclosure of SAMA support programms and details of the government grant received over the yaer from SAMA.	

Other information included in the Group's 2020 annual report

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

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

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

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

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

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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

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

Report on other legal and regulatory requirements

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Bank is not in compliance with the requirements of the Regulation for Companies, the Banking Control law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence Number 382

for PricewaterhouseCoopers
Certified Public Accountants

Mufaddal A.Ali
Certified Public Accountant
License Number 447

Rajab 11, 1442H
February 23, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Notes	2020 SR '000	2019 SR '000
ASSETS			
Cash and balances with Saudi Central Bank	4	**5,248,294**	4,965,122
Due from banks and other financial institutions, net	5	**426,138**	1,297,749
Investments held at fair value through statement of income	6	**443,104**	24,052,275
Investments held at fair value through other comprehensive income	6	**1,118,251**	54,434
Investments held at amortised cost	6	**28,334,118**	40,896,891
Positive fair value of derivatives	11	**135,224**	135,770
Loans and advances, net	7	**53,961,211**	40,896,891
Investment in an associate	8	**164,136**	135,770
Other real estate	7(h)	**474,421**	453,150
Property and equipment, net	9	**1,155,609**	761,247
Other assets	10	**628,368**	386,560
Total assets		**92,088,874**	86,544,344
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks and other financial institutions	12	**8,530,196**	8,253,754
Customers' deposits	13	**68,003,612**	62,696,794
Negative fair value of derivatives	11	**303,495**	216,011
Subordinated Sukuk		**2,004,633**	2,006,921
Other liabilities	15	**1,882,439**	1,781,347
Total liabilities		**80,724,375**	74,954,827
SHAREHOLDERS' EQUITY			
Share capital	16	**8,200,000**	8,200,000
Statutory reserve	17	**2,665,754**	2,657,316
General reserve	17	**-**	68,000
Other reserves	18	**(99,576)**	(86,804)
Retained earnings		**598,321**	505,005
Proposed dividend	26	**-**	246,000
Total shareholders' equity		**11,364,499**	11,589,517
Total liabilities and shareholders' equity		**92,088,874**	86,544,344

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 SR '000	2019 SR '000
Special commission income	20	**3,180,041**	3,227,547
Special commission expense	20	**(789,705)**	(1,175,383)
Net special commission income		**2,390,336**	2,052,164
Fees and commission income	21	**1,025,207**	932,633
Fees and commission expense	21	**(417,699)**	(327,403)
Fees and commission income, net		**607,508**	605,230
Exchange income, net		**240,164**	229,910
Net gain on FVIS financial instruments	22	**9,816**	5,792
Dividend income		**80**	343
Net gains on derecognition of financial assets measured at FVOCI - debt		**4,703**	1,886
Net gains on derecognition of financial assets measured at amortised cost		**2,102**	69,654
Other operating income, net	23	**32,410**	12,180
Total operating income		**3,287,119**	2,977,159
Salaries and employee-related expenses	36	**982,608**	968,529
Rent and premises-related expenses		**52,944**	52,431
Depreciation and amortisation	9	**214,446**	201,026
Other general and administrative expenses		**429,891**	443,908
Other operating expenses, net		**16,571**	45,170
Total operating expenses before impairment charge		**1,696,460**	1,711,064
Impairment charge for expected credit losses ("ECL"), net	7(f)	**1,575,743**	156,953
Total operating expenses		**3,272,203**	1,868,017
Net operating income		**14,916**	1,109,142
Share in net income of an associate	8	**16,279**	12,888
Net income for the year before Zakat and income tax		**31,195**	1,122,030
Zakat and income tax:			
Zakat	25	**(286)**	(130,950)
Income tax reversal / (charge)	25	**2,845**	(57)
Net income for the year		**33,754**	991,023
Basic and diluted earnings per share (expressed in SR per share)	24	**0.04**	1.21

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 SR '000	2019 SR '000
Net income for the year		**33,754**	**991,023**
Other comprehensive income:			
Items that can be reclassified to consolidated statement of income in subsequent years:			
Cash flow hedges:			
- Effective portion of change in the fair value	18	**(48,138)**	**(14,106)**
- Net amount transferred to consolidated statement of income	18	**(89)**	**62**
Net changes in fair value of investments classified as at FVOCI - Debt	18	**31,052**	**5,508**
Items that cannot be reclassified to consolidated statement of income in subsequent years:			
Remeasurement gains on employee benefit obligation	18	**4,403**	**18,016**
Total other comprehensive (loss) / income for the year		**(12,772)**	**9,480**
Total comprehensive income for the year		**20,982**	**1,000,503**

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	Share capital SR '000	Statutory reserve SR '000	General reserve SR '000	Other reserves SR '000	Retained earnings SR '000	Proposed dividend SR '000	Total SR '000
2020								
Balance at January 1, 2020 (audited)		**8,200,000**	**2,657,316**	**68,000**	**(86,804)**	**505,005**	**246,000**	**11,589,517**
Net income for the year		-	-	-	-	**33,754**	-	**33,754**
Other comprehensive loss for the year		-	-	-	**(12,772)**	-	-	**(12,772)**
Total comprehensive income for the year		-	-	-	**(12,772)**	**33,754**	-	**20,982**
Transfer to statutory reserve	17	-	**8,438**	-	-	**(8,438)**	-	-
Transfer from general reserve	17	-	-	-	-	**68,000**	-	-
2019 Final dividend paid	26	-	-	-	-	-	**(246,000)**	**(246,000)**
Balance at December 31, 2019		**8,200,000**	**2,665,754**	**68,000**	**(99,576)**	**598,321**	-	**11,364,499**
2019								
Balance at January 1, 2019 (audited)		8,200,000	2,409,560	68,000	(96,284)	253,196	410,000	11,244,472
Net income for the year		-	-	-	-	991,023	-	991,023
Other comprehensive income for the year		-	-	-	9,480	-	-	9,480
Total comprehensive income for the year		-	-	-	9,480	991,023	-	1,000,503
Transfer to statutory reserve	17	-	247,756	-	-	(247,756)	-	-
Interim dividend paid	26	-	-	-	-	(246,000)	-	(246,000)
Proposed dividend	26	-	-	-	-	(246,000)	246,000	-
2019 Final dividend paid		-	-	-	-	-	(409,458)	(409,458)
Adjustments in proposed dividend		-	-	-	-	542	(542)	-
Balance at December 31, 2019		8,200,000	2,657,316	68,000	(86,804)	505,005	246,000	11,589,517

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 SR '000	2019 SR '000
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		**31,195**	1,122,030
Adjustments to reconcile net income to net cash from operating activities:			
Net gain on FVIS financial instruments	22	**(9,816)**	(5,792)
Depreciation and amortisation	9	**214,446**	201,026
Gains on investments not held as FVIS, net		**(6,805)**	(71,540)
Loss / (gain) on sale of property and equipment		**3,123**	(173)
Impairment charge for expected credit losses ("ECL"), net	7(f)	**1,575,743**	156,953
Share in net income of an associate	8	**(16,279)**	(12,888)
Special commission expense on Subordinated Sukuk		**70,941**	97,778
		1,862,548	1,487,394
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**(199,943)**	(646,845)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**860,900**	(760,336)
Investments held at FVIS		**(146,264)**	(239,939)
Positive fair value of derivatives		**(33,598)**	(47,192)
Loans and advances		**(5,591,932)**	(8,979,929)
Other real estate		**(5,429)**	(15,842)
Other assets		**(142,818)**	(142,924)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**276,442**	1,830,324
Customers' deposits		**5,306,818**	10,892,696
Negative fair value of derivatives		**87,484**	64,222
Other liabilities		**54,486**	124,228
		2,328,694	3,565,857
Zakat and income tax paid		**(218,451)**	(155,360)
Net cash from operating activities		**2,110,243**	3,410,497
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS		**214,119**	1,713,317
Purchase of investments not held as FVIS		**(2,303,389)**	(4,962,535)
Acquisition of property and equipment	9	**(185,929)**	(77,871)
Proceeds from sale of property and equipment		**1,400**	348
Net cash used in investing activities		**(2,273,799)**	(3,326,741)

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

	Notes	2020 SR '000	2019 SR '000
FINANCING ACTIVITIES			
Special commission paid on Subordinated Sukuk		**(73,229)**	(99,059)
Dividends paid		**(252,620)**	(646,360)
Payment for principal portion of lease liabilities		**(81,090)**	(100,806)
Net cash used in financing activities		**(406,939)**	(846,225)
Net change in cash and cash equivalents		**(570,495)**	(762,469)
Cash and cash equivalents at the beginning of the year		**2,646,838**	3,409,307
Cash and cash equivalents at the end of the year	27	**2,076,343**	2,646,838
Special commission income received during the year		**3,109,077**	3,116,192
Special commission expense paid during the year		**864,656**	959,386
Supplemental non-cash information			
Net changes in fair value and transfers to the consolidated statement of income		**(48,227)**	(14,044)

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. GENERAL

These financial statements comprise the financial statements of Bank Aljazira (the "Bank") and its subsidiaries (collectively referred to as the "Group"). Bank Aljazira is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated Jumad Al-Thani 12, 1395H (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 branches in the Kingdom of Saudi Arabia under commercial registration number 4030010523 dated Rajab 29, 1396H (July 27, 1976) issued in Jeddah. The Bank operates through its 78 branches (2018: 79 branches) and 61 Fawri Remittance Centres (2018: 57 Fawri Remittance Centres) in the Kingdom of Saudi Arabia and employed 2,387 staff as of December 31, 2019 (2018: 2,358 staff). The Bank's Head Office is located at the following address

Bank Aljazira
Nahda District, King Abdulaziz Road,
P.O. Box 6277, Jeddah 21442
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of Shari'ah compliant (non-interest based) banking products and services comprising of Murabaha, Istisna'a, Ijarah, Tawaraq, Musharaka, Wa'ad Fx and Sukuk which are approved and supervised by an independent Shari'ah Board established by the Bank. The Bank's shares are listed on Tadawul in the Kingdom of Saudi Arabia.

The details of the Bank's subsidiaries and associate are as follows:

	Country of incorporation	Nature of business	Ownership (direct and indirect) December 31, 2020	Ownership (direct and indirect) December 31, 2019
Subsidiaries				
Aljazira Capital Company	Kingdom of Saudi Arabia	Brokerage, margin financing and asset management	**100%**	100%
Aman Development and Real Estate Investment Company	Kingdom of Saudi Arabia	Holding and managing real estate collaterals on behalf of the Bank	**100%**	100%
Aman Insurance Agency Company	Kingdom of Saudi Arabia	Acting as an agent for bancassurance activities on behalf of the Bank	**100%**	100%
Aljazira Securities Limited	Cayman Islands	Carry out Shari'ah compliant derivative and capital market transactions	**100%**	100%
Associate				
Aljazira Takaful Ta'awuni Company	Kingdom of Saudi Arabia	Fully Shari'ah compliant protection and saving products	**35%**	35%

2. BASIS OF PREPARATION

a) Basis of preparation

i. Statement of compliance

The consolidated financial statements of the Group 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.

ii. Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis on the historical cost convention except for the measurement at fair value of derivatives, financial instruments held as Fair Value through Income Statement (FVIS), Fair Value through Other Comprehensive Income (FVOCI) and liabilities for employee benefit obligations carried at present values. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise carried at cost, are carried at fair value to the extent of the risk being hedged.

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

iii. Functional and presentation currency

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

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of all the subsidiaries of the Bank is the Saudi Arabian Riyal (SR) except for Aljazira Securities Limited whose functional currency is US Dollars..

b) Basis of consolidation

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

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

i. Subsidiaries

Subsidiaries are entities which are controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all the following three criteria must be met:

i. the Group has power over an entity;

ii. the Group has exposure, or rights, to variable returns from its involvement with the entity; and

iii. the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

ii. Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Bank in its subsidiaries and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the Bank's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii. Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

iv. Investment in an associate

Associates are entities over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

Equity-accounted value represents the cost-plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/ (losses) based on the latest available financial information) less impairment, if any.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share in net income / (loss) of an associate' in the consolidated statement of income.

The previously recognized impairment loss in respect of investment in associate can be reversed through the consolidated statement of income, such that the carrying amount of the investment in the consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

c) Critical accounting judgments estimates and assumptions

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

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

Recently, number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; the testing results showed exceptionally high success rates. Hence, the Group continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level.

The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Group believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

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

- i. Business model for managing financial assets (note 3(c)(i)(a))
- ii. Contractual cashflows of financial assets (note 3(c)(i)(b))
- iii. Classification of financial assets (note 3(c)(i))
- iv. Impairment losses on financial assets (note 2(c)(i))
- v. Fair value measurement (note 2(c)(ii))
- vi. Impairment of non-financial assets (note 2(c)(iii))
- vii. Determination of control over investees (note 2(c)(iv))
- viii. Provisions for liabilities and charges (note 2(c)(v))
- ix. Going concern (note 2(c)(vi))
- x. Employee benefit obligation (note 2(c)(vii))
- xi. Depreciation and amortisation (note (3)(k))

i. Impairment losses on financial assets

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

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

1) the selection of an estimation technique or modelling methodology, covering below key judgments and assumptions:

- The Group's internal credit grading model, which assigns probability of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk (SICR) and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2) the selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

ii. Fair value of financial instruments

The Group measures the financial instruments, such as derivatives, financial instruments held at fair value through income statement (FVIS) and fair value through other comprehensive income (FVOCI), at their fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 6 (c) and note 34 (b).

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

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

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

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

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

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

Financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy (refer note 34).

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

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

iii. Impairment of non-financial assets

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

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

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

iv. Determination of control over investment funds

The Group acts as Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. As a result, the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

v. Provisions for liabilities and charges

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

vi. Going concern

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

vii. Employee Benefit Obligation

The Group operates an end of service benefit plan (the plan) for its employees based on the prevailing Saudi Labour laws. The liability for the plan is estimated in accordance with International Accounting Standard (IAS) 19 – Employee Benefits as endorsed in the Kingdom of Saudi Arabia, by a qualified actuary based on various assumptions. The key assumptions used to estimate the plan liability at the year end, are disclosed in note 28 to these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Change in accounting policies

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

New standards, interpretations and amendments adopted by the Group

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

- *Amendments to IFRS 3: Definition of a Business*

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

- *Amendments to IAS 1 and IAS 8: Definition of Material*

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

- Amendments to References to the Conceptual Framework in IFRS Standards.

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

- *Amendments to IFRS 9, IAS 39 and IFRS 7: Profit Rate Benchmark Reform*

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

Phase 1

The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from January 1, 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase 2

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

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

Accounting Standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning on or after January 1, 2021 are listed below. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements.

- *Amendments to IFRS 16: Leases for COVID-19 rent related concessions*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no significant impact on the consolidated financial statements of the Group.

- *IFRS 17 – "Insurance contracts", applicable for the period beginning on or after January 1, 2023*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is is expected to have no significant impact on the consolidated financial statements of the Group.

- *Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January,1, 2022*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- *Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37)*
- *Profit Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
- *Reference to Conceptual Framework (Amendments to IFRS 3)*

b) Trade date accounting

All regular-way purchases and sales of financial assets are initially recognised and derecognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

c) Financial assets and financial liabilities

i.Classification of financial assets

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

Financial asset at amortised cost

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

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

If a financial asset does not meet both of these conditions, then it is measured at fair value.

Income is recognised on an effective yield basis for debt instruments measured subsequently at amortised cost. Commission income is recognised in the consolidated statement of income.

Debt instruments that are measured at amortised cost are subject to impairment.

Financial assets at FVOCI

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

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

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

Investments in debt instruments as FVOCI are initially measured at fair value plus transaction costs. These are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI and recycled to consolidated statement of income at the time of sale. Special commission income and foreign exchange gains and losses are recognised in consolidated statement of income.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. Gains and losses on such equity instruments are never reclassified to the consolidated statement of income and no impairment is recognised in the consolidated statement of income. Investments in unquoted equity instruments are measured at fair value. The cumulative gains or losses will not be reclassified to the consolidated statement of income on disposal of the investments.

On initial recognition the Group designates all investments in equity instruments that are not FVIS as FVOCI.

Dividends on these investments in equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividend is established, unless the dividend clearly represent a recovery of part of the cost of the investment.

Financial asset at FVIS

All other financial assets are classified as measured at FVIS (for example: equity held for trading and debt securities classified neither as amortised cost nor FVOCI).

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

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

Financial assets at FVIS are measured at fair value at the end of each reporting period, with any gains or losses arising on measurement recognised in the consolidated statement of income.

Commission income on debt instruments as FVIS is included in the consolidated statement of income.

Dividend income on investments in equity instruments as FVIS is recognised in the consolidated statement of income when the Group's right to receive the dividend is established.

a. Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual special commission revenue, maintaining a particular special commission rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

b. Assessments whether contractual cash flows are solely payments of principal and special commission (SPPI)

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

In assessing whether the contractual cash flows are solely payments of principal and special commission, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of special commission rates.

Designation at fair value through income statement

At initial recognition, the Group may designate certain financial assets at FVIS if this designation eliminates or significantly reduces an accounting mismatch, which would otherwise rise.

ii. Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Yield Rate (EIR).

All money market deposits, customer deposits, term loans, subordinated debts and other debt securities in issue are initially recognized at fair value less transaction costs.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through income statement or the Group has opted to measure a liability at fair value through income statement as per the requirements of IFRS 9.

Financial liabilities classified as FVIS using fair value option, if any, after initial recognition, for such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI and all other fair value changes are presented in the consolidated statement of income.

Amounts in OCI relating to own credit are not recycled to the consolidated statement of income even when the liability is derecognized and the amounts are realized.

Financial guarantees and loan commitments that Group choose to measure at fair value through income statement (FVIS) will have all fair value movements recognized in consolidated statement of income.

Designation at fair value through income statement

The Group may designate certain financial liabilities as FVIS in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii. Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

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

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

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

Financial liabilities

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

iv. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized with the difference recognized as a de-recognition gain or loss and a new financial asset is recognized at fair value.

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

Financial liabilities

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

c) Financial assets and financial liabilities (continued)

v. Impairment

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

- financial assets that are debt instruments;
- lease / Ijarah receivables;
- financial guarantee contracts issued; and
- loan commitments issued.
- bank balances

No impairment loss is recognized on FVOCI equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

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

- the market's assessment of creditworthiness as reflected in the sukuk yields.
- the rating agencies' assessments of creditworthiness.
- the country's ability to access the capital markets for new debt issuance.
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the consolidated statement of financial position

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision under "other liabilities"; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognised in consolidated statement of income and changes between the amortised cost of the assets and their fair value are recognised in OCI.

Write-off

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

Collateral valuation

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

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

d) Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

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

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments the Group recognizes loss allowance as a provision under "other liabilities".

e) Derivative financial instruments and hedge accounting

Derivative financial instruments including forward rate agreements, special commission rate swaps and commission rate options (both written and purchased) are initially measured at their fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the consolidated statement of financial position. The transaction costs associated with these agreements are recognised in the consolidated statement of income.

All derivatives are carried at their fair value as assets, where the fair value is positive, and as liabilities, where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

The treatment of changes in their fair value depends on their classification into the following categories:

i) Derivatives held for trading

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

ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

iii) Hedge Accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to profit rates and foreign currencies. In order to manage risks, the Group applies hedge accounting for transactions that meet specific criteria.

For the purpose of hedge accounting, hedges are classified into following two categories:

(a) Fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and

(b) Cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis.

Fair Value Hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated statement of income, changes in fair value of the derivative are recognised immediately in the consolidated statement of income together with change in the fair value of the hedged item attributable to the hedged risk under non-trading gains / losses in the consolidated statement of income.

For hedged items measured at amortised cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective yield rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

Cash flow hedges

For designated and qualifying cash flow hedging, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly under “other reserve” in consolidated statement of comprehensive income and the ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged item affects the consolidated statement of income. However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it reclassifies into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

When the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation, then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income from the period when the hedge was effective is transferred from equity to statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the statement of income, the net cumulative gain or loss recognised in consolidated statement of comprehensive income is transferred immediately to the consolidated statement of income.

In accordance with risk management policies, the Group manages its cash flow profit rate risk on an entity-wide basis as well as variability of special commission rate on Wakala floating rates notes. The Group designate profit rate swaps as hedging instrument against the cash flow risk resulting from a change in profit rates that occurs up to the repricing of the swap.

The Group first assesses forecasting of the "net cash flow" exposures from existing yield bearing assets and liabilities, including the rollover of short-term assets and short-term liabilities. This is mainly achieved through yield sensitivity gap. During forecasting of the net cash flows, the Group take into account historic information and market trends for withdrawal of deposits, yield rates and refinancing's and repricing's. The net cash flows are then compared with existing hedging positions to provide a basis for considering whether adjustment of the hedging relationship should be made.

The notional amounts of the profit rate swaps that are outstanding at the analysis date are included in each of the periods in which the profit rate swaps are outstanding to assess the impact of the outstanding profit rate swaps on the identified cash flow exposures. While a portion of the forecast transaction is no longer being hedged, the profit rate swap is not de-designated, and it continues to be a hedging instrument for the remaining transactions in the series that have not occurred. However, if the next forecast transaction does not occur until specified period, the remaining after the repricing of the profit rate swap, is not hedged.

The Group designates the hedging relationship in a manner that also consider the extent to which ineffectiveness is expected to be recognised for accounting purposes. The hedged exposure percentage is computed as the ratio of the notional amount of the receive-fixed, pay-variable swaps that are outstanding divided by the gross exposure. The effective portion of the gain or loss on the hedging instrument is initially recognized directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in "trading income, net". For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves are transferred to the consolidated statement of income in the same period in which the hedge transactions affect the consolidated statement of income.

f) Foreign Currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals (SR) at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities at the year-end (other than monetary items that form part of the net investment in a foreign operation), denominated in foreign currencies, are translated into SR at exchange rates prevailing at the reporting date.

Foreign exchange gains or losses from settlement of transactions and translation of year end monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in other comprehensive income depending on the underlying financial asset.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

g) Offsetting financial instruments

Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a legally currently enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are not set off in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

h) Revenue / expense recognition

Special commission income and expenses

Special commission income and expense are recognized in consolidated statement of income using the effective yield method. The 'effective yield rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

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

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

Measurement of amortized cost and special commission income

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective yield method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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

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

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

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

When the Group enters into a special commission rate swap to change special commission from fixed to floating (or vice versa), the amount of special commission income or expense is adjusted by the net special commission on the swap to the extent the hedge is considered to be effective.

Exchange income / (loss)

Exchange income / (loss) is recognised when earned / incurred as disclosed in note 3(f).

Fees and commissions

Fee and commission income and expense that are integral to the effective yield rate on a financial asset or financial liability are included in the effective yield rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Rendering of services

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

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

Customer Loyalty Program

The Bank offers customer loyalty program (reward points / air miles herein referred to as "reward points"), which allows card members to earn points that can be redeemed for certain partner outlets. The Bank allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative standalone selling price. The amount of revenue allocated to reward points is deferred and released to the income statement when reward points are redeemed.

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

Trading income / (loss), net

Net income from other financial instruments at FVIS relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVIS and non-trading assets mandatorily measured at FVIS. The line item includes fair value changes, special commission, dividends and foreign exchange differences.

Dividend income

Dividend income is recognised when the right to receive income is established.

i) Government grant

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

j) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risk and rewards of the ownership and are measured in accordance with related accounting policies for investments designated as FVIS, FVOCI and amortised cost, whichever is applicable. The transactions are treated as collateralised borrowings and counterparty liabilities and amounts received under these agreements are included in "SAMA cash borrowing" under "due to banks and other financial institutions", "due to banks and other financial institutions" or "customers' deposits", as appropriate. The difference between the sale and repurchase price is treated as special commission expense and is accrued over the life of the repo agreement using the effective yield rate.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "cash and balances with SAMA", "due from banks and other financial institutions" or "loans and advances", as appropriate. The difference between the purchase and resale price is treated as special commission income and is accrued over the life of the reverse repo agreement using the effective yield rate.

k) Other real estate and repossessed assets

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estate are considered as assets held for sale and are initially stated at the lower of the net realizable value of due loans and advances and the current fair value of related properties, less any costs to sell. No depreciation is charged on such real estate. Rental income from other real estate is recognised in the consolidated statement of income.

Subsequent to the initial recognition, such real estate is revalued on a periodic basis. Any unrealised losses on revaluation, realized losses or gains on disposal and rental income are recognised in the consolidated statement of income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the consolidated statement of income. Gains or losses on disposal are recognised in the consolidated statement of income.

l) Property and equipment

Property and equipment are measured at cost less accumulated depreciation / amortisation and accumulated impairment loss. Changes in the expected useful life are accounted by changing the period or method, as appropriate, and treated as changes in accounting estimates. Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. On-going repairs and maintenance are expensed as incurred.

Freehold land is not depreciated. The cost of property and equipment is depreciated / amortised using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Leasehold improvements	10 to 24 years or over the lease period, whichever is shorter
Furniture, equipment and vehicles	4 to10 years
Computer softwares and automation projects	4 to 10 years

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

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

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

m) Deposits, debt securities issued and subordinated liabilities

When the Group designates a financial liability as at FVIS, the amount of change in the fair value of the liability that is attributable to changes in its own credit risk is presented in consolidated other comprehensive income (OCI) as a liability credit reserve. On initial recognition of the financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with
- The impact on profit or loss of expected changes in fair value of the related instruments.

n) Provisions

Provisions (other than provisions for credit losses and investments) are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources, embodying economic benefits will be required to settle the obligation.

o) Accounting for leases

i. Where the Group is the lessee

Right of use asset / lease liabilities

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities for lease modifications. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. Right-of-use assets are subject to impairment.

Lease liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of special commission expense and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

ii. Where the Group is the lessor

When assets are transferred under a finance lease, including assets under Islamic lease arrangement (Ijarah) the present value of the lease payments is recognised as a receivable and disclosed under "loans and advances, net". The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets subject to operating leases are included in the consolidated financial statements as property and equipment. Income from operating lease is recognised on a straight-line (or appropriate) basis over the period of the lease.

p) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes notes and coins on hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair values.

Defined unfunded benefit plan

End-of-service benefits as required by Saudi Arabia Labour Law, are required to be provided based on the employees' length of service.

The Group's net obligations in respect of defined unfunded benefit plan ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on high quality corporate bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Group's present value of the obligation.

The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized and any unrecognized actuarial gains/losses. The liability is included in 'other liabilities' in the consolidated statement of financial position.

Short term benefits

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

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

r) Zakat and income tax

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

Witholding tax

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

Value Added Tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of:

(a) collection of receivables from customers or

(b) delivery of services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

VAT that is not recoverable is charged to the statement of income as expense

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to profit and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments.

The Group considers whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Bank's and the subsidiaries' tax filings may include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized.

Zakat

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

s) Fiduciary assets

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

The financial statements of investment management mutual funds are not included in these consolidated financial statements of the Group. Transactions with the Funds' are disclosed under related party transactions. The Group's share of these Funds', if any, are included in FVIS investments.

t) Shari'ah compliant (non-interest based) banking products

The Bank offers its customers Shari'ah compliant (non-interest based) banking products, which are approved by its Shari'ah Board, as follows:

Murabaha is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

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

Musharaka is an agreement between the Bank and a customer to contribute to a certain investment enterprise or the ownership of a certain property resulting in the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

Tawaraq is a form of Murabaha transactions where the Bank purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for financing requirements.

Wa'ad Fx is an agreement whereby a client in consideration for the payment of a fee agrees to enter into one or series of trades. One party (promisor) gives a commitment as unilateral undertaking to a second party (promisee).

Istisna'a is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

Sukuk are Islamic instruments which represents an individual proportionate ownership interest in an asset and corresponding right to the income streams generated by the asset.

All Shari'ah compliant (non-interest based) products are accounted for using International Financial Reporting Standards and in conformity with the accounting policies described in these consolidated financial statements.

4. CASH AND BALANCES WITH SAMA

	2020 SR'000	2019 SR'000
Cash in hand	**1,122,892**	1,214,248
Cash with SAMA	**524,978**	862,958
Cash and cash equivalents (note 27)	**1,647,870**	2,077,206
Statutory deposit with SAMA	**3,600,424**	3,400,481
Total	**5,248,294**	5,477,687

In accordance with the Article 7 of the Banking Control Law and regulations issued by the Saudi Central Bank (SAMA), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, time and other deposits, calculated at the end of each Gregorian month (see note 33). The statutory deposit with SAMA is not available to finance the Bank's day-to-day operations and therefore is not part of cash and cash equivalents.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 SR'000	2019 SR'000
Current accounts	**428,473**	381,787
Money market placements	**-**	1,048,745
	428,473	1,430,532
Less: impairment allowance (note (b) below)	**(2,335)**	(1,528)
Total	**426,138**	1,429,004

The money market placements represent funds placed on Shari'ah compliant (non-interest based) basis as follows.

	2020 SR'000	2019 SR'000
Commodity murabaha	-	760,800
Wakala	-	287,945
	-	1,048,745

a) The following table explains changes in gross carrying amount of the due from bank and other financial institutions to help explain their significance to the changes in the loss allowance for the same portfolio.

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2020	**1,340,828**	**89,704**	**-**	**1,430,532**
Transfer to lifetime ECL not credit – Impaired	(354)	354	-	-
Transfer to lifetime ECL credit – Impaired	-	(340)	340	-
Financial assets derecognised during the period other than write-offs	(1,168,291)	-	-	(1,168,291)
New financial assets originated or purchased	14,662	-	-	14,662
Other movements	92,783	56,463	2,324	151,570
Gross carrying amount as at 31 December 2020	**1,161**	**146,181**	**2,664**	**428,473**

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2019	1,102,704	195,681	-	1,298,385
Transfer to 12-month ECL	90,408	(90,408)	-	-
Financial assets derecognised during the period other than write-offs	(303,305)	(1,597)	-	(304,902)
New financial assets originated or purchased	765,953	494	-	766,447
Other movements	(314,932)	(14,466)	-	(329,398)
Gross carrying amount as at 31 December 2019	1,340,828	89,704	-	1,430,532

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

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Loss allowance as at January 1, 2020	**1,161**	**367**	**-**	**1,528**
Transfer to lifetime ECL not credit – impaired	(1)	1	-	-
Net re-measurement of loss allowance	736	533	-	1,269
New financial assets originated	50	-	-	50
Financial assets that have been derecognized	(512)	-	-	(512)
Loss allowance as at December 31, 2020	**1,434**	**901**	**-**	**2,335**

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Loss allowance as at January 1, 2019	122	514	-	636
Transfer to 12-month ECL	190	(190)	-	-
Net re-measurement of loss allowance	841	49	-	890
New financial assets originated	21	1	-	22
Financial assets that have been derecognized	(13)	(7)	-	(20)
Loss allowance as at December 31, 2019	1,161	367	-	1,528

6. INVESTMENTS

a) As of December 31, 2020, investments were classified as follows:

	2020 SR '000		
	Domestic	International	Total
i) FVIS			
Mutual funds	**193,324**	**249,020**	**442,344**
Equities	**760**	**-**	**760**
	194,084	**249,020**	**443,104**
ii) FVOCI			
Equities	**4,143**	**789**	**4,932**
Sukuk investments	**1,113,319**	**-**	**1,113,319**
	1,117,462	**789**	**1,118,251**
iii) Amortised cost			
Sukuk investments	**22,313,847**	**-**	**22,313,847**
Wakala floating rate notes	**4,911,092**	**-**	**4,911,092**
	27,224,939	**-**	**27,224,939**

a) Loans and advances, net comprised the following (continued):

	2019 SR '000		
	Domestic	International	Total
i) FVIS			
Mutual funds	200,182	86,842	287,024
ii) FVOCI			
Equities	4,143	737	4,880
Sukuk investments	101,921	-	101,921
	106,064	737	106,801
iii) Amortised cost			
Sukuk investments	19,092,916	-	19,092,916
Wakala floating rate notes	4,913,175	-	4,913,175
	24,006,091	-	24,006,091
Total	24,042,039	10,236	24,052,275

b) The composition of investments as quoted and unquoted is as follows:

	2020			2019		
	Quoted SR '000	Unquoted SR '000	Total SR '000	Quoted SR '000	Unquoted SR '000	Total SR '000
Sukuk investments-Fixed rate	**17,024,073**	**5,344,338**	**22,368,411**	14,836,858	5,348,551	20,185,409
Sukuk investments-Floating rate	**1,924,265**	**250,467**	**2,174,732**	1,955,083	275,276	2,230,359
Wakala floating rate notes	**4,904,294**	**-**	**4,904,294**	4,911,092	-	4,911,092
Equities	**760**	**4,932**	**5,692**	-	4,880	4,880
Mutual funds	**441,411**	**933**	**442,344**	286,205	819	287,024
Total investments	**24,294,803**	**5,600,670**	**29,895,473**	21,989,238	5,629,526	27,618,764

c) The analysis of unrealized gains and losses and the fair values of investments carried at amortised cost are as follows:

	2020				2019			
	Carrying value SR '000	Gross unrealized gains SR '000	Gross unrealized losses SR '000	Fair value SR '000	Carrying value SR '000	Gross unrealized gains SR '000	Gross unrealized losses SR '000	Fair value SR '000
Sukuk investments	**23,429,824**	**790,816**	**9,548**	**24,211,092**	22,313,847	481,572	(21,548)	22,773,871
Wakala Floating rate notes	**4,904,294**	**-**	**-**	**4,904,294**	4,911,092	-	-	4,911,092
Total	**27,224,939**	**790,816**	**9,548**	**29,115,386**	27,224,939	481,572	(21,548)	27,684,963

d) The analysis of the Group's investments by nature of counterparty is as follows:

	2020 SR'000	2019 SR'000
Government and quasi Government	**29,070,400**	26,926,011
Corporate	**447,848**	291,717
Banks and other financial institutions	**377,225**	401,036
Total	**29,895,473**	27,618,764

Certain of the sukuk investments (disclosed in note 6(c)) are quoted in different markets but not actively traded.

Mutual funds domiciled in the Kingdom of Saudi Arabia (disclosed in note 6(a)) with underlying investments outside the Kingdom of Saudi Arabia are classified under the "International" category.

Sukuk investments include SR 375 million (2019: SR 375 million), which have been pledged under repurchase agreements with other banks. The market value of such investment is SR 421.27 million (2019: SR 388.3 million).

e) An analysis of changes is loss allowance for debt instruments carried at amortosed cost is as follows:

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Loss allowance as at January 1, 2020	-	-	-	-
Net re-measurement of loss allowance	6,498	-	-	6,498
New financial assets originated	-	-	-	-
Financial assets that have been Derecognized	-	-	-	-
Loss allowance as at December 31, 2020	**6,498**	**-**	**-**	**6,498**

7. LOANS AND ADVANCES, NET

Consumer includes loans and advances related to individuals for personal needs.

Commercial include loans and advances to corporate, medium and small sized business and institutional customers.

Others include loans and advances to staff.

a) Loans and advances, net comprised the following:

	SR '000				
	Credit cards	Consumer	Commercial	Others	Total
2020					
Performing loans and advances	**695,605**	**26,542,025**	**27,303,432**	**371,189**	**54,912,251**
Non-performing loans and advances	**55,679**	**168,344**	**1,017,934**	**-**	**1,241,957**
Total loans and advances	**751,284**	**26,710,369**	**28,321,366**	**371,189**	**56,154,208**
Allowance for expected credit losses ("ECL")	**(63,908)**	**(211,871)**	**(1,917,218)**	**-**	**(2,192,997)**
Loans and advances, net	**687,376**	**26,498,498**	**26,404,148**	**371,189**	**53,961,211**

	SR '000				
	Credit Cards	Consumer	Commercial	Others	Total
2019					
Performing loans and advances	725,560	23,376,999	25,486,099	407,546	49,996,204
Non-performing loans and advances	48,371	154,727	469,984	-	673,082
Total loans and advances	773,931	19,133,595	21,602,761	407,546	50,669,286
Allowance for expected credit losses ("ECL")	(57,779)	160,327	464,870	-	(1,009,167)
Loans and advances, net	716,152	23,375,798	25,160,623	407,546	49,660,119

Loans and advances, net represents Shari'ah compliant products in respect of Murabaha agreements, Ijarah, Istisnaat, Musharaka and Tawarruq.

The above comprise of shariah approved balances as follows:

	2020 SR'000	2019 SR'000
Credit cards		
Tawarruq	**751,284**	773,931
Less: Allowance for ECL	**(63,908)**	(57,779)
Total	**29,895,473**	27,618,764

	2020 SR'000	2019 SR'000
Consumer		
Murabaha	**19,293,948**	15,040,025
Ijarah	**7,414,928**	8,490,520
Others	**1,493**	1,181
	26,710,369	23,531,726
Less: Allowance for ECL	**(211,871)**	(155,928)
Total	**29,895,473**	23,375,798

	2020 SR'000	2019 SR'000
Commercial		
Tawarruq	**22,732,987**	21,618,843
Murabaha	**2,710,405**	1,835,645
Ijarah	**1,273,794**	1,435,505
Others	**1,604,180**	1,066,090
	28,321,366	25,956,083
Less: Allowance for ECL	**(1,917,218)**	(795,460)
Total	**26,404,148**	25,160,623

b) The following table explains changes in gross carrying amount of the loans and advances to help explain their significance to the changes in the loss allowance.

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Loans and advances				
Gross carrying amount as at 1 January 2020	43,726,824	3,862,170	3,080,292	50,669,286
Transfer to 12-month ECL	169,985	(129,404)	(40,581)	-
Transfer to lifetime ECL not credit – Impaired	(766,220)	773,027	(6,807)	-
Transfer to lifetime ECL credit impaired	(247,047)	(120,730)	367,777	-
Other Movements	1,000,820	(21,522)	172,914	1,152,212
New financial assets originated or purchased	8,397,583	53,188	6,240	8,457,011
Financial assets that have been derecognized	(3,537,745)	(124,637)	(323,931)	(3,986,313)
Changes in special commission accrual	(3,042)	-	-	(3,042)
Write-offs	-	-	(134,946)	(134,946)
Gross carrying amount as at 31 December 2020	48,741,158	4,292,092	3,120,958	56,154,208

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Loans and advances				
Gross carrying amount as at 1 January 2019	36,199,180	4,433,403	1,197,813	41,830,396
Transfer to 12-month ECL	504,335	(447,086)	(57,249)	-
Transfer to lifetime ECL not credit – Impaired	(950,004)	958,229	(8,225)	-
Transfer to lifetime ECL credit impaired	(1,182,906)	(1,156,637)	2,339,543	-
Other Movements	(369,796)	(103,698)	(162,675)	(636,169)
New financial assets originated or purchased	11,687,872	290,424	15,033	11,993,329
Financial assets that have been derecognized	(2,144,210)	(112,465)	(56,182)	(2,312,857)
Changes in special commission accrual	(17,647)	-	-	(17,647)
Write-offs	-	-	(187,766)	(187,766)
Gross carrying amount as at 31 December 2019	43,726,824	3,862,170	3,080,292	50,669,286

c) An analysis of changes in ECL for loans and advances is, as follows:

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Loans and advances				
ECL as at January 1, 2020	170,747	94,820	743,600	1,009,167
Transfer to 12-month ECL	18,450	(2,988)	(15,462)	-
Transfer to lifetime ECL not credit – impaired	(5,322)	7,717	(2,395)	-
Transfer to lifetime ECL credit impaired	(2,723)	(3,692)	6,415	-
Net re-measurement of loss allowance	124,154	202,732	982,111	1,308,997
New financial assets originated or purchased	45,291	1,352	3,415	50,058
Financial assets that have been derecognized	(14,988)	(1,771)	(23,520)	(40,279)
Write-offs	-	-	(134,946)	(134,946)
ECL as at December 31, 2020	335,609	298,170	1,559,218	2,192,997

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Loans and advances				
ECL as at January 1, 2019	138,334	193,055	602,116	933,505
Transfer to 12-month ECL	21,040	(3,190)	(17,850)	-
Transfer to lifetime ECL not credit impaired	(2,256)	5,667	(3,411)	-
Transfer to lifetime ECL credit impaired	(3,611)	(109,771)	113,382	-
Net re-measurement of loss allowance	(24,445)	7,265	249,848	232,668
New financial assets originated or purchased	50,245	6,426	7,316	63,987
Financial assets that have been derecognized	(8,560)	(4,632)	(20,035)	(33,227)
Write-offs	-	-	(187,766)	(187,766)
ECL as at December 31, 2019	170,747	94,820	743,600	1,009,167

d) An analysis of changes in ECL by each class of financial instrument is, as follows:

	2020			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	(SR '000)			
Credit cards				
ECL as at January 1, 2020	**24,509**	**1,834**	**31,436**	**57,779**
Transfer to 12-month ECL	**1,977**	**(684)**	**(1,293)**	**-**
Transfer to lifetime ECL not credit – impaired	**(338)**	**462**	**(124)**	**-**
Transfer to lifetime ECL credit impaired	**(597)**	**(577)**	**1,174**	**-**
Net re-measurement of loss allowance	**(5,898)**	**150**	**7,899**	**2,151**
New financial assets originated	**10,141**	**958**	**2,036**	**13,135**
Financial assets that have been derecognized	**(3,739)**	**(482)**	**(3,820)**	**(8,041)**
Write-offs	**-**	**-**	**(1,116)**	**(1,116)**
ECL as at December 31, 2020	**26,055**	**1,661**	**36,192**	**63,908**

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Credit cards				
ECL as at January 1, 2019	15,589	1,864	25,625	43,078
Transfer to 12-month ECL	2,290	(768)	(1,522)	-
Transfer to lifetime ECL not credit – impaired	(309)	554	(245)	-
Transfer to lifetime ECL credit impaired	(439)	(417)	856	-
Net re-measurement of loss allowance	(3,146)	24	8,811	5,689
New financial assets originated	12,352	1,136	2,984	16,472
Financial assets that have been derecognized	(1,828)	(559)	(3,981)	(6,368)
Write-offs	-	-	(1,092)	(1,092)
ECL as at December 31, 2019	24,509	1,834	31,436	57,779

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Consumer loans				
ECL as at January 1, 2020	**86,418**	**1,290**	**68,220**	**155,928**
Transfer to 12-month ECL	**14,010**	**(560)**	**(13,450)**	**-**
Transfer to lifetime ECL not credit – impaired	**(571)**	**2,368**	**(1,797)**	**-**
Transfer to lifetime ECL credit impaired	**(243)**	**(150)**	**393**	**-**
Net re-measurement of loss allowance	**20,856**	**(814)**	**34,608**	**54,650**
New financial assets originated	**16,880**	**254**	**1,379**	**18,513**
Financial assets that have been derecognized	**(5,508)**	**(204)**	**(6,176)**	**(11,888)**
Write-offs	**-**	**-**	**(5,332)**	**(5,332)**
ECL as at December 31, 2020	**131,842**	**2,184**	**77,845**	**211,871**

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Consumer loans				
ECL as at January 1, 2019	92,205	2,517	69,535	164,257
Transfer to 12-month ECL	18,027	(1,699)	(16,328)	-
Transfer to lifetime ECL not credit – impaired	(427)	2,130	(1,703)	-
Transfer to lifetime ECL credit impaired	(335)	(179)	514	-
Net re-measurement of loss allowance	(40,394)	(1,303)	26,815	(14,882)
New financial assets originated	22,047	85	4,123	26,255
Financial assets that have been derecognized	(4,705)	(261)	(10,451)	(15,417)
Write-offs	-	-	(4,285)	(4,285)
ECL as at December 31, 2019	86,418	1,290	68,220	155,928

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Commercial loans				
ECL as at January 1, 2020	**59,820**	**91,696**	**643,944**	**795,460**
Transfer to 12-month ECL	**2,463**	**(1,744)**	**(719)**	**-**
Transfer to lifetime ECL not credit –impaired	**(4,413)**	**4,887**	**(474)**	**-**
Transfer to lifetime ECL credit impaired	**(1,883)**	**(2,965)**	**4,848**	**-**
Net re-measurement of loss allowance	**109,196**	**203,396**	**939,604**	**1,252,196**
New financial assets originated	**18,270**	**140**	**-**	**18,410**
Financial assets that have been derecognized	**(5,741)**	**(1,085)**	**(13,524)**	**(20,350)**
Write-offs	**-**	**-**	**(128,498)**	**(128,498)**
ECL as at December 31, 2020	**177,712**	**294,325**	**1,445,181**	**1,917,218**

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Commercial loans				
ECL as at January 1, 2019	30,540	188,674	506,956	726,170
Transfer to 12-month ECL	723	(723)	-	-
Transfer to lifetime ECL not credit – impaired	(1,520)	2,983	(1,463)	-
Transfer to lifetime ECL credit impaired	(2,837)	(109,175)	112,012	-
Net re-measurement of loss allowance	19,095	8,544	214,222	241,861
New financial assets originated	15,846	5,205	209	21,260
Financial assets that have been derecognized	(2,027)	(3,812)	(5,603)	(11,442)
Write-offs	-	-	(182,389)	(182,389)
ECL as at December 31, 2019	59,820	91,696	643,944	795,460

e) Movements in allowance for ECL are as follows:

	SR '000			
2020	**Credit Cards**	**Consumer**	**Commercial**	**Total**
Opening ECL allowance as at 1 January 2020	**57,779**	**155,928**	**795,460**	**1,009,167**
Impairment charge for the year	**7,245**	**105,753**	**1,298,056**	**1,411,054**
Bad debts written off during the year	**(1,116)**	**(5,332)**	**(128,498)**	**(134,946)**
Recoveries / reversals of amounts previously provided	**-**	**(44,478)**	**(47,800)**	**(92,278)**
Balance at the end of the year	**63,908**	**211,871**	**1,917,218**	**2,192,997**

	SR '000			
2019	Credit Cards	Consumer	Commercial	Total
Opening ECL allowance as at 1 January 2019	43,078	164,257	726,170	933,505
Impairment charge for the year	15,793	76,794	292,899	385,486
Bad debts written off during the year	(1,092)	(4,285)	(182,389)	(187,766)
Recoveries / reversals of amounts previously provided	-	(80,838)	(41,220)	(122,058)
Balance at the end of the year	57,779	155,928	795,460	1,009,167

The contractual amount outstanding on financial assets that were written off during the year ended December 31, 2020 and that are still subject to enforcement activity is SR 128.42 million (2019: SR 174.6 million).

f) Net impairment charge for ECL for the year in the consolidated statement of income is as follows

	2020 SR'000	2019 SR'000
Impairment charge for ECL on loans and advances for the year	**1,411,054**	385,486
Recoveries / reversal of amounts previously provided	**(92,278)**	(122,058)
Recoveries from debts previously written off	**(27,936)**	(46,727)
Net impairment charge for ECL in respect of due from banks and other financial institutions	**807**	892
Net impairment charge for ECL in respect of investments	**6,498**	-
Charge / (reversal) for ECL in respect of credit related contingent liabilities	**277,598**	(60,640)
Impairment charge for ECL, net	**1,575,743**	156,953

The Bank has performed a detailed credit risk assessment in respect of a number of exposures during the year to assess the adequacy of the expected credit loss allowance against these exposures. This assessment was performed taking into account the specific developments that took place in relation to these exposures and the overall economic environment post COVID lock downs etc. As a result of this assessment, the Bank has increased the level of ECL allowance required against these specific exposures..

g) Economic sector risk concentrations for the loans and advances and allowance for impairment are as follows:

2020	Performing SR '000	Non performing SR '000	Allowance for impairment SR '000	Loans and advances, net SR '000
Government and quasi Government	3,157,197	-	(17,682)	3,139,515
Banks and other financial institutions	1,869,830	-	(15,393)	1,854,437
Agriculture and fishing	54,822	-	(80)	54,742
Manufacturing	4,649,626	174,777	(565,727)	4,258,676
Building and construction	968,218	68,713	(392,797)	644,134
Commerce	10,177,608	619,853	(500,531)	10,296,930
Transportation and communication	137,015	-	(894)	136,121
Services	1,403,035	134,086	(137,758)	1,399,363
Consumer loans and credit cards	27,237,630	224,023	(275,779)	27,185,874
Share trading	1,152,572	-	-	1,152,572
Others	4,104,698	20,505	(286,356)	3,838,847
Total	54,912,251	1,241,957	(2,192,997)	53,961,211

2019	Performing SR '000	Non performing SR '000	Allowance for impairment SR '000	Loans and advances, net SR '000
Government and quasi Government	1,741,356	-	(6,672)	1,734,684
Banks and other financial institutions	1,557,879	-	(3,606)	1,554,273
Agriculture and fishing	25,000	-	(32)	24,968
Manufacturing	4,298,634	14,464	(237,229)	4,075,869
Building and construction	915,081	70,225	(60,924)	924,382
Commerce	9,905,979	207,066	(311,460)	9,801,585
Transportation and communication	119,097	-	(1,165)	117,932
Services	1,369,659	162,799	(114,352)	1,418,106
Consumer loans and credit cards	24,102,559	203,098	(213,707)	24,091,950
Share trading	1,270,654	-	-	1,270,654
Others	4,690,306	15,430	(60,020)	4,645,716
Total	49,996,204	673,082	(1,009,167)	49,660,119

h) Other real estate

	2020 SR'000	2019 SR'000
Balance at the beginning of the year	**468,992**	453,150
Additions during the year	**6,190**	18,285
Disposals during the year	**(761)**	(2,443)
Balance at the end of the year	**474,421**	468,992

8. INVESTMENT IN AN ASSOCIATE

The Group holds 35% shareholding in Aljazira Takaful Ta'awuni Company ("ATT"). The details related to ATT are explained in note 29 and 40 to these consolidated financial statements. The market value of investment in ATT as of December 31, 2020 is SR 309.92 million (2019: SR 217.32 million).

The following table summarises the latest available financial information of ATT as of December 31 and for the year then ended:

	2020 SR'000	2019 SR'000
Total assets	**1,848,003**	680,825
Total liabilities	**(1,379,091)**	(256,936)
Total shareholders' equity	**468,961**	423,807
Proportion of the Group's ownership	**35%**	35%
Carrying amount of the investment	**164,136**	148,332

	2020 SR'000	2019 SR'000
Total profit for the year before Zakat and income tax	**46,510**	36,821
The Group's share of profit for the year	**16,279**	12,888

The following table summarises the movement of the investment in associate during the year:

	2020 SR'000	2019 SR'000
Balance at the beginning of the year	**148,332**	135,770
Share in profit for the year before zakat and income tax	**16,279**	12,888
Share of Zakat and income tax	**(475)**	(326)
Dividend received	**-**	-
Balance at the end of the year	**164,136**	148,332

9. PROPERTY AND EQUIPMENT, NET

	2020 SR'000	2019 SR'000
Property and equipment, net (note a)	**664,198**	582,426
Right of use assets, net (note b)	**354,116**	419,657
Intangible assets (note c)	**137,295**	152,187
Total	**1,155,609**	1,154,270

a) Property and equipment, net

	Land and buildings SR '000	Leasehold improve-ments SR '000	Furniture, equipment and vehicles SR '000	Capital work in progress SR '000	Total SR '000
Cost					
At January 1, 2019	241,126	542,787	593,299	36,216	1,413,428
Additions during the year	-	2,893	4,192	33,703	40,788
Transfers during the year	-	3,062	6,227	(9,289)	-
Disposals during the year	-	-	(3,385)	-	(3,385)
At January 1, 2020	**241,126**	**548,742**	**600,333**	**60,630**	**1,450,831**
Additions during the year	**-**	**2,866**	**9,479**	**135,797**	**148,142**
Transfers during the year	**66,706**	**13,118**	**24,024**	**(103,848)**	**-**
Disposals during the year	**-**	**(7,927)**	**(12,740)**	**(118)**	**(20,785)**
At December 31, 2020	**307,832**	**556,799**	**621,096**	**92,461**	**1,578,188**
Accumulated depreciation					
At January 1, 2019	5,040	319,598	481,817	-	806,455
Charge for the year	-	27,481	37,679	-	65,160
Disposals	-	-	(3,210)	-	(3,210)
At January 1, 2020	**5,040**	**347,079**	**516,286**	**-**	**868,405**
Charge for the year	**-**	**27,340**	**37,379**	**-**	**64,719**
Disposals	**-**	**(7,050)**	**(12,084)**	**-**	**(19,134)**
At December 31, 2020	**5,040**	**367,369**	**541,581**	**-**	**913,990**
Net book value					
At December 31, 2020	**302,792**	**189,430**	**79,515**	**92,461**	**664,198**
At December 31, 2019	236,086	201,663	84,047	60,630	582,426

b) Right of use assets, net

	Land and buildings SR'000	Office Equipment SR'000	Vehicles SR'000	Total SR'000
Cost				
Adjustments on transition to IFRS 16 at January 1, 2019	462,825	6,573	1,165	470,563
Additions during the year	45,193	530	67	45,790
At January 1, 2020	**508,018**	**7,103**	**1,232**	**516,353**
Additions during the year	**34,378**	-	-	**34,378**
At December 31, 2020	**542,396**	**7,103**	**1,232**	**550,731**
Accumulated depreciation				
Charge for the year	93,764	2,345	587	96,696
At January 1, 2020	**93,764**	**2,345**	**587**	**96,696**
Charge for the year	**97,321**	**2,137**	**461**	**99,919**
At December 31, 2020	**191,085**	**4,482**	**1,048**	**196,615**
Net book value				
At December 31, 2020	**351,311**	**2,621**	**184**	**354,116**
At December 31, 2019	414,254	4,758	645	419,657

c) Intangible assets

	Computer sof wares SR'000	Work in progress SR'000	Total SR'000
Cost			
At January 1, 2019	276,924	38,809	315,733
Additions during the year	510	36,573	37,083
Transfers during the year	28,153	(28,153)	-
At January 1, 2020	**305,587**	**47,229**	352,816
Additions during the year	**11**	**37,776**	**37,787**
Transfers during the year	**48,696**	**(48,696)**	-
Disposals	**(5,586)**	-	**(5,586)**
Write-offs	-	**(2,854)**	**(2,854)**
At December 31, 2020	**348,708**	**33,455**	**382,163**

	Computer softwares SR'000	Work in progress SR'000	Total SR'000
Accumulated amortisation			
At January 1, 2019	161,459	-	161,459
Charge for the year	39,170	-	39,170
At January 1, 2020	**200,629**	-	200,629
Charge for the year	**49,808**	-	**49,808**
Disposals	**(5,569)**	-	**(5,569)**
At December 31, 2019	**244,868**	-	**244,868**
Net book value			
At December 31, 2020	**103,840**	**33,455**	137,295
At December 31, 2019	**104,958**	**47,229**	152,187

10. OTHER ASSETS

	2020 SR'000	2019 SR'000
Advances, prepayments and other receivables	**142,416**	198,315
Margin deposits against financial instruments	**152,531**	111,731
Value Added Tax (VAT) receivable	**187,780**	105,899
Others	**145,641**	69,605
Total	**628,368**	485,550

11. DERIVATIVES

In the ordinary course of business, the Group utilizes the following derivative financial instruments for both trading and strategic hedging purposes:

11.1 Nature/type of derivatives held

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging principal. For cross-currency commission rate swaps, principal, fixed and floating commission payments are exchanged in different currencies.

b) Options (Wa'ad Fx)

Foreign exchange options are transactions, whereby a client, in consideration for the payment of a fee agrees to enter into one or a series of trades in which one party (promisor) gives a commitment as a unilateral undertaking, to a second party (promisee).

An option can be a unilateral promise or combination of promises. The Group enters into the option depending on the client's risk profile, whereby the client may promise to buy, sell or buy and sell a currency with or without conditions for hedging its exposure.

11.2 Purpose of derivatives

a) Held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from, price differentials between markets or products.

b) Held for hedging purposes

The Group uses Shari'ah compliant derivatives for hedging purposes in order to reduce its exposure to commission rate risk and foreign exchange risk.

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and commission rates to reduce its exposure to currency and commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and commission rate risk. This is generally achieved by hedging specific transactions.

Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission rate risk. The Group uses special commission rate swaps as hedging instruments to hedge against these special commission rate risks. Below is the schedule indicating as at December 31, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

2020 SR '000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	45,098	86,008	78,662	12,997
Cash out flows (liabilities)	(93,697)	(211,514)	(259,944)	(1,696,744)
Net cash outflow	(48,599)	(125,506)	(181,282)	(1,683,747)

2019 SR '000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	42,068	90,196	80,241	52,328
Cash out flows (liabilities)	(188,512)	(386,189)	(385,133)	(2,124,239)
Net cash outflow	(146,444)	(295,993)	(304,892)	(2,071,911)

The gains / (losses) on cash flow hedges reclassified to the consolidated statement of income during the year are as follows:

	2020 SR'000	2019 SR'000
Special commission income	1,652	1,760
Special commission expense	(1,563)	(1,822)
Net gains / (losses) on cash flow hedges reclassified to the consolidated statement of income	89	(62)

	2020 SR'000	2019 SR'000
Balance at the beginning of the year	(110,411)	(96,367)
Losses from change in fair value recognised directly in equity, net (effective portion)	(48,138)	(14,106)
(Gains) / losses removed from equity and transferred to consolidated statement of income	(89)	62
Balance at the end of the year	(158,638)	(110,411)

During the prior years, the Bank sold certain of its special commission rate swaps used for cash flows hedges. However, the gain / (loss) would continue to be classified in consolidated statement of comprehensive income as the related hedge items are still outstanding. In accordance with the IFRS as endorsed in KSA requirements, the gain / (loss) will be reclassified to consolidated statement of income in the period when the cash flows pertaining to hedged items will affect the consolidated statement of income.

The table below sets out the positive and negative fair values of the Group's derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volume of transactions outstanding at the year end, do not necessarily reflect the amount of future cash flows involved. The notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

	2020 SR '000							
				Notional amounts by term to maturity				
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Currency swaps	3,780	40	265,106	265,106	-	-	-	282,581
Currency forwards	8	40	5,681	5,681	-	-	-	200,388
Special commission rate swaps	18,792	18,792	1,254,753	-	1,004,277	250,476	-	1,409,685
Structured deposits	-	-	-	-	-	-	-	533,333
Held as cash flow hedges:								
Special commission rate swaps	112,644	284,623	3,550,625	-	1,004,277	1,778,750	1,771,875	3,550,625
Total	135,224	303,495	5,076,165	270,787	1,004,277	2,029,226	1,771,875	5,976,612

	2019 SR '000							
				Notional amounts by term to maturity				
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Currency swaps	-	172	112,500	112,500	-	-	-	382,813
Currency forwards	14	138	301,899	301,899	-	-	-	254,054
Special commission rate swaps	26,717	26,717	1,795,603	261,801	224,498	1,309,304	-	2,029,018
Structured deposits	2,000	2,000	800,000	-	800,000	-	-	800,000
Held as cash flow hedges:								
Special commission rate swaps	72,895	186,984	3,550,625	-	-	1,778,750	1,771,875	3,550,625
Total	101,626	216,011	6,560,627	676,200	1,024,498	3,088,054	1,771,875	7,016,510

Held for trading special commission rate swaps include special commission income receivable and payable amounting to SR 1.47 million (2019: SR 4.63 million). Held as cash flow hedge special commission rate swaps include special commission income receivable amounting to SR 5.04 million (2019: SR 16.32 million) and special commission payable amounting to SR 18.46 million (2019: SR 19.99 million).

All the derivative produts in the above table are Shariah approved.

During the years ended on December 31, 2020 and December 31, 2019, there was no ineffectiveness in the cash flow hedges.

Pursuant to changes in certain international laws, the Bank has established a Special Purpose Vehicle (SPV) namely Aljazira Securities Limited and intends to transfer all of its Profit rate swaps ("PRS") derivatives, hedged or traded, to this SPV. In this connection, initially, a novation agreement has been signed among the Bank, the SPV and one of the counter party. Going forward, the SPV will execute all the derivatives with counterparties with a back to back transaction with the Bank. As the change was necessitated by laws, management believe that existing hedging relationships continue to be effective.

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 SR'000	2019 SR'000
Current accounts	**177,278**	199,366
(Money market deposits from banks and other financial institutions (refer note 12.1	**8,063,770**	7,764,271
Repo agreement borrowings	**289,148**	290,117
Total	**8,530,196**	8,253,754

The above comprise of Shariah approved balances as follows:

	2020 SR'000	2019 SR'000
Current accounts	**177,278**	199,366
Commodity murabaha	**8,063,770**	7,764,271
Wakala	**289,148**	290,117
Total	**8,530,196**	8,253,754

12.1 This balance includes profit free deposits received during the year from SAMA with gross amount of SAR 4.19 billion with varying maturities in order to support the Bank in its implementation of various regulatory relief packages given by the government in response to COVID-19 (refer to note 42).

As a result, the Bank's 'Special Comission Income' for the year ended December 31, 2020 included the fair value benefit of SAR 80.72 million arising from the profit free deposits.

13. CUSTOMERS' DEPOSITS

	2020 SR'000	2019 SR'000
Demand	**37,411,390**	30,839,375
Saving	**284,182**	-
Time	**28,543,641**	30,259,540
Other	**1,764,399**	1,597,879
Total	**68,003,612**	62,696,794

The above comprise of Shariah approved customer deposits as follows:

	2020 SR'000	2019 SR'000
Demand	**37,411,390**	30,839,375
Time	**284,182**	-
Demand	**26,298,819**	26,371,012
Time	**2,244,822**	3,888,528
Other	**1,764,399**	1,597,879
Total	**68,003,612**	62,696,794

Other customers' deposits include SR 710.15 million (2019: SR SR 600.22 million) of margins held for irrevocable contingencies and commitments.

The above includes foreign currency deposits as follows:

	2020 SR'000	2019 SR'000
Demand	**1,717,463**	1,092,593
Time	**1,954,892**	2,002,712
Other	**90,389**	88,460
Total	**3,762,744**	3,183,765

The foreign currency deposits are mainly in US Dollars to which the SR is pegged. Accordingly, the sensitivity with respect to foreign currency risk is not material.

14. SUBORDINATED SUKUK

On June 2, 2016, the Bank issued 2,000 Subordinated Sukuk Certificates (Sukuk) of SR 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 Saudi Stock Exchange (Tadawul).

15. OTHER LIABILITIES

	2020 SR'000	2019 SR'000
Accounts payable	**395,476**	344,758
Employee benefit obligation (refer note 28)	**279,701**	273,833
Lease Liability (note a below)	**324,902**	371,613
ECL allowance for loan commitments and contingencies (refer note 19(c)(iii))	**371,087**	93,489
Dividend payable	**32,638**	39,259
Aljazira Philanthropic Program (note b below)	**14,793**	16,263
Others (note c below)	**463,842**	642,132
Total	**1,882,439**	1,781,347

a) The maturity analysis of lease liabilities based on contractual undiscounted cash flows is as follows:

	2020 SR'000	2019 SR'000
Less than one year	84,614	82,081
One to five years	217,672	288,077
More than five years	66,250	58,518
Total undiscounted lease liabilities at December 31	**368,536**	428,676
Lease liabilities included in the consolidated statement of financial position at December 31	**324,902**	371,613
Current	72,414	66,823
Non-Current	252,488	304,790

b) During 2006, the Board of Directors approved the contribution to a philanthropic program to carry out the Group's social responsibilities towards the Saudi society, through the charitable contributions to various benevolent efforts that promote the general welfare of the society. For this purpose, the Group contributed SR 100 million to this program. A Social Committee has been established to coordinate this program, consisting of three Board members, and it is the intention of the Board of Directors to seek assistance of other independent members from the business community and the Shari'ah Board of the Group to overview and provide guidance for the activities of the program.

c) This includes an amount of SR 264.72 million (2019: SR 352.96 million) accrued as a result of Zakat settlement agreement entered into with GAZT in respect of assessment years from 2006 to 2017. The amount is payable in three (2019: four) instalments as more fully explained in note 25.

16. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 820 million shares of SR 10 each (2018: 820 million shares of SR 10 each).

The shareholders of the Bank in their Extra Ordinary General Assembly meeting held on March 19, 2018 (corresponding to Rajab 2, 1439H), approved the increase in number of shares of the Bank from 520 million shares to 820 million shares through a rights issue of 300 million shares at an exercise price of SR 10 per share amounting to SR 3,000 million. During 2018, the Bank, after completing all legal formalities issued the rights shares.

The ownership of the Bank's share capital is as follows:

	2020	2019
Saudi shareholders	**80.22%**	78.13%
Non-Saudi shareholder - National Bank of Pakistan (NBP)	**3.70%**	3.70%
Non-Saudi shareholder - others	**16.08%**	18.17%

17. STATUTORY AND GENERAL RESERVES

Statutory reserve

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SR 8.44 million has been transferred from net income (2019: SR 247.76 million). The statutory reserve is not available for distribution.

General reserve

In addition, when considered appropriate, the Bank set asides its profits to cater general banking risks. During the current year the Bank transfered SR 68 million from general reserve to retained earnings pursuant to the shareholders approval in their Extra Ordinary General Assembly meeting held on December 30, 2020 (corresponding to Jumada al-awwal 15, 1442H).

18. OTHER RESERVES

2020	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Actuarial gains (note 28) SR' 000	Total SR' 000
Balance at beginning of the year	(110,411)	5,508	18,099	(86,804)
Net change in fair value	(48,138)	31,052	-	(17,086)
Transfer to consolidated statement of income	(89)	-	-	(89)
Actuarial gains on employee benefit obligation	-	-	4,403	4,403
Net movement during the year	(48,227)	31,052	4,403	(12,772)
Balance at the end of the year	**(158,638)**	**36,560**	**22,502**	**(99,576)**

2019	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Actuarial gains (note 28) SR' 000	Total SR' 000
Balance at beginning of the year	(96,367)	-	83	(96,284)
Net change in fair value	(14,106)	5,508	-	(8,598)
Transfer to consolidated statement of income	62	-	-	62
Actuarial gains on employee benefit obligation	-	-	18,016	18,016
Net movement during the year	(14,044)	5,508	18,016	9,480
Balance at the end of the year	(110,411)	5,508	18,099	(86,804)

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2020, there were legal proceedings of routine nature outstanding against the Group. No significant provision has been made as related professional legal advice indicated that it is unlikely that any significant loss will eventually arise.

b) Capital commitments

As at December 31, 2020, the Group had capital commitments of SR 87.61 million (2019: SR 179.90 million) in respect of the construction of branches and IT related projects.

c) Credit related commitments and contingencies

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

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

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

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

Commitments to extend credit represent the unused portion of authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot be readily quantified, is expected to be considerably less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of the commitments could expire or terminate without being funded.

i) The contractual maturity structure for the Group's credit related commitments and contingencies are as follows:

2020	(SR '000)				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	347,503	424,804	5,500	-	777,807
Letters of guarantee	3,335,469	1,110,544	123,337	20,600	4,589,950
Acceptances	170,509	-	-	-	170,509
Irrevocable commitments to extend credit	-	468,455	150,000	-	618,455
Total	**3,853,481**	**2,003,803**	**278,837**	**20,600**	**6,156,721**
Allowance for impairment					(371,087)
Net exposure					**5,785,634**

2019	(SR '000)				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	412,464	416,232	11,912	-	840,608
Letters of guarantee	1,905,183	1,217,627	672,102	17,900	3,812,812
Acceptances	239,871	-	-	-	239,871
Irrevocable commitments to extend credit	-	314,618	150,000	-	464,618
Total	2,557,518	1,948,477	834,014	17,900	5,357,909
Allowance for ECL					(93,489)
Net exposure					5,264,420

The outstanding unused portion of commitments as at December 31, 2020, which can be revoked unilaterally at any time by the Group, amounts to SR 3.84 billion (2019: SR 6.24 billion).

ii) The following table explains changes in gross carrying amount of the loan commitments and contingencies to help explain their significance to the changes in the loss allowance for the same portfolio.

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Gross carrying amount as at 1 January 2020	4,726,321	166,455	465,133	5,357,909
Transfer to 12-month ECL	16,648	(16,648)	-	-
Transfer to lifetime ECL not credit – impaired	(3,006)	3,006	-	-
Transfer to lifetime ECL credit – impaired	(30,260)	(7,889)	38,149	-
Financial assets derecognised during the period other than write-offs	(265,726)	(22,191)	(4,286)	(292,203)
New financial assets originated or purchased	1,184,229	-	36	1,184,265
Other movements	(90,489)	15,713	(18,474)	(93,250)
Gross carrying amount as at 31 December 2020	**5,537,717**	**138,446**	**480,558**	**6,156,721**

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Gross carrying amount as at 1 January 2019	4,748,375	239,979	230,342	5,218,696
Transfer to 12-month ECL	20,674	(20,674)	-	-
Transfer to lifetime ECL not credit – impaired	(31,662)	31,662	-	-
Transfer to lifetime ECL credit – impaired	(431,153)	(1,846)	432,999	-
Financial assets derecognised during the period other than write-offs	(365,271)	(1,229)	(115,576)	(482,076)
New financial assets originated or purchased	867,344	4,169	-	871,513
Other movements	(81,986)	(85,606)	(82,632)	(250,224)
Gross carrying amount as at 31 December 2019	4,726,321	166,455	465,133	5,357,909

	2020			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	(SR '000)			
ECL as at January 1, 2020	**18,630**	**2,602**	**72,257**	**93,489**
Transfer to 12-month ECL	**322**	**(322)**	**-**	**-**
Transfer to lifetime ECL not credit – Impaired	**(19)**	**19**	**-**	**-**
Transfer to lifetime ECL credit impaired	**(261)**	**(189)**	**450**	**-**
Net re-measurement of loss allowance	**2,774**	**4,713**	**264,064**	**271,551**
New financial assets originated or purchased	**7,914**	**-**	**18**	**7,932**
Financial assets that have been derecognized	**(1,572)**	**(276)**	**(37)**	**(1,885)**
ECL as at December 31, 2020	**27,788**	**6,547**	**336,752**	**371,087**

	2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
ECL as at January 1, 2019	13,265	1,683	139,181	154,129
Transfer to 12-month ECL	72	(72)	-	-
Transfer to lifetime ECL not credit – Impaired	(54)	54	-	-
Transfer to lifetime ECL credit impaired	(1,633)	(138)	1,771	-
Net re-measurement of loss allowance	5,664	1,017	(3,280)	3,401
New financial assets originated or purchased	2,295	61	-	2,356
Financial assets that have been derecognized	(979)	(3)	(65,415)	(66,397)
ECL as at December 31, 2019	18,630	2,602	72,257	93,489

iv) The analysis of commitments and contingencies by counterparty is as follows:

	2020 SR'000	2019 SR'000
Government and quasi government	**468,455**	314,618
Corporate	**5,681,555**	4,979,441
Banks and other financial institutions	**6,711**	63,850
	6,156,721	5,357,909
Allowance for ECL	**(371,087)**	(93,489)
Total	**5,785,634**	5,264,420

d) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases where the Group is the lessee are as follows:

	2020 SR'000	2019 SR'000
Less than 1 year	**4,665**	6,609
Over 5 years	**420**	5,085
Total	**5,085**	11,694

20. NET SPECIAL COMMISSION INCOME

	2020 SR'000	2019 SR'000
Special commission income		
Loans and advances	**2,262,511**	2,255,640
Investments held at amortised cost	**806,098**	839,627
Investments held at FVOCI	**25,702**	1,796
Derivatives	**71,021**	100,303
Due from banks and other financial institutions	**14,709**	30,181
Total	**3,180,041**	3,227,547
Special commission expense		
Customers' deposits	**491,231**	773,966
Due to banks and other financial institutions	**128,243**	180,382
Derivatives	**80,679**	101,272
Subordinated Sukuk	**72,274**	99,111
Finance cost on leased assets	**15,465**	18,159
Others	**1,813**	2,493
Total	**789,705**	1,175,383
Net special commission income	**2,390,336**	2,052,164

21. FEES AND COMMISSION INCOME, NET

	2020 SR'000	2019 SR'000
Fees and commission income		
Local share trading	**310,289**	124,604
Cards business	**282,704**	314,729
Loan commitment and management fees	**136,238**	185,955
Fees from remittance business	**105,888**	140,818
Mutual funds fees	**49,758**	66,121
International share trading	**43,921**	6,632
Trade finance	**43,530**	43,165
Fee and commission from Takaful Ta'awuni	**1,997**	19,046
Others	**50,882**	31,563
Total fees and commission income	**1,025,207**	932,633
Fees and commission expense		
Cards related expenses	**(189,928)**	(201,687)
Brokerage fees	**(168,217)**	(71,418)
Loans related expenses	**(33,247)**	(39,594)
Mutual funds related expenses	**(11,922)**	(12,408)
International share trading	**(13,381)**	(1,002)
Remittance business fee expense	**(1,004)**	(1,203)
Trade finance	**-**	(90)
Takaful Ta'awuni – sales commission	**-**	(1)
Total fees and commission expense	**(417,699)**	(327,403)
Total	**607,508**	605,230

22. NET GAIN ON FVIS FINANCIAL INSTURMENTS

	2020 SR'000	2019 SR'000
Mutual funds	**9,404**	5,670
Equities	**412**	122
Total	**9,816**	5,792

Net gain on FVIS financial instruments includes unrealized gain of SR 9 million (2019: SR 5.58 million).

23. OTHER OPERATING INCOME, NET

	2020 SR'000	2019 SR'000
(Gain on transfer of Takaful business (refer note 40	**17,034**	-
Gain on sale of other real estate	**139**	1,107
Gain on sale of property and equipment	**7**	216
Others	**15,230**	10,857
Total	**32,410**	12,180

24. EARNINGS PER SHARE

Basic earnings per share for the years ended December 31, 2020 and December 31, 2019 is calculated by dividing the net income for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding, as follows.

	2020 SR'000	2019 SR'000
Profit attributable to ordinary share holders		
For basic and diluted earnings per share	**33,754**	991,023
	Shares	Shares
Weighted-average number of ordinary shares		
For basic and diluted earnings per share	**820,000,000**	754,495,130
Basic and diluted earnings per share (in SR)	**0.04**	1.21

The calculations of basic and diluted earnings per share are same for the Bank.

25. ZAKAT AND INCOME TAX

	2020 SR'000	2019 SR'000
Zakat		
Current year	**6,612**	126,790
Prior year	**(6,326)**	4,160
	286	130,950
Income tax		
Current year	**441**	5,642
Prior year	**(3,286)**	(5,585)
	(2,845)	57
Total	**(2,559)**	131,007

Status of assessments:

During 2018, the Bank reached a Settlement Agreement (the "Agreement") with the GAZT to comply with the directives provided by Royal Decree No. (26/M) dated 20 Rabi Al-Awaal 1440 H (28 November 2018) and the Ministerial Resolution No. 1260 dated 5 Rabi Al-Thani 1440 H (12 December 2018), in order to settle outstanding Zakat liabilities for the years from 2006 to 2017 against a full and final payment of SR 551 million, payable in 6 instalments over a period of 5 years ending 1 December 2023. The Bank paid the first instalment of SR 110 million in December 2018 and two instalments of SR 88.2 million each during the month of November 2019 and November 2020 respectively. Under the Agreement, the Bank and GAZT also agreed to settle Zakat for the year 2018 in accordance with the settlement framework provided by the Royal Decree and the Ministerial Resolution. As a result of the Agreement, all Zakat related disputes between the Bank and the GAZT pertaining to the years 2006 to 2017 stand resolved.

For tax matters, the Bank has withdrawn all of its appeals pertaining to the years 2006 through 2011 and 2017 and settled the associated disputed liabilities to avail the amnesty offered by the GAZT as a result of which the tax related disputes between the Bank and the GAZT stand resolved.

During 2019, the Bank received VAT assessments with an additional Value Added Tax (VAT) of SR 61 million and associated delay fines amounting to SR 29 million. The Bank has objected to the imposition of additional VAT and associated delay fines and has paid the additional VAT "under protest" in order to adhere to the regulations. The settlement of additional VAT has been recorded as a receivable from the customers and Ministry of Housing in the consolidated financial statements. However, in order to avail the amnesty, the Bank has withdrawn the appeal. During the year 2020, the Bank received further VAT assessment for the years 2018 and 2019 with an additional VAT of SR 39.3 million and associated delay fines amounting to SR 63.9 million. The Bank will object to the imposition of additional VAT and associated delay fines. However, the Bank decided to settle the additional tax of SR 39.3 million "under protest" in order to avail the amnesty so that associated delay fines are waived.

During the year 2020, the Bank received Income Tax assessment for the years 2015 through 2018. The Bank did not appeal against the assessment and decided to settle the additional tax of SR 2.6 million within the amnesty period in order to get a waiver on the associated delay fines as a result of which tax related disputes between the Bank and the GAZT pertaining to these years stand resolved. The Bank has filed its Zakat and income tax returns with the GAZT and paid Zakat and income tax for the years up to and including the year 2019, except for the amounts agreed as a liability under the Agreement which will be paid to GAZT as and when they fall due.

26. DIVIDENDS

The Board of Directors on January 26, 2020 proposed a final dividend (net of Zakat) of SR 246 million equal to SR 0.3 per share for the year ended December 31, 2019 (2019: interim cash dividend of SR 246 million equal to SR 0.3 per share and final cash dividend for year ended December 31, 2018 of SR 410 million equal to SR 0.5 per share). This was paid during the current year after approval of the shareholders' in their Ordinary General Assembly meeting held on 15 April 2020. This dividend was calculated based on 820 million shares.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	2020 SR'000	2019 SR'000
Cash and balances with SAMA, excluding statutory deposit (note 4)	**1,647,870**	2,077,206
Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition	**428,473**	569,632
Total	**2,076,343**	2,646,838

28. EMPLOYEE BENEFIT OBLIGATION

28.1 Defined Benefit obligation

a) General description
The Group operates an "End of Service Benefit Plan" for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

b) The amounts recognized in the consolidated statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2020 SR'000	2019 SR'000
Defined benefit obligation at the beginning of the year	**273,833**	265,599
Charge for the year		34,993
Special commission cost	**6,547**	11,214
Benefits paid	**(30,347)**	(19,957)
Remeasurements	**(4,403)**	(18,016)
Defined benefit obligation at the end of the year	**279,701**	273,833

c) Amounts recognized in statement of income

	2020 SR'000	2019 SR'000
Current service cost	**34,071**	34,885
Past service cost	**-**	108
	34,071	34,993

d) Re-measurement recognised in consolidated other comprehensive income

	2020 SR'000	2019 SR'000
Changes in experience assumptions	**(3,835)**	(23,385)
Changes in financial assumptions	**(568)**	5,369
	(4,403)	(18,016)

e) Principal actuarial assumptions used in estimating the defined benefit obligation included:

	2020	2019
Discount rate	**2.11%p.a**	2.55%p.a
Expected rate of salary increase	**2.11%p.a**	2.55%p.a
Withdrawal rate	**8%p.a**	8%p.a
Average duration	**7.79 years**	7.58 years
Normal retirement age	**60 years**	60 years

f) The table below illustrates the sensitivity of the defined benefit obligation due to changes in the key assumptions and holding all other variables constant:

		2020	
		SR '000	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**1%**	**(19,446)**	**22,260**
Expected rate of salary increase	**1%**	**23,473**	**(20,872)**
Withdrawal rate	**10%**	**(3,180)**	**3,537**

		2019	
		SR '000	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(18,539)	21,244
Expected rate of salary increase	1%	22,422	(19,920)
Withdrawal rate	10%	(3,040)	3,384

g) Expected maturity analysis of undiscounted defined benefit obligation for the end of service plan is as follows:

	SR '000				
	Less than a year	**years 1-2**	**years 2-5**	**Over 5 years**	**Total**
December 31, 2020	**36,582**	**23,492**	**67,364**	**203,202**	**330,640**
December 31, 2019	44,740	20,993	64,630	203,886	334,249

h) The expected contribution for next year amounts to SR 36.48 million (2019: SR 38.05 million) comprising of service cost and special commission cost.

28.2 Defined Contribution obligation

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 44.18 million (2019: SR 43.42 million).

29. OPERATING SEGMENTS

The operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess their performance.

All of the Group's operations are based in the Kingdom of Saudi Arabia, except Aljazira Securities Limited (SPV).

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities.

For management reporting purposes, the Group is organized into following main operating segments:

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 (ATT) formed under the new Insurance Law of Saudi Arabia (Co-operative Insurance Companies Control Law). This segment represented the insurance portfolio of policies entered into by the Bank before 2014.

As more fully explained in note 40 to these consolidated financial statements this insurance portfolio has been transferred with effect from 1 January 2020 at zero value (no cost to ATT), including the transfer of all assets and liabilities related to this business.

Others

Others include investment in associate, inter segment income and expense eliminations and gain on sale of other real estate.

The Group's total assets and liabilities and its income from operations and net income for the year by operating segment are as follows:

	(SR'000)						
2020	**Personal banking**	**Corporate banking**	**Treasury**	**Brokerage and asset management**	**Takaful Ta'awuni**	**Others**	**Total**
Total assets	**30,563,365**	**23,467,253**	**36,150,152**	**1,745,053**	**-**	**163,051**	**92,088,874**
Total liabilities	**42,056,851**	**24,398,194**	**13,435,001**	**835,414**	**-**	**(1,085)**	**80,724,375**
Total operating income	**1,687,957**	**605,297**	**1,052,908**	**281,953**	**-**	**(340,996)**	**3,287,119**
Net special commission income	**1,118,646**	**498,728**	**802,941**	**40,158**	**-**	**(70,137)**	**2,390,336**
Fee and commission income, net	**320,046**	**87,188**	**(496)**	**233,540**	**-**	**(32,770)**	**607,508**
Net gain on FVIS financial instruments	**-**	**-**	**-**	**9,816**	**-**	**-**	**9,816**
Share in net income of an associate	**-**	**-**	**-**	**2,326**	**-**	**13,953**	**16,279**
Impairment charge for credit losses, net	**(108,652)**	**(1,460,593)**	**(6,498)**	**-**	**-**	**-**	**(1,575,743)**
Depreciation and amortisation	**(131,551)**	**(19,071)**	**(41,467)**	**(13,450)**	**-**	**(8,907)**	**(214,446)**
Total operating expenses	**(1,091,008)**	**(1,679,980)**	**(324,045)**	**(140,855)**	**-**	**(36,315)**	**(3,272,203)**
(Net income / (loss before Zakat and income tax	**596,949**	**(1,074,683)**	**728,863**	**143,424**	**-**	**(363,358)**	**31,195**

	(SR '000)						
2019	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Takaful Ta'awuni	Others	Total
Total assets	27,568,359	22,083,463	34,908,570	1,734,127	101,493	148,332	86,544,344
Total liabilities	42,038,284	20,757,629	11,283,423	773,998	101,493	-	74,954,827
Total operating income	1,402,208	556,712	1,138,666	167,642	17,599	(305,668)	2,977,159
Net special commission income	747,725	444,704	833,172	53,127	472	(27,036)	2,052,164
Fee and commission income, net	405,329	96,293	746	109,863	17,127	(24,128)	605,230
Net gain on FVIS financial instruments	-	-	-	-	5,792	-	5,792
Share in net income of an associate	-	-	-	1,841	-	11,047	12,888
Impairment charge for ECL, net	15,765	(172,718)	-	-	-	-	(156,953)
Depreciation and amortisation	(124,830)	(15,865)	(36,810)	(14,520)	(871)	(8,130)	(201,026)
Total operating expenses	(941,010)	(395,118)	(324,918)	(140,774)	(26,090)	(40,107)	(1,868,017)
Net income / (loss) before Zakat and income tax	461,198	161,594	813,748	28,709	(8,491)	(334,728)	1,122,030

a) The Group's credit exposure by operating segment is as follows:

2020	Personal banking	Corporate banking	Brokerage and asset management	Treasury	Total
	(SR '000)				
Assets	**30,026,290**	**22,916,419**	**1,173,523**	**29,718,554**	**83,834,786**
Commitments and contingencies	-	**5,318,054**	-	-	**5,318,054**
Derivatives	-	-	-	**234,482**	**234,482**

2019	Personal banking	Corporate banking	Brokerage and asset management	Treasury	Total
	(SR '000)				
Assets	26,796,800	21,465,518	1,300,298	28,853,368	78,415,984
Commitments and contingencies	-	4,610,911	-	-	4,610,911
Derivatives	-	-	-	383,351	383,351

Credit exposure comprises the carrying value of the consolidated assets excluding cash, property and equipment, other real estate, investment in equities and mutual funds and certain other assets. Additionally, the credit equivalent values of commitments, contingencies and derivatives are also included in the credit exposure.

30. FINANCIAL RISK MANAGEMENT

30.1 Credit Risk

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has set up Board Risk Committee (BRC) which has the responsibility to monitor the overall risk process within the Bank.

The BRC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The BRC is responsible for supervising risk management decisions and monitoring risk levels and reviewing Risk Management reports / Dashboards on a regular basis. BRC is mandated to escalate to the Board any risk management issue which warrants attention of the Board of Directors of the Bank.

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The Group assesses the probability of default of counterparties using internal rating tools. Also, the Group uses the external ratings, of the major rating agency, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

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

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counter-party is provided in note 6. For details of the composition of loans and advances refer to note 7. Information on credit risk relating to derivative instruments is provided in note 11 and for commitments and contingencies in note 19. The information on banks maximum credit exposure by business segment is given in note 29.

The Group's internal credit rating grading is as follows:

BAJ Internal Grade	Description	Band	PD Lower Bound	PD Upper Bound	Mapping to Moodys Master Scale	Moody's Master Scale Mid-Point PD
1A	Superior	1	0.000%	0.010%	A2	0.0109%
2A	Excellent	2	0.010%	0.015%	A2	0.0109%
2B	Excellent		0.015%	0.023%	A2	0.0109%
2C	Excellent		0.023%	0.035%	A3	0.0389%
3A	Very Good	3	0.035%	0.053%	A3	0.0389%
3B	Very Good		0.053%	0.080%	Baa1	0.0900%
3C	Very Good		0.080%	0.120%	Baa1	0.0900%
4A	Good	4	0.120%	0.190%	Baa2	0.1700%
4B	Good		0.190%	0.280%	Baa2	0.1700%
4C	Good		0.280%	0.430%	Baa3	0.4200%
5A	Acceptable	5	0.430%	0.700%	Baa3	0.4200%
5B	Acceptable		0.700%	1.000%	Ba1	0.8700%
5C	Acceptable		1.000%	1.500%	Ba2	1.5600%
6A	Acceptable with Care	6	1.500%	2.300%	Ba2	1.5600%
6B	Acceptable with Care, Not Rated, Start Up		2.300%	3.500%	Ba3	2.8100%
6C	Acceptable with Care, Watchlist		3.500%	5.000%	B1	4.6800%
7A	Special Attention	7	5.000%	8.000%	B2	7.1600%
7B	Special Attention		8.000%	12.000%	B3	11.6200%
7C	Special Attention		12.000%	100.000%	Caa1	17.3816%
8A	Default -Sub-Standard	8	100.000%	100.000%	C	100.0000%
9A	Default -Doubtful	9	100.000%	100.000%	C	100.0000%
9B	Default - Loss		100.000%	100.000%	C	100.0000%

30.2 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Due from banks and other financial institutions				
Investment grade	195,699	69,046	-	264,745
Non-investment grade	22,574	41,803	-	64,377
Unrated	61,355	35,332	2,664	99,351
	279,628	146,181	2,664	428,473
Allowance for ECL	(1,434)	(901)	-	(2,335)
Carrying amount	278,194	145,280	2,664	426,138
Loans and advances to customers at amortized cost				
Low – fair risk	48,741,158	-	-	48,741,158
Watch list	-	4,292,092	1,879,001	6,171,093
Default	-	-	1,241,957	1,241,957
	48,741,158	4,292,092	3,120,958	56,154,208
Allowance for ECL	(335,609)	(298,170)	(1,559,218)	(2,192,997)
Carrying amount	48,405,549	3,993,922	1,561,740	53,961,211

	31 December 2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Due from banks and other financial institutions				
Investment grade	1,260,077	66,505	-	1,326,582
Non-investment grade	12,150	2,762	-	14,912
Unrated	68,601	20,437	-	89,038
	1,340,828	89,704	-	1,430,532
Allowance for ECL	(1,161)	(367)	-	(1,528)
Carrying amount	1,339,667	89,337	-	1,429,004
Loans and advances to customers at amortized cost				
Low – fair risk	43,726,824	-	-	43,726,824
Watch list	-	3,862,170	2,407,210	6,269,380
Default	-	-	673,082	673,082
	43,726,824	3,862,170	3,080,292	50,669,286
Allowance for ECL	(170,747)	(94,820)	(743,600)	(1,009,167)
Carrying amount	43,556,077	3,767,350	2,336,692	49,660,119

a) The following table sets out information about the credit quality of loans and advances, debt investments and commitments and contingencies to customers at amortized cost on a product basis.

	December 31, 2020			
Credit cards	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	(SR '000)			
Loans and advances to customers at amortized cost				
Low – fair risk	**678,639**	**-**	**-**	**678,639**
Watch list		**16,966**	**-**	**16,966**
Default	**-**	**-**	**55,679**	**55,679**
	678,639	**16,966**	**55,679**	**751,284**
Allowance for ECL	**(26,055)**	**(1,661)**	**(36,192)**	**(63,908)**
Carrying amount	**652,584**	**15,305**	**19,487**	**687,376**

	31 December 2019			
Credit cards	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Loans and advances to customers at amortized cost				
Low – fair risk	706,396	-	-	706,396
Watch list	-	19,164	-	19,164
Default	-	-	48,371	48,371
	706,396	19,164	48,371	773,931
Allowance for ECL	(24,509)	(1,834)	(31,436)	(57,779)
Carrying amount	681,887	17,330	16,935	716,152

Consumer loans	**December 31, 2020**			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	(SR '000)			
Loans and advances to customers at amortized cost				
Low – fair risk	**26,235,899**	**-**	**-**	**26,235,899**
Watch list		**306,126**	**-**	**306,126**
Default	**-**	**-**	**168,344**	**168,344**
	26,235,899	**306,126**	**168,344**	**26,710,369**
Allowance for ECL	**(131,842)**	**(2,184)**	**(77,845)**	**(211,871)**
Carrying amount	**26,104,057**	**303,942**	**90,499**	**26,498,498**

Consumer loans	31 December 2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Loans and advances to customers at amortized cost				
Low – fair risk	23,211,637	-	-	23,211,637
Watch list	-	165,362	-	165,362
Default	-	-	154,727	154,727
	23,211,637	165,362	154,727	23,531,726
Allowance for ECL	(86,418)	(1,290)	(68,220)	(155,928)
Carrying amount	23,125,219	164,072	86,507	23,375,798

Commercial loans	**December 31, 2020**			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	(SR '000)			
Loans and advances to customers at amortized cost				
Low – fair risk	**21,455,431**	**-**	**-**	**21,455,431**
Watch list		**3,968,999**	**1,879,002**	**5,848,001**
Default	**-**	**-**	**1,017,934**	**1,017,934**
	21,455,431	**3,968,999**	**2,896,936**	**28,321,366**
Allowance for ECL	**(177,712)**	**(294,325)**	**(1,445,181)**	**(1,917,218)**
Carrying amount	**21,277,719**	**3,674,674**	**1,451,755**	**26,404,148**

Commercial loans	31 December 2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Loans and advances to customers at amortized cost				
Low – fair risk	19,401,245	-	-	19,401,245
Watch list	-	3,677,644	2,407,210	6,084,854
Default	-	-	469,984	469,984
	19,401,245	3,677,644	2,877,194	25,956,083
Allowance for ECL	(59,820)	(91,696)	(643,944)	(795,460)
Carrying amount	19,341,425	3,585,948	2,233,250	25,160,623

	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Debt investment securities a amortized cost				
Low – fair risk	**28,340,616**	**-**	**-**	**28,340,616**
Allowance for ECL	**(6,498)**	**-**	**-**	**(6,498)**
Carrying amount	**28,334,118**	**-**	**-**	**28,334,118**
Commitments and contingencies				
Low – fair risk	**5,537,717**	**-**	**-**	**5,537,717**
Watch list	**-**	**138,446**	**370,275**	**508,721**
Default	**-**	**-**	**110,283**	**110,283**
	5,537,717	**138,446**	**480,558**	**6,156,721**
Allowance for ECL	**(27,788)**	**(6,547)**	**(336,752)**	**(371,087)**
Carrying amount (net of provision)	**5,509,929**	**131,899**	**143,806**	**5,785,634**

	December 31, 2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR '000)			
Debt investment securities at amortized cost				
Low – fair risk	27,224,939	-	-	27,224,939
Allowance for ECL	-	-	-	-
Carrying amount	27,224,939	-	-	27,224,939
Commitments and contingencies				
Low – fair risk	4,726,321	-	-	4,726,321
Watch list	-	166,455	356,472	522,927
Default	-	-	108,661	108,661
	4,726,321	166,455	465,133	5,357,909
Allowance for ECL	(18,630)	(2,602)	(72,257)	(93,489)
Carrying amount (net of provision)	4,707,691	163,853	392,876	5,264,420

30.3 Amounts arising from ECL – Significant increase in credit risk ("SICR")

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group 's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk ("SICR") since origination, the Bank records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The bank records an allowance for the Lifetime ECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and special commission income is subsequently recognised based on a credit-adjusted effective yield rate. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

a) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modeling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Significant increase in credit risk is also evaluated based on the credit monitoring framework, including decrease in internal rating and macroeconomic factors and is subject to management overrides.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify SICR by regular reviews to confirm that:
- the criteria are capable of identifying SICR before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in ECL from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Consideration due to COVID-19

In response to the impacts of COVID-19, various support programmes have been offered to the customers either voluntarily by the Bank or on account of SAMA initiatives, such as customers eligible under Deferred Payments Program (refer note 42 for further details). The exercise of the deferment option by a customer, on its own, is not considered by the Group as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Bank's credit evaluation process especially given the current economic situation due to after-effects of COVID-19 lock down, the Group obtained further information from the customers to understand their financial positions and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

No change has been made in the backstop criteria for all types of exposures.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves use of the following data.

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes. • Data from credit reference agencies, press articles, changes in external credit ratings • Quoted bond and credit default swap (CDS) prices for the borrower where available • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Internally collected data and customer behavior – e.g. utilization of credit card facilities • Affordability metrics • External data from credit reference agencies including industry-standard credit scores	• Payment record – this includes overdue status as well as a range of variables about payment ratios • Utilization of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions

b) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, oil prices , real wages and unemployment rates. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the credit risk managers and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

c) Definition of 'Default'

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default. The Group considers indicators that are:

- qualitative- e.g. breaches of covenant ;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

d) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance/remedial policy. The Bank Board Risk Committee regularly reviews reports on forbearance activities.

The following table provides information on financial assets that were modified while they had an ECL measured at an amount equal to lifetime ECL. For financial assets modified during the year from deferral of contractual cash flows under SAMA DPP program, refer note 42.

	2020 SR '000	2019 SR '000
Financial assets modified during the year		
Amortized cost before modification	**882,566**	946,746
Financial assets modified since initial recognition		
Gross carrying amount at December 31 of financial assets for which loss allowance has changed to 12-month measurement during the year	**15,017**	144,859

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect profit and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a SICR and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the ECL reverts to being measured at an amount equal to 12-month ECL.

e) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Bank Market Risk Policy Committee, Asset and Liability Committee ("ALCO") and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Saudi Arabia and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at December 31, 2020 included the following key indicators.

- GDP
- Oil prices
- Unemployment rates
- Real wages

Consideration due to COVID-19

Types of forward looking variables:

There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.

Scenario assumptions

As at 31 December 2020, the projections for all macroeconomic scenarios i.e., best, worst and baseline, were downloaded from Moody's data buffet consider prevailing Covid-19 situation. No special assumptions were made as Moody's projections are found to be resoanbly conservative.

Probability weightings

The Bank considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current year is the continuing impact of COVID-19. Since Moody's Projections for all three macroeconomic scenarios i.e., best, worst and baseline, specifically in the context of the prevailing COVID-19 are found to be reasonably conservative, no further modificaions are made to the probability weightings.

Predicted relationships between the key indicators and default / loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years. To account for the impact of COVID-19, the Group has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	Forecast calendar years used in 2020 ECL model (Dec 2020 Covid-19 projections)			Forecast calendar years used in 2019 ECL model (Dec 2019 pre Covid-19 projections)		
	2021	2022	2023	2021	2022	2023
GDP	2656.70	2730.20	2794.43	2762.64	2822.50	2880.13
Brent oil prices	53.22	61.59	63.77	65.81	66.42	67.46
Inflation	N/A	N/A	N/A	N/A	N/A	N/A

The table below shows the sensitivity of change in economic indicators to the ECL computed under three different scenarios used by Bank:

2020	Due from Banks and investments	Loans and advances	Loan commitment and financial guarantees	Total
	SR '000'			
Most likely	8,833	2,192,997	371,087	2,572,917
More optimistic (Upside)	8,442	2,129,306	364,657	2,502,405
More pessimistic (Downside)	9,462	2,325,518	383,589	2,718,569

2019	Due from Banks and investments	Loans and advances	Loan commitment and financial guarantees	Total
		SR '000'		
Most likely	1,528	1,009,167	93,489	1,104,184
More optimistic (Upside)	1,417	993,559	89,428	1,084,404
More pessimistic (Downside)	1,905	1,101,545	100,435	1,203,885

COVID-19 overlays

The prevailing economic conditions do require the Group to continue to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Group in the estimation of ECL or revisions to the scenario probabilities currently being used by the Group. As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes sector-based analysis depending on the impacted portfolios and macroeconomic analysis. The Group has therefore recognised overlays of SR 86.5 million as at 31 December 2020. The Group will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

f) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

i. probability of default (PD);

ii. loss given default (LGD);

iii. exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD for each line of business based on expert judgment and historical experience. For wholesale exposures LGD is estimated to be 50%, for personal finance it is estimated to be 50%, for credit cards it is estimated to be 65% and retail mortgages it is estimated to be 40%.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits. Cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Sensitivity of ECL allowance

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Bank's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the yearend:

Assumptions sensitized	PL Impact(2020) SR in '000
Macro-economic factors: To assess the impact of change in macroeconomic projections between pre-Covid period and Covid period on ECL, two sets of computations were performed. First, using macroeconomic projections downloaded from Moody's data buffet as at December 31, 2019 and the second, using macroeconomic projections downloaded as at December 31, 2020, both computations were performed using December 31, 2020 exposure data. The difference in ECL computed using the two sets of computations is considered as the impact of COVID19 pandemic. Since BAJ uses Moody's Macroeconomic Projections for all three scenarios i.e., best, worst and baseline, which take into consideration COVID19 effects, the scenario weightages i.e., 30% for best, 30% for worst and 40% for the baseline were kept unchanged.	SR 50,660

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- LTV (Loan to value) ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The Grouping is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

		External benchmarks used	
	Exposure (SR '000)	PD	LGD
Due from Banks and other financial institutions	426,138	Moody's / FITCH – lower of the two ratings for each bank is considered for assignment of Risk Weights under Standardised Approach	N/A

Consideration due to COVID-19

The PD, EAD and LGD models are subject to the Bank's Model Management Policy that stipulates periodic model monitoring, periodic revalidation and defines governance process, approval procedures and authorities according to model materiality.

During the period, the Bank has not made any material changes in its ECL methodology to reflect the validation exercise undertaken by the Bank.

30.4 Ageing of loans and advances (past due but not impaired)

	2020 (SR '000)			
	Credit Cards	Consumer loans	Commercial loans	Total
From 1 day to 30 day	20,199	1,025,425	97,357	1,142,981
From 31 Days to 90 days	12,901	293,241	82,953	389,095
From 91 Days to 180 days	-	208	88,098	88,306
More than 180 days	-	-	487,733	487,733
Total loans & advances	33,100	1,318,874	756,141	2,108,115

	2019 (SR '000)			
	Credit Cards	Consumer loans	Commercial loans	Total
From 1 day to 30 day	19,735	1,004,157	133,990	1,157,882
From 31 Days to 90 days	14,680	161,577	21,664	197,921
From 91 Days to 180 days	-	484	111,009	111,493
More than 180 days	-	-	432,584	432,584
Total loans & advances	34,415	1,166,218	699,247	1,899,880

30.5 Economic Sector risk concentration

Economic Sector risk concentration for the loans and advances and allowance for impairment has been disclosed in note 7(g).

30.6 Collateral

The Bank in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of collateral held as security for loans along with loan to collateral value percentage that are credit-impaired are as follows:

	2020 SR '000	2019 SR '000
Less than 50%	**44,605**	30,862
51-70%	**25,065**	2,700
More than 70%	**477,565**	424,202
Total	**547,235**	457,764

30.7 Maximum credit exposure

Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2020 SR '000	2019 SR '000
Assets		
Due from banks and other financial institutions (note 5)	**426,138**	1,429,004
Investments at FVOCI (note 6)	**1,113,319**	101,921
Investments at amortised cost (note 6)	**28,334,118**	27,224,939
Loans and advances, net (note 7)	**53,961,211**	49,660,119
Other assets - margin deposits against financial instruments (note 10)	**152,531**	111,731
Total assets	**83,987,317**	78,527,714
Contingencies and commitments, net (note 19)	**5,785,634**	5,264,420
Derivatives - positive fair value (note 11)	**135,224**	101,626
Total maximum exposure	**89,908,175**	83,893,760

31. GEOGRAPHICAL CONCENTRATION

a) The distribution by geographical region for major categories of financial assets, financial liabilities, commitments and contingencies, and credit exposure are as follows:

	(SR '000)						
2020	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Financial Assets							
Cash and balances with SAMA							
Cash in hand	1,122,892	-	-	-	-	-	1,122,892
Balances with SAMA	4,125,402	-	-	-	-	-	4,125,402
Due from Banks and other financial institutions							
Current accounts	57,342	41,366	127,476	98,016	37,468	64,470	426,138
Money market placements	-	-	-	-	-	-	-
Investments							
Held as FVIS	443,104	-	-	-	-	-	443,104
Held as FVOCI	1,117,462	187	602	-	-	-	1,118,251
Held at amortised cost	28,334,118	-	-	-	-	-	28,334,118
Positive fair value of derivatives							
Held for trading	22,580	-	-	-	-	-	22,580
Held as cash flow hedges	52,626	-	60,018	-	-	-	112,644
Loans and advances, net							
Credit Cards	687,376	-	-	-	-	-	687,376
Consumer Loans	26,498,498	-	-	-	-	-	26,498,498
Commercial Loans	25,782,406	121,391	-	-	-	500,351	26,404,148
Others	371,189	-	-	-	-	-	371,189
Investment in an associate	164,136	-	-	-	-	-	164,136
Other assets	404,889	-	152,531	-	-	-	557,420
Total	89,184,020	162,944	340,627	98,016	37,468	564,821	90,387,896

2020	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
	(SR '000)						
Financial Liabilities Due to banks and other financial institutions							
Current accounts	23,791	29,650	84,249	24,162	1,978	13,448	177,278
Money market deposits	6,716,725	1,178,098	-	-	168,947	-	8,063,770
Repo agreement borrowing	-	-	289,148	-	-	-	289,148
Customer deposits							
Demand	37,379,705	31,558	101	5	-	21	37,411,390
Saving	284,182	-	-	-	-	-	284,182
Time	28,543,641	-	-	-	-	-	28,543,641
Other	1,761,652	-	1,747	-	-	1,000	1,764,399
Negative fair value of derivatives							
Held for trading	2,457	40	16,375	-	-	-	18,872
Held as cash flow hedges	18,462	75,400	190,761	-	-	-	284,623
Subordinated Sukuk	2,004,633	-	-	-	-	-	2,004,633
Other liabilities	1,592,465	-	-	-	-	-	1,592,465
Total	78,327,713	1,314,746	582,381	24,167	170,925	14,469	80,434,401
Commitments and Contingencies							
Letters of credit	775,686	-	-	-	-	2,121	777,807
Letters of guarantee	4,335,602	209,725	30,335	8,162	1,926	4,200	4,589,950
Acceptances	170,509	-	-	-	-	-	170,509
Irrevocable commitments to extend credit	150,000	305,346	-	-	-	163,109	618,455
	5,431,797	515,071	30,335	8,162	1,926	169,430	6,156,721
Credit exposure (credit equivalent) Commitments and contingencies							
Letters of credit	387,843	-	-	-	-	1,061	388,904
Letters of guarantee	4,335,602	209,725	30,335	8,162	1,926	4,200	4,589,950
Acceptances	170,509	-	-	-	-	-	170,509
Irrevocable commitments to extend credit	75,000	61,069	-	-	-	32,622	168,691
Derivatives							
Held for trading	36,600	1	276	-	-	-	36,877
Held for hedging	87,046	440	110,119	-	-	-	197,605
	5,092,600	271,235	140,730	8,162	1,926	37,883	5,552,536

2019	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
	(SR '000)						
Financial Assets							
Cash and balances with SAMA							
Cash in hand	1,214,248	-	-	-	-	-	1,214,248
Balances with SAMA	4,263,439	-	-	-	-	-	4,263,439
Due from Banks and other financial institutions							
Current accounts	41,979	34,179	190,201	62,191	17,793	33,916	380,259
Money market placements	1,048,745	-	-	-	-	-	1,048,745
Investments							
Held as FVIS	287,024	-	-	-	-	-	287,024
Held as FVOCI	106,064	187	550	-	-	-	106,801
Held at amortised cost	27,224,939	-	-	-	-	-	27,224,939
Positive fair value of derivatives							
Held for trading	26,729	-	2,002	-	-	-	28,731
Held as cash flow hedges	39,645	-	33,250	-	-	-	72,895
Loans and advances, net							
Credit Cards	716,152	-	-	-	-	-	716,152
Consumer Loans	23,375,798	-	-	-	-	-	23,375,798
Commercial Loans	24,912,741	-	-	-	-	247,882	25,160,623
Others	407,546	-	-	-	-	-	407,546
Investment in an associate	148,332	-	-	-	-	-	148,332
Other assets	303,980	-	111,731	-	-	-	415,711
Total	84,117,361	34,366	337,734	62,191	17,793	281,798	84,851,243

2019	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
	(SR '000)						
Financial Liabilities Due to banks and other financial institutions							
Current accounts	46,817	80,152	11,961	40,499	2,388	17,549	199,366
Money market deposits	7,175,881	550,888	37,502	-	-	-	7,764,271
Repo agreement borrowing	-	-	290,117	-	-	-	290,117
Customer deposits							
Demand	30,838,943	419	4	6	-	3	30,839,375
Time	30,259,540	-	-	-	-	-	30,259,540
Other	1,591,755	-	4,524	-	-	1,600	1,597,879
Negative fair value of derivatives							
Held for trading	7,752	513	20,762	-	-	-	29,027
Held as cash flow hedges	19,992	45,794	121,198	-	-	-	186,984
Subordinated Sukuk	2,006,921	-	-	-	-	-	2,006,921
Other liabilities	1,269,888	-	-	-	-	-	1,269,888
Total	73,217,489	677,766	486,068	40,505	2,388	19,152	74,443,368
Commitments and Contingencies							
Letters of credit	831,483	226	-	-	-	8,899	840,608
Letters of guarantee	3,538,328	223,392	36,111	3,855	2,526	8,600	3,812,812
Acceptances	229,786	-	-	-	-	10,085	239,871
Irrevocable commitments to extend credit	150,000	-	-	-	-	314,618	464,618
	4,749,597	223,618	36,111	3,855	2,526	342,202	5,357,909
Credit exposure (credit equivalent) Commitments and contingencies							
Letters of credit	415,741	113	-	-	-	4,450	420,304
Letters of guarantee	3,538,328	223,392	36,111	3,855	2,526	8,600	3,812,812
Acceptances	229,786	-	-	-	-	10,085	239,871
Irrevocable commitments to extend credit	75,000	-	-	-	-	62,924	137,924
Derivatives							
Held for trading	139,583	130	97,068	-	-	-	236,781
Held for hedging	59,071	2,517	84,982	-	-	-	146,570
	4,457,509	226,152	218,161	3,855	2,526	86,059	4,994,262

Certain international mutual funds domicile in the Kingdom of Saudi Arabia that have been classified under international category in note 6(a) to these consolidated financial statements have been classified in the Kingdom of Saudi Arabia region for the purpose of this note.

Credit equivalent of commitments and contingencies is calculated according to SAMA's prescribed methodology.

b) The distributions by geographical concentration of non-performing loans and advances and allowance for ECL are as follows:

	Non-performing loans, net		Allowance for impairment	
	2020 SR '000	2019 SR '000	**2020 SR '000**	2019 SR '000
Kingdom of Saudi Arabia				
Credit cards	**55,679**	48,371	**63,908**	57,779
Consumer loans	**168,344**	154,727	**211,871**	155,928
Commercial loans	**1,017,934**	469,984	**1,917,218**	795,460
Total	**1,241,957**	673,082	**2,192,997**	1,009,167

32. MARKET RISK

Market risk is the risk that the Group's earnings or capital, or its ability to meet business targets, will be adversely affected by changes in the level or volatility in market prices, such as special commission rates, credit spreads (not relating to changes in the obligor's / issuer's credit standing), equity prices and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury division and include equity investments and mutual funds that are managed on a fair value basis.

The Board approves market risk appetite for trading and non-trading activities. The Market Risk Policy Committee is responsible for the Market Risk Framework and under the delegated authority of the Board sets a limits framework within the approved market risk appetite. A daily market risk report details the Group's market risk exposures against agreed limits. This daily report is reviewed by the Treasurer and Chief Risk Officer. The market risk for the trading book is managed and monitored using Value at Risk (VaR) methodology and sensitivity analysis. The market risk for the non-trading book is managed and monitored using sensitivity analysis.

a) MARKET RISK - TRADING BOOK

Market risk on trading mainly arises from the foreign currency exposures and changes in equity prices and the net asset values of mutual funds.

The Board has set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group periodically applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses historical methodology models to assess the possible changes in the market value of the trading book based on historical data. The VaR that the Group measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of 99% confidence level depicts that within a one-day horizon, losses exceeding VAR figure should occur, on average, not more than once every hundred days.

The VaR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Bank's Board Risk Committee for their review.

The Group's VaR related information is as under.

	2020 SR '000	2019 SR '000
Foreign exchange rate		
VaR as at end of the year	**298**	249
Average VaR for the year	**294**	338

i) FOREIGN EXCHANGE RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board has set limits on positions by currency. Positions are monitored daily to ensure positions are maintained within established limits.

At the end of the year, the Group has the following significant exposure in its trading book, denominated in foreign currencies as at December 31:

	2020 SR '000	2019 SR '000
US Dollar	41,573	78,397
Hong Kong Dollar	5,923	3,793
Taiwan Dollar	2,955	2,111

The table below indicates the extent to which the Group was exposed to currency risk at December 31, on its foreign currency positions. The analysis is performed for a reasonable possible movement of the currency rate against the Saudi Arabian Riyal with all other variables held constant, including the effect of hedging instrument, on the consolidated statement of income. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions that might be taken by the Group to mitigate the effect of such changes.

Currency	2020		2019	
	Increase/ decrease in currency rate in %	Effect on net income SR '000	Increase/ decrease in currency rate in %	Effect on net income SR '000
US Dollar	± 0.60	± 249	± 0.70	± 549
Taiwan Dollar	± 3.11	± 92	± 3.64	± 77
Hong Kong Dollar	± 0.49	± 29	± 0.77	± 29

ii) EQUITY PRICE RISK

Equity price risk is the risk that the fair values of mutual funds decrease as a result of changes in the levels of equity index and the value of individual stocks deriving the net asset value of the funds.

The financial instruments included in the FVIS portfolio are equity securities held by mutual funds owned by the Group. The Group manages the risk relating to the mutual funds by monitoring changes in net asset value of the mutual funds. The investments in equity securities and mutual funds held by the Group are managed by the Group in conjunction with professional investment advisors, and the equity price risk is monitored by the Group on a portfolio basis for each mutual fund. The effect on the consolidated statement of income as a result of a change in the fair value of equity instruments held for trading at December 31 due to reasonably possible changes in the underlying respective fund's net asset value, with all other variables held constant, is as follows:

	2020		2019	
Portfolio	Increase / decrease in equity price %	Effect on consolidated statement of income SR '000	Increase / decrease in equity price %	Effect on consolidated statement of income SR '000
Global Emerging Market Fund	± 4.40%	± 694	± 22.32%	± 2,637
Aljazira GCC Income Fund	± 10.61%	± 433	-	-
Aljazira Sukuk Fund	± 4.34%	± 1,653	-	-
Others	± 3.58%	± 13,788	± 7.19%	± 19,779

The effect on the consolidated statement of income as a result of a change in the fair value of equity instruments held at FVIS at December 31, 2020 due to reasonably possible changes in the following market index, with all other variables held constant, is as follows:

	2020		2019	
Market index	Increase / decrease in equity price %	Effect on consolidated statement of income SR '000	Increase / decrease in equity price %	Effect on consolidated statement of income SR '000
Tadawul	± 3.58%	± 27	± 7.19%	-

b) MARKET RISK – NON TRADING OR BANKING BOOK

Market risk on non-trading or banking positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

i) SPECIAL COMMISSION RATE RISK

Special commission rate risk arises from the possibility that changes in special commission rates will affect future cash flows or the fair values of financial instruments. The Group's Market Risk Policy Committee (MRPC) has established limits on the special commission rate gap. Positions are monitored on a daily basis and reported regularly to senior management and MRPC to ensure positions are maintained within the established limits. In case of stressed market conditions, the asset-liability gap may be reported to MRPC more frequently.

The following table depicts the sensitivity due to reasonably possible changes in special commission rates, with other variables held constant, on the Group's consolidated statement of income. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, based on the special commission bearing non-trading financial assets and financial liabilities held as at December 31, 2020 including the effect of hedging instruments. All the non-trading book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in local currency. The sensitivity analysis does not take account of actions that might be taken by the Group to mitigate the effect of such changes.

Currency	2020		2019	
	Increase / decrease in basis points	Sensitivity of special commission income	Increase / decrease in basis points	Sensitivity of special commission income
		SR '000		SR '000
SR	± 25	± 20,104	± 25	± 20,077
USD	± 25	± 2,114	± 25	± 2,330
INR	± 25	± 9	± 25	± 4
PKR	± 25	± 3	± 25	± 1
AED	± 25	± 44	± 25	± -

Commission rate sensitivity of assets, liabilities and off-balance sheet items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market commission rates on its financial position and cash flows.

The table below summarizes the Group's exposure to commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of the contractual re-pricing or the maturity dates. The Group is exposed to commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

	(SR '000)						
2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total	Effective commission rate
Assets							
Cash and balances with SAMA							
Cash in hand	-	-	-	-	1,122,892	1,122,892	-
Balances with SAMA	524,978	-	-	-	3,600,424	4,125,402	0.50%
Due from Banks and other financial institutions							
Current accounts	-	-	-	-	426,138	426,138	-
Money market placements	-	-	-	-	-	-	-
Investments							
Held as FVIS	-	-	-	-	443,104	443,104	-
Held as FVOCI	-	-	552,393	549,457	16,401	1,118,251	2.61%
Held at amortised cost	7,140,000	338,111	11,959,585	8,680,115	216,307	28,334,118	2.74%
Positive fair value of derivatives							
Held for trading	-	-	-	-	22,580	22,580	-
Held as cash flow hedges	-	-	-	-	112,644	112,644	-
Loans and advances, net							
Credit cards	687,376	-	-	-	-	687,376	25.13%
Consumer loans	1,619,991	4,834,876	12,842,717	7,057,290	143,624	26,498,498	4.46%
Commercial loans	14,789,871	11,425,254	-	-	189,023	26,404,148	3.06%
Others	-	-	-	-	371,189	371,189	-
Investment in an associate	-	-	-	-	164,136	164,136	-
Other real estate, net	-	-	-	-	474,421	474,421	-
Property and equipment, net	-	-	-	-	1,155,609	1,155,609	-
Other assets	-	-	-	-	628,368	628,368	-
Total assets	24,762,216	16,598,241	25,354,695	16,286,862	9,086,860	92,088,874	

2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total	Effective commission rate
	(SR '000)						
Liabilities and equity							
Due to banks and other financial institutions							
Current accounts	-	-	-	-	177,278	177,278	-
Money market deposits	4,088,750	-	-	-	3,975,020	8,063,770	0.62%
Repo agreement borrowings	-	288,671	-	-	477	289,148	80% .0
Customer deposits							
Demand	-	-	-	-	37,411,390	37,411,390	-
Saving	284,178	-	-	-	4	284,182	0.50%
Time	18,295,463	10,096,530	1,700	-	149,948	28,543,641	1.11%
Other	-	-	-	-	1,764,399	1,764,399	-
Negative fair value of derivatives							
Held for trading	-	-	-	-	18,872	18,872	-
Held as cash flow hedges	-	-	-	-	284,623	284,623	-
Subordinated Sukuk	-	2,000,000	-	-	4,633	2,004,633	2.78%
Other liabilities	-	-	-	-	1,882,439	1,882,439	-
Equity	-	-	-	-	11,364,499	11,364,499	-
Total liabilities and Equity	22,668,391	12,385,201	1,700	-	57,033,582	92,088,874	
Commission rate sensitivity on consolidated statement of financial position gap	2,093,825	4,213,040	25,352,995	16,286,862	(47,946,722)	-	
Commission rate sensitivity off consolidated statement of financial position gap	750,625	-	(1,378,750)	628,125	-	-	
Total commission rate sensitivity gap	2,844,450	4,213,040	23,974,245	16,914,987	(47,946,722)	-	
Cumulative commission rate sensitivity gap	2,844,450	7,057,490	31,031,735	47,946,722	-	-	

2019	Within 3 months (SR'000)	3-12 months (SR'000)	1-5 years (SR'000)	Over 5 years (SR'000)	Non commission bearing (SR'000)	Total (SR'000)	Effective commission rate
Assets							
Cash and balances with SAMA							
Cash in hand	-	-	-	-	1,214,248	1,214,248	-
Balances with SAMA	862,958	-	-	-	3,400,481	4,263,439	1.75%
Due from Banks and other financial institutions							
Current accounts	-	-	-	-	380,259	380,259	-
Money market placements	437,500	600,000	-	-	11,245	1,048,745	2.63%
Investments							
Held as FVIS	-	-	-	-	287,024	287,024	-
Held as FVOCI	-	-	-	101,147	5,654	106,801	4.23%
Held at amortised cost	6,765,000	373,099	10,454,578	9,405,374	226,888	27,224,939	3.29%
Positive fair value of derivatives							
Held for trading	-	-	-	-	28,731	28,731	-
Held as cash flow hedges	-	-	-	-	72,895	72,895	-
Loans and advances, net							
Credit cards	716,152	-	-	-	-	716,152	24.81%
Consumer loans	2,344,868	5,522,776	11,730,123	3,721,072	56,959	23,375,798	4.60%
Commercial loans	12,474,679	12,407,214	-	-	278,730	25,160,623	5.17%
Others					407,546	407,546	-
Investment in an associate	-	-	-	-	148,332	148,332	-
Other real estate, net	-	-	-	-	468,992	468,992	-
Property and equipment, net	-	-	-	-	1,154,270	1,154,270	-
Other assets	-	-	-	-	485,550	485,550	-
Total assets	23,601,157	18,903,089	22,184,701	13,227,593	8,627,804	86,544,344	

2019	(SR'000) Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total	Effective commission rate
Liabilities and equity							
Due to banks and other financial institutions							
Current accounts	-	-	-	-	199,366	199,366	-
Money market deposits	6,720,000	1,000,000	-	-	44,271	7,764,271	2.23%
Repo agreement borrowings	-	288,671	-	-	1,446	290,117	2.37%
Customer deposits							
Demand	-	-	-	-	30,839,375	30,839,375	-
Time	18,563,109	11,255,711	186,000	-	254,720	30,259,540	2.69%
Other	-	-	-	-	1,597,879	1,597,879	-
Negative fair value of derivatives							
Held for trading	-	-	-	-	29,027	29,027	-
Held as cash flow hedges	-	-	-	-	186,984	186,984	-
Subordinated Sukuk	-	2,000,000	-	-	6,921	2,006,921	4.30%
Other liabilities	-	-	-	-	1,781,347	1,781,347	-
Equity	-	-	-	-	11,589,517	11,589,517	-
Total liabilities and Equity	25,283,109	14,544,382	186,000	-	46,530,853	86,544,344	
Commission rate sensitivity on consolidated statement of financial position gap	(1,681,952)	4,358,707	21,998,701	13,227,593	(37,903,049)	-	
Commission rate sensitivity off consolidated statement of financial position gap	750,625	-	(1,378,750)	628,125	-	-	
Total commission rate sensitivity gap	(931,327)	4,358,707	20,619,951	13,855,718	(37,903,049)	-	
Cumulative commission rate sensitivity gap	(931,327)	3,427,380	24,047,331	37,903,049	-	-	

The effective commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

ii) CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's Board has set limits on positions by currency. Positions are monitored on a daily basis to ensure positions are maintained within established limits.

At the end of the year, the Group has the following significant net exposures denominated in foreign currencies as at December 31:

	2020 SR' 000 Long / (Short)	2019 SR'000 Long /(Short)
USD	816,560	1,070,911
INR	42,963	21,036
PKR	16,000	7,002
AED	4,479	355

The table below indicates the currencies to which the Group has significant exposure as at December 31, 2020. The analysis is performed for a reasonable possible movement of the currency rate against the Saudi Arabian Riyal with all other variables held constant, including the effect of hedging instrument, on the consolidated statement of income. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions that might be taken by the Group to mitigate the effect of such changes.

Currency	2020			2019		
	Increase / decrease in currency rate in %	Effect on net income SR'000	Effect on equity SR'000	Increase/ decrease in currency rate in %	Effect on net income SR'000	Effect on equity SR'000
USD	±0.05	±541	± 408	±0.05	± 619	± 535
INR	±0.05	± 21	± 21	±0.05	± 11	± 11
PKR	±0.05	± 8	± 8	±0.05	± 4	± 4
AED	±0.05	± 2	± 2	±0.05	± -	± -

33. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management has diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity gaps on a daily basis. The Group also has committed lines of credit that it can access to meet liquidity needs.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA at 7% of total demand deposits and 4% of savings and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of the deposit liabilities, in the form of cash or assets that can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities available with SAMA up to 89.48% of the value of debt securities issued by the government (Ministry of Finance), SAMA or guaranteed by government.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. One of these methods is to maintain limits on the ratio of liquid assets to deposit liabilities, set to reflect market conditions. Liquid assets consist of cash, short term bank deposits, murabaha placements with SAMA and liquid debt securities available for immediate sale. Deposit liabilities include both customers and banks, excluding non-resident bank deposits in foreign currency. The Bank also monitors the loan to deposit ratio.

a) Analysis of financial liabilities by remaining undiscounted contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2020 and December 31, 2019 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities as shown in note (b) below (maturity analysis of assets and liabilities for the expected maturities). Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history and liquidity risk management policy.

	(SR' 000)					
	with in months 3	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
As at December 31, 2019						
Due to banks and other financial institutions						
Current accounts	-	-	-	-	177,278	177,278
Money market deposits	4,611,695	3,453,986	-	-	-	8,065,681
Repo agreement borrowing	-	2,262	21,167	299,065	-	322,494
Customers' deposits						
Demand	-	-	-	-	37,411,390	37,411,390
Saving	-	-	-	-	284,182	284,182
Time	18,420,846	10,197,441	1,863	-	-	28,620,150
Other	1,764,399	-	-	-	-	1,764,399
Negative fair value of derivatives						
Held for trading	1,552	11,841	5,479	-	-	18,872
Held as cash flow hedges	18,463	-	78,921	187,239	-	284,623
Subordinated Sukuk	-	56,372	225,643	2,028,109		2,310,124
Other liabilities	39,854	171,451	494,327	66,250	1,154,191	1,926,073
Total undiscounted financial liabilities	24,856,809	13,893,353	827,400	2,580,663	39,027,041	81,185,266
Derivatives	284,835	563,487	2,124,488	2,004,289	-	4,977,099

	(SR' 000)					
	with in months 3	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
As at December 31, 2018						
Due to banks and other financial institutions						
Current accounts	-	-	-	-	199,366	199,366
Money market deposits	6,723,689	1,065,688	-	-	-	7,789,377
Repo agreement borrowing	-	6,848	-	338,427	-	345,275
Customers' deposits						
Demand	-	-	-	-	30,839,375	30,839,375
Time	18,744,122	11,513,964	207,680	-	-	30,465,766
Other	1,597,879	-	-	-	-	1,597,879
Negative fair value of derivatives						
Held for trading	5,103	2,534	21,390	-	-	29,027
Held as cash flow hedges	19,992	-	43,522	123,470	-	186,984
Subordinated Sukuk	-	84,441	337,074	2,126,201	-	2,547,716
Other liabilities	23,937	146,384	552,796	58,518	1,056,775	1,838,410
Total undiscounted financial liabilities	27,114,722	12,819,859	1,162,462	2,646,616	32,095,516	75,839,175
Derivatives	562,332	587,096	2,733,935	2,063,321	-	5,946,684

The contractual maturity structure of the Group's credit-related contingencies and commitments are shown under note 19 (d).

b) Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See note (a) above for the Group's contractual undiscounted financial liabilities. For presentation purposes demand deposits are included in "No fixed maturity" category..

2020	Within 3 Months	3-12 months	Within year 1	1-5 years	Over 5 years	More than year 1	No fixed maturity	Total
	(SR' 000)							
Assets								
Cash and balances with SAMA								
Cash in hand	-	-	-	-	-	-	1,122,892	1,122,892
Balances with SAMA	-	-	-	-	-	-	4,125,402	4,125,402
Due from Banks and other financial institutions								
Current accounts	-	-	-	-	-	-	426,138	426,138
Money market placements	-	-	-	-	-	-	-	-
Investments								
Held as FVIS	-	-	-	-	-	-	443,104	443,104
Held as FVOCI	-	10,270	10,270	549,689	553,360	1,103,049	4,932	1,118,251
Held at amortised cost	-	521,616	521,616	12,369,151	15,443,351	27,812,502	-	28,334,118
Positive fair value of derivatives								
Held for trading	5,261	11,841	17,102	5,478	-	5,478	-	22,580
Held as cash flow hedges	5,039	-	5,039	8,216	99,389	107,605	-	112,644
Loans and advances, net								
Credit cards	267,471	-	267,471	-	-	-	419,905	687,376
Consumer loans	93,132	172,648	265,780	12,216,793	14,015,925	26,232,718	-	26,498,498
Commercial loans	14,511,161	9,279,240	23,790,401	1,033,524	1,580,223	2,613,747	-	26,404,148
Others	-	371,189	371,189	-	-	-	-	371,189
Investment in an associate	-	-	-	-	-	-	164,136	164,136
Other real estate, net	-	-	-	-	-	-	474,421	474,421
Property and equipment, net	-	-	-	-	-	-	1,155,609	1,155,609
Other assets	64,184	62,627	126,811	-	-	-	501,557	628,368
Total assets	14,946,248	10,429,431	25,375,679	26,182,851	31,692,248	57,875,099	8,838,096	92,088,874

2020	Within 3 Months	3-12 months	Within year 1	1-5 years	Over 5 years	More than year 1	No fixed maturity	Total
	(SR' 000)							
Liabilities								
Due to banks and other financial institutions								
Current accounts	-	-	-	-	-	-	177,278	177,278
Money market deposits	-	5,850,107	5,850,107	2,213,663	-	2,213,663	-	8,063,770
Repo agreement borrowing	-	477	477	-	288,671	288,671	-	289,148
Customer deposits								
Demand	-	-	-	-	-	-	37,411,390	37,411,390
Saving	-	-	-	-	-	-	284,182	284,182
Time	5,517,614	15,919,385	21,436,999	7,106,642	-	7,106,642		28,543,641
Other	-	-	-	-	-	-	1,764,399	1,764,399
Negative fair value of derivatives								
Held for trading	1,552	11,841	13,393	5,479	-	5,479	-	18,872
Held as cash flow hedges	18,463	-	18,463	78,921	187,239	266,160	-	284,623
Subordinated Sukuk	-	4,633	4,633	-	2,000,000	2,000,000	-	2,004,633
Other liabilities	36,520	162,585	199,105	470,050	59,093	529,143	1,154,191	1,882,439
Total liabilities	5,574,149	21,949,028	27,523,177	9,874,755	2,535,003	12,409,758	40,791,440	80,724,375

2019	Within 3 months	3-12 months	Within year 1	1-5 years	Over 5 years	More than year 1	No fixed maturity	Total
	(SR' 000)							
Assets								
Cash and balances with SAMA								
Cash in hand	-	-	-	-	-	-	1,214,248	1,214,248
Balances with SAMA	-	-	-	-	-	-	4,263,439	4,263,439
Due from Banks and other financial institutions								
Current accounts	-	-	-	-	-	-	380,259	380,259
Money market placements	-	438,632	438,632	610,113	-	610,113	-	1,048,745
Investments								
Held as FVIS	-	-	-	-	-	-	287,024	287,024
Held as FVOCI	-	10	10	763	101,148	101,911	4,880	106,801
Held at amortised cost	-	155,410	155,410	11,753,451	15,316,078	27,069,529	-	27,224,939
Positive fair value of derivatives								
Held for trading	4,807	2,534	7,341	21,390	-	21,390	-	28,731
Held as cash flow hedges	16,321	-	16,321	4,333	52,241	56,574	-	72,895
Loans and advances, net								
Credit cards	273,923	-	273,923	-	-	-	442,229	716,152
Consumer loans	125,520	178,555	304,075	11,151,453	11,920,270	23,071,723	-	23,375,798
Commercial loans	12,075,424	10,836,773	22,912,197	980,761	1,267,665	2,248,426	-	25,160,623
Others	-	407,546	407,546	-	-		-	407,546
Investment in an associate	-	-	-	-	-	-	148,332	148,332
Other real estate, net	-	-	-	-	-	-	468,992	468,992
Property and equipment, net							1,154,270	1,154,270
Other assets	62,562	65,125	127,687	-	-	-	357,863	485,550
Total assets	12,558,557	12,084,585	24,643,142	24,522,264	28,657,402	53,179,666	8,721,536	86,544,344

2019	Within 3 Months	3-12 months	Within year 1	1-5 years	Over 5 years	More than year 1	No fixed maturity	Total
	(SR' 000)							
Liabilities								
Due to banks and other financial institutions								
Current accounts	-	-	-	-	-	-	199,366	199,366
Money market deposits	-	6,719,665	6,719,665	1,044,606	-	1,044,606	-	7,764,271
Repo agreement borrowing	-	1,446	1,446	-	288,671	288,671	-	290,117
Customer deposits								
Demand	-	-	-	-	-	-	30,839,375	30,839,375
Time	5,608,658	16,495,745	22,104,403	8,155,137	-	8,155,137	-	30,259,540
Other	-	-	-	-	-	-	1,597,879	1,597,879
Negative fair value of derivatives								
Held for trading	5,103	2,534	7,637	21,390	-	21,390	-	29,027
Held as cash flow hedges	19,992	-	19,992	43,522	123,470	166,992	-	186,984
Subordinated Sukuk	-	6,921	6,921	-	2,000,000	2,000,000	-	2,006,921
Other liabilities	19,832	135,232	155,064	517,047	52,461	569,508	1,056,775	1,781,347
Total liabilities	5,653,585	23,361,543	29,015,128	9,781,702	2,464,602	12,246,304	33,693,395	74,954,827

34. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking)::

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: valuation techniques for which any significant input is not based on observable market data.

a) The following table presents the Group's financial assets and liabilities that are measured at fair values:

	2020 (SR'000)		
	Level 1	Level 2	Total
Financial assets			
FVIS			
Mutual Funds	-	442,344	442,344
Equities	760	-	760
FVOCI			
Debt	-	1,113,319	1,113,319
Derivatives	-	135,224	135,224
Total	760	1,690,887	490,571
Financial liabilities			
Derivatives	-	303,495	303,495
Total	-	303,495	303,495

	2019 (SR'000)	
	Level 2	Total
Financial assets		
FVIS		
Mutual Funds	287,024	287,024
FVOCI		
Debt	101,921	101,921
Derivatives	101,626	101,626
Total	490,571	490,571
Financial liabilities		
Derivatives	216,011	216,011
Total	216,011	216,011

Fair value of quoted investments is based on price quoted on the reporting date. Level 2 trading and hedging derivatives comprise foreign exchange, options, profit rate swaps and structured deposits. These foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Profit rate swaps, options and structured deposits are fair valued using forward special commission rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

There were no changes in valuation techniques during the period.

There were no transfers between levels 1 and 2 during the year. New investments acquired during the year are classified under the relevant levels. There were no financial assets or financial liabilities classified under level 3 (2019: level 1 and level 3).

Investments amounting to SR 4.93 million (2019: SR 4.88 million) are carried at cost and, accordingly, are not fair valued.

b) Following table represent fair values of financial assets and liabilities measured at amortised cost. There are no financial assets and liabilities that are measured as level 1 fair value.

	December 31, 2020 (SR'000)		
	Amortised cost	Level 2	Level 3
Financial assets:			
Due from banks and other financial institutions	426,138	-	426,074
Investment held at amortised cost - net	28,334,118	29,115,386	-
Loans and advances, net	53,961,211	-	56,815,209
Total	82,721,467	29,115,386	57,241,283
Financial liabilities:			
Due to banks and other financial institutions	8,530,196	-	8,509,548
Customers' deposits	68,003,612	-	68,169,001
Subordinated Sukuk	2,004,633	-	2,004,633
Total	78,538,441	-	78,683,182

	December 31, 2019 (SR'000)		
	Amortised cost	Level 2	Level 3
Financial assets:			
Due from banks and other financial institutions	1,429,004	-	1,441,363
Investment held at amortised cost - net	27,224,939	27,684,963	-
Loans and advances, net	49,660,119	-	51,282,736
Total	78,314,062	27,684,963	57,241,283
Financial liabilities:			
Due to banks and other financial institutions	8,253,754	-	8,304,612
Customers' deposits	62,696,794	-	62,986,854
Subordinated Sukuk	2,006,921	-	2,006,921
Total	72,957,469	-	73,298,387

The fair value of the cash and balances with SAMA, other assets and other liabilities approximate to their carrying amount. The fair values of level 2 and level 3 financial instruments are estimated as at December 31, 2020 at the current applicable yield curve taking into account the counterparty risks and applicable market rate.

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at 31 December 2020 and 31 December 2019, as well as the significant unobservable inputs used.

S.No	Type	Accounting Classification	Valuation Technique	Significant unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
1	Mutual Fund units	FVIS	Fair valued using the quoted prices of underlying securities.	Not applicable	Not applicable
2	Investment held at FVOCI – debt	FVOCI	Fair valued using the broker quoted prices or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable
3	forward exchange contracts and Profit rate swaps	FVIS	**Forward exchange contracts:** Fair valued using discounted Notional techniques that use observable market data inputs for Forex Exchange (FX) and yield curves. **Profit rate swaps:** The fair value is determined by discounting the future cash flows using observable market data inputs for yield curves.	Not applicable	Not applicable
4	Due from banks and other financial institutions, Loans and advances, Due to banks and other financial institutions, Customer Deposits	Amortised Cost	**Market Data:** Used observable market data inputs for yield curves. **Fair value technique:** The fair value is determined by discounting the future cash flows. A discounted cash flow is the product of: • The anticipated nominal magnitude and sign of a cash flow. • The accumulated discount over the amount of time remaining until the anticipated time of the cash flow, at a rate of discount. The fair value is determined only for the Time Deposits		
5	Investment held at amortised cost - net	Amortised Cost	Fair valued using the quoted prices, where available.	Not applicable	Not applicable

35. 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 Saudi Central Bank (SAMA).

The balances as at December 31 resulting from such transactions included in the consolidated financial statements are as follows:

	2020 SR' 000	2019 SR' 000
Subsidiary companies		
Investments	**501,480**	501,480
Customer deposits	**14,271**	20,730
Due from banks and other financial institutions	**698,548**	651,371
Due to banks and other financial institutions	**289,148**	290,117
Receivables	**155,320**	289,599
Payables	**41,055**	14,625
Commitments and contingencies	**530,247**	530,247
Notional values of outstanding derivative contracts	**2,707,585**	2,796,949
Associate and affiliate entities with significant influence		
Investments	**164,136**	148,332
Customer deposits	**303,056**	238,400
Accrued expenses payables	**5,400**	24,850
Accrued fee receivable	**5,400**	-
Advance against sale of investments	**-**	22,353
Directors, key management personnel, other major shareholders and their affiliates		
Loans and advances	**31,788**	28,955
Customers' deposits	**3,488,360**	4,139,319
Contingencies and commitments	**2,920**	977

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

	2020 SR' 000	2019 SR' 000
Mutual Funds under subsidiary's management		
Investments	**251,244**	287,024
Loans and advances, net	**-**	418,182

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

	2020 SR' 000	2019 SR' 000
Special commission income	**57,631**	128,861
Special commission expense	**201,357**	242,521
Fees and commission income	**6,813**	404
Custody fee	**4,846**	2,624
Net share of expenses to associate	**5,400**	22,850
Insurance premium paid	**49,860**	55,032
Surplus distribution received from associate	**957**	1,169
Claims received	**25,290**	10,729
Directors' remuneration	**8,014**	7,315
Income under shared service agreements	**3,391**	3,391
Reimbursement of expense to a subsidiary	**78**	117
Reimbursement of rent expense	**7,591**	7,983
Rent expense for branches	**704**	2,705
Sale of sukuk to an associate	**22,353**	99,895
Participation in DMO sukuk auction for an associate	**-**	75,552
Value of reserves and liabilities transferred to ATT for old Insurance portfolio (refer note 40)	**53,552**	-

The total amount of compensation paid to directors and key management personnel during the year is as follows:

	2020 SR '000	2019 SR '000
Short-term employee benefits	**115,088**	104,597
Termination benefits	**38,942**	33,416

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.

36. SALARIES AND EMPLOYEE RELATED EXPENSES

2020

Categories of employees	**Number of employees**	**Fixed compensation (on accrual basis)**	**Variable compensation (on cash basis)**	**Total**
		SR '000	**SR '000**	**SR '000**
Senior executives that require SAMA no objection	**26**	**49,308**	**24,230**	**73,538**
Employees involved in control functions	**241**	**90,698**	**9,481**	**100,179**
Employees involved in risk taking activities	**180**	**70,996**	**13,724**	**84,720**
Other employees	**2,137**	**528,966**	**80,043**	**609,009**
Outsourced employees	**537**	**86,779**	**3,834**	**90,613**
Total	**3,121**	**826,747**	**131,311**	**958,058**
Variable compensation (accrual basis)		**127,999**		
Other employee related benefits		**27,862**		
Total salaries and employee-related expenses		**982,608**		

2019

Categories of employees	Number of employees	Fixed compensation (on accrual basis)	Variable compensation (on cash basis)	Total
		SR '000	SR '000	SR '000
Senior executives that require SAMA no objection	16	43,270	22,312	65,582
Employees involved in control functions	213	85,816	9,886	95,702
Employees involved in risk taking activities	202	77,192	13,987	91,179
Other employees	2,186	530,764	76,156	606,920
Outsourced employees	609	85,970	3,500	89,470
Total	3,226	823,012	125,841	948,853
		124,859		
Variable compensation (accrual basis)		20,658		
Other employee related benefits		968,529		

The compensation and benefits program philosophy

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 Group to keep abreast of the local and regional market conditions relating to the Group's staff employed in the Kingdom of Saudi Arabia, which are contrasted to cyclical performance levels and mitigated for any associate risks.

The distribution of compensation is composed of a 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 labour law of the Kingdom of Saudi Arabia and Group's internal policies, staff end of services benefits is due for payment at the end of an employee's period of services. The end of service benefit outstanding at December 31, 2020 amounted to SR 279.70 million (2019: SR 273.83 million).

The compensation and benefits program is applicable to all regular (Headcount) Saudi national and expatriate employees of the Bank, and its subsidiaries within all applicable regulatory and corporate governance limitations.

- **Fixed compensation** includes salaries and wages, and job/position specific allowances and related benefits, which are fixed in employment contracts and are given irrespective of performance;

- **Variable compensation** includes performance bonuses, incentives and other variable performance related allowances which are not fixed by the employment contracts, and which vary from year to year, and have a direct correlation with individual, group and institutional performance success.

37. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored on a periodic basis by the Bank's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total eligible capital to the risk-weighted assets at or above the agreed minimum of 8%.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

The following table summarizes the Group's Pillar-I Risk Weighted Assets (RWA), Regulatory Capital and Capital Adequacy Ratios calculated in accordance with the Basel III Framework:

	2020		2019	
	Eligible capital SR '000	**Capital adequacy ratio %**	Eligible capital SR '000	Capital adequacy ratio %
Core capital (Tier 1)	**12,159,294**	**19.41%**	12,081,624	20.68%
Supplementary capital (Tier 2)	**2,633,778**	**-**	2,300,699	-
Core and supplementary capital (Tier 1 + Tier 2)	**14,793,072**	**23.62%**	14,382,323	24.62%

Common Equity Tier 1 capital of the Bank at the year-end comprises of share capital, statutory reserve, general reserves, other reserves, retained earnings and certain regulatory capital adjustments in accordance with the requirement of SAMA Basel III Framework. The other component of regulatory capital is Tier 2 capital, which comprises subordinated sukuk issued by the Group and eligible collective allowances.

A strong capital position is essential to the Group's business strategy and competitive position. The Group's capital strategy focuses on long-term stability, which aims to build and invest in core banking activities.

The Group seeks to maintain adequate levels of capital in order to:

- Optimize assets growth in target business segments to support its strategic objectives
- Support the underlying risks of the bank's business;
- Be able to withstand capital demands under prevailing market and stress conditions.

Strategic business plans, ICAAP and ILAAP are drawn up annually covering at least three years horizon. This ensures that risks based on the Bank's Risk Appetite Framework & Policy are assessed and adequate levels of capital are maintained by the Group to support its strategy. The above takes the following into account:

- Growth of core financing and investment business based on business plans of the various business units such as Corporate Banking (includes Commercial and SME Segment), Global Transactions Services, Financial Institutions, Retail Banking, Treasury and Private Banking;
- The funding structure and sources of funding, liabilities and equity, to support the asset growth taking into consideration the need to maintain strong liquidity position based on Basel III Liquidity Management guidelines;
- Maintenance of Regulatory capital requirements and Capital Adequacy Ratios.

For the purpose of calculating risk weighted assets, the Group uses the Standardized Approach for credit risk and market risk and the Basic Indicator Approach for operational risk. The Group's Risk Management Division is responsible for ensuring that the Group's capital adequacy ratios meet the minimum requirement specified by SAMA. The Group is required to submit Capital Adequacy Prudential Returns on quarterly basis to SAMA showing the capital adequacy position.

	2020 SR '000	2019 SR '000
Credit risk	**55,360,267**	51,675,067
Operational risk	**5,496,895**	5,059,741
Market risk	**1,775,940**	1,677,030
Total pillar-1 – risk weighted assets	**62,633,102**	58,411,838

38. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank's subsidiary, Aljazira Capital Company (AJC) offers investment management and advisory services to its customers, compliant with the principles of Shari'ah (non-interest based). These services include portfolio management on a discretionary and non-discretionary basis and management of investment funds in conjunction with professional investment advisors. Fifteen such funds for which AJC acts as the manager are Aljazira International Equities Fund, Aljazira European Equities Fund, Aljazira Japanese Equities Fund, Aljazira Global Emerging Markets Fund, Aljazira Saudi Equities Fund, Aljazira GCC Income Fund, Aljazira Saudi Riyal Murabaha Fund, Aljazira USD Murabaha Fund, Aljazira Sukuk Fund, Aljazira Diversified Aggressive Fund, Aljazira Diversified Balanced Fund, Aljazira Diversified Conservative Fund, Aljazira Residential Projects Fund, Aljazira Residential Projects Fund 2 and Aljazira Mawten REIT Fund. All of the above are open ended funds except for Aljazira Residential Projects Fund and Aljazira Residential Projects Fund 2 which are closed-ended funds and Aljazira Mawten REIT Fund which is a public traded fund on Tadawul. Aljazira International Equities Fund, Aljazira European Equities Fund, Aljazira Japanese Equities Fund invests in foreign equities, while Aljazira Saudi Equities Fund invests in local equities. Aljazira Saudi Riyal Murabaha Fund and Aljazira USD Murabaha Fund trade in commodities through Murabaha.

The Group also provides investment management and other services to Aljazira Takaful Ta'awuni Company.

Total assets under administration held by the Group related to its brokerage services business amounted to SR 68.3 billion (2019: SR 55.4 billion).

Assets held in public funds in a fiduciary capacity by the Group related to its asset management services business amounted to SR 5.7 billion (2019: SR 5.6 billion)..

39. UNCONSOLIDATED ENTITIES

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group	Total assets
Investment in funds	Mutual Funds managed by Aljazira Capital Company (Subsidiary of the Bank Aljazira)	**% of holding**	**SR '000**
	Aljazira Saudi Riyal Murabaha Fund	5.06%	3,585,633
	Aljazira Dawaween Fund	0.24%	444,005
	Aljazira Global Emerging Markets Fund	24.41%	65,196
	Aljazira Sukuk Fund	76.10%	50,014
	Aljazira GCC Income Fund	9.16%	44,807
	Aljazira Residential Projects Fund	43.64%	14,411
	Aljazira Residential Projects Fund 2	13.05%	30,562

The table below sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held.

Investment in funds – Carrying Amount	SR '000
Aljazira Saudi Riyal Murabaha Fund	181,290
Aljazira Sukuk Fund	38,061
Aljazira Global Emerging Markets Fund	15,781
Aljazira Residential Projects Fund	7,530
Aljazira Residential Projects Fund 2	3,570
Aljazira GCC Income Fund	4,079
Aljazira Dawaween Fund	933

40. TAKAFUL TA'WUNI

Takaful Ta'awuni provides protection and saving products services that are fully Shari'ah compliant.

As required by the Insurance Law of Saudi Arabia, the Group has spun off its insurance business in a separate entity formed under the new Insurance Law of Saudi Arabia.

Aljazira Takaful Ta'awuni Company (ATT) was formed and listed on the Saudi Stock Exchange (Tadawul). ATT also received its insurance license from SAMA in December 2013 and started writing business from January 2014. The Group collectively holds a 35% share in ATT as at December 31, 2020. The current division represented the insurance portfolio of policies entered into by the Bank before 2014.

During 2019, ATT obtained from SAMA no objection to transfer the insurance portfolio through letter dated 26 Rabi 'Al-Thani 1441 AH (corresponding to 23 December 2019). The insurance portfolio has been transferred with effect from 1 January 2020 at zero value (no cost to ATT), including the transfer of all assets and liabilities related to this business. Further as a consideration for the other reserves and all other liabilities related to insurance business currently existing or arising in future the Bank has paid an amount equal to SR 53.55 million. Therefore, ATT will be fully liable for all current and future liabilities in connection with insurance business in both Policyholder and shareholder accounts. As a result of business transfer the Bank has recognized a settlement gain of SR 17 million which has been presented in other operating income in these consolidated financial statements.

41. PROSPECTIVE CHANGES IN THE INTERNATIONAL FINANCIAL REPORTING FRAMEWORK

IBOR Transition (Profit Rate Benchmark Reforms):

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

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

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

Management is running a project on the Bank's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

The table below shows the Bank's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

SR '000 31 December 2020	Non-derivative financial assets - carrying value	Non-derivative financial liabilities carrying value	Derivatives Nominal amount
LIBOR USD	1,358,467	144,335	2,150,625

42. SAMA SUPPORT PROGRAMS AND INITIATIVES

As part of the deferred payments program launched by SAMA, the Bank was required to defer payments for a total of nine months (original deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September for a period of six months and then further deferring the installments falling due within the period from 15 September 2020 to 14 December 2020 for a period of three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses amounting to SR 53.42 million which have been presented as part of net financing income during the nine months period ended September 30, 2020.

Further to the above, SAMA on 08 December 2020 extended the deferred payment program until March 31, 2021. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Bank recognizing an additional modification loss of SR 29.09 million.

As a result of the above program and related extensions, the Bank has deferred the payments of SR 2,856 million (DPP1 – SR 1,192 million , DPP2 – 671 million and DPP3 SR 993 million) million on MSMEs portfolio and accordingly, has recognised total modification losses of SR 82.51 million during the year. The total exposures against these customers amounted to SR 3,238 million as at the year end.

The Bank generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

The Bank has booked SR 31.21 million incremental total ECL for the MSME portfolio having total exposure of SR 621.06 million.

If the balance of COVID-19 support packages in stage (1) move to stage (2), an additional ECL provisions would be provided during 2021 based on the credit facility - level assessment and the ability to repay amounts due after the deferral period ends.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received in aggregate SR 2.41 billion of profit free deposit in number of tranches from SAMA during the year ended 31 December 2020, with varying maturities, tenure of some of which was extended during the month of December 2020. Management had determined based on the communication from SAMA, that the profit free deposits primarily relate to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 236.36 million, of which SR 106.33 million has been recognised in the statement of income and SR 130.03 million has been deferred. The management has exercised certain judgments in the recognition and measurement of this grant income. During the year ended 31 December 2020, SR 53.42 million has been charged to the statement of income relating to unwinding of the day 1 income.

As at 31 December 2020, the Bank has participated in SAMA's funding for lending and facility guarantee programs and the accounting impact for the period is immaterial.

Furthermore, during the year ended 31 December 2020, the Bank has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SR 34.32 million.

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during the year ended 31 December 2020, the Bank received SR 1.78 billion profit free deposit with one year maturity. Management has determined based on the communication received from SAMA, that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 44.32 million, of which SR 35.72 million has been recognised in the statement of income for the year ended 31 December 2020 and with the remaining amount deferred.

Bank's initiative - Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of KSA citizens and residents in response to the COVID-19 outbreak, during Q1 2020, the Bank decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This resulted in the Bank recognising a day 1 modification loss of SR 19.88 million during the year ended 31 December 2020, which was presented as part of net financing income. SR 2.62 million has been charged to the consolidated statement of income on unwinding the discount on financing during the year ended 31 December 2020.

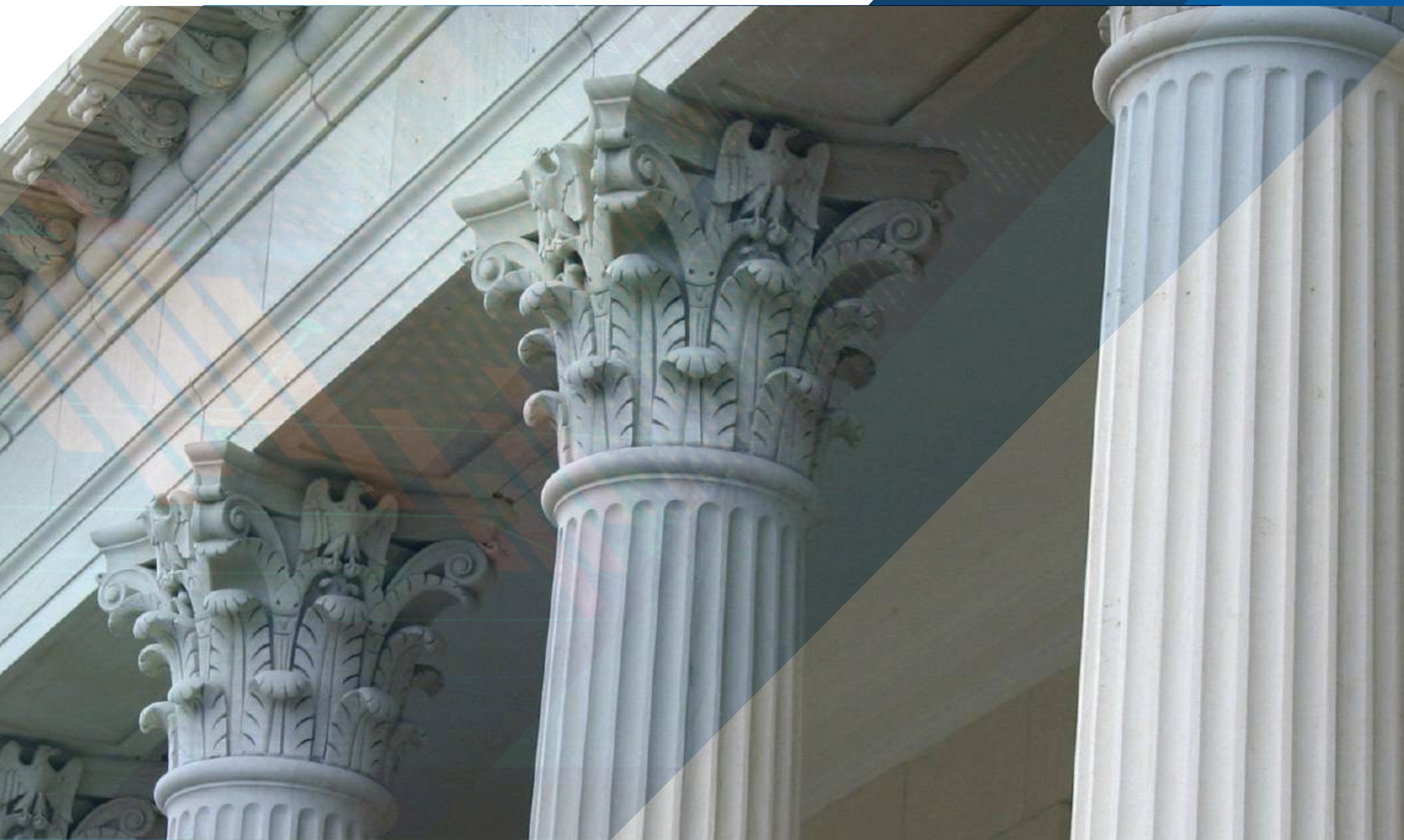
In addition the Bank during Q3 2020 also postponed payments for certain public and private workers mainly employed in health care and aviation sectors and covered by SANID program who had credit facilities with the Bank for a period ranging from three to six months. This resulted in the Bank recognizing a day 1 modification loss of SR 24.15 million, which was presented as part of net financing income. SR 2.17 million has been charged to the consolidated statement of income on unwinding the discount on these financings modified during the year ended 31 December 2020.

43. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified so as to align with the current period presentation.

44. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were authorized for issue by the Board of Directors on 10 February 2021 (corresponding to 28 Jumad al thani 1442H).



BASEL III Pillar 3 Disclosures

for FY 2020

1. OVERVIEW

The Pillar 3 Disclosure for financial year ending 31st December 2020 for Bank Aljazira (the Bank) complies with the Saudi Central Bank (SAMA) Disclosure Requirements (Pillar 3)," which is based on the guidelines issued by the Basel Committee on Banking Supervision (BCBS).

2. SCOPE OF APPLICATION

The report is prepared after full-consolidation of the Bank and the following fully –owned subsidiaries (the Bank):

SAR "MM"

Subsidiaries	Location	Ownership	Activity	Invested Capital
Aljazira Capital Company (AJC)	K.S.A	100.00%	Capital Markets	500
Aman Development and Real Estate Investment Company	K.S.A	100.00%	Real Estate (SPV)	1
Aljazira Securities	Cayman Island	100.00%	Derivative and capital market transactions (SPV)	USD 100
Aman Insurance Agency Company	K.S.A	100.00%	Agent for banc assurance activities	0.5
Aljazira Takaful Taawuni Company	K.S.A	35.00%	Insurance	350

Associates of the Bank:

SAR "MM"

Subsidiaries	Location	Ownership	Activity	Invested Capital
Aljazira Takaful Taawuni Company	K.S.A	35.00%	Insurance	350

3. MEDIUM AND LOCATION OF DISCLOSURE

The bank's Pillar 3 disclosure will be made available under the Financial Reports (Basel III section) on the bank's website at www.baj.com.sa and as a separate report in the annual financial reports, after the notes to the financial statements.

4. BASIS AND FREQUENCY OF DISCLOSURE

This Pillar 3 disclosure document has been designed to be in compliance with SAMA's Pillar 3 Guidelines, and is to be read in conjunction with the Bank's Financial Statements for financial year ending 31st December 2020.

The Qualitative Disclosure Requirements are reported annually.

5. CAPITAL STRUCTURE

The authorized share capital of the Bank is SAR 8.2 billion. As of 31st December 2020, the shareholders' equity is SAR 11.36 billion. The total Tier 1 and Tier 2 capital of the Bank is SAR 14.7 billion including Sukuk issuance of SAR 2.0 billion as of 31st December 2020.

A. SUBSIDIARIES AND ASSOCIATES

Aljazira Capital Company:

Based in Riyadh, the company is authorized to deal in securities as principal as well as agent, and to provide underwriting, custodianship, asset management, margin financing advisory and arranging services. The company has a paid up capital of SAR 500 million wholly subscribed by the Bank.

Aman Development and Real Estate Investment Company:

Based in Jeddah, formed as an SPV to facilitate mortgage financing and to only hold on behalf of the Bank, the title for real-estate transferred as collateral against commercial financing extended by the Bank. The company has an authorized capital of SAR 1 million wholly subscribed by the Bank.

Aman Insurance Agency Company:

Based in Saudi Arabia, the company is acting as an agent for bancassurance activities on behalf of the Bank. The Company has not yet commenced commercial operations. The issued share capital amounts to SAR 500 Thousand Comprising of 50 Thousand Shares of SAR 10 each.

Aljazira Securities Limited:

Based in Cayman Islands, the company is formed to carry out Sharia'h compliant derivative and capital market transactions. The authorized capital amounts to USD 50,000 and its paid up capital is USD 100 comprising of 100 Shares of USD 1 each.

Aljazira Takaful Ta'wuni (ATT):

Based in Jeddah, the company is authorized to conduct insurance business in accordance with Sharia'h and SAMA guidelines. The bank has acquired 35% stake in the company's capital of SAR 350 million. ATT commenced its commercial operations from January 2014.

B. CAPITAL TRANSFERABILITY

There are no restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

6. CAPITAL ADEQUACY

The table below illustrates the various approaches that are currently adopted at Bank Aljazira for capital requirements calculation under Basel III in relation to the various risk types under Pillar 1:

Credit Risk	Market Risk	Operational Risk
Standardized Approach (SA)	Standardized Approach (SA)	Basic Indicator Approach (BIA)

For Operational Risk, the Bank has plans of migrating from BIA to the approach recommended by BCBS (Basel Committee on Banking Supervision) through its "Basel III – Finalizing post-crisis reforms" document issued in December 2017 and subsequent SAMA guidelines. The Bank is in the process of defining a detailed road map to adopt the new approach as per the timelines suggested by the regulator.

The bank will continue to collect loss data and map it against the business lines to establish a comprehensive Internal Loss data history before migrating to the new methodology subject to receiving SAMA's final guidelines on the same.

The pillar 1 Capital Adequacy Ratio (CAR) of the Bank as at 31st December 2020 stood at 19.41% (of Tier 1) and 23.62% (of Tier 1 and Tier 2).

CAPITAL MANAGEMENT

A strong capital position is essential to the bank's business strategy and competitive position. The bank's capital strategy focuses on long-term stability, which aims to build and invest in core banking activities.

The bank seeks to maintain adequate levels of capital in order to:

- Optimize assets growth in target business segments to support its strategic objectives;
- Support the underlying risks of the bank's business;
- Be able to withstand capital demands under prevailing market and stress conditions.

Strategic business plans, ICAAP and ILAAP are drawn up annually covering at least three years horizon. This ensures that risks based on the bank's Risk Appetite Framework & Policy are assessed and adequate levels of capital are maintained by the bank to support its strategy. The above takes the following into account:

- Growth of core financing and investment business based on business plans of the various business units such as Corporate Banking (includes Commercial and SME Segment), Global Transactions Services, Financial Institutions, Retail Banking, Treasury and Private Banking;

- The funding structure and sources of funding, liabilities and equity, to support the asset growth taking into consideration the need to maintain strong liquidity position based on Basel III Liquidity Management guidelines;

- Maintenance of Regulatory Capital Requirements and Capital Adequacy Ratios.

During 2017, Basel Committee on Banking Supervision (BCBS) issued comprehensive reforms to the existing

Basel III framework. These new reforms seek to restore credibility in the calculation of Risk Weighted Assets (RWAs) and improve the comparability of bank's capital ratios. BCBS reforms seek revision to the standardized approaches for calculating Credit Risk, Market Risk, Credit Valuation Adjustment (CVA) and Operational Risk to bring about greater risk sensitivity and comparability. Constraints on using internal models aim to reduce unwarranted variability in banks' calculations of RWAs.

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's 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.

7. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) AND INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS (ILAAP)

The bank's ICAAP addresses issues of capital planning, assessment of all types of material risks, testing the capital requirement under different stress scenarios, capital required for covering all material risks due to current as well as prospective business profile and internal organization and processes to manage the above on an on-going basis.

At the group level, the overall capital adequacy is assessed through the ICAAP Framework. The ICAAP is also a reflection of the Bank's short to medium term strategy taking into consideration the prevailing macroeconomic scenarios and how the Bank fares against the same, whilst maintaining adequate capital buffers. As a result the organization has identified material risks and assessed the capital levels consistent with the risks identified.

The ICAAP framework determines the level of capital required to support the group's current and projected activities for capital under normal and stressed conditions.

Since 2018, the Saudi Central Bank (SAMA) requires that Banks develop the Internal Liquidity Assessment Process (ILAAP) to be submitted on an annual basis. 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 duly follows ILAAP as per the regulatory mandate.

The ICAAP and ILAAP reports are updated on an annual basis and reviewed by the Board Risk Committee (BRC) before being approved by the Board of Directors (BOD).

A. COMPREHENSIVE RISK ASSESSMENT UNDER ICAAP FRAMEWORK

Under the ICAAP methodology, the following risk types are identified and measured:

- Risks captured under Pillar 1 of BASEL III (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 of BASEL III (e.g. Residual Risks);
- Risks not taken into account by Pillar 1 of BASEL III (e.g. profit rate risk in the banking book, liquidity risk, business/strategic risk, reputational risk, macroeconomic risk and credit concentration risk);
- External factors including changes in economic environment and regulations.

B. RISK ASSESSMENT UNDER ILAAP FRAMEWORK

The Bank develops the Internal Liquidity Adequacy Assessment Process (ILAAP) in accordance with the guidelines issued by Saudi Central Bank (SAMA) on ILAAP in August 2017. The ILAAP helps the Bank identify, measure, manage and monitor liquidity and funding risks across different time horizons and stress scenarios.

The purpose of the ILAAP is to ensure that the Bank has sufficient liquidity necessary for its survival during a period of market-wide and bank-specific stress scenarios. In addition, the Bank also assesses its Liquidity Risk Management Framework and Risk Appetite to ensure that they are adequate and in proportion to the Bank's business model, size, complexity, structure of the balance sheet and market expectations.

C. ASSESSMENT OF PILLAR 1 AND PILLAR 2 RISKS UNDER BASEL III REGIME

- The Bank quantifies its risks using methodologies that have been reasonably tested and deemed to be accepted in the industry.
- Where risks are not easily quantified, due to the lack of commonly accepted risk measurement techniques, expert judgment is used to determine the size and materiality of the risk. The bank's Capital Adequacy and Liquidity Adequacy processes then focus on the qualitative controls in managing such material, non-quantifiable risks within the established governance framework of the Bank. These qualitative measures include the following:
- Adequate governance process through BRC, EXCOM and Board;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies;
- Regular monitoring and reporting through various committees and management forums.

D. STRESS TESTING PROGRAM

The bank's stress testing program is in compliance with the applicable SAMA Stress Testing guidelines encapsulated in a Board approved Stress Testing Policy. It is embedded in the risk and capital management processes. The program serves as a forward looking risk and capital management tool to understand the bank's risk profile under extreme but plausible conditions. Such conditions may arise from macroeconomic, strategic, political and business environmental factors.

The Stress Testing methodology and assertions undergo comprehensive review and challenging process to ensure that these remain in sync with the prevailing regulatory and global best practices.

The stress testing exercise at the Bank is viewed as a means to review bank's capital allocation strategy based on different extreme stress scenarios and the Bank makes necessary adjustments to its strategy where warranted, based on the stress testing results. Under Bank's Stress Testing Policy, the potential unfavorable effects of stress scenarios on the bank's profitability, asset quality, liquidity, risk weighted assets and capital adequacy are modeled and evaluated for impact on Bank's capital requirements.

Specifically, the stress test program is designed with an objective to assess the resilience, solvency, liquidity and profitability of the Bank to various stressed events. Depending on the nature of the risk factor, the impact of the stress testing exercise, where applicable, are measured on the following indicators of the Bank:

- Assets quality – increase/decrease in non-performing assets measured in terms of ratio to financing assets;
- Profitability – increase/decrease in the accounting profit/loss;
- Capital adequacy – measured in terms of changes in total amount of capital and the Capital Adequacy Ratio (CAR);
- Liquidity position – measured in terms of changes in key liquidity indicators.

The Enterprise Risk Management Group presents the stress testing reports to the CEO and Board Risk Committee before seeking approval from Board and discusses the results with regulators during annual / scheduled bilateral meetings

E. INTERNATIONAL FINANCIAL REPORTING STANDARD NO.9 (IFRS-9)

The bank had adopted a project centric approach to ensure that IFRS-9 implementation is given the focus and attention that it warrants. Accordingly, the bank has now fully implemented ECL calculation methodologies, appropriate scenarios and models to ensure impairments and Expected Credit Loss (ECL) calculations are in compliance with the IFRS-9 requirements set forth by SAMA.

The Bank endeavors to ensure, through validation and calibration that the Bank's credit risk rating models and score cards maintain their predictive power / accuracy to assess the potential risk associated with the 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. As the Bank's enhanced and IFRS-9 compliant risk rating models have moved into production and have now completed two full years of implementation, the models have undergone and extensive and independent validation exercise to ensure that models' parameters remain current and forecasting abilities of the models are in sync with the behavior of the Bank's portfolios.

8. RISK MANAGEMENT

The ERM framework of the Bank aims to establish a Risk based strategy for all its products and banking services, driving operational efficiency across the Bank, with guidance on identifying and addressing various forms of risks (including credit, market, operational, liquidity, reputational, compliance risk, etc.), with risk based capital utilization forming the key criteria for design and implementation of services, where applicable.

The ERM framework of the Bank is managed centrally for implementing the following elements:

Risk based Strategy	Establish Risk Management as the key driver, driving credit, operations, pricing and other product strategies of the Bank, through Risk Appetite statements at enterprise level.
Operational Efficiency	Establish Risk based approach for businesses and product design of the Bank, to enable effective allocation of capital for businesses, and deploying monitoring tools or controls for risks.
Risk reporting & Communication	Reporting to external stakeholders including regulators, shareholders, and drive risk based communication for businesses, operations and management of the Bank,
Compliance	Ensure compliance to SAMA directives on risk based reporting, and aligning to Basel stipulated reporting standards.
Identification of Risks & Provisioning	Enterprise Risk Management facilitates effective response to the interrelated impacts, and integrated responses to multiple risk, mitigating risk of losses, and provisioning in line with IFRS 9 principles.

THE BANK'S SIX BROAD PRINCIPLES OF RISK MANAGEMENT

1. The following Six Broad Principles define the key elements on accountability, independence, structure and scope.
2. 1. The risk management approach is premised on three lines of defense – risk taking business units, risk control units and internal audit.
3. 2. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting-up the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and testing of risk. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach.
4. 3. At BAJ, the Risk Management through the Chief Risk Officer, Chief Credit Officer, and the Credit Risk Managers assumes the independent responsibility of reviewing and co-signing the approval through the the Executive Committee (Excom) and Management Credit Committee (MCC) , of all major credit proposals of the Bank which are prepared, sponsored and recommended by the Business Units. In addition, Enterprise Risk Management Group (ERMG) provides risk management and advisory to all lines of business for the major risk categories including credit risk, market risk, liquidity risk, operational risk (including fraud risk) and other industry-specific risks that are discussed under Pillar II of the Basel regime.
5. 4. ERMG ensures that the core risk policies of the bank are consistent and current, sets the risk tolerance level through the approved Risk Appetite Framework & Policy. ERMG is also responsible for the development and implementation of various risk policies and related business decisions as delegated by the Board.
6. 5. ERMG is functionally and organizationally independent of the business units and other risk taking units within BAJ.
7. 6. BAJ's Board, through the ALCO, MRC, FCC, MRPC, BRC and EXCOM, maintains overall responsibility for risk management within the Bank.

9. RISK APPETITE FRAMEWORK & POLICY

The Risk Appetite Framework & Policy is reviewed by BRC and the Board on a periodic basis and takes into consideration the bank's Risk Taking-Capacity, its desired financial position based on institutional and regulatory guidelines, the strength of its core earnings and the resilience of its reputation and brand. The risk appetite defines the key risk measures of the Bank and which are periodically reported to MRC, BRC,EXCOM and to the Board through specific reports.

A. CREDIT RISK MANAGEMENT

Risk appetite for credit risk is an expression of the amount of risk that the bank is willing to take in pursuing its strategic objectives. Credit risk arises when the bank deals with an obligor or counterparty and the obligor or counterparty fails to fulfill its part of the agreement. In mitigating credit risk, the Bank performs extensive due diligence on the obligor or counterparty analyzing both qualitative and quantitative (usually financial and business) information. The Bank uses internal rating models to determine an Obligor Risk Rating (ORR) that reflects the Bank's judgment regarding the probability of default. Ratings by the major credit rating agencies are also used whenever available.

Through the Credit Risk Officers, the Chief Credit Officer and the Chief Risk Officer, the credit risk is monitored by means of continuous review, monitoring and assessment of the obligor or counterparty's ability to meet obligations through a regular customer calling program, visits to project sites and a formal annual review of the obligors' financial position and business status. The credit process seeks to identify problems early on and to take effective remedial action, if needed, to protect the Bank's interests. The Bank sets credit limits to restrict the exposure to a single obligor or counterparty. Further restrictions are defined by type of transaction, tenor, repayment terms, and conditions precedent and subsequent. The Bank also mitigates its credit risk by requiring tangible collateral where necessary.

The Bank also seeks to control portfolio risk - various risks that arise from concentrations that are sensitive to certain parameters such as economic activity, geography, collateral, industry, risk rating etc. To mitigate these concentration risks the Bank seeks to diversify its portfolio through customer acquisition across economic sectors, diversification of type of financing in terms of short term working capital financing and longer term fixed capital financing and project financing through syndication arrangements to meet needs of its clients. Obligor and Sector Financing Concentrations are monitored by ERMG periodically or as per applicable regulatory guidelines through the CRO Dashboards and are regularly reviewed by the Chief Credit Officer, the Chief Risk Officer, the business heads and the MRC. The concentration levels are also reported to the Board Risk Committee (BRC) on a regular basis.

Concentrations in terms of funding sources are also monitored and diversification strategies in terms of reducing dependency on the large funds providers are regularly followed.

The Bank continually updates its credit polices to reflect economic, market and legal realities.

B. MARKET AND LIQUIDITY 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 continuously 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.

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 proactive 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. The Bank has also implemented a comprehensive ILAAP (Internal Liquidity Adequacy Assessment Process) regime 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 liquidity events.

C. OPERATIONAL RISK MANAGEMENT

The bank's operational risk appetite has been defined in the Risk Appetite and Operational Risk policies of the Bank and expressed through the following measures and limits as part of semi-annual stress testing exercise:

- Impact and materiality in terms of limits;
- Tolerance and thresholds that reflects bank's tolerance for acceptable risks and operational losses;
- Profile for the purpose of identifying material operational risks and losses.
- To support the Bank's risk tolerance, each business / support unit is required to set their respective key risk

indicators (KRIs) facilitated by the Operational Risk Management Department along with associated policies and procedures.

The Bank has duly reviewed and reengineered its Anti-Fraud Risk Management framework in line with SAMA guidelines. The objective of this initiative is to implement a comprehensive Anti-Fraud Risk Management program capable of addressing following aspects:

1. Review Fraud Risk Management Governance structure and associated strategy.
2. Develop, review and update Fraud Risk Management policies, procedures, processes and Manuals.
3. Conduct and upgrade Fraud Risk Assessments and anti-fraud diagnosis.
4. Implement a comprehensive Fraud Prevention and Detection solution across the bank.
5. Build knowledge transfer mechanism and related capacity in Bank's Fraud Risk Management practices and operations.

10. CREDIT RISK

A. OVERVIEW

Credit risk is the potential that the bank's obligor or counterparty will fail to meet its obligations in accordance with agreed terms. It also includes the risk arising in the settlement and clearing transactions.

The principal bank units responsible for taking credit risk are:

- Corporate and Institutional Banking Group (CIBG)
- Commercial Banking Services-SME (CBS)
- Retail Banking Group (RBG)
- Treasury Group (TG)
- Private Banking (PBG)

Each credit risk taking unit has developed policies and guidelines governing their credit risk taking functions which are contained in the Credit Risk Policy, Retail Risk Policy and Market / Liquidity Risk Policy documents.

B. PROVISIONS FOR LOANS/FINANCING

Ensuring that the bank remains the most compliant Financial Institution under IFRS-9. In this regards, the bank has delivered this key project to ensure that IFRS-9 implementation is given the focus and attention that it warrants. Accordingly, the bank is now fully compliant with IFRS-9 Expected Credit Loss (ECL) methods, appropriate scenarios and models well within SAMA guidelines. The bank makes provisions according to guidelines set by SAMA under IFRS-9. The provisioning strategies are governed by Credit Policy and IFRS-9 Charter of the bank and are regularly reviewed for appropriateness by the Chief Credit Officer, the Chief Risk Officer, the Heads of the Business Units, the Chief Financial Officer, the Chief Executive Officer and Management Risk Committee. All risk management policies are reviewed and approved by Board Risk Committee and Board of the Bank.

The IFRS-9 standard has introduced revised rules for classification of assets of financial institutions, their accounting, rules for considering provision and reporting in accordance with new standards, with the objective of addressing the shortcomings with regard to recognition and provisioning for stressed assets. The three main modules of IFRS-9 principles are:

1. Classification and measurement of financial instruments;
2. Impairment of financial assets;
3. Hedge accounting.

The rules of the IFRS 9 standards aim for classification and measurement of all the financial instruments of the Bank across specified measurement categories of Amortized Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). This includes business model development for all the financial instruments at an aggregate level and assessment of cash flow characteristics test (SPPI test) at an individual instrument level.

The impairment computation is initiated with the stage assessment exercise, to identify the applicability of the assets to the three prescribed stages, based on the levels of Credit Risk.

The following summarizes the stage types and the assessment rules.

Stage	Definition	Description
Stage 1	Characterizes low Credit Risk assets	This stage includes performing assets with no signs of impairment. This would also include newly originated assets, taking into consideration assessment in the appraisal process.
Stage 2	Assets where there has been a Significant Increase in Credit Risk (SICR)	The criteria for this stage is 'significant increase in credit risk', which is evaluated based on the credit monitoring framework, including internal and macroeconomic factors, or the Early Warning Signals (EWS) framework of the Bank.
Stage 3	Asset category of impaired and non-performing assets	Categorization of assets in Stage 3 is based on objective evidence of impairment, based on the credit monitoring and overdue status of the accounts. Stage 3 categorization can also be based on qualitative assessments, based on internal or external information available pertaining to accounts or obligors.

SAMA has issued draft Rules Governing Credit Risk Exposure Classification and Provisioning which are expected to mandate significant changes to existing provisioning guidelines.

11. MARKET RISK

A. 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.

B. Management of Market Risk

Delegated by the Board, ALCO and MRPC (Market Risk Policy Committee) are responsible for the policies, limits and control used in managing market risk. The bank has an approved Market Risk Policy that clearly defines policies, procedures, and limits for managing market risk exposures.

The primary objective is to manage volatility in earnings, highlight transparent market risk and liquidity risk profile to senior management, MRC, BRC, ALCO, the Board of Directors and the national supervisor (SAMA).

Foreign Exchange Risk

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 Market Risk Policy has set limits on Net Open Positions by currency groups. There are limits for USD, other G10 currencies, GCC currencies, and all the other currencies. The bank has negligible exposure in foreign exchange because its assets and liabilities are mainly denominated in Saudi Riyals (SAR) and to a smaller extent in United States Dollars (USD) or in USD-pegged currencies.

Equity Price Risk

Equity price risk refers to the risk of decrease in fair values of the bank's investments in equities. The bank's portfolio of listed securities is periodically marked to market. This trading portfolio mostly relates to strategic investments of seed capital by Aljazira Capital in various funds under their management. All these funds are listed on the Tadawul exchange. BAJ also holds a small and immaterial, legacy equity portfolio in its banking book; most of these equities are unquoted. Investments in unquoted equity instruments are measured at fair value. Any changes are taken into the bank's equity and other comprehensive income.

C. 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, foreign currency risk and liquidity risk are the primary risk factors experienced in the bank's activities.

D. 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 markets using multiple scenarios and undertake the appropriate measures. Scenarios are updated and may be redefined on an ongoing basis to reflect current market conditions. The bank carries out Stress Testing assessments based on both regulatory guidelines and also ad hoc basis based on purpose built scenarios to test the resilience of specific portfolios. The Stress Test results are reported to Senior Management, BRC, EXCOM and the Board to facilitate and manage risk with more transparency.

12. OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Operational risk has an enterprise wide presence and can arise from any activity within the Bank. Operational risk excludes Credit risks – the risks arising from financial transactions entered into with obligors or counterparties in which the obligor or counterparty fails to honor its part of the transaction.

The bank has an independent Operational Risk Team under Enterprise Risk Management Group (ERMG) which is tasked with monitoring, measuring and management of operational risks within the Bank. Functions of this unit are guided by the Operational Risk Policy. In addition, the Bank has implemented Business Continuity and Disaster Recovery programs, tested at regular intervals with results of testing communicated to relevant management forums.

A. MANAGEMENT AND MONITORING OF OPERATIONAL RISK

The OR Framework is designed to establish an effective association between the risk management and the risk owners represented by various business & support groups within the bank. Business & support groups are responsible to manage their activities and the risks within their respective groups, however processes have been established to involve the Operational Risk Division to facilitate risk identification, measurement, assessment and control.

During the year, the Operational Risk Division conducted specialized data gathering through meetings with business & support groups endeavoring to gain a clear understanding of business directions by cascading the 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.

Assessment of risks and categorizing them into levels of significance is conducted in consultation with business and support groups to draw their attention to risks that require management attention.

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

Risk & Control Self-Assessment (RCSA)

Risk & Control Self-Assessment (RCSA) is a tool to monitor the performance of controls within a process. A risk register with controls is maintained and updated regularly as a part of this tool. The RCSA review cycle involves discussions with the business & support groups and periodic submissions to the Management Risk Committee (MRC) to seek directions on risk acceptance and treatments including decision for taking actions to review and to improve the control environment.

The bank's comprehensive RCSA program involves facilitation of workshops by Operational Risk Division to identify risks and controls within each business & support function level. The controls are periodically assessed to ensure the processes are functioning as per the design.

The bank has also established a Policy and Product Review Committee (PPRC) to oversee the development of new or existing policies and products. Responsibility of the committee is to challenge the policy or product owners on various aspects of risks to ensure they are adequately addressed before operationalization.

Key Risk Indicators (KRI)

Key Risk Indicators (KRI) is a metric to measure how risky a process is through early warning signals developed to indicate increasing risk exposures within the enterprise. KRI provides a trend of risk exposure by comparing it against the thresholds defined and accepted by the bank.

KRIs for business & support groups are defined through workshops and periodically monitored through Operational Risk Division. Trends highlighting risk exposures over the defined thresholds are analyzed and discussed with respective business or support groups to develop appropriate corrective action plans.

Loss Data Management (LDM)

Loss Data Management is a centralized process to methodically record operational loss incidents occurring in the bank to enable analysis of control failures and ensure such incidents do not recur.

The bank has established an internal loss data collection process through which incidents are reported to Operational Risk Division for recording purpose. A comprehensive Loss Database from 2013 till date is maintained by ORD.

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 with its scope encapsulating:

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 whilst protecting key assets. The results are minimized negative impacts, enhanced performance and reputation, and compliance to regulatory requirements.

Outsourcing

To ensure compliance to the SAMA regulations on outsourcing, the bank ensures that its outsourcing engagements are reviewed from various risk perspectives covering compliance, operational, business continuity and information security risk.

Anti-Fraud Management

The Bank has duly reviewed and reengineered its Anti-Fraud Risk Management framework in line with SAMA guidelines. The objective of this initiative is to implement a comprehensive Anti-Fraud Risk Management program capable of addressing following aspects:

1. Review Fraud Risk Management Governance structure and associated strategy.
2. Develop, review and update Fraud Risk Management policies, procedures, processes and Manuals.
3. Conduct and upgrade Fraud Risk Assessments and anti-fraud diagnosis.
4. Implement a comprehensive Fraud Prevention and Detection solution across the bank.
5. Build knowledge transfer mechanism and related capacity in Bank's Fraud Risk Management practices and operations.

B. 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 regime. 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 has the intent of migrating from BIA to the approach recommended by BCBS (Basel Committee on Banking Supervision) through its "Basel III – Finalizing post-crisis reforms" document issued in December 2017 and subsequent SAMA guidelines. The bank is in the process of defining a detailed road map to adopt the new approach as per the timelines suggested by the regulators.

The bank will continue to collect loss data and map it against the business lines to establish a comprehensive Internal Loss data history before migrating to the new methodology subject to receiving SAMA's final guidelines on the same.

13. SHARIA'H COMPLIANCE

Being an Islamic enitity, the bank is exposed to the risk of Sharia'h non-compliance. In order to monitor such risks the bank established an independent Sharia'h Board and a Sharia'h Compliance Division under Shariah Group.

A. SHARIA'H GOVERNANCE

- The Sharia'h Compliance Framework was formulated to enable the bank to achieve its strategies towards the effective and efficient Sharia'h compliance risk management throughout the organization in line with the Sharia'h principles. The Sharia'h Compliance Framework is the enterprise-wide Sharia'h Group plan consisting of Sharia'h Governance Structure, systems processes and control to be undertaken by relevant business entities across the group. The Sharia'h governance is affected through the following Divisions:
- Sharia'h Board Secretary;
- Research and Development;
- Sharia'h Compliance;

B. SHARIA'H BOARD

The operation of the Islamic Bank is governed by Sharia'h Governance Standards of Islamic Financial Institutions which stipulates that any licensed Islamic Bank is required to provide for the establishment of Sharia'h Board, which is responsible for directing, supervising and monitoring the activities of the Bank to ensure compliance with Islamic Sharia'h rules and principles.

The Sharia'h Board is responsible to:

- Approve the Articles of Association, the regulations, the models and the policies of used in the Bank.
- Study the forms of contracts, documents and applications existing with the Bank, and determine the results of the Commission and correct the products subject to modification.
- Looking into all transactions and products executed by the Bank for the first time to indicate the extent of their compliance with Sharia'h rules and principles. And put the basic principles for drafting their contracts and documents.
- Provide Sharia'h alternatives to conventional products and develop the basic principles for the formulation of contracts and documents and contribute to the development to enrich the experience of the bank in this field.
- Periodic review by the Sharia'h Compliance Division in the Sharia'h Group to the Bank transactions to verify the validity of the application and ensure that it conforms to the rules of the Islamic Sharia'h and the Fatwas issued by the Sharia'h Board on the new transactions by examining the files and documents of transactions, contracts and agreements concluded thereon.
- Answer questions, inquiries and clarifications received from the senior management of the bank or from various other technical departments as well as from the customers of the bank.
- Provide an annual report to the general assembly showing the extent of compliance with the rules and principles of Sharia in the light of the views expressed and guidance and through the review of transactions, and the annual budget of the Bank.
- Ensure that the gains made from sources or in ways that are contrary to the rules and principles of Sharia'h are avoided and disbursed to Charity according to the reports prepared by the Sharia Compliance Division of the Sharia'h Group.
- Ensure that Zakat is calculated in accordance with the rules and principles of Islamic Sharia.

C. Rectification Process of Sharia'h Non-Compliance Income

The control structure for handling and reporting Sharia'h non-compliance and Potential Sharia'h non-compliance has already been put in place.

Key measures undertaken by the Bank for managing Sharia'h Compliance risk include having in place the following processes:

- Awareness and Communication;
- dentification and assessment;
- Mitigation and control;
- Monitoring and reporting.

14. 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).

A.LIQUIDITY RISK MANAGEMENT APPROACH

In terms of day-to-day liquidity management, the Treasury Business Support unit ensures sufficient funding to meet the Bank's intraday 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 flow;
- Managing short- 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;
- Ensuring that regulatory ratios such as SAMA Liquidity Ratio, LCR and NSFR, are maintained at the required minimum.
- Conducting semi-annually liquidity stress testing under various scenarios as part of prudent liquidity control to examine the effectiveness and robustness of the plans.

All liquidity policies and procedures are covered by the Market Risk Policy which is subject to review and approval by the Market Risk Policy Committee.

In accordance with 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' time investments.

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 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.

Furthermore, the bank undertakes a detailed assessment of its liquidity risks under the annual ILAAP review process.

15. PROFIT RATE RISK IN BANKING BOOK

Profit Rate Risk in Banking Book arises from changes in profit rates which affect either the fair values or the future cash flows of Profit-rate sensitive financial instruments in the Banking Book.

Yield sensitivity of assets, liabilities and off balance sheet items

The bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The bank uses the SAIBOR for lending as a benchmark rate for different maturities. At times when these benchmark rates are not representative of the actual transactions in the market, marginal cost-of-fund is provided by Treasury. The bank charges profit rates based on the maturity of loans (longer term financing requires a higher profit rate).

Profit rate risk is measured as per industry best practices and reported on a daily basis to senior management. The bank uses behavioral models for non-maturity deposits; these models employ statistical time series data. Respective assumptions are derived from the model results in conjunction with other qualitative factors. Essentially, a small percentage of the non-maturity deposits (based on business segment) are then placed in the short term gap bucket while the remainder goes to a longer term gap bucket.

The revised guidelines from the Basel Committee on Banking Supervision/ SAMA on Profit Rate Risk in the Banking Book have been implemented by the Bank. These guidelines have updated both the principles and methods expected to be used by Banks for measuring, managing, monitoring and controlling this risk.

16. MACROECONOMIC AND BUSINESS CYCLE RISK

The Macroeconomic and business cycle risk is a risk factor that will in turn give rise to other risk types like credit, market or liquidity. The bank has assessed this risk using hypothetical but plausible scenario based analysis. The major activity of the bank is financing, so it is assumed that the impact of such risks would be primarily on the credit risk.

17. STRATEGIC RISK

Strategic Risk of the bank refers to the risk to its earnings and profitability arising from its strategic decisions, changes in the business conditions and improper implementation of decisions. Thus, Strategic Risk arises due to external causes, arising out of adopting wrong strategies and choices that can cause loss to the bank in the form of reduction in shareholder value, loss of earnings, etc.

The bank has assessed its Strategic Risk based on a very conservative scorecard approach considering various risk drivers / factors related to strategic planning process and implementation capabilities.

18. REPUTATIONAL RISK

Reputational Risk refers to the potential adverse effects, which can arise from the bank's reputation being sullied due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints, negative/ adverse publicity etc.

The bank has assessed the Reputational Risk based on a scorecard approach. The scorecard benchmarks various risk drivers to best practices and generates an overall score.

19. ENTERPRISE RISK MANAGEMENT GROUP – THE ROAD AHEAD

The Bank remains focused on fortifying its risk management practices and culture. In this regards the Bank has managed to reengineer its risk management organization enabling it to provide assurance to both internal and external stakeholders as regards to sound risk management practices being implemented in letter and spirit. Furthermore, a detailed review to all policies and procedures has also been undertaken to ensure these remain up to date and fit for purpose.

The bank undertakes a model validation exercise of its statistical Obligor Risk Rating models periodically to ensure that the models remain in sync with the broad strategic objectives and are predictive of the obligor and portfolio risk profile. A separate set of score cards is under development with respect to the Retail Portfolio of the Bank to ensure that obligor's risk assessment is carried out at both application (pre-approval) and behavioral (post approval) basis.

The Bank has upgraded its Internal Risk Rating model platform to a new and improved version. This initiative is meant to assist the bank in managing its Credit Risk Management and approval processes.

In addition to the above, the Bank is gearing up to implement the Basel III Post Crises norms and aims to comply with the same by 1st January 2023 as per Basel and SAMA guidelines.

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