بنك الجزيرة

BANK ALJAZIRA

2021 ANNUAL REPORT

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بسم الله الرحمن الرحيم

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

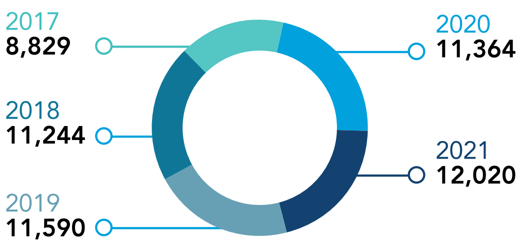
The Crown Prince & Deputy Prime Minister & Defense Minister

FINANCIAL HIGHLIGHTS

Financial Highlights

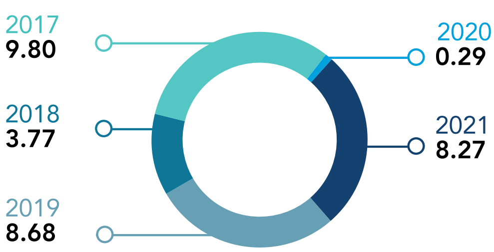
(In SAR millions, except where indicated)	2017	2018	2019	2020	2021
Financing, net	39,790	40,897	49,660	53,961	**62,434**
Total assets	68,287	73,003	86,544	92,089	**102,827**
Customer deposits	50,278	51,804	62,697	68,004	**78,365**
Total Liabilities	59,459	61,759	74,955	80,724	**88,932**
Shareholders' equity	8,829	11,244	11,590	11,364	**12,020**
Net income before Zakat and income tax	858	1,000	1,122	31	**1,153**
Net income after Zakat and income tax	830	378	991	34	**1,006**
Total Operating income	2,580	2,665	2,977	3,287	**3,547**
Net income growth (%)	13.82	(54.42)	161.98	(96.59)	**2880.61%**
Total Operating income growth (%)	2.43	3.30	11.72	10.41	**7.91**
Return on average equity (%)	9.80	3.77	8.68	0.29	**8.27**
Return on average assets (%)	1.23	0.54	1.24	0.04	**1.03**
Earnings per share (SR)	1.46	0.50	1.21	0.04	**1.18**

Shareholders' equity
(In SAR millions)



Total Assets
(In SAR millions)

Return on average shareholder's 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 Abdul-Aziz 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 A. Al-Abdulkareem
Member

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 Descendants and all his followers.

Dear Shareholders,

It gives me pleasure to present the Annual Report of Bank AlJazira (BAJ) for the fiscal year (FY) 2021. Keeping an eye on the global crisis due to the menacing COVID-19 pandemic, the report highlights the Bank's performance during the period.

In the previous year – when the deadly virus struck the whole world – was one such terrible phase that we as a whole nation stood up to confront bravely, sensibly, and successfully. As a result – and thanks to the visionary leadership at the top – the market in Saudi Arabia remained robust, the society resilient, and the people's faith rock-solid in the face of the pandemic that had threatened to push back our decades of progress in economy, education, and developmental works.

My confident remark above is not without a base. As the global economy is recovering in Q4, we have seen our business in the Kingdom rebounding strongly with the national economy growing at 4%, giving us reasons for being hopeful for the year 2022.

In the banking sector, the total assets of Saudi banks rose to SR3.3 trillion in February, a growth of SR 64.2 billion compared to the previous month. On a year-on-year basis, total assets grew 9.7 percent, rising by SR291 billion, Saudi Central Bank data revealed.

The financial landscape in Saudi Arabia continues to evolve rapidly with new entrants such as Fintech, Telco's, and other international players – all helping us create a thriving and innovative Financial Services (FS) industry that puts customers at the heart of our plan.

At Bank AlJazira, we continue our role as a key partner in the enhancement of sustainable development and a major contributor to reaching the aims of the Kingdom's Vision 2030 as is evidenced by the social programs and partnerships it entered into with non-profit organizations, charities, and public sector institutions.

Growth in employment, labor market participation, and tourism has given a fillip to Corporate and Institutional Banking (CIB) that in turn has created a wealth of opportunity for those providing turnkey solutions, especially in the SMEs and mid-market segments as we value our cherished customers we offer them a financial plan that helps them save, invest in, and secure a golden future, which has a primary aim to improve our customers lives.

Under the Saudization program, it remained our top priority in 2021 to recruit deserving Saudi candidates. We are committed to creating new jobs, and internship training programs for the students of high schools and Colleges. This offered the market a pool of fresh Saudi talents that eventually helped maintain a high success rate of Saudization of more than 94%.

The financial landscape in Saudi Arabia continues to evolve rapidly with new entrants such as Fintech, Telco's, and other international players – all helping us create a thriving and innovative Financial Services (FS) industry that puts customers at the heart of our plan

The net income – after Zakat & Income Tax – saw a high increase of **SR 972.3 million,** registering a whopping **2,876.6%** rise. It rose from **SR 33.8 million** in 2020 to **SR1,006.1 million** in 2021.

In the field of community service, the Bank continued its Khair AlJazira le Ahl AlJazira program implementing nearly 100 quality projects in 37 cities and regions in the Kingdom. In 2021, the program benefited a total of 24,111 youths through its various activities and functions.

The net income – after Zakat & Income Tax – saw a high increase of SR 972.3 million, registering a whopping 2,876.6% rise. It rose from SR 33.8 million in 2020 to SR1,006.1 million in 2021.

A book on BAJ, "Bank AlJazira Experience In Transformation Into Islamic Finance," has been published that documents this important transformation including the remarkable achievements of Bank AlJazira. The book is all set to be translated and published in English and French languages.

Bank AlJazira, on account of its persistent performance, has earned a name worldwide, which is reflected in several awards that it has received like The Excellence in Digital Transformation Award 2021 given by the Digital Banking Saudi 2030 Summit Awards.

On behalf of the Board of Directors and shareholders, I would like to express our appreciation and gratitude for the continuous support 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 and Defense Minister, His Excellency The Minister of Finance, The Saudi Central Bank (SAMA) and all government ministers for guiding us commendably through these tumultuous times. The Board of Directors, the BAJ Executive management team, and all our staff for their support, guidance and efforts as we continue our journey in serving the needs of our clients and country, by creating a strong and profitable bank for our shareholders.

The Board also takes this opportunity to express its sincere thanks and appreciation to the Bank's shareholders and customers for their continued confidence and support. The Bank's management and all the staff members also deserve our heartfelt thanks and congratulations for giving their best performance and achievements.

Finally, we deeply extend all gratitude to Allah the Almighty for his blessing our success and prayers upon our Messenger, Prophet Mohammed – May peace be upon him, his descendants and all his followers.

Engr. Tarek Othman Al-Kasabi

Chairman
Bank Aljazira

Executive Management

Mr. Naif A. Al Abdulkareem
CEO and Managing Director

Mr. Ahmed S. Al-Hassan
Senior Vice President and Chief Operating Office

Mr. Khalid Al-Othman
Senior Vice President and Head of Retail Banking Group

Mr. Hamad A. Al-Ajaji
Senior Vice President and Head of Private Banking and Wealth Management Group

Mr. Osama K. Al-Ibrahim
Senior Vice President and Chief Risk Officer

Dr. Fahad A. Al-Elayan
Senior Vice President and Head of Sharia and Social Responsibility Group

Mr. Abdulaziz Al-Zammam
Senior Vice President and Chief Internal Audit Executive

Mr. Hamad I. Al-Essa
Senior Vice President and Chief Compliance and AML Officer

Mr. Faisal M. Al-Mansour
Senior Vice President and Head of Human Capital Group

Mr. Sami J. Al-Mehaid
Senior Vice President and Head of Corporate and Institutional Banking Group

Mr. Hani S. Noori
Senior Vice President and Chief Financial Officer

Mr. Nahim Y. Bassa
Senior Vice President and Head of Strategy & Digital Transformation Group

Mr. Hani A. Araki
Senior Vice President and Head of Treasury Group

Mr. Sultan S. Al-Qahtani
Senior Vice President, Board Secretary & Head Of Corporate Governance Group

Mr.Badr A. Al-Rashodi
Vice President and Head of Customer Experience and Protection Division

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 Executive Management of Bank AlJazira, I am pleased and consider it my honor to present to you the financial performance for the year 2021,

The year has been a year of significant challenges and changes that the bank has faced, not to mention the still existing waves of Pandemic, fortunately the bank has managed to overcome each, head-on and with flying colours. Yet, the world economy bounced back, as the global economy recovered strongly in Q4 rekindling hope for better performance in 2022 with global GDP of ~4.4% and that of the Kingdom of Saudi Arabia growing at 4%.

With new entries such as Fintech, Telco's, and other foreign firms, the financial environment in the Kingdom has continued to grow swiftly, resulting in a dynamic and innovative Financial Services (FS) business that places customers at the center of the plan. Growth in employment, labor market participation, and tourism has boosted Corporate and Institutional Banking (CIB), which has resulted in a slew of opportunities for turnkey solution providers, particularly in the SMEs and mid-market segments.

As a result, the bank intends to increase its digital growth by boosting its digital transformation investments and upgrading BAJ offerings in order to improve customer experience and satisfaction. This is aided by a strategic alliance with Fintech to distinguish our value propositions and distribution strategies, as well as to commercialize our efforts through client acquisition and retention. Our digital transformation journey is well underway, with the goal of having a superior data platform, an innovative digital garage, and using AA/AI in the context of Open Banking - all of which will allow us to better serve our customers and clients.

In the Human Capital Group, we prioritized our employees' general health by launching an on-site vaccination campaign in collaboration with the Ministry of Health, in accordance with the Ministry's safety measures.

In addition, the Bank launched a transformation project to improve its organizational culture in order to produce the best possible environment, as well as to enhance and supply the necessary capabilities to support the BAJ strategy. It continues to focus on streamlining technology to support our ongoing development by introducing enhanced self-services to employees, allowing for more efficient mechanics of daily processes. Successfully, bank-wide organizational structural assessment changes have been implemented and aligned with the ambitious strategy armed with market best practices, allowing the bank to achieve its full potential and targets. From the perspective of its employees, the bank aspires to be a learning organization in order to become an employer of choice - the competition for talent is heating up, and BAJ wants to be at the forefront of attracting and retaining top talent.

Bank AlJazira cherishes its loyal customers, thus it provides them with a financial plan that allows them to save, invest, and plan for a bright future. The bank aims to be a retail-affluent-focused bank that combines the power of One Bank Aljazira with our AlJazira Capital and Private Banking and Wealth Management Group to provide unique value propositions.

We focus on Mid-Market and SMEs backed by Kafalah and Monsha'at programs. The aim is to improve our customers' prospects through a financial plan, which the Bank does through its 3 x 3 x 2023 strategy

Proudly, the Bank remained a key partner in the enhancement of sustainable development, as a contributor to the aims of the Kingdom's Vision 2030 plan, and it is reflected in a series of social programs and partnerships that the Bank entered into with non-profit institutions, charities, and public sector institutions.

BAJ continued its community service programs (through Khair AlJazira le Ahl AlJazira) implementing quality projects that aimed to meet the community's needs in the Kingdom. Almost 100 community projects were implemented in 37 cities, regions, and centers. At least 24,111 youths benefited under Khair AlJazira program in 2021 in the different cities and regions.

The world continues to change rapidly with embedded finance, Web 3.0, and the Met averse emerging themes. As a bank, we will partner with our customers and clients through this by being brave and bold, in addition to that we ensure that we have the highest standard of cybersecurity and fraud controls

As for our shareholders, we have been putting stress on the longer-term delivery of solid and sustainable returns on investments. Our profit for the year of SAR million. (???)

The remarkable improvement in the performance of the bank's business sector could be seen in the growth of profits in the total operating income of SAR 260.1 million or 7.9% in 2021– a remarkable increase from SR 3,287.1 million (in 2020) to SR 3,547.2 million.

This increase in operating income reflects the strong growth in volumes and is mainly attributable to the increase in net special commission income by SR 234.7 million (9.8%) – rising from SR2,390.3 million in 2020 to SR 2,625 million for the Year 2021.

The bank aims to grow its digital growth by boosting its digital transformation investments and upgrading BAJ offerings to improve the customer experience and satisfaction. This is supported through a targeted partnership with fintech to differentiate our value propositions and distribution models and commercialize our efforts through customer acquisition and retention.

In the Human Capital Group, we prioritized the general health of the people by initiating an on premise vaccination camping in collaboration with the Ministry of Health to ensure safety measures. We successfully conducted a bank-wide organizational structural assessment and have implemented changes in alignment with the ambitious strategy and market best practices that will help the bank achieve its full potential and targets.

The Bank launched a transformation project aiming to raise its organizational culture to achieve the best environment and to enhance and provide the required skills to support the BAJ strategy. It continues to focus on streamlining technology to serve our ongoing development by introducing enhanced self-services to employees enabling more efficient mechanics of daily processes.

Bank AlJazira values its cherished customers and therefore it offers them a financial plan that helps them save, invest in, and secure a golden future. In creating distinctive value propositions, the bank seeks to be a retail-affluent-focused bank that brings together the power of One Bank Alzaira with our AlJazira Capital division and Wealth and Private Banking.

We focus on Mid-Market and SMEs backed by Kafalah and Monsha'at programs. The aim is to improve our customers' prospects through a financial plan, which the Bank does through its 3 x 3 x 2023 strategy.

From an employee perspective, the bank wants to be a learning organization to ensure that we become an employer of choice – the war for talent is increasing and BAJ wants to be at the forefront of attracting and developing the best talent in the KSA market.

Our digital transformation journey is well underway and targets having an improved data platform, the innovative digital garage, and leveraging AA/AI in the context of Open Banking – which creates new opportunities to better serve our customers and clients.

The world continues to rapidly change with embedded finance, Web 3.0, and the MetaVerse emerging themes. As a bank, we will partner with our customers and clients through this by being brave and bold.

The Bank is firmly focused on being a trusted and valued brand. This means ensuring we have the highest standard of cybersecurity and fraud controls.

Some of the following statistics speaks volumes about the banks performance; The net income after Zakat & Income Tax grew by SR 972.3 million, or 2,876.6%. It increased from SR 33.8 million in 2020 to SR 1,006.1 million in 2021.

Overall, the total operating income has grown by SR 260.1 million (7.9%) – from SR 3,287.1 million in 2020 to SR 3,547.2 million in 2021. Net Special Commission Income has grown by SR 234.7 million (9.8%) – from SR2,390.3 million in 2020 to SR 2,625 million in 2021, reflecting the strong growth in volumes.

Total Assets grew by SR 10,738 million (11.7%) – from SR 92,089 million in 2020 to SR 102,827 million in 2021. Overall lending growth has been strong year-on-year in both retail and corporate books.

Net Financing for Retail Customers grew by SR 1,325 million (4.8%) – from SR 27,557 million in 2020 to SR 28,882 million in 2021. Net Financing for Corporate customers grew by SR 7,148 million (27.1%) – from SR 26,404 million in 2020 to SR 33,552 million in 2021.

Overall, net financing grew by SR 8,473 million (15.70%) – from SR 53,961 million in 2020 to SR 62,434 million in 2021.

Investments reached SR 1,539 million (5.1%) – from SR 29,895 million in 2020 to SR 31,434 million in 2021.

Total Customer Deposits grew by SR 10,361 million (15.2%) from SR 68,004 million in 2020 to SR 78,365 million in 2021.

The Bank's capital adequacy ratio (CAR) remains at 24.41%, which is one of the healthiest in the Kingdom.

Alfaisal University's Corporate Governance Index honored Bank Aljazira for being one of the best performing Financial Companies in 2021. In addition to the Aljazira Phone Award which we constantly received from the worlds largest Contact Center Association, with over 2000 Entrants annually and the best were selected from over 80 Nations.

The Most Innovative Islamic Retail Bank in Saudi Arabia 2021, and IRBA Excellence Award for Islamic Digital Banking 2021, was also received by the Bank during the 7th Islamic Retail Banking Awards 2021, including The Excellence in Digital Transformation Award for the year 2021 which was given during The Digital Banking Saudi 2030 Summit.

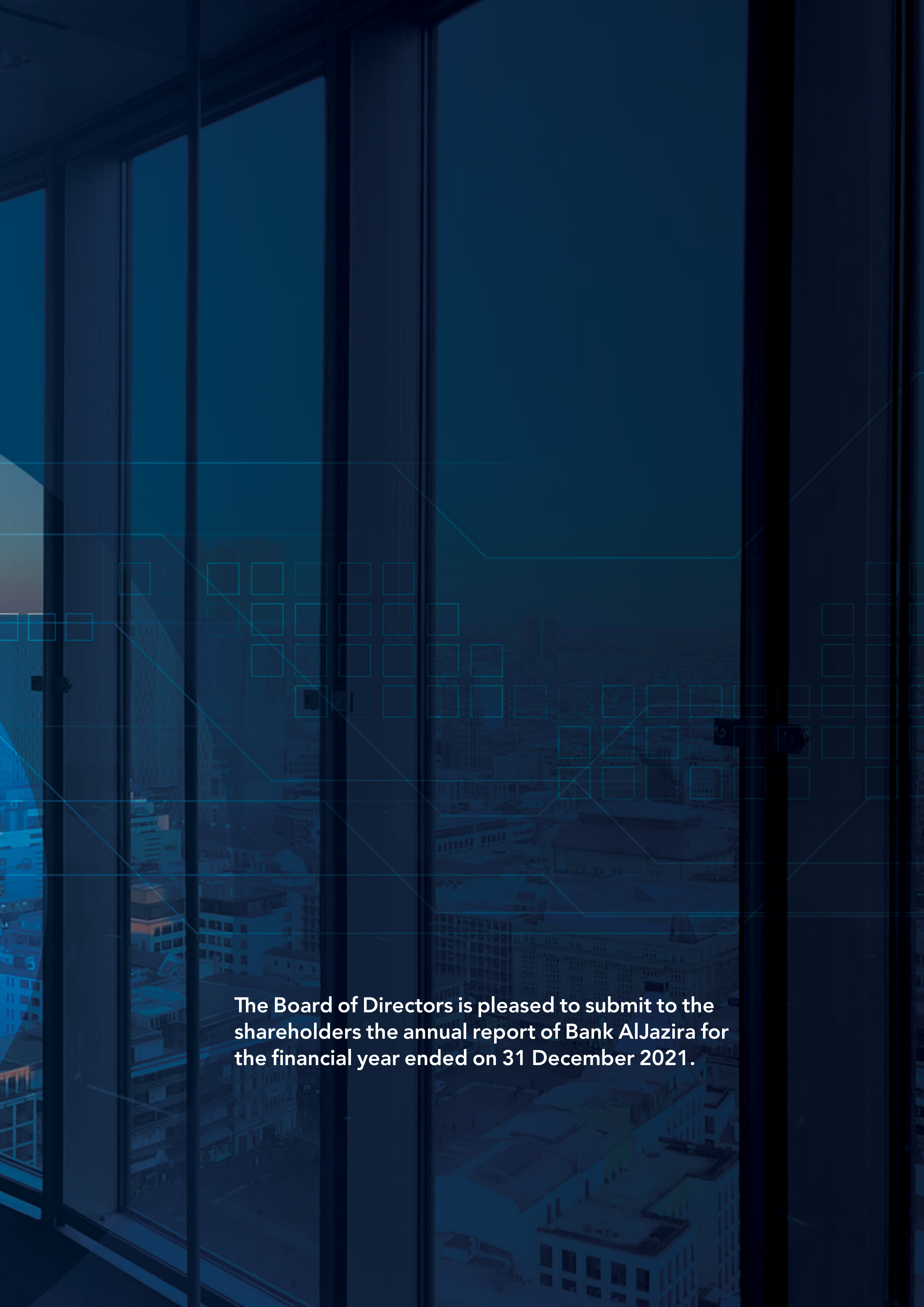
At the end, I would like to take this opportunity to thank our customers for their unshakeable trust. The Ministry of Finance and Saudi Central Bank (SAMA) for the continued support and cooperation, and lastly a word of praise and congratulations to the Chairman, the Board of Directors, the Executive Management, and all the Bank staff members for putting in their untiring efforts in building a benchmark for the Bank.

Bank AlJazira looks forward to all of them for their continued support and sincere efforts in the future to carry on the mission and consolidate our position in the banking sector.

May Allah Almighty guide us towards success in times to come.

Naif bin Abdulkareem Al-Abdulkareem
CEO and Managing Director

BOARD OF DIRECTORS REPORT



The Board of Directors is pleased to submit to the shareholders the annual report of Bank AlJazira for the financial year ended on 31 December 2021.

Board of Directors Report

The Board of Directors is pleased to submit to the shareholders the annual report of Bank AlJazira for the financial year ended on 31 December 2021.

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 institution 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

(SAR millions, except as otherwise indicated)	2017	2018	2019	2020	2021
Financing, net	39,790	40,897	49,660	53,961	**62,434**
Total assets	68,287	73,003	86,544	92,089	**102,827**
Customer deposits	50,278	51,804	62,697	68,004	**78,365**
Total Liabilities	59,459	61,759	74,955	80,724	**88,932**
Shareholders' equity	8,829	11,244	11,590	11,364	**12,020**
Net income before Zakat and income tax	858	1,000	1,122	31	**1,153**
Net income after Zakat and income tax	830	378	991	34	**1,006**
Total Operating income	2,580	2,665	2,977	3,287	**3,547**
Net income growth (%)	13.82	(54.42)	161.98	(96.59)	**2880.61**
Total Operating income growth (%)	2.43	3.30	11.72	10.41	**7.91**
Return on average shareholders' equity (%)	9.80	3.77	8.68	0.29	**8.27**
Return on average assets (%)	1.23	0.54	1.24	0.04	**1.03**
Earnings per share (SR)	1.46	0.50	1.21	0.04	**1.18**

Notes:

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 (adjusted for Tier 1 Sukuk related costs). 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 element included in the right shares issued in 2018.

Financing, net: Totaled SAR 62.4 billion at 2021 year-end, registering an increase of 15.7% compared to SAR 54.0 billion in 2020. The Bank continued to further diversify the financing 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 2021 was SAR 0.7 billion versus SAR 0.4 billion in 2020. This is a short-term activity and represents the day to day liquidity / cash flow management.

Investment Book: The investment portfolio comprises of Sukuks, investment in equities and mutual funds. Total portfolio at 2021year-end was SAR 31.4 billion versus SAR 29.9 billion in 2020, an increase of 5.1%. This increase is mainly due to additional investment in government Sukuks.

Total Assets: Total assets amounted to SAR 102.8 billion at the end of 2021, as compared to SAR 92.1 billion in 2020, representing an increase of 11.7% over the previous year.

Customer Deposits: Customer deposits increased by 15.2% to SAR 78.4 billion as at the end of 2021, compared to SAR 68.0 billion in 2020. The increase is mainly due to increase in customers' time investments by 29.8 % from SAR 28.5 billion to SAR 37.1 billion. In addition there is an increase of SAR 1.1 billion in demand deposits and SAR 0.7 billion in saving deposits.

Total Liabilities: Amounted to SAR 88.9 billion as at the end of 2021, compared to SAR 80.7 billion in 2020, representing an increase of 10.2% 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 311 million as of the end of for 2021.

SAR '000 **2021**

Regions	Central	Eastern	Western	Total
Total Groups Operating Income	1,206,690	326,012	2,014,463	3,547,165

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	Financing, 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).
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)

2021	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Others	Total
Total operating income	1,912,639	680,043	861,750	311,223	(218,490)	3,547,165
Total operating expenses	(1,141,760)	(984,484)	(140,859)	(177,629)	3,364	(2,441,368)
Share in net income of associates	-	-	-	1,144	6,866	8,010
Net income/(loss) before Zakat and income tax	770,879	(304,441)	720,891	134,738	(168,870)	1,153,197

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 2021:

Subsidiaries / Associate	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.) [under liquidation – note (a) below]	Saudi Arabia	Saudi Arabia	Acting as an agent for bancassurance activities on behalf of the Bank	SAR 500 Thousand	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%
BAJ Sukuk Tier 1 Limited (Limited Liability Co.)Limited Liability Co.)	Cayman Islands	Saudi Arabia	Trustee for issuance of Tier 1 Sukuk certificates	Authorized capital: USD 50,000 Paid up capital: USD 250	100%
Associate:					
AlJazira Takaful Ta'awuni Company (Listed Joint-Stock Company)	Saudi Arabia	Saudi Arabia	Shari'ah compliant protection and saving products	SAR 550 million	26.03%

The issued share capital of AlJazira Capital Company 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 authorized capital of BAJ Sukuk Tier 1 Limited amounts to USD 50,000 and its paid-up capital is USD 250 divided into 250 shares of USD 1 each. The issued share capital of AlJazira Takaful Ta'awuni amounts to SAR 550 million divided into 55 million shares of SAR 10 each.

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

Note (a) Subsequent to the year ended 31 December 2020, the Aman Insurance Agency Company (the Company) applied for its license renewal from Saudi Central Bank ("SAMA"), however, it was refused, as SAMA had issued Rules governing bancassurance activities during May 2020 which require the banks to carry out Bancassurance business directly. This as a result has restricted the ability of the Company to carry out business activities and therefore, management of the Company has decided to initiate the winding up procedures which are in process as at 31 December 2021.

Bank's Profitability and growth of financial assets and liabilities

The Bank has recorded a net income before zakat and income tax of SAR 1,153.2 million for the year ended December 31, 2021. This represents an increase of SAR 1,122.0 million compared to SAR 31.2 million for the financial year 2020. The net profit after zakat and income tax for the year ended December 31, 2021 was SAR 1,006.1 million. This represents an increase of SAR 972.3 million compared to SAR 33.8 million for the financial year 2020. Net income has increased by SAR 972.3 million mainly due to a decrease in net impairment charge for financing and other financial assets by SR 951.2 million and increase in operating income. Net impairment charge for financing and other financial assets for the year ended December 31, 2021 was SAR 624.6 million compared to SAR 1,575.7 million in the previous year, representing a decrease of 60.4%.

Total operating income of the Bank has increased by 7.9% during the current year. This increase in operating income is mainly due to increase in net financing and investment income by SAR 234.7 million, or 9.8% from SAR 2,390.3 million to SAR 2,625.0 million, net gains on derecognition of financial assets measured at amortised cost by SAR 93.4 million from SAR 2.1 million to SAR 95.5 million, net fees from banking services by SAR 31.0 million, or 5.1% from SAR 607.5 million to SAR 638.5 million and net gains on derecognition of financial assets measured at FVOCI by SAR 9.6 million, or 203.3% from SAR 4.7 million to SAR 14.3 million. This increase was partially offset by decrease in net exchange income by SAR 67.6 million, or 28.2% from SAR 240.2 million to SAR 172.6 million, net gain on FVIS financial instruments by SAR 21.4 million, from a gain of SAR 9.8 million to a loss of SAR 11.6 million and other operating income by SAR 20.3 million, or 62.6% from SAR 32.4 million to SAR 12.1 million.

On the other hand, total operating expenses without impairment charge increased by SAR 73.4 million or 4.3% from SAR 1,696.4 million to SAR 1,769.9 million mainly due to increase in other general and administrative expenses which have increased by SAR 72.7 million, or 16.9% from SAR 429.9 million to SAR 502.6 million.

Earnings per share were SAR 1.18 for the year ended 31 December 2021 against SAR 0.04 for the financial year 2020.

Total assets were SAR 102.8 billion as of 31 December 2021, compared to SAR 92.1 billion at 31 December 2020, an increase of 11.7% or SAR 10.7 billion. Net financing to customers amounted to SAR 62.4 billion at 31 December 2021, an increase of SAR 8.5 billion, or 15.7%, from SAR 54 billion at 31 December 2020. The Bank's investment portfolio totaled SAR 31.4 billion at 31 December 2021, an increase of SAR 1.5 billion or 5.1 % compared to SAR 29.9 billion at 31 December 2020. Total liabilities were SAR 88.9 billion at 31 December 2021, compared with SAR 80.7 billion at 31 December 2020, an increase of 10.2 % or SAR 8.2 billion. Customer deposits totaled SAR 78.4 billion at 31 December 2021, an increase of SAR 10.4 billion, or 15.2%, compared to SAR 68.0 billion at 31 December 2020. Subordinated Sukuk (without transaction costs) totaled SAR 2.0 billion at 31 December 2021 compared to SAR 2.0 billion at 31 December 2020.

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 profit rates prevailing in the market and are appropriately disclosed in the consolidated financial statements of the Bank.

SAR 1,875 million (denominated in US Dollars) Perpetual Tier 1 Sukuk

During financial year 2021, the Bank through a Shariah compliant arrangement issued cross border Tier 1 Sukuk, amounting to SAR 1.875 billion (denominated in US Dollars). This arrangement was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate is 3.95% per annum from date of issue up to 2026 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable semi-annual in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

This Sukuk has been treated as "Equity" instrument in line with the requirements of IAS 32 and shown as part of total equity in the consolidated financial statements of the Bank.

SAR 2,000 million 10-year subordinated sukuk (Tier 2 Sukuk)

On December 08, 2021, 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 155 basis point per annum and payable semi-annually in arrears on December 08 and June 08 each year until December 08, 2031, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after December 08, 2026 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 As at 31 December 2021

	SAR'000
SAR 2,000 million 10-year subordinated sukuk	2,000,000
Total	**2,000,000**

Note: In the financial statements the amount has been shown net of transaction costs in line with IFRS requirements

Further during the financial year 2021, as per the terms mentioned in the related offering circular and on meeting certain conditions, the Bank on 9 May 2021 exercised its call option for settlement of Subordinated Sukuk Certificates. The Subordinated Sukuk Certificates were issued on 2 June 2016, having 2,000 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 2 June and 2 December each year.

Borrowing from Banks and other financial institutions

Total outstanding at the end of 2021 were SAR 6.4 billion versus SAR 8.5 billion in 2020, lower by 24.9%. This is a short-term activity and represents day to day liquidity / cash flow management.

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.

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 reward schemes and non-cash benefits in line with the standards and norms for the financial services industry in the Kingdom of Saudi Arabia.

According to the Labor Law of the Kingdom of Saudi Arabia and the Bank's internal policies, staff end of service benefits are due for payment at the end of a staff service period.

The total accrued amount of End of Service Benefits outstanding at the end of December 2021 totaled SR SR 289.3 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, opportunities and considerations are as follows:

- According to the IMF's World Economic Outlook Update, strong recoveries in consumer spending and business investment would lead to a global economy growth by 5.9% in 2021 and 4.9% in 2022.
- As reported by OPEC, oil demand registered a robust increase in the first half of 2021. This is expected to lead to a global economy's recovery that is estimated to result in yearly and quarterly increases in oil consumption.
- The strong recovery in oil GDP along with the robust expansion in the non-oil sector would lead to a growth in 2021 economy. The Public Investment Fund (PIF) is expected to continue to provide additional stimulus to the KSA economy.

- The growing contribution of the non-oil sector to overall GDP is an outcome of economic diversification reforms, and the reopening of the economy will assist non-oil GDP growth. According to recent reports, certain activity in Saudi Arabia has already exceeded pre-COVID levels.
- Saudi Arabia's balance of payment position is expected to improve and strengthen over the medium term. This will be fueled by a rebound in oil exports and an increasing share of non-oil exports, as well as higher tourist receipts and both direct and portfolio investments.
- Despite the slowdown in economic activity during 2021, quarterly data highlighting declines in Saudi unemployment and higher female labor participation rates reflect some of the measures that the government has undertaken in supporting the non-oil economy and addressing imbalances in the labor market. Employment growth will be supported by the recovery in 2022, which will be led by both the oil and non-oil industries, as well as government efforts.
- The Financial Sector Development Program (FSDP), one of the 12 Vision Realization Programs, has seen significant development in critical areas. SME lending, capital markets, and digital banking and financial services have all seen remarkable progress.

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
- dentified 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 (ΔEVE)
- Liquid Assets Ratio (SAMA Liquidity Ratio).
- 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

Introduction

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 Risks

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.

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 Anti-Fraud Governance structure and associated strategy across the Bank, and ensured that Anti-Fraud Strategy is aligned with the bank's strategy.
- Developed, reviewed and updated Anti-Fraud policy and procedures.
- Conducted bank-wise Fraud Risk Assessments along with risk assessments for bank's policies, products and services from fraud risk perspective.
- Developed a fraud awareness program for customer and employees.
- Implemented a comprehensive Fraud Prevention and Detection solution across the bank.

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 will be 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 finalizing a project plan 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 Chartered and Professional 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, 2021 are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020. 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, 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 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 29 April 2021 (corresponding to 18/09/1442) approved the recommendation of the Board of Directors and the Audit Committee to re appoint Price Water House Coopers and appoint Ernest & Young (EY) as the external Auditors of the Bank for the financial year ended 31 December 2021.

Statutory Payments

The statutory payments paid by the bank in the year 2021 consisted mainly from zakat, taxes and amounts payable to GOSI as staff contributions. The following table includes details of such payments.

The Bank has made the following payments during 2021 in respect of the mentioned captions:

Type of Statutory Payments	SAR in million
Zakat (related to 2020)	6.21
Income Tax (related to 2020)	0.05
Value Added Tax , Withholding Tax & Real Estate Transaction Tax	116.90
Zakat, VAT, WHT for previous periods *	91.71
GOSI (including Bank and the employees)	80.77
Visa, Iqama and related services, etc.	5.52

The bank announced on 20 December 2018 that it has agreed with Zakat, Tax and Customs Authority 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 was paid in 2018, and the balance will be paid on five equal instalments within five years commencing on 1 December 2019G and ending on 1 December 2023G (3rd instalment of SAR 88.2 million was paid in 2021).

*This amount includes SAR 88.2 million as 3rd instalment of the agreement made with Zakat, Tax and Customs Authority for settlement of Zakat assessments payable for the previous years up to the end of the fiscal year 2017.

Penalties, fines and Regulatory Restrictions

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

Saudi Central Bank penalties

Subject of violation	2020 Fiscal year		2021 Fiscal year	
	Number of Penalties	Total amount of Penalties SAR	Number of Penalties	Total amount of Penalties SAR
Violation of SAMA supervisory instructions	13	3,416,000	**15**	**3,320,500**
Violation of SAMA instructions for protecting customers	2	2,393,000	**2**	**332,000**
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	1	400,000	**3**	**1,780,000**

The fines imposed on the bank during the year 2021, and issued by Saudi Central Bank are subject to correction, and preventive measures have been taken to avoid their occurrence in the future.

Other Penalties, fines and Regulatory Restrictions

Some Municipalities and other government related entities have imposed fines on the Bank with a total of SAR 183.29 thousand during 2021 most of them are related to the municipals regulations in regard to the Bank ATMs and branches as specified below, The Bank has taken care to enhance the handling of various aspects of regulations:

Name of Authority	000 SAR
GOSI	21.09
Royal Commission for Jubail and Yanbu	2.00
Al-Ahsaa Municipality	1.00
Al-Madinah Al-Munawarah Municipality	2.10
Jeddah Municipality	22.20
Riyadh Municipality	88.80
Jizan Municipality	46.10
Total	**183.29**

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 on an arm's length basis. 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, 2021 resulting from such transactions included in the consolidated financial statements are as follows:

	2021 SR' 000	2020 SR' 000
Subsidiary companies		
Investments	**501,480**	501,480
Customer deposits	**13,937**	14,271
Due from banks and other financial institutions	**1,331,550**	698,548
Due to banks and other financial institutions	**290,658**	289,148
Receivables	**175,999**	155,320
Payables	**16,341**	41,055
Commitments and contingencies	**530,247**	530,247
Notional values of outstanding shari'ah compliant contracts	**4,271,339**	2,707,585
Associate and affiliate entities with significant influence		
Investments	**211,143**	164,136
Customer deposits	**87,223**	303,056
Accrued expenses payables	-	5,400
Accrued fee receivable	-	5,400
Contingencies and commitments	**7,280**	-
Directors, key management personnel, other major shareholders and their affiliates		
Financing	**441,221**	31,788
Customers' deposits	**5,341,214**	3,488,360
Contingencies and commitments	**6,948**	2,920

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

Mutual Funds under subsidiary's management	2021 SR' 000	2020 SR' 000
Investments	255,823	251,244
Customers' deposits	519,901	47,049
Receivables	214	-

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

	2021 SR' 000	2020 SR' 000
Income from investments and financing	77,559	57,631
Return on deposits and financial liabilities	180,620	201,357
Fees income	2,537	6,813
Fee expense	9,053	4,846
Net share of expenses to associate	-	5,400
Insurance premium	50,329	49,860
Surplus distribution received from associate	-	957
Claims received	32,277	25,290
Directors' remuneration	8,134	8,014
Income under shared service agreements	3,391	3,391
Reimbursement of expense to a subsidiary	37	78
Reimbursement of building related expense	6,971	7,591
Rent expense for branches	768	704
Sale of sukuk to an associate	-	22,353
Dividend paid	7	-
Participation in DMO sukuk auction for an associate	99,251	-
Face value of bonus shares received	20,649	-
Value of reserves and liabilities transferred to ATT for old Insurance portfolio	-	53,552

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

	2021 SR' 000	2020 SR'000
Short-term employee benefits	105,480	115,088
Termination benefits	39,314	38,942

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

The contracts and transactions between the Bank and AlJazira Takaful Ta'awuni Company (AJT) in the year 2021 amounted to SAR 202.6 million. Whereas, a member of the Board of Directors of the Bank, Engr. Abdulmajeed bin Ibrahim Al-Sultan, has an indirect interest in these because he is also a member of the Board of AJT. Also, Mr. Khalid Al-Othman, being the head of Retail Banking Group at Bank AlJazira and the Deputy Chairman of the Board of Directors of AlJazira Takaful Ta'awuni Company:

(SAR '000)

Nature of Contract	Period of the Contract	Transaction amount in 2021
Personal Dinar Insurance Policy	One Year	**21,520**
Mortgage Insurance Policy	One Year	**25,939**
Group Life Insurance Policy	One Year	**2,263**
Staff Credit Cover Policy	One Year	**607**
Return on time deposits investments	Dealings	**41**
Claims received	Dealings	**32,276**
Dividend paid	Dealings	**7**
Participation in Sukuk auction for AJT	Dealings	**99,251**
Face value of bonus shares received	Dealings	**20,649**
Total		**202,553**

The contracts and dealings between the Bank and AlJazira Capital (AJC) in the year 2021 amounted to SAR 30.5 million. Whereas, a member of the Board of Directors of the Bank, Mr. Naif Al-Abdulkareem, has an indirect interest in these because he is also a member of the Board of AJC:

(SAR '000)

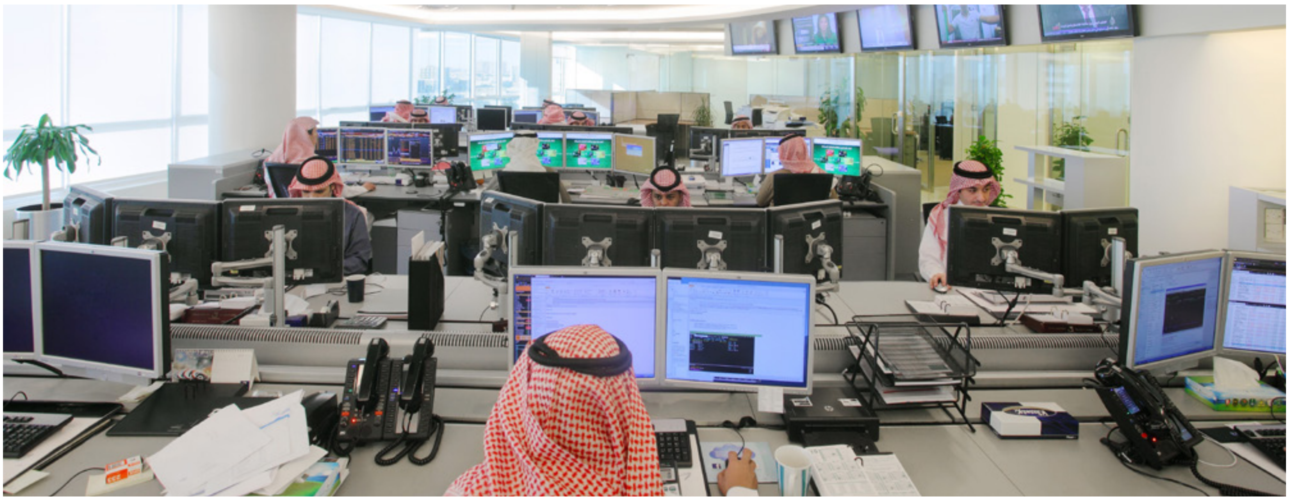
Nature of Contract	Period of the Contract	Transaction amount in 2021
Service Level Agreement	Effective, unless terminated	**3,391**
Return on time deposits investments	Dealings	**54**
Financing income earned on money market placements	Dealings	**10,126**
Joint lead manager, book runner and arranging fee	Ended upon completion of transaction	**3,125**
Fees and commission income	Dealings	**929**
Custody fee expense	Effective, unless terminated	**5,928**
Rent expense	Dealings	**6,971**
Total		**30,524**

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

(SAR '000)

Contractor	Name of the related party	Relationship	Nature of Contract	Term of Contract	Amount in 2021
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	316
Dallah Health Care Holding Company	Eng. Tarek bin Othman Al-Kasabi	Chairman of the Board of Directors of Dallah Health Care Holding Company	Rental for ATM in Riyadh	5 years	35
Consolidated Brothers Co.	Eng. Abdul Majeed bin Ibrahim Al-Sultan	Owns part of Consolidated Brothers Co. for development	Rental for Al-Rehab Branch	12 years	417
Total					**768**

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



Board of Directors assurance

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

- Proper books of account have been maintained,
- The system of internal control is sound in design and has been effectively implemented,
- There are no significant doubts concerning the bank ability to continue as a going concern,
- There are no business or contracts in which the bank is a party, or in which any board member, the CEO, Managing Director, Senior Financial Officer, or senior executives of the bank, or any party directly related to them, hold large interests, except as otherwise disclosed in the (Related Parties Transactions) herein and in the Note 36 – (Transactions with related parties) of the audited financial statements for 2021.
- The Board of Directors did not recommend replacement of the bank's auditors prior to their term of appointment, and there was no contradiction between the recommendations of the Audit Committee and the Board resolutions.

2021 Dividends

Based on the authorization of the extra-ordinary general meeting held on 15 Jumada I, 1442H, corresponding to 30 Dec 2020G, (As per Ummul Qura)to the Board of directors to distribute provisional dividends on half-yearly/quarterly basis for 2021, the Board of Directors resolved on Tuesday, 24 Dhul Hijja1442H (03 August 2021) to distribute cash dividends for the first half of 2021, of SAR 287 million (net of Zakat) to shareholders, at the rate of SAR 0.35 per share, which represents 3.5% of the share nominal value. These dividends were distributed to shareholders effective Monday 15th Muharram 1443H (As per Ummul Qura), corresponding to 23 August 2021G.

Further, subsequent to the year end, the Board of Directors in their meeting held on 7 February 2022 approved a dividend payment of SR 287 million equal to SR 0.35 per share for the second half of the financial year 2021, net of Zakat. The Eligibility date for this dividend was end of trading day Sunday 13 February 2022 for the shareholders registered in the Depository Center (Edaa) at the end of the second trading day following the dividends eligibility date. This was distributed on 21 February 2022 based on eligible shares for distribution which equal to 820 million shares.

Dividend Distribution Policy

In line with the bank's updated Articles of Association as approved at the General Assembly Meeting held on Wednesday, 15 Jummada I, 1442H (30 Dec 2020G) and BAJ Governance document, the bank's dividends policy complies with the Banking Control Law and the rules and regulations issued by the regulatory authorities. The Bank pays approved dividends to shareholders, after deduction of overheads and other expenses, formation of reserves as necessary to meet doubtful debts, investment losses and contingent liabilities as deemed necessary by the board of directors and required under the banking control law provisions, as follows:

- Sums required for payment of the Zakat due on Saudi shareholders and the tax due on non-Saudi shareholders shall be calculated according to the laws and regulations in force in Kingdom of Saudi Arabia. Such sums shall be paid by the bank to the competent authorities. Zakat paid on behalf of Saudi shareholders shall be deducted from their share in the net profits, and tax paid on behalf of non-Saudi shareholders will be deducted from their share in the net profits.

- 25% of the remainder of annual net profits, after deduction of zakat, will be transferred to statutory reserve until this reserve is equal to the paid-up capital of the bank, at least.

- Out of the remainder of the profit after deduction of the statutory reserve and Zakat and tax, a sum of not less than 2.5% of the paid-up capital shall be allocated for distribution to Saudi and non-Saudi shareholders in proportion to the paid-up part of the shares of the Saudi and non-Saudi shareholders as recommended by the Board of Directors and endorsed by General Meeting. In case the remainder of the profits payable to the shareholders concerned is not sufficient for paying such dividend, shareholders may not be entitled to claim the payment thereof in the following year or years. The General Meeting may not resolve to pay a percentage of the dividends which exceeds the percentage that is recommended by the Board of Directors.

- The remainder after the sums set forth in paragraph (a), (b), (c) herein have been allocated shall be utilized in the manner recommended by the Board of Directors and approved by the General Meeting.
- The respective percentage of shareholding of each of the Saudi and non-Saudi shareholders shall be maintained (observed) when calculating the sum to be allocated as statutory reserve and other reserves out of the net profit (after Zakat and Tax). Each of the two categories of shareholders shall participate in the transfer to such reserves on a pro-rata basis of their shareholding in the capital provided their contributions will be deducted from their shares in the net profits.
- Without prejudice to (a), (b), (c), (d) and (e)hereof, the bank may, after having obtained the Saudi Central Bank's (SAMA) no-objection, and in line with the relevant regulatory rules, may pay provisional dividends to shareholders, half-yearly or quarterly, 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 Jazeera Bank taking into consideration the local sovereign rating. The table below reflects the bank's latest credit assessment:

Rating	Moody's	Fitch Rating	Islamic Int'l Rating Agency
	Nov-2021	Aug-2021	Nov-2021
Credit Rating - Long Term	Baseline Credit Assessment BCA **BAA3**	Issue Default Rating IDR **BBB+**	
Outlook	**Stable**	**Stable**	**Stable**
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+**	
National Long Term Rating		**AA-(sau)**	

Local regulatory and supervisory requirements and international standards:

Bank AlJazira is committed to adhere to legal, ethical, and professional laws and regulations as a fundamental pillar of its orientation, policies, plans, systems, strategic decisions and main objectives. Bank AlJazira is committed to all relevant laws, regulations and controls issued by the regulatory and supervisory authorities, including the relevant approved international standards.

Bank AlJazira Compliance & Anti-Financial Crimes (AFC) Group is keen on developing its instruments and refining its capabilities in order to achieve the desired objectives and implement the adopted strategy which contributes to improve the efficiency of anti-money laundering (AML) ,anti-fraud activities, combating terrorism financing (CFT), and KYC policy. The Compliance and AFC Group intensively participates in the training and awareness of the Bank staff in Compliance and Anti-Financial Crimes. In addition, the group also reviews all policies, procedures, products and services, and relevant systems to ensure their effectiveness and adherence to regulatory requirements to monitor non-compliance risk, anti-financial crimes activities including bribery and corruption activities.

Board of Directors General Secretariat and Governance Group:

The General Secretariat of the Board of Directors assumes the organizing of the business of the Board of Directors and its committees. It undertakes the preparations for and holding of the board meetings, maintains related records and files, receives incoming correspondence, and documents the decisions relevant to the work of the Board and committees and following up on their implementation. It also assumes all the tasks and responsibilities entrusted thereto by the chairman and members of the Board. The Board of Directors Secretariat is also responsible for the work and reports concerning the bank's various business courses and reports to the Board of Directors and committees for decisions.

Furthermore, the Group is responsible for leading and managing the bank's governance matters in line with the Governance Principles issued by the Saudi Central Bank (SAMA), Corporate Governance Rules issued by CMA and other supervisory directives. The Group has formed and aligned the bank's governance framework and complementing policies relating to conflict of interests, disclosure and related parties transactions, terms of reference of the board and subcommittees, and management committees to ensure these are aligned with the rules and regulations in force. This is in addition to the Groups' contribution to the development, assessment frameworks, suitability and training of the Board and committees' members.

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 the bank's business and relations with its stakeholders. The Bank believes that the adoption of these principles will enhance investor confidence in the Bank and positively reflect on the integrity of the banking industry in the Kingdom of Saudi Arabia.

In the Bank's 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 search engine has been provided on the bank's electronic website for this purpose.

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

In its keenness to comply with the recent supervisory requirements, the Bank has, in 2021, made the necessary amendments to the relevant Board and Subcommittees' terms of reference as follows:

a. Terms of reference of the board of directors and subcommittees, and governance policies

1. At its meeting held on 15 December 2021, the board of directors approved the alignment of the terms of reference of the board of directors and subcommittees and bank's governance policies, after having been reviewed, with the key governance principles issued by the Saudi Central Bank (SAMA) in June 2021.
2. The Board of Directors, at its meeting held on December 15, 2021, ratified the updated and amended conflict of interests policy, the policy governing the relationship with stakeholders, the disclosure and procedures policy, the governance guide, the terms of reference of the board of directors and its subcommittees and the policies and procedural standards for membership of the board and subcommittees, after the same have been aligned with the key principles of governance for financial institutions supervised by the Saudi Central Bank.
3. The Bank's shareholders ordinary general assembly, at its meeting held on 15 November 2021, approved the updated and amended terms of reference of the Audit Committee, the Remuneration and Nomination Committee, and the procedural policies and standards for membership of the Board of Directors and its subcommittees, after the same have been aligned with the key principles of governance for the financial institutions supervised by the Saudi Central Bank

b. Evaluation 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 AlJazira 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 third quarter of 2021, under the directives of the Remuneration and Nomination Committee, the Human Resources Group liaised with the specialized advisor Hedrick & Struggles who prepared, conducted and supervised an assessment process of the members of the board and committees, and the results and recommendations of this process were conveyed to the Remuneration and Nomination Committee who presented same to the Board of Directors. The bank seeks to rotate the evaluation process of board and committees to an external consultant to be conducted once every three years.

c. Training courses to board and sub-committee members:

In its keenness to enhance the skills of the members of the board and board committees in all aspects of banking industry, direct training and remote learning programs were designed for the whole board term (Jan 2019 – Dec 2021). These programs cover all members of the board and sub-committees. In 2021 board and committees were provided with a link containing a recorded lecture by the external consultant which lecture was reviewed by the members and subsequently confirmed. The recorded lecture covered the following points:

▪ Aspects relating to money laundering and combating of terrorism financing.	▪ Aspects of business continuity
▪ Compliance aspects	▪ Aspects of financial fraud prevention
▪ Cyber Security and Information Security	▪ Violation reporting policy
▪ A glimpse on best applications relating to corporate governance.	▪ Sharia Governance framework

d. 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, the phone number 012 609-8394 and 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 2021 and through the shareholders unit. The board reviews such comments and reacts appropriately to them.

Shareholders Registry submissions

In 2021, submissions to shareholders registry were made as per following details:

No. of submissions made to shareholders register	Submission date	Reasons
(1)	16/03/2021	Others
(2)	07/04/2021	Others
(3)	06/06/2021	Others
(4)	01/08/2021	Others
(5)	04/08/2021	Dividends File
(6)	18/10/2021	Others
(7)	08/11/2021	Others

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	Date is included in the aggregate.

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 accordance with the supervisory directives and after having obtained the consent of the regulatory authorities, a Chairman, Deputy Chairman and a managing director were elected 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. Remuneration and Nomination Committee
4. Social Responsibility Committee (Khair AlJazira le ahl AlJazira program)
5. Audit Committee (which members appointment was ratified by the general meeting held on 19 Dec 2018).

On 08.06.1442 (21.01.2021), Mr. Naif Bin Abdulkarim Al Abdulkarim (Executive member) joined the membership of the board in the capacity of chairman in place of Mr. Nabil Bin Dawwod Alhoshan who resigned from the bank on 07.10.2020. Accordingly the board, as of 31 Dec 2021, consists of the following members:

SN	Director's name	Membership Classification (Executive – Non-Executive – Independent)
1	Eng. Tarek bin Othman Al-Kasabi	Non-Executive
2	Eng. Abdul Majeed bin Ibrahim Al-Sultan	Non-Executive
3	Mr. 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 Abdullatif Almolhem	Independent
7	Mr. Ibrahim bin Abdullah AlHdaithi	Non-Executive
8	Mr. Turki bin Abdullah AlFawzan	Non-Executive
9	Mr. Naif Bin Abdulkarim Alabdulkarim	Executive

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

a. Board directors:

S	Name	Present Positions	Past Positions	Qualifications	Experience
1	**Eng. Tarek bin Othman Al-Kasabi**	1. 1998 - Member, BAJ Board of Directors 2. 2016 - Chairman, BAJ 3. 1995 – Chairman, Dallah Healthcare Company 4. 2010 - ChairΩan, Ataa Educational Company 5. 2008 – Chairman, Rozam Investment Company 6. 2017 – Chairman Borad of Managers, Dallah Farma Company 7. 2020 – Chairman of the Board, Dar'a Al-Riayah Holding Co. 8. 2006 – Member of the Board, Kingdom University Company (Bahrain) 9. 2013 - Chairman RZM Gayrimenkul Anonim Sirketi (Turkey) 10. 2013 – Chairman, NEBA Gerimenkul Yatirimlari VE Ticaret A.S (Turkey)	1. 23.07.2018 – 21.02.2021 – Board member, Al-balad Al-Ameen Property Development Company 2. 06.12.2018 – 21.02.2021 Board member, Dahiat Sumou Co. 3. 02.07.2019 – 01.08.2021 GOSI (Government Agency).	Bachelor of Civil Engineering, King Saud University - 1976.	Member of the Board of BAJ since 1998, member of Executive Committee, Previous Chairman of Risk Committee. Chairman and member of the Boards of Directors of many investment companies in and out of the Kingdom of Saudi Arabia.
2	**Eng. Abdul Majeed bin Ibrahim Al-Sultan**	1. 1993 - Member of the Board of Consolidated Brothers for Development Co. 2. 2004 - Member of the Board, Bank AlJazira 3. 2009 - Chairman of the Board, Olat Development Company. 4. 2013 – Chairman of the Board, AlJazira Takaful Ta'awuni Co. 5. 2013 - Chairman of the Board, Al-Durra Development Company	1. 1991 – 2007: Member of the Board, Marafeq Construction Company 2. 1991 – 2007: Member of the Board, Saudi Packing Materials Manufacturing Company 2. 1998-2018: Member of the Board, Qassim Cement Company	1989 – Bachelor of Engineering – King Saud University, Riyadh	Member of the Board of BAJ since 2004, Chairman of Jazira Takaful Tawuni Committee. Chairman and member of the Boards of Directors of many investment companies in and out of the Kingdom of Saudi Arabia.
3	**Mr. Naif Bin Abdulkarim Alabdulkarim**	1. 2020: BAJ CEO 2. 2021: BAJ Managing Director 3. 2021: Member of Executive Committee, BAJ 4. 2020: Member of Remunination and Nomination Committee, Jazira Capital 5. 2020: Member of Remunination and Nomination Committee, Simah (Credit Bureau) 6. 2020: Member of Executive Committee, Simah (Credit Bureau)	1. 2001-2004: Manager Credit Relations, Riyad Bank 2. 2004-2011: Area Manager, Retail Banking, NCB 3. 2021: Head Private Banking, SABB 4. 2012-2013: General Manager Branch Network and Wealth Management, SABB 5. 2014-2020: DMG for Retail and Wealth Management, SABB	Bachelor of Finance-King Saud University-1995 Master of Business Administration – University of Illinois, USA	Past and present experience in commercial banks.
4	**Mr. Abdullah Bin Saleh Al Rasheed**	1. 2015 - CEO and Constituent Partner, Adae Financial and Management Consulting Company 2. 2018 – Member of the Board, Basma Real-Estate Marketing Company 3. 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 resource Company 9. 2016-2021 member of the board, Bank AlJazira	1983 – Bachelor of Management, King Saud University, Riyadh.	Past experience in a number of financial, consulting, management and retail companies.
5	**Mr. Ibrahim Bin Abdulaziz Al-Shaia**	1. 2014 - CFO, 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: 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: Director, Budget Department, GOSI	2004: Bachelor of Accounting, King Saud University 2008: Master of Professional Advanced Accounting, University of Queensland For Technology, Australia	Past and present varied experience in a number of financial and investment companies in accounting and auditing fields.

S	Name	Present Positions	Past Positions	Qualifications	Experience
6	**Mr. Adil Bin Saud Dahlawi**	1. 2019- Member of the Board, Bank AlJazira 2. 2019 – Member of the Board, Dallah Health Services Company 3. 2019- Chairman of the Board, Flower Palace Company, Morocco 4. 2021- Managing Director, Dallah Albarakah Investment Holding Companyncil Consulting Company	1. 1994-2002: Manager Credit – Corporate Credit Dept., Saudi Faransi 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. 2018-2020 Assistant CEO Investment (Dallah Albarakah Holding Co.)	1993 – Bachelor of Medical Science, King saud University	- Commercial banks - Corporate Credit - Investment Management - Banking Investment - Financial Consultation
7	**Mr. Ibrahim bin Abdullah Al-Hdaithi**	1. 2019- CEO, Middle Easte Financial Investment Company (MEFC Capital)	1. 1983-1989: Finance Manager, Military Affairs, Secretariat General of GCC 2. 1985-1995: Financial Controller, Military Affairs, Secretariat General of GCC 3. 1995-1996 Assistant Director, Investment Department, Secretariat General of GCC 4. 1996-2009: Director, Investment Department, Secretariat general of GCC 5. June 2009 – 2018: Managing Director, Middle East Financial Investment Company (MEFC Capital). 6. 2019-2021: Member of the Board, BAJ	1983- Bachelor of Business Administration, King Saud University	Past and present varied experience in financial and investment affairs.
8	**Mr. Turki bin Abdullah Al-Fawzan**	1. Director, real-Estate Investment Department, Middle East Financial Investment Company (MEFC Capital)	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	Various experiences in real-estate investment and investment funds in the banking sector and specialized investment companies.
9	**Mr. Khalifa Abdullatif Almolhem**	1. 1995: Board member, White Cement Co. 2. 2004: Chairman of the board, Advanced Petrochemical Co. 3. Board member, IGI Company, Jordan 4. Chairman of the board, Alhazira Support Services Co. 5. 2017: Board member, National Maritime Co. 6. 2019: Member of the Board, Walaa Cooperative Insurance Co. 7. Board member, BAJ	1. 1985-2002: Board member, SABB 2. 1987-1994: Board member, Saudi Spanish Bank 3. 2007-2012: Board member, Namaa Petrochemical Co. 4. 2012-2017: Board member, Alitifaq Steel Co. 5. 2014-2017: Board member, GOSI 6. 2007-2019: Board member, IGI Co., Jordan	Bachelor of Business Administration, Colorado University, USA - 1978	35-years experience in the financial and investment sector.

b. Board subcommittee members:

S	Name	Present memberships	Past memberships	Qualifications	Experience
1	**Eng. Tarek bin Othman Al-Kasabi**	1. Chairman of the Executive Committee, BAJ 2. Head of Investment and Finance Committee and member of Remuneration and Nomination Committee – Dallah Health Services Company. 3. Member of Remuneration and Nomination Committee, Ataa educational Co. 4. Head, Executive Committee, Der'a Al-Riyaah Holding Company	1. 1998-2015: Member of BAJ Executive Committee 2. 2013-2015: Chairman of BAJ Risk Committee, BAJ	Bachelor of Civil Engineering, King Saud University - 1976	Member of BAJ Board of directors since 1998, member of executive committee, previous head of risk committee, and membership of a number of boards of investment companies in and out of the Kingdom
2	**Eng. Abdul Majeed bin Ibrahim Al-Sultan**	1. 2016: Member of BAJ Executive Committee 2. 2019: Chairman of Khair AlJazira Le-Ahl AlJazira Committee. 3. 2020 – Member of Remuneration and Nomination Committee, BAJ	2. 2004-2009: Chairman of BAJ Audit Committee	1989 – Bachelor of Engineering – King Fahd University For Petroleum and Minerals	Member of BAJ Board of directors since 2004 and chairman of Jazira Takaful. Member a number of boards of other investment companies in and out of the Kingdom.
3	**Mr. Naif Bin Abdulkarim Alabdulkarim**	1. 2021: Member of Executive Committee, BAJ 2. 2020: Member of Remuniration and Nomination Committee, Jazira Capital 3. 2020: Member of Remuniration and Nomination Committee, Simah (Credit Bureau) 4. 2020: Member of Executive Committee, Simah (Credit Bureau)		Bachelor of Finance- King Saud University- 1995 Master of Business Administration – University of Illinois, USA - 2001	Past and present experience in commercial banks

S	Name	Present memberships	Past memberships	Qualifications	Experience
4	**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 Company	1. 2019-2020: Chairman of BAJ Risk Management Committee 2. 2019-2020: Chairman, BAJ Remuneration and Nomination Committee	1983 – Bachelor of Management, King Saud University, Riyadh.	Past experience in a number of financial, consulting, management and retails companies
5	**Mr. Ibrahim Bin Abdulaziz Al Shaia**	1. 2020: Chairman of of BAJ Risk Committee 2. 2020: Member of Executive Committee, BAJ 3. Chairman 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 3. 2013-2020: Member of Remuneration and Nomination Committee, BAJ	2004: Bachelor of Accounting, King Saud University 2008: Master of Professional Advanced Accounting, University of Queensland For Technology, Australia	Past and present varied experience in financial and investment companies in accounting and auditing business.
6	**Mr. Adil Bin Saud Dahlawi**	1. 2019-2021- Executive Committee Member in Bank AlJazira. 2. 2019-2021– Chairman of Audit Committee in Bank AlJazira	1. CEO – Etqan Capital 2. 2019-2021: Member of BAJ Executive Committee 3. 2019-2021: Chairman of BAJ Audit Committee	1993 – Bachelor of Medical Science, King saud University	- Commercial banks - Corporate Credit - Banking Investment Management and Financial Consulting
7	**Mr. Ibrahim bin Abdullah Al-Hedaithi**	1. 2018: Chairman of Executive Committee, Al-Basar Medical Services Company. 2. 2018: Chairman of Audit Committee, Al-Basar Medical Services Company. 3. 2021: Chairman of Executive Committee, Meras Medicaal Services Company	1. Jan 2019-30 Jun 2019: Chairman of Baj Governace Committee 2. Jan 2016-Nov 2020: Member of BAJ Executive Committee 3. Nov 2020-Dec 2021: Member of BAJ Remuneration and Nomination Committee	1983- Bachelor of Business Administration, Accounting, King Saud University	- Past and present experience in the financial and investment sectors.
8	**Mr. Turki bin Abdullah Al-Fawzan**	1. 2019-2021 - Member of the Risk Committee, Bank AlJazira.	1. 2019- 2021: Member, Risk Committee, BAJ	2003 – Bachelor of Accounting, King Fahd University of Petroleum and Minerals	Varied experience in real-estate investment sectors and investment funds at banking sector and specialized investent companies.
9	**Mr. Khalifa Abdullatif Almolhem**	1. 1995: Board member, White Cement Co. 2. 2004: Chairman of the board, Advanced Petrochemical Co. 3. 2013: Executive Committee member, Alhazira Support Services Co. 4. 2019: Member of Investment Committee, Walaa Cooperative Insurance Co.	1. 2007-2018: Executive Committee member, BAJ 2. 2009-2011: Risk Committee member, BAJ 3. 20132013-2015: Risk Committee member, BAJ 4. 2016-2018: Chairman of Remuneration and Nomination Committee, BAJ 5. Nov 2020-Dec2021: Risk Committee member, Remueration and Nomination Committee, BAJ 6. Nov 2020-Dec 2020: Executive Committee member, BAJ	Bachelor of Business Administration, Colorado University, USA - 1978	35-years experience in the financial and investment sector.
10	**Mr. Fawaz Bin Mohammed Al-Fawaz**	1. 01 Apr 2015 : Chief Financial Officer, National Industrialization Company 2. May 2015: Board member and chairman of Audit Committee, Tasnee'a and Sahara Company (Olfenis). 3. May 2015: Board member and chairman of Audit Committee, Industrialization and Energy Services Company 4. Jan 2019: Board member and chairman of Audit Committee, Saudi Chemicals Company 5. Sep 2020: Chairman of the board, Saudi Acrylic Acid Company. 6. Jan 2021: Chairman of the board, Saudi Support Services company 7. 2019-2021 Audit committee member – Bank AlJazira	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 5. May 2018-Aug 2021: Member of the Board and chairman of Audit Committee, Rou'a Al-Madinah Holding Company. 6. Jan 2016- Jun 2021: Member of the Board Saudia Air Cargo company. 7. Apr 2013-Apr 2019: Member of the Board and chairman of Audit Committee, Malaz Insurance Company 8. Nov 2014-Mar 2015: Member of the board and member of Audit Committee, Alba Aluminum Company, Bahrain 9. Mar 2011 – Dec 2021: Member of BAJ Audit Committee	1983: Bachelor of Accounting, King Saud University	Varied previous experience in accounting and audit at investment companies.

S	Name	Present memberships	Past memberships	Qualifications	Experience
11	**Mr. Taha Bin Mohammed Azhari**	1. 2015: Senior Financial Officer, Saudi Civil Aviation Holding Company 2. 2017: Member of the Board, Batec Logistics and Investment Company. 3. 2017: Member of the Board, Zahrat Alwaha company 4. 2020: CEO Advisor, Matarat Holding Company 5. 2019-2021 Audit committee member – Bank AlJazira	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 9. 2019-2020: Head of Internal Audit, Matarat Holding Company 10. Jul 2012-Sec 2021: Member of Audit Committee, BAJ	1993: Bachelor of Accounting, King Saud University	Past and present varied experience in accounting and audit business at financial and investment companies in and out of the Kingdom.
12	**Mr. Abdulwahab Bin Abdulkarim Albtairi**	1. 2020: Risk Committee member, BAJ 2. 2020: Board member, Sunbulah Group 3. 2014: Chairman of the Board, Osol and Bakheet Investment Company 4. 2013: Board member, Alhimmah Partnership Limited Liability Co 5. 2004: Board member, Manafez Company for Ambulance vehicles and Disabled 6. 2019: Board member, Riyadh Cables Group Co.	1. 2018-2020: Vice Chairman, Consulting Committee, CMA 2. 2004-2014: Executive Committee member, Family Office Company, Bahrain	2010 – Masters of Business Administration, London Business School.	Various past experience in accounting and auditing in financial and investment companies in and out of the Kingdom
13	**Mr. Abdulaziz Bin Ibrahim Al-Hadlaq**	1. 2013: Member of Khair AlJazira Le-Ahl AlJazira Committee, BAJ	1. 1996-1998: Assistant General Manager, International Organizations Affairs, Ministry of Labour and Social Affairs. 2. 1998-2005: General Manager, International Organizations Affairs, Ministry of Labour 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	1982: Bachelor of Social Services, King Saud University 1984: Diploma of Community Development, Research and Training Center. 1991: Diploma of International Development, Missouri Columbia University, USA 1992: Masters of Community Development, Missouri Columbia University, USA	Past experience in the departments of Ministry of Social Affairs and membership of many international organizations involved in community services.
14	**Dr. Fahd bin Ali Al-Olayan**	1. Member of the Social Responsibility Committee (Khair AlJazira La Ahal AlJazira) - Bank AlJazira. 2. Member of the General Council Sustainability Working Group - CIBAFI Sustainability Working Group (SWG) 3. Member of Board of Directors of the Awareness and Social habilitation Society 4. Member of Board of Directors of Al Shabab Club and Supervisor of Social Responsibility	1. Faculty member, Education and Social Science College - Al Imam Mohammed Bin Saud Islamic University 2. Vice Dean of the University Center for Community Service and Continuing Education - Al Imam Mohammed bin Saud Islamic University, Saudi Arabia 3. Part time consultant - Ministry of Education 4. Director of the National Cultural Project - King Abdul Aziz Public Library.	Bachelor Degree 1990 - Sharia College – Al Imam University Master Degree 1995 - Applied Linguistics - Al Imam University PhD 2001 - Ohio University, United States of America	He has multiple experiences in the academic and educational fields, research and studies, memberships related to development, cultural and scientific participations.

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	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
Banks and Financial Services	Listed Joint-Stock Company	SANID	Board Member/Excom Member	2014 –2017
Banks and Financial Services	Listed Joint-Stock 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
Banks and Financial Services	Listed Joint-Stock Company	HSBC-SA	Board Member	2017 –2019
Banks and Financial Services	Listed Joint-Stock Company	SIMAH	Board Member	2017

Current Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Appointment Date**
Banks and Financial Services	Listed Joint-Stock Company	Bank AlJazira	Chief Executive Officer and Managing Director	2020

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. 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 Manager	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 Change Delivery	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. 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. Faisal M. Al-Mansour

Position: Head of Human Capital Group

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
King Fahad university of Petroleum and Minerals	MIS	Bachelor	2007

Previous Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Duration of Service**
Banks and Financial Institution	Listed Joint Stock Company	SABB	HR Assistant Relationship Manager	April 2009 – October 2009
Banks and Financial Institution	Listed Joint Stock Company	SABB	HR Relationship Manager	2009 - 2012
Banks and Financial Institution	Listed Joint Stock Company	SABB	HR Senior Manager Relationship	2013 - 2015
Banks and Financial Institution	Listed Joint Stock Company	SABB	Head of Resourcing	2016 - 2017
Banks and Financial Institution	Listed Joint Stock Company	SABB	Head of Resourcing and HR Service Delivery	2017 - 2018
Banks and Financial Institution	Listed Joint Stock Company	SABB	Head of Learning and Talent	2018 - 2020
Government	Governmental Body	Tourism Development Fund	Chief Human Capital Officer	2020
Health	Governmental Body	Ministry of Health	Member of Board Nomination and Remuneration Committee	2020
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	SVP, Head of Human Capital Group	2021

Current Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Appointment Date**
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Head of Human Capital Group	2021

Name: Mr. Sami J. Al-Mehaid

Position: Head of Corporate and Institutional Banking Group

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
King Faisal University	Business Management	Bachelor	2021
ICC- Manchester University	International Compliance	International Diploma in Compliance	2011
Institute of Public Administration	Banking Business	Diploma in Banking Business	2000

Previous Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Duration of Service**
Banks and Financial Institution	Listed Joint Stock Company	SAMBA	Corporate Banking Customer Service Professional	2000 - 2003
Banks and Financial Institution	Listed Joint Stock Company	Saudi Hollandi Bank	Customer Experience Management	2003 - 2004
Banks and Financial Institution	Listed Joint Stock Company	Saudi Hollandi Bank	Senior RM Corporate Banking	2004 - 2008
Banks and Financial Institution	Listed Joint Stock Company	SABB	Senior Relationship Corporate Manger /Team Leader	2008 - 2009
Banks and Financial Institution	Listed Joint Stock Company	Saudi Hollandi Bank	Compliance Specialist (Senior Manager)	2009 - 2011
Banks and Financial Institution	Listed Joint Stock Company	Al-Rajhi Bank	Head of AML / CTF	2011 - 2013
Banks and Financial Institution	Listed Joint Stock Company	SABB	Chief Compliance Officer	2013 - 2019
Insurance Services	Listed Joint Stock Company	SABB Takaful	- Board Member and Vice Chairman - Chairman of the Board Risk Committee	2019-2020
Securities Services	Saudi Closed Joint Stock Company	HSBC Saudi Arabia	- Audit Committee Member	2018-2020
Banks and Financial Institution	Listed Joint Stock Company	SABB	CRO Designate	2019 -2020
Banks and Financial Institution	Listed Joint Stock Company	Saudi Fransi Bank	Chief Compliance Officer	2020 - 2021

Current Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Appointment Date**
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Head Of Corporate and Institutional Banking Group	2021

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

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
Sharia College – 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
Banks and Financial Services	Listed Joint-Stock Company	Bank AlJazira	Head of Sharia and Social Responsibility Group	2015
Charity	Charity Foundation	Awareness and Social habilitation Society	Member of Board of Directors	2017
Sport and Youth	Governmental Organization	Al Shabab Club	Member of Board of Directors and Supervisor of Social Responsibility	2018
Non-Profit Organization	Specialized Organization	CIBAFI Sustainability Working Group (SWG)	Member of the General Council Sustainability Working Group	2020

Name: Mr. Abdulaziz Al Zammam

Position: Chief Audit Executive

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

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

Current Positions				
Sector	**Legal Entity**	**Company/Organization**	**Position**	**Appointment Date**
Banking and Financial Services	Listed Joint Stock Company	Bank AlJazira	Chief Audit Executive	March 2019

Name: Mr. Hamad Al Essa

Position: Chief Compliance & Financial Crime Officer

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
King Saud University	Computer Science	Bachelor Degree	2002

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 & Anti Financial Crime Officer	2020

Name: Mr. Hani S. Noori

Position: Chief Financial Officer

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
Baker College, USA	Business Administration - Accounting	Bachelor Degree	2002
Central Michigan University, USA	Science - Information Systems	Master Degree	2003
Association of Certified Public Accountants, Colorado State, USA	General Accounting	Member (CPA)	2012
The Saudi Organization for Chartered and Professional Accountants, Saudi Arabia	General Accounting	Member (SOCPA)	2021

Previous Positions				
Sector	**Legal Entity**	**Company/Organization**	**Position**	**Duration of Service**
Banks and Financial Institution	Listed Joint Stock Company	NCB	Financial Controller	2003 - 2009
Banks and Financial Institution	Listed Joint Stock Company	NCB	VP, Senior Financial Controller	2009 - 2014
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	VP, Head of Financial Controllers	2014 - 2016
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	VP, Chief Accounting Officer	2016 - 2021

Current Positions				
Sector	**Legal Entity**	**Company/Organization**	**Position**	**Appointment Date**
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Chief Financial Officer	2021

Name: Mr. Hani A. Araki

Position: Head of Treasury Group

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
King Abdulaziz University	Business Administration	Bachelors	1995

Previous Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Duration of Service**
Banks and Financial Institution	Listed Joint Stock Company	Samba	Senior Supervisor Operation and Technology Group	1995 - 2000
Banks and Financial Institution	Listed Joint Stock Company	Samba	Credit Member Corporate Banking Group	2000 - 2001
Banks and Financial Institution	Listed Joint Stock Company	Samba	Product Development Islamic Banking Group	2001 - 2002
Banks and Financial Institution	Listed Joint Stock Company	Samba	Unit Head for Money Market	2002 - 2011
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Head of Money Market & ALM	2011 - 2021

Current Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Appointment Date**
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Head of Treasury Group	2021

Name: Mr. Sultan S. Al-Qahtani

Position: Board Secretary & Head of Corporate Governance Group

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
Imam University	Science of Sociology	Bachelor	1998
Florida Institute of Technology – USA	Science of Management	Master	2003

Previous Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Duration of Service**
Agricultural	Limited Lability Company	Takamul National Agriculture Company	Relationship Manager- HR	1990 - 1993
Banks and Financial Institution	Listed Joint Stock Company	United Saudi Bank	Customer Service Representative	1993 - 1994
Banks and Financial Institution	Listed Joint Stock Company	NCB	Recruitment Manager	2003 - 2006
Banks and Financial Institution	Listed Joint Stock Company	NCB	Senior Relationship Private Banking	2006 - 2008
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	HR Relationship Manager	2008 - 2009
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	VP. Chairman Office Manager	2009 - 2015
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	VP, Head of Corporate Governance	2016 - 2019
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	VP, Deputy Board Secretary & Governance Group	2019 - 2021

Current Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Appointment Date**
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Board Secretary & Head Of Corporate Governance Group	2021

Name: Mr. Nahim Y. Bassa

Position: Head of Strategy & Digital Transformation Group

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
University of Witwatersrand	Digital Business	Masters	2021
University of Kwazulu-Natal	Business Management	Post-Graduate (Diploma)	2004
University of Kwazulu-Natal	Economics	Post-Graduate (Honors)	2003
University of Natal	Commerce	Bachelor	2001

Previous Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Duration of Service**
Financial Consultations	Shareholding Company	Accenture	Management Consultant	2004-2012
Financial Consultations	Shareholding Company	Barclays Africa	Strategy Lead	2013-2015
Financial Consultations	Shareholding Company	Absa Group	Director: Strategic Initiatives & Digital Transformation	2016-2019
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Head of Digital Banking Division	2020

Current Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Appointment Date**
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Head of Strategy & Digital Transformation Group	2021

Name: Mr.Badr A. Al-Rashodi

Position: Head of Customer Experience and Protection Division

Educational and Professional Qualifications			
University	**Field of Specialty**	**Qualifications**	**Year**
EF International Language Schools- California	Language	Diploma	2001
Churchill House school - UK	Language	Diploma	1996-1997

Previous Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Duration of Service**
Non-profit sector	Specialized Organization	Sultan bin Abdulaziz Humanitarian City	Interpreter	2002
Banks and Financial Institution	Listed Joint Stock Company	SABB	Customer Care Representative	2003-2005
Postal and logistic services	Governmental Organization	Saudi Post	Supervisor	2007-2009
Postal and logistic services	Governmental Organization	Saudi Post	Manager of Customer Service	2009-2010
Postal and logistic services	Governmental Organization	Saudi Post	Special products deputy Manager	2010
Postal and logistic services	Governmental Organization	Saudi Post	Special products center operation Manager	2010
Postal and logistic services	Governmental Organization	Saudi Post	VIP Customers office Manager	2011

Current Positions				
Sector	**Legal Entity**	**Company/ Organization**	**Position**	**Appointment Date**
Banks and Financial Institution	Listed Joint Stock Company	Bank AlJazira	Head of Customer Experience and Protection Division	2021

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

2) 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 of directors and chaired for the board term by the chairman of the board of directors. The board of directors determines the authorities and powers of this committee. It is the responsibility of the executive committee, in accordance with the delegated powers, to monitor the implementation of the strategy and policies set by the board of directors, risk management and control of the bank's performance, recommend the balance sheet and action plan submitted for the fiscal year, and ensure proper implementation of the policies of the board of directors, in addition to monitoring the efficiency of internal control standards and policies implementation. The committee holds 6 meetings at least per year. The board of directors has re-formed the executive committee in the fourth quarter of 2020 to consist of Eng. Tareq Al-Kasabi (Chairman) and Eng. Abdulmajeed Alsultan, Mr. Adel Dahlawi, Mr. Ibrahim Al-Shai, Mr. Khalifah Almolhem (members). Mr. Naif Al-Abdulkarim has become the fifth member of the executive committee effective 08.06.1442H (21.01.2021) in place of Mr. Khalifa Almolhem.

The committee held 9 meetings during 2021 which were attended by members of the committee as described in the table below:

S	Name	Function	1st meeting 27.01.2021	2nd meeting 24.02.2021	3rd meeting 24.03.2021	4th meeting 28.04.2021	5th meeting 26.05.2021	6th meeting 23.06.2021	7th meeting 08.09.2021	8th meeting 20.10.2021	9th meeting 21.12.2021
1	Eng. Tarek bin Othman Al-Kasabi	Chairman	√	√	√	√	√	√	√	√	√
2	Eng. Abdul Majeed bin Ibrahim Al-Sultan	Member	√	√	√	√	√	√	√	√	√
3	Mr. Adil Bin Saud Dahlawi	Member	√	√	√	√	X	√	√	√	√
4	Mr. Naif Bin Abdulkarim Abdullah Al-Abdulkarim	Member	√	√	√	√	√	√	√	√	√
5	Mr. Ibrahim Bin Abdulaziz Al-Shai	Member	√	√	√	√	√	√	√	√	√

2) Audit Committee:

As per its terms of reference, the audit committee of Bank AlJazira 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 evaluation of its alignment with the ethical policies and regulatory and supervisory requirements.

The ordinary general assembly, in its 63rd meeting held on 15 November 2021 endorsed to adjust the terms of reference and duties of the audit committee to comply with regulatory requirements. The committee reviews the quarterly financial statements and assists the board of directors in carrying out the evaluation and annual review of the efficiency of internal controls, identifying potential risks and development of strategic plans to mitigate them.

The results of the annual audit of effectiveness of the bank's internal control procedures have reflected reasonable assurance in terms of covering the important control aspects that materially affect the bank's achievement of its objectives. In this regard, BAJ adopts all policies and procedures required by the various statutory bodies and best international practices

The audit committee membership consists of the chairman to be chosen from among the non-executive members of the board of directors and two independent members at least from outside the bank. The committee holds 4 meetings at least per year, and the meetings of audit committee are attended by the Chief Internal Audit and the Chief Financial Officer on a regular basis. The meetings are also attended by the CEO and senior executives as required. The audit committee was re-formed for this term to consist of Mr. Adel Dahlawi (Chairman) and Mr. Fawz Al-Fawaz and Mr. Taha Azhari (members) which composition was endorsed by General Assembly in its meeting held on 19 Dec 2018. The committee held 5 meetings during 2021 which were attended by the chairman and members, as shown in the table below:

S	Name	Function	1st. meeting 09.02.2021	2nd. meeting 20.04.2021	3rd. meeting 29.07.2021	4th. meeting 24.10.2021	5th, meeting 05.12.2021
1	Mr. Adel bin Saud Al-Dahlawi	Chairman of Audit Committee	√	√	√	√	√
2	Mr. Fawaz Mohammed Al Fawaz	Member of Audit Committee	√	√	√	√	√
3	Mr. Taha Bin Mohammed Azhari	Member of Audit Committee	√	√	√	√	√

3) Nomination and Remuneration Committee

The board of directors, based on its powers and authorities, forms the Remuneration and Nomination Committee which consists of 3-5 members appointed by the board after having obtained Saudi Central Bank's (SAMA) no-objection. The functions and duties of the committee focus on recommending nominations to the Board of Directors as per the approved policies and standards, performing annual reviews on the skills required for the membership of the board of directors, performing reviews of the board of directors' structure and recommending those changes that could be carried out. The committee is also responsible for ensuring the independence of independent members and lack of any conflict of interests in case any director was 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 ordinary general meeting, in its 63rd meeting held on 15 November 2021 ratified to adjust the terms of reference and duties of the Remuneration and Nomination Committee to comply with regulatory requirements. The committee holds two meetings at least per year.

The members of the Remuneration and Nomination 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 re-formed to consist of Mr. Ibrahim Bin Abdulaziz Al-Shaia (Chairman) and Eng. Abdulmajeed Bin Ibrahim Alsultan, Mr. Khalifa Bin Abdullatif Al-Molhem and Mr. Ibrahim Bin Abdullah Alheddaithi (members). The Committee held 4 meetings during 2021 which were attended by the chairman and members of the committee as reflected in the table below:

S	Name	Function	No. of meetings			
			1st meeting 28/02/2021	2nd meeting 01/09/2021	3rd meeting 10/11/2021	4th meeting 23/12/2021
1	Mr. Ibrahim Bin Abdulaziz Al Shaia	Chairman of the Nomination and Remuneration Committee	√	√	√	√
2	Eng. Abdulmajeed Bin Ibrahim Alsultan	Member of the Nomination and Remuneration Committee	√	√	√	√
3	Mr. Khalifa Bin Abdullatif Al-Molhem	Member of the Nomination and Remuneration Committee	√	√	√	X
4	Mr. Ibrahim Bin Abdullah Alheddaithi	Member of the Nomination and Remuneration Committee	√	√	√	X
5	Mr. Tareq Bin Abdulrahman Al-Shbaily *	Member of the Nomination and Remuneration Committee – Non Board member	X	X	X	X

* Membership of Mr. Tareq Bin Abdulrahman Al-Shbaily of the Remuneration and Nomination committee ended on Jan 2021 by resignation.

4) Board Risk Committee

As per its terms of reference, the Risk Committee of Bank AlJazira consists of 3-5 board members and holds 4 meetings at least per year. This committee assists the board of directors in fulfilling the responsibilities of overseeing the risks in the bank's businesses and controls. Its duties and responsibilities are focused on the supervision and control, review of the bank's ability to manage and undertake risks based on appropriate analysis, and formulation of appropriate risk management policies. It also approves the credit rating system in the bank and risk policies for assets and liabilities management as developed by the Assets and Liabilities Committee. The committee measures the exposures to financial risks and other significant exposures as well as the steps taken by the management to monitor, control and report cases of risks, including, but not limited to, review of credits, market, liquidity, reputational, operational, fraud and strategic risks in addition to evaluating exposures, tolerance levels and approval of appropriate transactions or commercial restrictions. The committee also reviews the scope of risk management and the targeted activities related to the functions of the Bank's risk management.

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 (corresponding to January 13, 2019). The committee was re-formed in the fourth quarter of 2020 to consist of Mr. Ibrahim Al-Shaia (chairman) and Mr. Khalifa Almolhem, Mr. Turki Alfawzan and Mr. Abdulwahab Al-Btairy (members). The Committee held 4 meetings during 2021 which were attended by the chairman and members as stated in the table below:

S	Name	Function	No. of meetings			
			1st meeting 21/02/2021	2nd meeting 24/05/2021	3rd meeting 22/09/2021	4th meeting 14/12/2021
1	Mr. Ibrahim Bin Abdulaziz Al Shaia	Chairman of the Board Risk Committee	√	√	√	√
2	Mr. Turki bin Abdullah AlFawzan	Member of the Board Risk Committee	√	√	√	√
3	Mr. Khalifa Bin Abdullatif Al-Molhem	Member of the Board Risk Committee	√	√	x	X
4	Mr. Abdulwahab Al-Btairy	Member of the Board Risk Committee. Non-Board member	√	√	√	√

5) Committee of the 'Khair AlJazira le Ahl AlJazira' program

As per its terms of reference, the Social Responsibility Committee of Bank AlJazira consists of 3-5 board members and holds 4 meetings at least per year. 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 (corresponding to January 13, 2019). The Committee members are: Engineer Abdulmajeed Alsultan (Chairman) and Mr. Abdulaziz Al-Hadlaq and Dr. Fahd Alolayan (members). The committee held 4 meetings during 2021 which were attended by the chairman and members as stated in the table below:

S	Name	Function	No. of meetings			
			1st meeting 24/01/2021	2nd meeting 27/04/2021	3rd meeting 20/09/2021	4th meeting 12/12/2021
1	Eng. Abdulmajeed bin Ibraheem Al-Sultan	Chairman of Social Responsibility Committee	√	√	√	√
2	Mr. Abdulaziz Bin Ibrahim bin Saad Al-Hadlaq	Member of Social Responsibility Committee. Non-Board member	√	√	√	√
3	Dr. Fahd bin Ali Al-Olayan	Member of Social Responsibility Committee. Non-Board member	√	√	√	√

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

Director's name	Names of the companies in which members of the Bank Board hold present board membership or management positions	In /out of the Kingdom	Company type (Listed joint-stock/ unlisted joint-stock/ limited liability, etc"	Names of companies in which members of the Bank Board held past board membership or management positions	In /out of the Kingdom	Company type (Listed joint-stock/unlisted joint-stock/limited liability, etc"
Eng. Tarek bin Othman Al-Kasabi	1. 1998: BAJ Board member 2. 2016: Chairman of the Board, BAJ 3. 1995: Chairman of the Board, Dallah Medical Services Company 4. 2010: Chairman of the Board, Ataa Educational Company 5. 2008: Chairman of the board, Rozam Investment Company 6. 2017 : Chairman of the Board, Dallah Farma Co. 7. Al-Balad Al-Amin Company for Urban Development 8. 2020: Chairman of the Board, Dar'a AlRe'aya Holding Co. 9. 2006: Board member, Kingdom's University Company (Kingdom of bahrain) 10. 2013: Board member, RZM Gayrimenkul Anonim Sirketi (Turkey) 11. 2013: Chairman of the Board, NEBA Gerimenkul Yatirimlari VE Ticaret A.S (Turkey)	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom Out of Kingdom Out of Kingdom	Listed Joint-Stock Listed Joint-Stock Closed Joint-Stock Limited Liability Co Closed Joint-Stock Limited Liability Co. Closed Joint-Stock Limited Liability Co. Closed Joint-Stock Closed Joint-Stock Closed Joint-Stock	1. Aseer Trading, Tourism and Industry Company 2. Serb Real-Estate Investment Company 3. Al Balad Al Amin Urban Development Co. 4. Dahiat Smou Co. 5. GOSI	In Kingdom In Kingdom In Kingdom In Kingdom	Listed Joint-Stock Closed Joint-Stock Limited Liability Co. Limited Liability Co. Government Agency
Eng. Abdulmajeed bin Ibrahim Al-Sultan	1. 1993: Consolidated Brothers for Development Co. 2. 2009: Olat Development Co. 3. 2013: AlJazira Takaful Ta'awuni 4. 2013: Al-Durrah Development Company 5. 2013: Royal and Sun Insurance Company (Egypt)	In Kingdom In Kingdom In Kingdom In Kingdom Out of Kingdom (Egypt)	Closed Joint-Stock Limited Liability Listed Joint-Stock Closed Joint-Stock Closed Joint-Stock	1. Packing and Wrapping Manufacturing Company 2. Packing and Wrapping Manufacturing Company – FEBCO 3. Qassim Cement Company	In Kingdom In Kingdom In Kingdom	Listed Joint-Stock Listed Joint-Stock Listed Joint-Stock
Mr. Naif Bin Abdulkarim Al-Abdulkarim	1. AlJazira Securities Company 2. Simah Company (Credit Bureau)	In Kingdom In Kingdom	Closed Joint-stock Limited Liability	1 .Board member, HSBC-SA 2 .Board member, SABB Takaful	In Kingdom In Kingdom	Closed Joint-stock closed 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	In Kingdom	Government Body	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 Closed Joint-Stock
Mr. Adil Bin Saud Dahlawi	1. Dallah Medical Services Company 2. Qasr Alworoud International Company 3. Fast Food Copany, Spain 4. Albuhaira Company, Tunisia	In Kingdom In Kingdom Out of Kingdom Out of Kingdom	Listed Joint-stock Listed Joint-stock Limited Liability Joint-Stock Private Joint-stock	1. Saudi Faransi Bank 2. SAMBA Financial Group 3. Dallah Albarakah Holding Company 4. Etqan Capital Company 5. Mawthouq Company	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	Listed Joint-stock Listed Joint-stock Limited Liability Joint-Stock Limited Liability Joint-Stock Saudi Closed Joint-stock company Office
Mr. Ibrahim bin Abdullah Al-Hedaithi	1. ESNA Holdding 2. BAJ 3. Body Masters 4. Albasar Medical Services Limited 5. Meras Arabia Holding Company 6. Sultan Delight Burger 7. National Feed Co. Ltd. (feedCo)	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	Holding Listed Joint-Stock Limited Liability Limited Liability Joint-Stock Limited Liability Limited Liability	1. MEFFIC Capital 2018-2007 2. Freshlink Ltd. 3. Bee'at Alwattan	In Kingdom Out of Kingdom In Kingdom	Closed Joint-Stock Limited Liability Limited Liability
Mr. Turki Bin Abdullah Alfawzan	1. Middle East Financial Investment Company (MEFIC)	In Kingdom	Closed Joint-stock	1. SAMBA Financial Group 2. Rana Investment Company 3. Alinma Investment Company 4. Credit Agricole Saudi Faransi	In Kingdom In Kingdom In Kingdom In Kingdom	
Mr. Khalifah Bin Abdulatif Almolhem	1. Board member, White Cement Co. 2. Chairman of the board, Advanced Petrochemical Co. 3. Chairman of the Board, AlJazira Support Services Co. 4. Board member, National Maritime Company 5. Board Member, Walaa Cooperative Insurance Co. 6. Board member, BAJ	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	Listed Joint-stock Listed Joint-stock Listed Joint-stock Listed Joint-stock Closed Joint-stock Listed Joint-stock	1. 1985-2002: Board member, SABB 2. 1987-1994: Board member, Saudi Spanish Bank 3. 2007-2012: Board member, Namaa Petrochemical Company 4. 2012-2017 : Board member, Alitifaq Steel Company 5. 2014-2017: Board member, GOSI 6. 2007-2019: Board member, IGI Company, Jordan	In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom In Kingdom	Listed Joint-stock Joint-stock Listed Joint-stock Closed Joint-stock Government agency Closed Joint-stock

4) Statement of Shareholders General meetings held during the fiscal year 2021 and the names of attending directors:

Two shareholders general meetings were held in the year 2021:

1) First Ordinary General Meeting held on 29 April 2021.

The following agenda was discussed:

1. To vote on the directors report for the fiscal year ending 31 December 2020.
2. To vote on the financial statements for the fiscal year ending 31 December 2020.
3. To vote on the auditors' report for the fiscal year ending 31 December 2020.
4. To relieve the directors from their liability for the year ending 31 December 2020.
5. To vote on 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 second and third quarters in 2021, the annual financial statements for the year 2021, the first quarter 2022 and to fix their fees.
6. To vote on the board›s decision to appoint Mr. Naif Abdul Karim Al-AbdulKarim (executive member) on the board of directors in the vacant position from January 21, 2021 until the end of the current board term on December 31, 2021, in place of the former member (Nabil Bin Daoud Al-Hoshan), (Executive Member).
7. To vote on 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 holds indirect interest therein, and also because he is a member of the board of AlJazira Takaful Ta'awuni Company. The contracts cover the collective insurance agreement for the personal finance portfolio, collective insurance agreement for the real-estate finance portfolio, collective insurance services agreement for bank staff and agreement for protection of staff loan portfolio. The sum of this related transaction in the year 2020 amounted to SAR 168.3 Million. No preferential conditions apply to this transaction.
8. To vote on the transactions and contracts which will be concluded between the bank and AlJazira Capital (Related Party) as the board director, Mr. Naif Abdul Karim Al-AbdulKarim 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 2020 amounted to SAR 17.6 Million. No preferential conditions apply to this transaction.

The Bank published on 20 Ramadan, 1442H (02 May 2021), on Tadawul and BAJ websites the resolutions taken at this General Meeting.

2) Second Ordinary General Meeting held on 10 Rabia II, 1443H (15 Nov 2021)

The following agenda was discussed:

1. Voting to elect members of the board for the next term which will start on January 01, 2022 for a period of three years until December 31, 2024 (CVs of the candidates are attached).

2. Voting on the formation of the Audit Committee and defining its responsibilities, working controls and the remuneration of its members for the next term, which will start on January 01, 2022 for a period of three years until December 31, 2024. The candidates are (CVs attached):
    - Dr. AbuBaker BaGabir
    - Mr. Saad Ibrahim Almushawah
    - Mr. Fawzi Ibrahim Alhobayb
3. Voting on the amendments of Audit Committee Charter. (attached)
4. Voting on the amendments of Nomination & Compensation Committee Charter. (attached)
5. Voting on the amendments of Board of Directors and Committees Membership Criteria Policy. (attached)
6. Voting to authorize the Board of Directors to distribute interim dividends to the shareholders on semi-annual or quarterly basis, against the fiscal year 2022.
7. Voting to delegate the Board of Directors with the authority of the General Assembly with the license mentioned in Section (1) of Article (71) of the Companies Law, for a one year period effective upon the AGM approval date or up to ending of the authorized Board term, whichever is earlier, in accordance with the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.

The Bank published on 11 Rabi II, 1443H (16 Nov 2021), 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 (29.04.2021)	2nd. EOGM (15.11.2021)
1	Eng. Tarek bin Othman Al-Kasabi	√	√
2	Eng. Abdul Majeed 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 AlHdaithy	√	-
7	Mr. Turki bin Abdullah AlFawzan	√	√
8	Mr. Khalifah Bin Abdullatif Almulhem	-	-
9	Mr. Naif Bin Abdulkarim Al-Abdulkarim	√	√

5) Management Committees

The governance framework of Bank AlJazira is based on the structure of the board of directors, 5 board sub-committees and 11 management committees. The governance structure is also based on a series of governance empowerment factors which ensure achievement of required clarity and good discipline of governance, namely: institutional values, design of organizational structure, procedures and policies, bank's matrix of authorities as well as effective communication at internal and external levels.

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

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

* The Management Committee was abolished on 21 October 2021 and the Compliance Committee was abolished on 28 September 2021, and the Transformation Steering Committee was added on 3 November 2021.

6) 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 2021		End of the year 2021		Net change	% Change
		No. of shares	Debt instruments	No. of shares	Debt instruments		
1	Consolidated Brothers Development Company	54,070,295		54,070,295		0	0%
2	Ibrahim Abdulrahman Mohammed Alqunaibet	20,554,013		41,002,903		20,448,890	99.49%

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 2021 Register as of 01.01.2021		End of the year 2021 Register as of 31.12.2021		Net change	% Change
		No. of shares	Debt instruments	No. of shares	Debt instruments		
1	Eng. Tarek bin Othman Al-Kasabi	0		1000		1000	100%
2	Eng. Abdulmajeed bin Ibrahim Al-Sultan	2731		2731		0	0.0%
3	Mr. Adil Bin Saud Dahlawi	0		10		10	100%
4	Mr. Turki bin Abdullah AlFawzan	50		50		0	0.0%
5	Mr. Abdullah Bin Saleh Al Rasheed	2050		2050		0	0.0%
6	GOSI, represented by Mr. Ibrahim Bin Abdulaziz Al Shaia	7390992		7390992		0	0.0%
7	Mr. Ibrahim bin Abdullah Al-Hedaithi	10172		10172		0	0.0%
8	Mr. Khalifa Bin Abdullatif Almolhem	314304		300000		-14304	-4.55%
9	Mr. Naif Bin Abdulkarim Al-Abdulkarim	1000		1000		0	0.0%

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 2021		End of the year 2021		Net change	% Change
		No. of shares	Debt instruments	No. of shares	Debt instruments		
1	Mr. Naif Bin Abdulkarim Al-Abdulkarim CEO	1000		1000		0	0%
2	Mr. Hani Nouri Chief Financial Officer	0		0		0	0%
3	Mr. Sultan Bin Saud Algahtani Company Secretary and Head of Governance Group	0		0		0	0%

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

As per the bank's articles of association, the board shall hold 4 meetings per year at least. In the year 2021, the Board held 4 meetings. The table below reflects the meetings held and members attendance record:

S	Name	1st meeting 24.02.2021	2nd meeting 26.05.2021	3rd meeting 21.09.2021	4th meeting 15.12.2021
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	X	X	√	√
6	Mr. Ibrahim bin Abdullah Al-Hedaithi	√	√	√	√
7	Mr. Turki bin Abdullah AlFawzan	√	√	√	√
8	Mr. Khalifa Bin Abdullatif Almolhem	√	√	√	√
9	Mr. Naif Bin Abdulkarim Al-Abdulkarim	√	√	√	√

8) 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.

9) 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.

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

In line with the relevant supervisory directives, and as a general rule, the bank is keen to facilitate shareholders exercise of their statutory rights relating to shares, including submission of suggestions and feedback regarding the bank and its performance. In line with the bank's practices, the board answered shareholders inquiries raised at the two General Assembly meetings held in 2021, or through the shareholders' unit of the bank. The board reviews such feedback and comments and takes the appropriate actions in this regard.

Payments to directors and key executives

Compensation Policy

The BAJ Rewards and Compensation Policy sets the framework of rewards and compensations payable to board and non-board members in line with the supervisory authorities guidelines and shall generally be subject to the provisions of the Companies Act, Key Principles of Governance for Banks operating in the Kingdom of Saudi Arabia and the compensation and Remuneration rules issued by the Saudi Central Bank (SAMA), and Corporate Governance rules and organizational procedures issued in enforcement Companies Act relating to listed joint-stock companies issued by CMA, in line with the Bank's Articles of Association and the circular of the Saudi Central Bank (SAMA), which provides that the remuneration, compensation and benefits payable to the Chairman and members of the Board of Directors shall not exceed the sum of SAR 500,000 per Director per annum, excluding the chairman and members of Audit Committee. In the year 2021, none of the members of the board or subcommittees have performed any work of technical or advisory nature, and therefore they did not get any consideration or special benefits in respect thereof. The following table reflects details of remunerations and compensations paid to the board and committee members and senior executives during the year.

Board Remuneration

SAR

	Fixed remunerations							Variable remunerations								
	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	End-of-service award	Aggregate Amount	Expenses Allowance
First: Independent Directors																
Mr. Abdullah Bin Saleh Al Rasheed	450,000	20,000	-	-	-	-	470,000	-	-	-	-	-	-	-	470,000	-
Mr. Ibrahim Bin Abdulaziz Al-Shaya	450,000	-	50,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Mr. Adil Bin Saud Dahlawi *	550,000	-	60,000	-	-	-	610,000	-	-	-	-	-	-	-	610,000	5,655
Mr. Khalifa Bin Abdullatif Almolhem	450,000	10,000	30,000	-	-	-	490,000	-	-	-	-	-	-	-	490,000	76
Total	**1,900,000**	**30,000**	**140,000**	-	-	-	**2,070,000**	-	-	-	-	-	-	-	**2,070,000**	**5,731**
Second: Non-Executive Directors																
Eng. Tarek bin Othman Al-Kasabi	450,000	5,000	45,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Eng. Abdul Majeed bin Ibrahim Al-Sultan	450,000	-	50,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Mr. Ibrahim bin Abdullah Al-Hedaithi	450,000	30,000	15,000	-	-	-	495,000	-	-	-	-	-	-	-	495,000	-
Mr. Turki bin Abdullah Al-Fawzan	450,000	30,000	20,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Total	**1,800,000**	**65,000**	**130,000**	-	-	-	**1,995,000**	-	-	-	-	-	-	-	**1,995,000**	-
Third: Executive Directors																
Mr. Naif bin Abdulkareem Al- Abdulkareem	450,000	5,000	45,000	-	-	-	500,000	-	-	-	-	-	-	-	500,000	-
Total	**450,000**	**5,000**	**45,000**	-	-	-	**500,000**	-	-	-	-	-	-	-	**500,000**	-

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

Committees 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		45,000	45,000
Eng. Abdul Majeed bin Ibrahim Al-Sultan		10,000	10,000
Mr. Naif bin Abdulkareem Al- Abdulkareem		45,000	45,000
Mr. Adil Bin Saud Dahlawi		35,000	35,000
Mr. Ibrahim Bin Abdulaziz Al-Shaya		10,000	10,000
Total		**145,000**	**145,000**
Audit Committee members			
Mr. Adel 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. Abdul Majeed bin Ibrahim Al-Sultan		20,000	20,000
Mr. Ibrahim Bin Abdulaziz Al-Shaya		20,000	20,000
Mr. Ibrahim bin Abdullah Al-Hedaithi		15,000	15,000
Mr. Khalifa Bin Abdullatif Almolhem		15,000	15,000
Total		**70,000**	**70,000**
Risk Committee members			
Mr. Ibrahim Bin Abdulaziz Al-Shaya		20,000	20,000
Mr. Khalifa Bin Abdullatif Almolhem		15,000	15,000
Mr. Turki bin Abdullah Al-Fawzan		20,000	20,000
Mr. Abdulwahab Bin Abdulkareem Albtairy	100,000	20,000	120,000
Total	**100,000**	**75,000**	**175,000**
Social Responsibility Committee members (Khair AlJazira Le Ahl AlJazira)			
Eng. Abdul Majeed bin Ibrahim Al-Sultan		20,000	20,000
Mr. Abdulaziz Bin Ibrahim bin Saad Al-Hadlaq	100,000	20,000	120,000
Dr. Fahd bin Ali Alolayan	100,000	20,000	120,000
Total	**200,000**	**60,000**	**260,000**

* The Audit 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 remunerations 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	10,860,067	891,700	-	11,751,767	1,910,000	-	4,157,764	-	-	6,067,764	2,617,410	-	20,436,941

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 assurance and independent opinion in relation to assessment of governance, 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 Group pursues a risk-based approach in the planning and execution of audit engagements on risk-based prioritization. The scope of the internal audit activity encompasses all aspects of internal systems, governance and risk management frameworks.

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

The Internal Audit Group maintains a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activities in addition to an external assessment conducted by an independent qualified body on a periodic basis for conformance with the Institute of Internal Auditors standards

Annual Review of the Effectiveness of Internal Control Procedures

Being a financial institution, the Bank gives 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 three lines of defense. This is adopted based on their suitability to the work.

patterns of the bank taking into consideration industry 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 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 2021, 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'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, finance 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 operating with an acceptable level of effectiveness and enhancements are needed to improve some aspects from the previous year. Taking into consideration that any internal control system, regardless of the soundness of its design and effectiveness of its implementation, cannot provide absolute assurance. 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 81 branches, 4 Ladies sections, 635 ATMs, and 18,043 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 Bank AlJazira was also awarded with Islamic Retail Banking Excellence award in Islamic digital banking 2021 and most innovative Retail Islamic Bank in Saudi Arabia 2021 from Cambridge International Financial advisory. Overall, Retail customer deposits has increased to reach SAR 35,220 million at the end of 2021. Meanwhile, the Group's Loans book has increased by 5% at the end of 2021 to reach SAR 28,806 million from SAR 27,364 million in Dec 2020. Following the promising growth in the Real Estate finance market, the Bank's real estate finance portfolio grew by 10% as of Dec of 2021 compared to Dec 2020, with an estimated market share of over 3.6% by year end.

Following Bank AlJazira strategic direction to optimize its Branch network & better utilize valuable resources, 15 ladies branches were merged by end 2021.

Private Banking and Wealth Management Group

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

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

Customer deposits reached SAR 15,947Million as of the end of 2021. The Group Collaborates closely with AlJazira Capital to provide advisory services and investment opportunities for HNW individuals. This continuous collaboration has led to a significant increase in the size of our customer investment portfolios, where the total value of the Group's customer Portfolios reached SAR 3,453 Million as of the end of 2021.

The Group meets the credit needs of its customers through its credit unit with an objective to meet the credit requirements of all its customers in a way that meets their finance needs and purpose of investments. Total credit facilities portfolio increased by 49% to reach to SAR 3,453Million as of the end of 2021.

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.

Recently participate in establish a new Wealth Management Dept. in AlJazira Capital.

The aim of establishing AJC Wealth Management is to support Private Banking in developing sharia compliant wealth management proposition platform, this step comes in line with the agreed action points recommended in the latest strategy paper that was approved by BAJ board of directors.

FAWRI

Despite of all challenges that has been faced during covid-19 pandemic and limitations of being relatively new in the remittance business, Fawri continued dealing market conditions and reaffirm its position amongst top remittance service providers in the Kingdom of Saudi Arabia.

In the year 2021, Fawri has propelled a significant transformation in remittances through digital platforms with 42% of total transfers comparing 16% in 2020 by persistently improvising customer experience of sending money through BAJ digital platforms at a very competitive pricing. The introduction of **"Online customer registration"** , **"Online customer complaint and claims system"** and **" Fawri Kiosk machine "** has been a valuable addition to service excellence thereby; strengthening trust of our customers.

Complying with Saudization policy, Fawri has successfully maintain 100% Saudization at its remittance centers. In addition, 3 new centers were added and completing merging process of 3 centers in order to increase operational efficiency & last FAWRI launch Mobile branch services across main cities to service mega communities in mega company and hospitals that taking the tally to **"63 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"** and **"cash acceptance ATM "**.

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 11 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 converting to, providing a hassle-free customer experience.

Enterprise Risk Management Group (ERMG)

During the year 2021 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 continues to invest in relevant technology infrastructure in line with Basel Committee on Banking Supervision (BCBS) 239 guidelines. 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 IV Program is perceived as a critical opportunity to:
    a. Continuously update Pillar-1 reporting to ensure that these reports are accurate, timely and remain in line with the regulatory guidelines.
    b. 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.
    c. 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.
    d. 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.
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.

Strategy and Digital Transformation Group:

The Strategy and Digital Transformation (S&DT) Group is a new capability within Bank AlJazira. Launched in May 2021, the Group's mandate is to turbo-charge our transformation efforts and deliver on the promise of enriching lives through financial well-being.

The Group brings together a combination of Strategy, Digital Transformation, Marketing and PR expertise to enhance our execution efforts, improve our digital capabilities and embed a culture of innovation. This will be done through the leveraging and adopting new digital technologies such as Social Media, Artificial Intelligence, Cloud and Quantum Computing and the Internet-of-Everything.

The opportunity created by these technologies to meet rapidly shifting customer demographics, create new business models and meet regulatory changes is appealing and requires the Bank to accelerate its digitalization efforts. The S&DT group seeks to do this by creating a robust and resilient operational backbone to improve our operations, engaging customers through advance analytics and AI, transforming our products and services through co-creating value propositions with our customers and importantly, empowering our BAJ colleagues through collaboration tools and workforce enablement.

The S&DT Group will play an integral role in the above and will be a key enabler on supporting the 2030 Vision and the FSDP. By entrenching partnerships with government, winning the digitalization challenge through aggressive and targeted partnership with fintech's and refining our value propositions and distribution models, the Group intends to meet both the Bank's and Nations ambitions.

Corporate and Institutional Banking Group (CIBG)

Bank AlJazira continued diversifying its Sharia compliant range of products & services to reach out to a wider client base, while building strategic partnerships by offering unique banking experiences.

Vision 2030 ushered in a significant change to the economy in Saudi Arabia, promising significant opportunities to the Financial Services Industry, which is geared to be a key stakeholder in this process. The pandemic impact also accelerated the drive towards transformation, accentuated by the emergence of Fintech's and the universal adoption of digital banking services.

Consequently, CIBG undertook an in-depth assessment of the potential gaps within its overall offerings Vis'-a'-Vis' their competitors for adequate alignment and then to exceed customer expectations. Key solutions considered included enhancing the product range and overall offering, diversifying and increasing the portfolio by focusing on segments and products that would contribute to maximizing CIBG's share of wallet "SOW", increase its profitability yield, all with the ultimate objective of sustaining a satisfactory Risk vs. Return-on-Assets (ROA) position.

Corporate Banking Group (CBG)

In 2021, CBG performed exceedingly well, achieving a 16% growth in assets over the preceding year. The extensive efforts to acquire new prospects and businesses and to capture new financing opportunities, cross selling BAJ products & services have been the key drivers behind CBG's performance.

CBG portfolio is well diversified as they apply a cautious and selective approach also by taking into consideration the overall macro-economic environment and developments, to ensure that the asset quality is adequately maintained at all times and that the risks of impairment are minimized,

As part of the overall strategy, CBG is now divided into large corporate and Mid-corporate segments in order to allow a focused approach to maximize their growth potential. CBG, by diversifying their portfolio efficiently, is geared to continue their growth momentum buoyed by signs that the market is gradually recovering from the impacts of the Covid19 pandemic.

Specialized Finance Division (SFD)

CIBG launched the Special Finance Division as a separate unit from CBG Group, tasked with providing structured financing solutions and participation in syndicated arrangements. This unit will proactively serve a sophisticated client base, and work with other leading banks in mega syndicated deals arranged on behalf of corporate and sovereign clients as well as maximize opportunities with the crystallization of Vision 2030 Vision Realization Programs. They will also engage in offering their expertise in project finance solutions and providing agency functions to large corporate customers.

SFD exceeded its budgeted assets by 27% during 2021.

Commercial Banking Services (CBS)

The growth and prosperity of MSMEs remains one of Bank AlJazira' s major goals, as they are considered an important engine of economic growth and the backbone of the Kingdom's economy.

CBS provides a wide range of banking products and services to Micro, Small & Medium Enterprises (MSMEs) aligning its strategy with the Kingdom's 2030 Vision initiatives of increasing their contribution to GDP from current levels of 20% to 35%.

In 2021, CBS assets portfolio was relatively flat as a result of various challenges caused by the Covid-19 pandemic and its aftermath. With the support of SAMA programs dedicated to supporting MSME's from the expected financial and economic impact, CBS performed satisfactorily with minimal impacts to the portfolio and strong profits.

In 2022, CBS is focused on growing its assets portfolio and profitability yields by initiating new and innovative products and continuing its efforts in cross selling existing products & services to existing and new clients.

Financial Institution Unit (FIU)

Financial Institutions Unit manages BAJ's domestic and international banks relationships as well as other financial institutions and supra-national entities by covering trade and cash management needs. FIU, with its ambitious aim of making BAJ as the partner bank of choice in the Kingdom, will continue working closely with other stakeholders to enhance the capabilities of the bank to meet customer requirements and facilitating the remittances and commercial transactions enabling BAJ to cater its core clients' needs around the globe.

Public Sector Unit (PSU)

Public Sector Unit manages the portfolio of government and quasi-government entities that operate in various sectors. PSU plays an essential role by providing superior and professional customer service in marketing and maintaining available Sharia Compliant products and services including but not limited to financing and investment services, cash management, and e-banking technologies, in addition to treasury based products.

Global Transaction Services (GTS)

Global Transaction Services is supported by state of the art technological platforms providing innovative and superior banking solutions related to cash management and transaction services that are cost-effective and efficient to the commercial and financial institutions around the kingdom. Their services consist of online corporate banking channels such as "E-Corp" and "M-Corp", E-trade, payroll services "Rawatebcom", cash pick up, and delivery services.

GTS works with their clients to enhance its services and delivery, leveraging on the current technological advancements in the banking industry as well as supporting all available products for CIBG segments in coordination with several departments among the bank such as point of Sale –POS-, payment gateway, and corporate credit cards.

GTS growth is aligned with the changes and development of digitalization and process modernization and automation across all sectors in the Kingdom.

Micro, Small and Medium size Enterprises (MSMEs)

- **Current 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 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.
  - Put in place a specific Risk Acceptance Criteria/ Customer Selection Criteria which includes a scoring mechanism aimed to improve overall turnaround time.
  - Put in place a dedicated Call Centre (MSME Phone Banking) to serve existing and new prospect clients. Toll free number "800 244 9090"
  - Put 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, bank wide.
  - Put 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.
- Launched a POS financing product mainly targeting 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 are managed by our Commercial Banking Services division within the Corporate & Institutional Banking Group (CIBG). Currently, CBS has more than 50 dedicated staff members serving our valued MSME clients.

Number of training and workshop for staff and customers :	
Number of training for Staff	46
Number of training for Customer	-

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

000 SAR

2021

	Micro	Small	Medium	Total
Loans to MSMEs on BS	544,025	1,511,202	1,976,684	4,031,911
Loans to MSMEs off BS	125,557	312,317	888,628	1,326,502
On BS MSMEs Loans as a % on Total BS Loans	0.9%	2.4%	3.2%	6.5%
Off BS MSMEs Loans as a % on Total BS Loans	0.2%	0.5%	1.4%	2.1%
Number of Loans on and Off	422	623	339	1384
Number of Customers for Loans	309	456	216	981
Number of Loans guaranteed by Kafalah program (on & Off)	50	63	17	130
Amount of Loans guaranteed by Kafalah program (on & Off)	46,670	55,150	50,652	152,471

2020

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

Treasury Group:

Treasury offers a diverse range of Sharia'h-compliant products and services, from simple foreign exchange to complex bespoke derivative structures across asset classes.

Despite challenging market conditions, the Treasury exhibited financial resilience by generating Net Income of 720.9 million principally due to lower costs.

Treasury's strategy is centered on its support for BAJ's role in the development of the Saudi debt capital market, in accordance with Vision 2030. This is accomplished through BAJ's function as a Primary Dealer, as it aims to create stable and sustainable demand and liquidity for government Sukuk while also broadening the investor base.

Treasury maintains a well-diversified portfolio, which grew by SAR 1.7 billion during the year, mainly consisting of zero-risk-weighted Sukuk, thus further strengthening the bank's investment book and credit profile.

Despite the uncertainty in the markets triggered by the COVID-19 pandemic, we achieved our landmark issuance of USD 500 million Tier 1 Sukuk to strengthen the bank's capital base and support its strategic asset expansion plan. It was the first of its kind, being BAJ's first International and Tier 1 issuance. It was followed by an issuance of domestic SAR-denominated 2 billion Tier 2 Sukuk with a 10-year maturity.

On the customer business, our sales teams continued to expand the business by reaching out to new customers and assisting them in meeting their cash flow needs whether it was foreign exchange or hedging profit rate or exchange rate exposure during volatile market conditions. In addition the sales team provides yield enhancement products to improve returns while maintaining a low risk profile.

The bank has made substantial progress in implementing its enterprise-wide benchmark transition plan, which includes the SAIBOR enhanced methodology. Client outreach is also taking place via social media and direct communications.

Human Capital Group

In 2021, local market achieved a positive effect on the activities and operations, which was driven by following the precautionary actions guided by official authorities' instructions which enabled BAJ to ensure a safe gradual return of staff to the offices.

The main priority of the Human Capital Group is our people safety by initiating an on premise vaccination camping with the support of Ministry of Health to expedite the process of staff being compliant with regulations and safety measures.

Human Capital Group conducted successfully a bank wide organizational structural assessment and have implemented changes in alignment with the ambitious strategy and with market best practices that will help the bank achieving its full potential and targets.

The Human Capital Group launched a transformation project aiming to elevate the organization culture to achieve best environment and to enhance and provide the required skills to support BAJ strategy and continues to focus on streamlining technology to serve our ongoing development by introducing enhanced self-services to employees enabling more efficient mechanics of daily processes.

The Human Capital Group continued its robust Saudization programs in 2021, through the recruitment of selected Saudi candidates and continue offering selected job and career opportunities, which keeps the bank's continued commitment towards numerous new jobs and internship training prospects for high school and college students, which serves as one of the top attractors of desired fresh Saudi talents which accordingly lead to maintain high success rate of effective Saudization of more than 94%. Also, in 2021 The Human Capital Group reflected an optimum current bank needs, market demands, and Saudi Central Bank requirements like the professional certifications and the regulatory subjects. Total of more than 250 training events took place afforded 5660 training opportunities with total training man-days of 7675.

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:

Shariah Quality:

Keeping in mind customers and shareholders satisfaction and expectations, the Shariah Group focuses on the Shariah quality control of Bank AlJazira 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, and its review of the Bank's transactions and criteria for selection of samples is based on the international audit criteria for sample selection.

Governance:

During the year, the Shariah Group enhanced the application of Sharia governance framework as issued by the Central Bank across all parts of the bank to ensure the full implementation of Sharia Governance Framework in cooperation with all bank groups.

Services and Products:

The Shariah Group believes that innovation and development derived from the Islamic Shariah Rules is an essential requirement to promote the 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 leading position 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, 5 reports on Islamic finance activity in the Saudi market have been updated and prepared on the Islamic finance activities in the Saudi market, 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. Property finance and impacts in the banking sector,
5. Credit cards in the Kingdom of Saudi Arabia,

Documentation of Bank AlJazira experience in transforming to Islamic Finance:

The Sharia Group implemented a project to document Bank AlJazira experience in transforming to the Islamic Finance in collaboration with a specialized office which consists of a team of experts in the relevant field. The office reviewed the transformation period and interviewed a number of personalities who lived this period and contributed to the transformation, such as the Sharia Board, board members and employees. The process resulted in a book "Bank AlJazira experience in transforming to Islamic Finance" which was published and distributed to financial institutions and parties interested in Islamic finance industry. The book will be translated and published in English and French languages.

Publication of Books and Academic Research Papers:

The Sharia 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. Four issues were released this year:

1. Capital support Sukuk
2. Loss rules and contemporary applications
3. Property related claims and their effects
4. Recent issues of property finance.

In addition, the Shariah Group signed a scientific memorandum of understanding with the Saudi Fikh Society under which the Bank and the Society will cooperate in the field of specialized scientific research and publishing in the Islamic finance filed. Under this memorandum, the Bank shall sponsor some of the activities and gatherings of the association and in an effort to strengthen the communication with Fikh institutions with an aim to develop Islamic finance products and tools as derived from the Fikh of transactions.

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 (AAOIFI), Council General of Islamic Banks and Financial Institutions (CIBAFI), Council of Islamic Financial Services (IFSB), based on the bank's belief in the importance of supporting such institutions to enable them to develop Islamic Financial Industry and achieve standardization. In spite of the exceptional circumstances dictated by COVID-19 pandemic this year, the Shariah Group participated in many of the conferences and workshops that were organized by such entities remotely via the electronic channels to cope with the latest developments in the Islamic finance industry,

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 in the bank 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.

Support Group:

Automation & Robotics Division

During 2021, Automation and Robotics has discovered and assessed 600+ processes within 6 Groups and 20 Divisions, launched 12 Bots and automated 35 processes, performed about 60K transactions successfully, saved 20K employee hours. Which result to cost reduction, human error reduction, efficiency and productivity, and most of all, improved employee morale since they now can focus more on non-routine, high-value activities. The Automation and Robotics team will continue to expand and accelerate on the RPA implementation while also exploring other opportunities for adopting Artificial Intelligence, Machine Learning and other Cognitive automation solutions at BAJ. Their mission is integral to the Bank's overall digital transformation goals and help the bank achieve its objective to become the most modern and innovative Islamic bank.

Banking Operations

Following the bank's new organizational structure and the merger into the Banking Operations Group of several departments, such as Card Operations, Cash Center Operations, Fawri Operations, ATM Feeding Operations and Cash Transit Operations, the Banking Operations Group has been restructured to align with the bank's strategic plans for provision of the necessary tools and technologies and use of appropriate and highly professional manpower to perform the Bank's operations with high quality and accuracy. Accordingly, the strategy of Operations Group has been reformed to focus on respect and appreciation and shall be based on four key elements:

- The right employee with the right environment (recruitment, training, development and qualification, motivation, and appreciation)
- Appropriate processes (review and development of internal work procedures)
- Appropriate technology
- Management and coordination of relations with the Bank's internal departments and outside partners.

Based on the new strategy, the Operations Group has been restructured to consist of the following departments:

Operational Excellence and Development Department:

The task of this department is to re-examine the operations progress at all stages and to introduce the appropriate technology and update implementation based on the latest developments. The department directly coordinates with its partners in the technology, projects, and automation departments.

Shared Operations Department:

The tasks of this department focus on the implementation, control, and follow up on the domestic and global payment processes, clearing checks and collection processes as well as on the management of the relations of Credit Information companies. Bank AlJazira achieved top rank in the past six months in the quality and accuracy of credit reports issued to Simah.

Consumer Finance Operation Department:

This department shall implement retail finance, property finance and credit cards operations with high accuracy and speed. It works in coordination with the sales department, branch network, product management and risks to achieve the bank's objectives and minimize human errors.

Corporate Operations Department:

This department shall implement all treasury and corporate processes with high accuracy and professionalism, including the processes and operations relating to the purchase and sale of currencies, investment in Islamic sukuk, trading in international capital markets, hedging using financial derivatives, issuance of guarantees and bank credits in addition to carrying out financing operations for companies.

Operations Support Department:

This Department coordinates with other departments within the Operations Group and other departments to facilitate the implementation of operations and exceptions and addresses complaints to achieve highest extent of excellence in customer service.

Cash Centers, ATM Replenishment, and Cash in Transit Department:

The necessary approvals have recently been obtained to entrust the tasks of Cash Center and ATM feeding to SANID Company, one of the strongest companies in this field to minimize the operational risks and expenses; Bank AlJazira for the first time to use the consolidated cash centers.

Control Department:

This department shall be responsible for updating the work policies and processes in line with the instructions issued by the Central Bank as well as for follow-up to ensure the accuracy of implementation and compliance. It shall also monitor the management of banking accounts for individuals, companies and Fawri.

Information Technology Group

Information Technology Division is continuing to build and maintain technology platform corresponding with the best technology standards to support existing and new development of solutions that support the bank's products and services. The provided technical solutions are built in accordance with the Banks' strategic goals and directions, and meant to meet business objectives, support expansions, regulatory mandates, business continuity as well as the delivery of banks' internal improvement initiatives.

Examples of major achievements in 2021 successfully concluded the Full DR Live test for all systems and operating for ten business days from DRC, Platform Technology Systems Upgrade, Upgrade FireEye System, Switching ATMs Connectivity from Satellite to GSM 4G, and Datacenter Movement to New Head Office Building.

Not to mention its contribution in the implementation of key projects in partnership with the Project Management Office, such as Data Warehouse (Phase1), Instant Payment System (IPS), New SMART Application, and DINAR Online Services.

Logistics & Shared Services

Is a specialized Division in providing all services and logistical support to AlJazira Group in terms of professional advice, consultation on the designs and construction of the Banks network expansion program, (Branches, FAWRI centers, ATMs, premises, and others), enhancement of existing workplaces to be more compatible with business needs, provide clean environment and utility services to employees and customers in all branches and head office buildings, including the security and safety to staff, clients and properties at all times. To secure the continuity of business by making sure that all government permits and licenses are valid, and to provide mailing services, storage, photocopying and archiving of daily banking transactions.

During the year, the construction and inauguration of the new Head Office Building in Jeddah has been completed, in line with the bank's strategic objectives, in which it is keen to provide the best suitable and modern work environment for the bank's employees, as the building was equipped with the latest standards and advanced systems.

In addition, the New Administrative Building in Riyadh was also inaugurated. This facility is implemented as a unified building that consolidate all the main business units scattered all over Riyadh area taking into consideration applying the same standards applied in the Head Office building in Jeddah.

Also, the construction work of the multi-story car parking building adjacent to the Head Office has started. This will provide more number of parking spaces for employees and customers, which will be operational by the end of March 2022.

Moreover, three RBG branches have been delivered. The relocation of Tahliyah Branch has just started and due for completion by August 2022. Moreover, merging of Ladies and men branches for 14 branches around the Kingdom has also been completed

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; Identity Management, Retail Electronic Documents Issuance and Verification. In addition to critical business projects such as Online Dinar and Credit Card application, new Jazeera SMART and Treasury system Upgrade.

Property Management

Property Management successfully achieved their goals under the umbrella of Support group through its dedicated units in Contracts/Assets Management, Continuity Management BCM, and AMAN Co. Contracts and Assets Managements successfully managed 46 real estate properties with a value of 790 million riyals and reviewing, signing and keeping 84 contracts worth 35.16 million riyals, In addition to adding 876 assets, transferring 940, disposing of 3,542, and as a result extracted a savings of SR 572,587, during the transfer of Jeddah Head Office without jeopardizing the Bank's contractual commitment.

On the other hand, they have achieved an increase in total savings amounting to 29 million riyals. (Savings in insurance costs of 23%, Purchasing Services by 18%, and by reducing the recurring Supply Chain items costs by 59 %.)

Business Continuity Management (BCM) created a full-fledged 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 and IT Disaster Recovery. The bank's BCM program is designed to work continuously 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 expected results is to minimized negative impacts, enhanced performance and reputation, and compliance with regulatory requirements. Conducting several experiment aimed at ensuring business continuity without interruption. Additionally, Business Continuity tests were conducted successfully for 21 critical division in Riyadh and 32 in Jeddah, including In – house awareness training workshops for most of critical business units.

AMAN Co. successfully accomplished 26 Ejarah Transactions, 1,937 Murabaha Transactions, 337 Real Estate Returns transactions, 106 Third Party Sales transactions , 33 Bayt Al Hassan transactions, 139 Redemption Release transactions, 449 title deed update transactions,20 POA`s, 1,352 title deed general Correction transactions, 321 Authorization letters, 357 Corporate transactions, In addition to a number of 260 title deeds transferred to the Saudi Real Estate Refinance Company (SRC) under a contract for the sale of a real estate portfolio between the bank and the Saudi company (SRC). A part from that, AMAN - Real Estate Evaluation has accomplished a total number of 8087 Valuation requests for RBG, 110 completed for CIBG, 25 Human Capital Group, 46 from Private Banking and Wealth Management , and 34 requests for Real Estate Affairs, taking in consideration a full integration/ automation with LMS in the bank.

Support Business Management

In the course of the Support Group's efforts to achieve the bank's strategic goals, the group has created the Support Business Management division to increase its flexibility and productivity; and to speed up the digital transformation process. Moreover, its goals include increasing the adherence level to the Saudi Central Bank regulations, work on performance reports, enrich staff awareness, and aspire to achieve excellence across the group; and, thus, reduce the level of operational risk.

Social Responsibility Group:

Bank AlJazira emphasized the continuation of its role as a key partner in the enhancement of sustainable development and a major contributor to the achievement of the objectives of Kingdom's Vision 2030 as evidenced by the social programs and partnerships it has entered into with non-profit institutions, charities, and public sector institutions. Furthermore, Bank AlJazira continued, through its Khair AlJazira le Ahl AlJazira program, to implement a number of quality projects in the field of community service which aim to meet the community's needs and aspirations around the Kingdom regions. To this effect, a total of 99 community projects were implemented in 37 cities, regions, and centers.

In this context, Bank AlJazira program advocating innovation "Mubtakeroon" was implemented as one of major projects which helped to enable innovation, creativity, and entrepreneurship skills. The project was implemented as a business platform for innovated projects in the hybrid applications field with a wide contribution by a considerable number of female and male entrepreneurs. The first three winners were rewarded with cash prizes to support their continued innovation trip.

The bank's contribution to the Autism excellence Center continues for the third consecutive year, which establishment and operation is sponsored by the Saudi banks for the first five years. Quality programs were provided to the handicapped persons (Mobility disablement, Blind, Deaf, Down Syndrome, Hypertension, Autism) and their families covering training, rehabilitation, and awareness. Furthermore, the bank has launched the second version of Bank AlJazira Award for Excellence in private education.

In its continued efforts to enhance focus on professional and knowledge for to male and female youths, a number of rehabilitation and training programs were implemented to prepare them to the labor market and to enable them to own life basic skills.

The bank has focused, in the year 2021, on the enablement and rehabilitation programs for the most-needy segments of our community by providing support and finance to micro projects (interest-free loans) for productive families to enable them to establish their micro projects which success has consequently increased their income and improved their living and educational standards, enabling thereby the economic and social establishment of the individuals of such families.

In its continuous endeavors to develop non-profit sector, the Bank has sponsored "Kafo" Award in the non-profit sector in the northern borders region, which award aims to promote the quality and innovation culture. The bank has also implemented a set of leading development programs for the social work leaders and established the infra-structure for charitable and community societies by providing them with the basic equipment, in addition to promoting financial, legal, health, educational and environmental awareness programs and others in the various cities and regions of the Kingdom.

The Bank also participated in the national campaign of philanthropy across the national charitable platform "Ehsan.

The number of youths who benefited from the various activities and functions of ('Khair AlJazira le Ahl AlJazira') program in 2021 amounted to 24,111 persons in the different cities and regions of the Kingdom of Saudi Arabia.

AlJazira Capital:

AlJazira Capital (AJC) offers brokerage, asset management, wealth management and investment banking and custody services to its corporate and retail clients.

Capital markets witnessed another strong year of trading volumes during 2021 supporting AJC securities business. AJC increased its market share in Saudi market from 8% in 2020 to 8.4% in 2021. AJC's international trading platforms continued solid performance during 2021 and made sizeable contribution to the Company's top line growth. AJC capitalized on the strong market conditions and achieved a significant increase in Margin finance loan portfolio.

Maintaining a leading position in the local brokerage business remains a core priority for AJC. Executed trades by AJC's local brokerage business during 2021 amounted to SAR 381 billion (2020: SAR 336 billion), resulting in an increase in brokerage fees from SR 163 million in 2020 to SR 183 million in 2021.

Asset management business made substantial developments during the year. Significant number of new equity discretionary portfolio mandates (DPM) are signed with clients during the year, increasing total DPM AUMs by 2 times. In term of Real Estate Funds, AJC successfully closed AlJazira Residential Projects Fund 1 during Q1 2021 and plans to exit AlJazira Residential Projects Fund 2 during the first half of 2022. In addition, AJC successfully launched AlJazira Alajlan Riviera Residential Fund 1 providing an attractive investment opportunity to its client in real estate sector.

AJC has continued developing its multi-asset and wealth advisory capabilities. A dedicated CIO office was established and new investment opportunities were identified to enrich product offering to clients while preparing product pipeline for the years ahead

Investment Banking played a vital role in achieving 2021 operating revenues and contributed SR 24 million to AJC's topline. Investment banking services participated in the successful underwriting of ACWA Power IPO and acted as M&A advisor for Ayyan Investment and Arabian Shield Cooperative Insurance Co. Investment Banking also arranged sukuk issued by Ministry of Finance, Aramco, Bank AlJazira and Saudi Real Estate Refinance Company.

AJC was proud to receive from Refinitiv the 'Best International Equities Fund Award' for its International Equities Fund's performance over three, five and ten years. Refinitiv also recognized AlJazira Japanese Equities Fund with its Best Fund award over both five and ten years. In addition, AlJazira Capital was named as one of the top 30 biggest asset managers in Middle East by Forbes Middle East.

Looking forward, AJC's ambition is to be an established asset and wealth manager and remain broker of choice by offering superior trading experience through a tailored brokerage platform. Management is confident that by leveraging the new digital technologies and enhancing the products offering AJC will achieve its growth plans.

Future Plans:

As The COVID-19 pandemic has affected all segments of society including the economy and it's effects still linger. This new paradigm, with its rapidly changing customer expectations and demands has resulted in Bank AlJazira focusing on its core purpose of enriching customers lives through financial wellbeing.

To deliver on this purpose we have set ourselves a number of key priorities. The first being the creation of distinctive value propositions. This repositions the bank in the retail affluent and above segments, having a targeted and focused segmentation strategy on the mid-market in CIBG and bringing together the power of "One Bank" AlJazira with AlJazira Capital.

This priority is based on a set of trends in the retail, corporate, and AlJazira Capital businesses. In Retail, we expect revenues to be mainly driven by Demand Deposits, Personal Finance and Mortgages, with priority focus on affluent and HNWI customer segments. This includes Retail asset growth, winning on affluent customer deposits, customer centricity and Ddgital transformation.

On the corporate side, revenue growth is expected to be driven by increased lending. A key focus will be on developing superior value proposition, prioritizing transaction needs, and accelerating our sales and distribution with digital tools and engagement models. There will be selective growth in large corporates by maintaining portfolio exposure while diversifying risk. In middle market, we have focused our efforts with a growing market share enabled by dedicated resources to this segment and a sector coverage model. In SME, developing a competitive digital solution offering for SMEs and improving the Credit application process whilst improving E2E customer journeys for key products will be critical to success

On our "One BAJ" implementation, the partnership with AJC will be critical as a product provider to our Wealth Management business driving cross-sell and collaborative opportunities

The second key priority will aim to have the bank build a thriving organization; by being customer obsessed in its conduct, positively impacting the planet and community through our ESG and CSR agenda as well as being people centric learning organization.

Lastly, the bank aims to grow digitally by increasing its digital transformation investments and upgrading BAJ offerings to improve the customer experience and satisfaction. This is supported through target partnership with Fintechs to differentiate our value propositions and distribution models and commercializing our efforts through customer acquisition and retention.

Awards and Certifications

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;

- Bank AlJazira one of the best performing Financial Companies in CGI Corporate Governance by Alfaisal University Award
- AlJazira Phone Award
- Most Innovative Islamic Retail Bank in Saudi Arabia 2021 - 7th Islamic Retail Banking Awards 2021
- IRBA Excellence Award for Islamic Digital Banking 2021 - 7th Islamic Retail Banking Awards 2021
- The Excellence in Digital Transformation Award 2021 granted to BAJ by the Digital Banking Saudi 2030 Summit Awards
- Best Contact Center Awards – Gold Medals and 1st Rank for Best Contact Center and Best Customer Service in Europe Middle East and Africa
- 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)
- 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
- Best Social Responsibility Program K.S.A. 2017 – CPI Financial
- Critics Choice Best Islamic Retail Bank in Saudi Arabia 2017 – Cambridge Analytica
- Contact Center Award – Silver Medal Best Customer Service 2017 in the Middle East, Europe and Africa
- Best Customer Service, Abshir Baezzak Program - Awarded to BAJ by Banker Middle East Product Awards
- Most Innovative Personal Banking Provider, Saudi Arabia – Awarded to BAJ by Al Global Media
- Top Three Banks with the Highest ATM Performance and Cash Management – Awarded to BAJ by Saudi Central Bank (SAMA)

Gratitude:

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

We are also grateful for the continued support and guidance of the Ministry of Finance, the Ministry of Commerce and Industry, Saudi Central Bank 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.

Branches Network

بنك الجزيرة
BANK ALJAZIRA

Western Region

Makkah

Aziziah Branch
Tel: (+966) 12 5571010

Al Shawqiya Branch
Tel: (+966) 12 5391826

Al-Awali Branch
Tel: (+966) 12 5501453

Al-Awali Branch
Tel: (+966) 12 5501453

Al Sitteen Branch
Tel: (+966) 12 5970339

Madinah

Madinah Branch
Tel: (+966) 14 8451111

AlKhalidiyah Branch
Tel: (+966) 14 8491328

Jeddah

Jeddah Main Branch
Tel: (+966) 12 6098888

Tahlia Branch
Tel: (+966) 12 2610725

Tahlia Branch (Ladies)
Tel: (+966) 12 2610730

Sari Branch
Tel: (+966) 12 6901390

Al Balad Branch
Tel: (+966) 12 6485533

Khalid Bin Al-Waleed St Branch
Tel: (+966) 12 6518070

Prince Sultan St. Branch
Tel: (+966) 12 6075450

Al Bsateen Branch
Tel: (+966) 12 6949224

Al Salama Branch
Tel: (+966) 12 6919719

Al Safa Branch
Tel: (+966) 12 6736712

Al Samer Branch
Tel: (+966) 12 2721870

Al Rabwa Branch
Tel: (+966) 12 6827683

Al Naeem Branch
Tel: (+966) 12 6134333

Al Rehab Branch
Tel: (+966) 12 6756424

Makkah Road Branch
Tel: (+966) 12 6896600

Al Musa'adia Branch
Tel: (+966) 12 6610112

Al Musa'adia Branch(Ladies)
Tel: (+966) 12 6673700

Obhur Aljanoubiyah Branch
Tel: (+966) 12 6098752

Taif

Al Taif Main Branch
Tel: (+966) 12 7600116

Shehar Branch
Tel: (+966) 12 7426678

Rabigh

Rabigh Branch
Tel: (+966) 14 4233311

Tabouk

Tabouk Branch
Tel: (+966) 14 4432676

Yanbu

Yanbu Branch
Tel: (+966) 14 3572953

Yanbu Industrial Branch
Tel: (+966) 14 3570208

Eastern Region

Dammam

Dammam Main Branch
Tel: (+966) 13 8321272

Jarir Branch
Tel: (+966) 13 8420237

Al Jalawea Branch
Tel: (+966) 13 8153394

Al Faisaliah Branch
Tel: (+966) 13 8116653

Al Shatee Branch
Tel: (+966) 13 8324838

Al Khobar

Al-Khobar Al-Hada Branch
Tel: (+966) 13 8820040

Al-Khobar King Khalid St. Branch
Tel: (+966) 13 8942512

Al Khobar Main Branch
Tel: (+966) 13 8346928

Dharan

Al Doha Branch
Tel: (+966) 13 8683512

Tilal Al Doha Branch
Tel: (+966) 13 8309188

Al-Ahsa

Al Hofuf Main branch
Tel: (+966) 13 5863555

Al Shahbiyah Branch
Tel: (+966) 13 5995530

Al Salmaniyah Branch
(Al Nakheel; formerly)
Tel: (+966) 13 5754310

Al Mabraz Branch
Tel: (+966) 13 5730616

Jubail

Jubail Industrial –AlFanateer Branch
Tel: (+966) 13 3670157

Jubail City Branch
Tel: (+966) 13 3672701

Hafr Al Batin

Hafr Al Batin Branch
Tel: (+966) 13 7313417

Qateef

Qateef Branch
Tel: (+966) 13 8545463

Branches Network

بنك الجزيرة
BANK ALJAZIRA

Central Region

Riyadh

Al-Olaya Branch
Tel: (+966) 11 2157000

King Fahad Road Branch
Tel: (+966) 11 2051870

King Abdullah Road Branch
Tel: (+966) 11 2642123

Al-Quds Branch
Tel: (+966) 11 2781416

Khurais branch
Tel: (+966) 11 2256399

Al Nassem Branch
Tel: (+966) 11 2357813

Al Ma'ather Branch
Tel: (+966) 11 8108058

Al Malqa Branch
Tel: (+966) 11 4102998

Al Rayyan Branch
Tel: (+966) 11 2080166

West Ring Road Branch
Tel: (+966) 11 4338441

Al Takhasusi Branch
Tel: (+966) 11 2936599

Al-Suwaidi Branch
Tel: (+966) 11 4288695

Al-Nafl Branch
Tel(+966) 11 2751086 :

Al Rawdah Branch
Tel: (+966) 11 2543847

Al Shefa Branch
Tel: (+966) 11 2715589

Ishbilia Branch
Tel: (+966) 11 8124276

Al Sahafa Branch
Tel: (+966) 11 2251657

Al Mrouj Branch
Tel: (+966) 11 4154893

Al Malaz Branch
Tel: (+966) 11 2915490

Hatten Branch
Tel: (+966) 11 2145324

Qurtobah Branch
Tel: (+966) 11 2936599

Al Yasmin Branch
Tel: (+966) 11 2157590

Hail

Hail Branch
Tel: (+966) 16 5712157

AlKharj

Al Kharj Branch
Tel: (+966) 11 5476259

Al-Jouf

Al-Jouf Branch
Tel: (+966) 14 6460315

Qasim

Buraidah Branch
Tel: (+966) 16 3835310

Onizah Branch
Tel: (+966) 11 3624121

Southern Region

Khamis Mushait

Khamis Mushait Branch
Tel: (+966) 17 2216465

Abha

Abha Branch
Tel: (+966) 17 2260798

Najran

Najran Branch
Tel: (+966) 17 5236291

Jazan

Jazan Branch
Tel: (+966) 17 3228594

Abu Areesh Branch
Tel: (+966) 17 3402129

فوري Fawri

خدمــــات تحـــويل الأمــــوال

Money Transfer Services

Central Region

Al Batha/ Gaghazali BR. - 6101
Tel : (+966) 11 4068467 / 4068524

AL-Balad (Manila) Br. - 6102
Tel : (+966) 11 8108056 / 8108058

AL-Askary Br. - 6105
Tel : (+966) 11 4774889 / 4776472

AL-Morooj Br. - 6106
Tel : (+966) 11 2031861 / 2033058

Al-Khalidiya Br. - 6103
Tel : (+966) 11 4469290 / 4469311

Al-Kharj Br. - 6120
Tel : (+966) 11 5456467 / 5456476

Al-Mountazah Br. - 6107
Tel : (+966) 11 4083414 / 4083384

Al-Rawdah Br. - 6110
Tel : (+966) 11 2278447 / 2277506

Al-Sulimania Br. - 6104
Tel : (+966) 11 4778350 / 4778541

Manfouha Br. - 6108
Tel : (+966) 11 4571278 / 4571329

Al Naseem Br. - 6111
Tel : (+966) 11 2324529 / 2328366

Al Badiah Br. - 6109
Tel : (+966) 11 4101878 / 4101890

Al Sulay Riyadh - 6113
Tel : (+966) 11 2415523 / 2415570

Anas Ibn Malek - Al Yasmine - 6115
Tel : (+966) 11 8120043 / 8120051

Industrial 2 - 6119
Tel : (+966) 11 8104209 / 8109653

Buraidah Br. Qaseem 6501
Tel : (+966) 16 3694869 / 3271294

Haiel Br. - 6510
Tel : (+966) 16 5349317 / 5349318

Um Al Hammam Br. - 6117
Tel : (+966) 11 4824559 / 4824327

Sultanah Br. - 6114
Tel : (+966) 11 4283873 / 4285096

Al Yarmouk Br. - 6112
Tel : (+966) 11 8103904 / 8103905

Al Rass Br. - 6522
Tel : (+966) 16 3392670 / 3392680

Al-Shamaisi Br. - 6118
Tel : (+966) 11 8103242 / 8403198

Al Margab Br. - 6116
Tel : (+966) 11 4023424 / 4023430 / 4023435

Al Atyaf Mall Br. - 6131
Tel : (+966) 11 8102703 / 8103714

Al Rabea Br. - 6132
Tel : (+966) 11 8102443 / 8102342

Villagio Mall Br. - 6130
Tel: 920013001

Eastern Region

Jubail - 6705
Tel : (+966) 13 3448685 / 3448760

Dammam Main - 6701
Tel : (+966) 13 8341347 / 8341976

Block 91– 6702
Tel : (+966) 13 8190058 / 8190049

Al Thouqba Br. - 6711
Tel : (+966) 13 8088319 / 8089747

Al Eisa Mall – Al-Khobar Br. - 6710
Tel : (+966) 13 8084917 / 8088173

Al-Jalaweyah Br. - 6703
Tel : (+966) 13 8172190 / 8172623

Al Akrabiah Br. - 6714
Tel : (+966) 13 8984349 / 8949425

Industrial 2 Br. - 6709
Tel : (+966) 13 8021910 / 8021859

Al Jubail 2 Br. - 6706
Tel : (+966) 13 3615383 / 3632256

Al Ahsa Br. - 6731
Tel : (+966) 13 5732774 / 5732775

Jubail - Industrial Br. - 6707
Tel : (+966) 13 3441119 / 3618118

Hafr Al Batin Br. - 6747
Tel : (+966) 13 7310049 / 7310151

Lulu Al Dammam Br. - 6704
Tel : (+966) 13 8309023 / 8321202

Western Region

Al- Balad Br. - 6301
Tel : (+966) 12 2899757 / 2894596

Al- Heraa Br. - 6302
Tel : (+966) 12 6826902 / 6834007

Al- Bawadi Br. - 6303
Tel : (+966) 12 6558167 / 6558592

Mishrifa Br. - 6306
Tel : (+966) 12 6737669 / 6736713

Abha Br. - 6605
Tel : (+966) 17 2240401 / 2283150

Taif Br. - 6330
Tel : (+966) 12 7322543 / 7327792

Bani Malik Br. - 6307
Tel : (+966) 12 6727797 / 6727727

Al-Hamdaniyah Br. - 6311
Tel : (+966) 12 6071194 / 6070316

Yanbu Br. - 6347
Tel : (+966) 14 3572748 / 3573406

Al Medina Al Menwara Br. - 6340
Tel : (+966) 14 8280357 / 8280328

Al Salama Br. - 6304
Tel : (+966) 12 2861719 / 605 8581

Najran Br. - 6620
Tel : (+966) 17 5221993 / 5221846

Bin Ladin Br. - 6316
Tel : (+966) 12 6811358 / 6811357

Khamis Musheit Br. - 6614
Tel: (+966) 17 2740534 / 2740535

Al Sharafiah Br. - 6308
Tel : (+966) 12 6304023 / 6303762

Jizan Br. - 6646
Tel : (+966) 17 3220638 / 3220640

Tabuk Br. - 6580
Tel : (+966) 14 4216147 / 4221603

Al Kakyah Br. - 6360
Tel : (+966) 12 5307034 / 5306986

Rabegh Br. - 6380
Tel : (+966) 12 4221246 / 4221247

Al Joof Br.6570
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Tel : (+966) 17 3340447 / 3340225

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Tel : (+966) 14 3570124 / 3570190

Al Khumra Br. 6317
Tel: 920013001

Bisha Br. 6618
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Western and Southern Region

Mosaadia (Jeddah)
0126606020 - Ex 8887

Alshate (Jeddah)
012-6098560

Madina Monawara
014-8451959

Makkah Al-Mukarrama
012-5571010- Ex 600

Central Region

King Fahd Road (Riyadh)
011-2256000

Ocbah Bin Nafee (Riyadh)
011-2780486

Al-Suwaidi (Riyadh)
011-4288716

Al-Riyan (Riyadh)
011-2083385

Eastern Region

Al-Khubar Alhada
013-8820040

Qatif
013-8545370

Hafuf
013-5861590

Qassem Region

Oniza
016-3634615

Buraida
016-3835230

AlJazira Capital Toll free Number **800 116 9999**

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 and 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 internal review procedures and branches physical inspections, ensures that the Bank is adhering to regulatory mandates and reflecting them into its policies and procedures.

Evaluation and Assessment of the Effectiveness of the Internal Controls

The Banks' 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 Managements' evaluation of the internal control system, as prescribed by SAMA.

Hani Noori Chief Financial Officer	**Abdulaziz Al-Zammam** Chief Internal Audit Executive	**Hamad Al-Essa** Chief Compliance & AML

Sharia'h Supervisory Board's Annual Report 2021

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 Al-Jazira,

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 2021 to give the sharia opinion, the necessary fatwas, directions and 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 (Signed)**
Dr. Abdullah Bin Mohammed Al-Mutlaq	**V ice Chairman (Signed)**
Dr. Mohammed Bin Ali El-Gari	**Member (Signed)**
Dr. Fahad Bin Ali Al-Olayan	**Rapporteur (Signed)**

FINANCIAL STATEMENTS

CONTENTS

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5th floor, Jameel Square,
P.O. Box 16415
Jeddah 21464
Kingdom of Saudi Arabia
License No. 25

Ernst and Young & Co Public Accountants
(Professional Limited Liability Company)
13th Floor - King's Road Tower
King Abdulaziz Road
P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Registration Number: 45

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, 2021, 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, 2021, 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 Chartered and Professional 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 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 financing: As at December 31, 2021, the gross financing of the Group were 65,072 (2020: SAR 56,154 million) against which an expected credit loss ("ECL") allowance of 2,638 (2020: SAR 2,193 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 under the requirement of IFRS 9 – Financial Instruments ("IFRS 9") . The key areas of judgement include: 1. Categorisation of financing 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. In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), unless there has been a significant	▪ We obtained and updated our understanding of management's assessment of ECL allowance against financing 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 by Credit and Remedial management of key assumptions and post model adjustments, if any; • the classification of financing 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.

Key audit matter	How our audit addressed the key audit matter
increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the financing and advances ('Lifetime ECL'). The Group has applied 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 especially relating to ongoing COVID – 19 pandemic 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, 2021. 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 financing; and note 30.2 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	■ 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 financing 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 or otherwise. ■ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic. ■ We tested the completeness and accuracy of data underpinning the ECL calculations as at December 31, 2021. ■ Where required, 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, 2022. 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, 2021, the Bank has received SR XXX 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; and ➤ 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.	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.

Other information included in the Group's 2021 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 2021 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 Kingom 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.

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, in all material respects, with the applicable 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 PricewaterhouseCoopers
Certified Public Accountants

Mufaddal A.Ali
Certified Public Accountant
License Number 447

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
س.ت ١٠١٠٣٧١٦٢٢
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CERTIFIED PUBLIC ACCOUNTS
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for Ernst and Young & Co
Public Accountants (Professional LLC)

Ahmed I. Reda
Certified Public Accountant
License Number 356

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شركة ارنست ويونغ وشركاهم محاسبون قانونيون
(شركة ذات مسئولية محدودة مهنية)
Ernst and Young & Co Public Accountants
(Professional LLC)

13 February 2022
12 Rajab 1443H

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Notes	2021 SR'000	2020 SR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA)	4	**5,386,871**	5,248,294
Due from banks and other financial institutions, net	5	**663,502**	426,138
Investments, net	6	**31,433,805**	29,895,473
Positive fair value of Shari'ah compliant derivatives	11	**12,058**	135,224
Financing, net	7	**62,434,476**	53,961,211
Investment in Investment in an associate	8	**211,143**	164,136
Other real estate, net	7(h)	**507,743**	474,421
Property and equipment, net	9	**1,156,380**	1,155,609
Other assets	10	**1,021,343**	628,368
Total assets		**102,827,321**	92,088,874
LIABILITIES AND EQUITY **LIABILITIES**			
Due to banks and other financial institutions	12	**6,410,080**	8,530,196
Customers' deposits	13	**78,365,149**	68,003,612
Negative fair value of Shari'ah compliant derivatives	11	**227,309**	303,495
Subordinated Sukuk	14	**1,994,685**	2,004,633
Other liabilities	15	**1,935,027**	1,882,439
Total liabilities		**88,932,250**	80,724,375
EQUITY			
Share capital	16	**8,200,000**	8,200,000
Statutory reserve	17	**2,917,273**	2,665,754
Other reserves	18	**(114,552)**	(99,576)
Retained earnings		**1,017,350**	598,321
Equity attributable to shareholders' of the Bank		**12,020,071**	11,364,499
Tier 1 Suku Tier 1 Sukuk	19	**1,875,000**	-
Total Equity		**13,895,071**	11,364,499
Total Liabilities and Equity		**102,827,321**	92,088,874

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, 2021

	Notes	2021 SR'000	2020 SR'000
Income from investments and financing	21	3,034,326	3,180,041
Return on deposits and financial liabilities	21	(409,286)	(789,705)
Net financing and investment income		2,625,040	2,390,336
Fees from banking services - income	22	1,134,868	1,025,207
Fees from banking services - expense	22	(496,395)	(417,699)
Fees from banking services, net		638,473	607,508
Exchange income, net		172,555	240,164
Net (loss) / gain on FVIS financial instruments	23	(11,613)	9,816
Dividend income		804	80
Net gains on derecognition of financial assets at FVOCI – Sukuk		14,263	4,703
Net gains on derecognition of financial assets at amortised cost		95,508	2,102
Other operating income	24	12,135	32,410
Total operating income		3,547,165	3,287,119
Salaries and employee-related expenses	37	976,699	982,608
Rent and premises-related expenses		56,197	52,944
Depreciation and amortisation	9	198,723	214,446
Other general and administrative expenses		502,565	429,891
Other operating expenses		35,705	16,571
Total operating expenses before impairment charge		1,769,889	1,696,460
Impairment charge for financing and other financial assets, net	7(f)	624,566	1,575,743
Impairment charge for other real estate	7(h)	46,913	-
Total operating expenses		2,441,368	3,272,203
Net operating income		1,105,797	14,916
Share in net income of an associate	8	8,010	16,279
Gain on deemed disposal of an associate	8	39,390	-
Net income for the year before Zakat and income tax		1,153,197	31,195
Zakat and income tax:			
Zakat	26	(138,407)	(286)
Income tax	26	(8,714)	2,845
Net income for the year		1,006,076	33,754
Basic and diluted earnings per share (expressed in SR per share)	25	1.18	0.04

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, 2021

	Notes	2021 SR'000	2020 SR'000
Net income for the year		**1,006,076**	33,754
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	**63,847**	(48,138)
- Net amount transferred to consolidated statement of income	18	**(12,100)**	(89)
Net changes in fair value of investments classified as at FVOCI - Sukuk	18	**(78,509)**	31,052
Items that cannot be reclassified to consolidated statement of income in subsequent years:			
Remeasurement gains on employee benefit obligation	18	**11,786**	4,403
Total other comprehensive loss for the year		**(14,976)**	(12,772)
Total comprehensive income for the year		**991,100**	20,982

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

	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 shareholders' equity SR'000	Tier 1 Sukuk SR'000	Total Equity SR'000
2021										
Balance at January 1, 2021 (audited)		**8,200,000**	**2,665,754**	**-**	**(99,576)**	**598,321**	**-**	**11,364,499**	**-**	**11,364,499**
Net income for the year		**-**	**-**	**-**	**-**	**1,006,076**	**-**	**1,006,076**	**-**	**1,006,076**
Other comprehensive loss for the year		**-**	**-**	**-**	**(14,976)**	**-**	**-**	**(14,976)**	**-**	**(14,976)**
Total comprehensive income for the year		**-**	**-**	**-**	**(14,976)**	**1,006,076**	**-**	**991,100**	**-**	**991,100**
Transfer to statutory reserve	17	**-**	**251,519**	**-**	**-**	**(251,519)**	**-**	**-**	**-**	**-**
Tier 1 Sukuk issued	19	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,875,000**	**1,875,000**
Tier 1 Sukuk issuance cost		**-**	**-**	**-**	**-**	**(9,213)**	**-**	**(9,213)**	**-**	**(9,213)**
Tier 1 Sukuk related costs		**-**	**-**	**-**	**-**	**(39,315)**	**-**	**(39,315)**	**-**	**(39,315)**
Interim dividend paid	27	**-**	**-**	**-**	**-**	**(287,000)**	**-**	**(287,000)**	**-**	**(287,000)**
Balance at December 31, 2021		**8,200,000**	**2,917,273**	**-**	**(114,552)**	**1,017,350**	**-**	**12,020,071**	**1,875,000**	**13,895,071**

	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 shareholders' equity SR'000	Tier 1 Sukuk SR'000	Total Equity 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	-	11,589,517
Net income for the year		-	-	-	-	33,754	-	33,754	-	33,754
Other comprehensive loss for the year		-	-	-	(12,772)	-	-	(12,772)	-	(12,772)
Total comprehensive income for the year		-	-	-	(12,772)	33,754	-	20,982	-	20,982
Transfer to statutory reserve	17	-	8,438	-	-	(8,438)	-	-	-	-
Transfer from general reserve		-	-	(68,000)	-	68,000	-	-	-	-
2019 Final dividend paid	27	-	-	-	-	-	(246,000)	(246,000)	-	(246,000)
Balance at December 31, 2020		8,200,000	2,665,754	-	(99,576)	598,321	-	11,364,499	-	11,364,499

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, 2021

	Notes	2021 SR'000	2020 SR'000
OPERATING ACTIVITIES			
Net income for the year before Zakat and income tax		**1,153,197**	31,195
Adjustments to reconcile net income to net cash from operating activities:			
Net loss / (gain) on FVIS financial instruments		**7,739**	(9,816)
Depreciation and amortisation	9	**198,723**	214,446
Gain on investments not held as FVIS		**(109,771)**	(6,805)
Net loss on disposal / write off of property and equipment		**8,639**	3,123
Impairment charge for financing and other financial assets, net	7(f)	**624,566**	1,575,743
Impairment charge for other real estate	7(h)	**46,913**	-
Share in net income of an associate	8	**(8,010)**	(16,279)
Gain on deemed disposal of an associate	8	**(39,390)**	-
Return on subordinated sukuks		**26,738**	70,941
		1,909,344	1,862,548
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**(711,459)**	(199,943)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**-**	860,900
Investments held at FVIS		**181,323**	(146,264)
Positive fair value of Shari'ah compliant derivatives		**123,166**	(33,598)
Financing		**(9,061,505)**	(5,591,932)
Other real estate		**(80,235)**	(5,429)
Other assets		**(392,975)**	(142,818)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**(2,120,116)**	276,442
Customers' deposits		**10,361,537**	5,306,818
Negative fair value of Shari'ah compliant derivatives		**(88,936)**	87,484
Other liabilities		**44,780**	54,486
		164,924	2,328,694
Zakat and income tax paid		**(94,497)**	(218,451)
Net cash from operating activities		**70,427**	2,110,243
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS		**3,309,166**	214,119
Purchase of investments not held as FVIS		**(4,992,662)**	(2,303,389)
Acquisition of property and equipment	9	**(146,710)**	(185,929)
Proceeds from sale of property and equipment		**233**	1,400
Net cash used in investing activities		**(1,829,973)**	(2,273,799)
FINANCING ACTIVITIES			
Issue of Tier 1 Sukuk	19	**1,875,000**	-
Issue of Tier 2 subordinated sukuk	14	**2,000,000**	-
Repayment of Tier 2 subordinated Sukuk	14	**(2,000,000)**	-
Payment of sukuk related transactions costs		**(13,444)**	-
Payment of return on Tier 1 and Tier 2 sukuks		**(65,140)**	(73,229)
Dividends paid		**(276,485)**	(252,620)
Payment for principal portion of lease liabilities		**(96,692)**	(81,090)
Net cash inflow from / (used in) financing activities		**1,423,239**	(406,939)
Net change in cash and cash equivalents		**(336,307)**	(570,495)
Cash and cash equivalents at the beginning of the year		**2,076,343**	2,646,838
Cash and cash equivalents at the end of the year	28	**1,740,036**	2,076,343
Income from investments and financing received during the year		**2,981,782**	3,109,077
Return on deposits and financial liabilities paid during the year		**504,430**	864,656
Supplemental non-cash information			
Net changes in fair value and transfers to the consolidated statement of income		**51,747**	(48,227)

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, 2021

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 81 branches (2020: 79 branches) and 62 Fawri Remittance Centres (2020: 62 Fawri Remittance Centres) in the Kingdom of Saudi Arabia and employed 2,420 staff as of December 31, 2021 (2020: 2,419 staff). The Bank's Head Office is located at the following address:

Bank AlJazira
7724 King Abdulaziz Road - Al-Shatea District
Jeddah 23513 - 3551
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, 2021	Ownership (direct and indirect) December 31, 2020
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 (under liquidation – note (a) below)	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%
BAJ Sukuk Tier 1 Limited	Cayman Islands	Trustee for issuance of Tier 1 capital certificates	100%	-
Associate				
AlJazira Takaful Ta'awuni Company	Kingdom of Saudi Arabia	Fully Shari'ah compliant protection and saving products	26.03%	35%

(a) Subsequent to the year ended 31 December 2020, the Aman Insurance Agency Company (the Company) applied for its license renewal from Saudi Central Bank ("SAMA"), however, it was refused, as SAMA had issued Rule governing bancassurance activities during May 2020 which require the banks to carry out Bancassurance business directly. This as a result has restricted the ability of the Company to carry out business activities and therefore, management of the Company has decided to initiate the winding up procedures which are in process as at 31 December 2021.

2. BASIS OF PREPARATION

a) Basis of preparation

i. Statement of compliance

The consolidated financial statements of the Group as at and for the year ended 31 December 2021 and 31 December 2020, respectively, 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 Chartered and Professional 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 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 2021 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)(l))
xii. Government grant (note 3(i))
xiii. Judgement of equity vs liability for Tier 1/2 Sukuk (note 2(c)(viii))

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 35 (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 35).

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.

Other real estates are revalued through independent real estate evaluators on a periodic basis and any unrealised losses on revaluation are 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 29 to these consolidated financial statements.

viii. Judgement of equity vs liability for Tier 1/2 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to sukuk holders are limited in number and scope and very difficult to exercise. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

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, 2020. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, the management has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

Standard, interpretation, amendments	Description	Effective date
Amendments to IFRS 7, IFRS 4 and IFRS 16 Profit Rate Benchmark Reform – Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform Whilst adoption is not mandatory for September 2021 year ends, earlier application is permitted. Please also refer note 42 to these consolidated financial statements.	Annual periods beginning on or after 1 January 2021
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 June 2021

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments and revisions which are effective from periods on or after January 1, 2022. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	*Amendments to IFRS 3, 'Business combinations'* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. *Amendments to IAS 16, 'Property, plant and equipment'* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. *Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'* specify which costs a company includes when assessing whether a contract will be loss-making. *Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.*	Annual periods beginning on or after 1 January 2022.
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Annual periods beginning on or after 1 January 2023

Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023. However, the IASB plans to publish an exposure draft in the fourth quarter of 2021 proposing the deferral of the effective date to no earlier than 1 January 2024.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only-it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.

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 profit 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 profit 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. Income from investments and financing 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 profit, maintaining a particular profit 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 Profit (SPPI)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic 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 profit, 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 profit 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

Financial liabilities are classified as measured at amortized cost or FVIS. The Group classifies its financial liabilities, other than financial guarantees and credit related 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 financing, 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. A liability is classified at FVIS if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition.

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 credit related 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 plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- Other fees are included in profit or loss as part of the gain or loss on derecognition.

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 income from investments and financing.

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.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in consolidated statement of income.

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
- credit related 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. Financial instruments for which 12-month ECL are recognized are referred to as 'Stage1' financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

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 credit related 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.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and Ijarah receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate
- Ijarah receivables: the discount rate used in measuring Ijarah receivables.
- Undrawn credit related commitments: the effective profit rate, or an approximation thereof, that will be applied to the financial asset resulting from the credit related commitment; and
- Financial Guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

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 financing 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 financing 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 financing 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;
- credit related 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 credit related 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

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

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

The Group has issued no credit related commitments that are measured at FVIS. For other credit related 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, profit rate swaps and profit 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 consolidated statement of income 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.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the statement of income in 'net gain on FVIS financial instruments'. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of income.

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 profit 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.

Profit Rate Benchmark Reform issued in September 2019 (the Phase 1 amendments)

If a hedging relationship is directly affected by InterBank Offer Rate (IBOR) reform, then the Group applies certain exceptions in the Phase 1 amendments to the general hedge accounting policy. The Group considers that a hedging relationship is directly affected by IBOR reform if it is subject to the following uncertainty arising from the reform:

- a profit rate benchmark subject to the reform is designated as the hedged risk, regardless of whether the rate is contractually specified; and/or
- the timing or amount of profit rate benchmark-based cash flows of the hedged item or of the hedging instrument is uncertain.

When the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the profit rate benchmark-based cash flows of the hedged item or hedging instrument or when the hedging relationship is discontinued, the Group ceases to apply the respective Phase 1 amendments.

However, when determining whether a previously designated forecast transaction is no longer expected to occur, the Group continues to assume that the hedged profit rate benchmark cash flows will not be altered as a result of IBOR reform in accordance with the Phase 1 exemption.

The Group has concluded that as at 31 December 2021 there is no uncertainty in relation to IBOR reform in respect of its hedging relationships.

Profit Rate Benchmark Reform issued in August 2020 (the Phase 2 amendments)

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- updating the description of the hedging instrument; or
- updating the description of how the entity will assess hedge effectiveness.

The Group amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those economically equivalent changes required by IBOR reform described above, then the Group considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the profit rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

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

Income from investments and financing and Return on deposits and financial liabilities

Revenue and expenses related to profit bearing financial instruments 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

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 revenue and expenses related to profit bearing financial instruments, 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, income from investments and financing 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 income from investments and financing income reverts to the gross basis.

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

When the Group enters into a profit rate swap to change profit from fixed to floating (or vice versa), the amount of revenue and expenses related to profit bearing financial instruments is adjusted by the net profit 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 from banking services

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

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

Other fee expense on banking services 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 to 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, financing and investment income, 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 Return on deposits and financial liabilities 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 "financing", as appropriate. The difference between the purchase and resale price is treated as income from investments and financing 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 financing. Such real estate are considered as assets held for sale and are initially stated at the lower of the net realizable value of due financing 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) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Bank purchases the Bank's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Bank as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the owners of the Bank.

Shares held by the Bank are disclosed as treasury shares and deducted from contributed equity.

n) 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.

o) 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.

p) 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 finance cost 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 "financing, 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.

q) 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.

r) Employees' benefits

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 obligations.

The defined benefit liability comprises the present value of defined benefit obligations 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.

s) 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.

Withholding 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 ZATCA 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 Zakat, Tax and Customs Authority ("ZATCA"). 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.

t) 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.

u) 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

	2021 SR'000	2020 SR'000
Cash in hand	**969,993**	1,122,892
Wakala placement with SAMA	**104,995**	524,978
Cash and cash equivalents (note 28)	**1,074,988**	1,647,870
Statutory deposit with SAMA	**4,311,883**	3,600,424
Total	**5,386,871**	5,248,294

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 34). 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, NET

	2021 SR'000	2020 SR'000
Current accounts	**648,157**	428,473
Money market placements	**16,891**	-
	665,048	428,473
Less: impairment allowance (note (b) below)	**(1,546)**	(2,335)
Total	**663,502**	426,138

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

	2021 SR'000	2020 SR'000
Commodity murabaha	**16,891**	-
Wakala	**-**	-
	16,891	-

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.

2021

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
		(SR'000)		
Gross carrying amount as at 1 January 2021	**279,628**	**146,181**	**2,664**	**428,473**
Transfer to 12-month ECL	**146,181**	**(146,181)**	**-**	**-**
Financial assets derecognised during the period other than write-offs	**-**	**-**	**-**	**-**
New financial assets originated	**168,087**	**-**	**-**	**168,087**
Changes in accrued profit	**16**	**-**	**-**	**16**
Other movements	**67,920**	**-**	**552**	**68,472**
Gross carrying amount as at 31 December 2021	**661,832**	**-**	**3,216**	**665,048**

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	14,662	-	-	14,662
Other movements	92,783	56,463	2,324	151,570
Gross carrying amount as at 31 December 2020	279,628	146,181	2,664	428,473

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

2021

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
		(SR'000)		
Loss allowance as at January 1, 2021	**1,434**	**901**	**-**	**2,335**
Transfer to 12-month ECL	**901**	**(901)**	**-**	**-**
Net re-measurement of loss allowance	**(970)**	**-**	**-**	**(970)**
New financial assets originated	**181**	**-**	**-**	**181**
Financial assets that have been derecognized	**-**	**-**	**-**	**-**
Loss allowance as at December 31, 2021	**1,546**	**-**	**-**	**1,546**

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

The credit quality of due from banks and other financial institutions is managed using reputable external credit rating agencies. For credit quality of outstanding exposure by rating category refer note 31.2.

6. INVESTMENTS

a) As of December 31, 2021, investments were classified as follows:

2021 SR'000	Domestic	International	Total
i) FVIS			
Mutual funds	202,755	59,688	262,443
Equities – quoted	4,349	-	4,349
	207,104	59,688	266,792
ii) FVOCI			
Equities – unquoted	4,143	742	4,885
Sukuk investments	3,923,353	135,548	4,058,901
	3,927,496	136,290	4,063,786
Allowance for impairment	(295)	(130)	(425)
	3,927,201	136,160	4,063,361
iii) Amortised cost			
Sukuk investments	22,205,575	-	22,205,575
Wakala floating rate notes	4,904,263	-	4,904,263
	27,109,838	-	27,109,838
Allowance for impairment	(6,186)	-	(6,186)
	27,103,652	-	27,103,652
Total	31,237,957	195,848	31,433,805

2020 SR'000	Domestic	International	Total
i) FVIS			
Mutual funds	193,324	249,020	442,344
Equities – quoted	760	-	760
	194,084	249,020	443,104
ii) FVOCI			
Equities – unquoted	4,143	789	4,932
Sukuk investments	1,113,319	-	1,113,319
	1,117,462	789	1,118,251
Allowance for impairment	-	-	-
	1,117,462	789	1,118,251
iii) Amortised cost			
Sukuk investments	23,436,322	-	23,436,322
Wakala floating rate notes	4,904,294	-	4,904,294
	28,340,616	-	28,340,616
Allowance for impairment	(6,498)	-	(6,498)
	28,334,118	-	28,334,118
Total	29,645,664	249,809	29,895,473

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

	2021			2020		
	Quoted SR'000	Unquoted SR'000	Total SR'000	Quoted SR'000	Unquoted SR'000	Total SR'000
Sukuk investments-Fixed rate	18,088,100	5,713,593	23,801,693	17,024,073	5,344,338	22,368,411
Sukuk investments-Floating rate	1,905,780	550,710	2,456,490	1,924,265	250,467	2,174,732
Wakala floating rate notes	4,903,945	-	4,903,945	4,904,294	-	4,904,294
Equities	4,349	4,885	9,234	760	4,932	5,692
Mutual funds	245,288	17,155	262,443	441,411	933	442,344
Total investments	25,147,462	6,286,343	31,433,805	24,294,803	5,600,670	29,895,473

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

	2021				2020			
	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	22,199,707	650,094	44,428	22,805,373	23,429,824	790,816	9,548	24,211,092
Wakala floating rate notes	4,903,945	309	-	4,904,254	4,904,294	-	-	4,904,294
Total	27,103,652	650,403	44,428	27,709,627	28,334,118	790,816	9,548	29,115,386

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

	2021 SR'000	2020 SR'000
Government and quasi Government	30,675,943	29,070,400
Corporate	186,106	447,848
Banks and other financial institutions	571,756	377,225
Total	31,433,805	29,895,473

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 (2020: SR 375 million), which have been pledged under repurchase agreements with other banks. The market value of such investment is SR 406.99 million (2020: SR 421.27 million).

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

2021 (SR'000)	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at January 1, 2021	6,498	-	-	6,498
Net re-measurement of loss allowance	(637)	-	-	(637)
New financial assets originated	340	-	-	340
Financial assets that have been derecognized	(15)	-	-	(15)
Loss allowance as at December 31, 2021	6,186	-	-	6,186

2020 (SR'000)	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
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. FINANCING, NET

Consumer includes financing related to individuals for personal needs.
Commercial include financing to corporate, medium and small sized business and institutional customers.
Others include financing to staff.

a) Financing, net comprised the following:

SR'000	Credit cards	Consumer	Commercial	Others	Total
2021					
Performing financing	685,545	27,826,969	34,844,008	336,836	63,693,358
Non-performing financing	60,130	264,663	1,054,322	-	1,379,115
Gross financing	745,675	28,091,632	35,898,330	336,836	65,072,473
Allowance for impairment	(65,623)	(225,570)	(2,346,248)	(556)	(2,637,997)
Financing, net	680,052	27,866,062	33,552,082	336,280	62,434,476

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

Financing, 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:

	SR'000				
	Credit cards	**Consumer**	**Commercial**	**Others**	**Total**
2021					
Tawarruq	745,675	-	29,446,340	-	30,192,015
Murabaha	-	22,226,855	4,203,082	-	26,429,937
Ijarah	-	5,854,797	1,054,967	-	6,909,764
Qard Alhasan	-	-	-	336,836	336,836
Others	-	9,980	1,193,941	-	1,203,921
Gross financing	745,675	28,091,632	35,898,330	336,836	65,072,473
Allowance for impairment	(65,623)	(225,570)	(2,346,248)	(556)	(2,637,997)
Financing, net	680,052	27,866,062	33,552,082	336,280	62,434,476

	SR'000				
	Credit cards	Consumer	Commercial	Others	Total
2020					
Tawarruq	751,284	-	22,732,987	-	23,484,271
Murabaha	-	19,293,948	2,710,405	-	22,004,353
Ijarah	-	7,414,928	1,273,794	-	8,688,722
Qard alhasan	-	-	-	371,189	371,189
Others	-	1,493	1,604,180	-	1,605,673
Gross financing	751,284	26,710,369	28,321,366	371,189	56,154,208
Allowance for impairment	(63,908)	(211,871)	(1,917,218)	-	(2,192,997)
Financing, net	687,376	26,498,498	26,404,148	371,189	53,961,211

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

	2021			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	(SR'000)			
Financing				
Gross carrying amount as at 1 January 2021	48,741,158	4,292,092	3,120,958	56,154,208
Transfer to 12-month ECL	1,020,894	(1,015,410)	(5,484)	-
Transfer to lifetime ECL not credit –Impaired	(1,436,813)	1,446,853	(10,040)	-
Transfer to lifetime ECL credit impaired	(230,227)	(850,657)	1,080,884	-
Other Movements	(529,092)	(261,504)	(17,360)	(807,956)
New financial assets originated or purchased	17,698,545	95,715	75,178	17,869,438
Financial assets that have been derecognized	(7,387,352)	(277,224)	(282,404)	(7,946,980)
Changes in profit accrual	(37,058)	-	-	(37,058)
Write-offs	-	-	(159,179)	(159,179)
Gross carrying amount as at 31 December 2021	57,840,055	3,429,865	3,802,553	65,072,473

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing				
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 profit 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

c) An analysis of changes in ECL for financing is as follows:

2021

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing				
ECL as at January 1, 2021	**335,609**	**298,170**	**1,559,218**	**2,192,997**
Transfer to 12-month ECL	**13,658**	**(10,909)**	**(2,749)**	**-**
Transfer to lifetime ECL not credit – impaired	**(9,876)**	**13,969**	**(4,093)**	**-**
Transfer to lifetime ECL credit impaired	**(1,345)**	**(127,549)**	**128,894**	**-**
Net re-measurement of loss allowance	**(183,775)**	**65,769**	**704,892**	**586,886**
New financial assets originated or purchased	**55,586**	**1,567**	**37,473**	**94,626**
Financial assets that have been derecognized	**(39,116)**	**(18,210)**	**(20,007)**	**(77,333)**
Write-offs	**-**	**-**	**(159,179)**	**(159,179)**
ECL as at December 31, 2021	**170,741**	**222,807**	**2,244,449**	**2,637,997**

2020

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing				
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

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

2021

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Credit cards				
ECL as at January 1, 2021	**26,055**	**1,661**	**36,192**	**63,908**
Transfer to 12-month ECL	**1,546**	**(595)**	**(951)**	**-**
Transfer to lifetime ECL not credit – impaired	**(389)**	**484**	**(95)**	**-**
Transfer to lifetime ECL credit impaired	**(604)**	**(445)**	**1,049**	**-**
Net re-measurement of loss allowance	**(7,165)**	**240**	**7,839**	**914**
New financial assets originated	**10,071**	**813**	**1,542**	**12,426**
Financial assets that have been derecognized	**(4,631)**	**(502)**	**(4,694)**	**(9,827)**
Write-offs	**-**	**-**	**(1,798)**	**(1,798)**
ECL as at December 31, 2021	**24,883**	**1,656**	**39,084**	**65,623**

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

	2021			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Consumer financing				
ECL as at January 1, 2021	131,842	2,184	77,845	211,871
Transfer to 12-month ECL	2,344	(546)	(1,798)	-
Transfer to lifetime ECL not credit – impaired	(305)	4,303	(3,998)	-
Transfer to lifetime ECL credit impaired	(338)	(372)	710	-
Net re-measurement of loss allowance	(69,334)	(3,541)	102,172	29,297
New financial assets originated	32,108	620	4,347	37,075
Financial assets that have been derecognized	(30,649)	(1,028)	(15,224)	(46,901)
Write-offs	-	-	(5,772)	(5,772)
ECL as at December 31, 2021	65,668	1,620	158,282	225,570

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Consumer financing				
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

	2021			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Commercial financing				
ECL as at January 1, 2021	177,712	294,325	1,445,181	1,917,218
Transfer to 12-month ECL	9,768	(9,768)	-	-
Transfer to lifetime ECL not credit – impaired	(9,182)	9,182	-	-
Transfer to lifetime ECL credit impaired	(403)	(126,732)	127,135	-
Net re-measurement of loss allowance	(107,832)	69,070	594,881	556,119
New financial assets originated	13,407	134	31,584	45,125
Financial assets that have been derecognized	(3,836)	(16,680)	(89)	(20,605)
Write-offs	-	-	(151,609)	(151,609)
ECL as at December 31, 2021	79,634	219,531	2,047,083	2,346,248

	2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Commercial financing				
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

e) Movements in allowance for impairment are as follows:

2021	SR'000 Credit Cards	Consumer	Commercial	Others	Total
Opening ECL allowance as at 1 January 2021	63,908	211,871	1,917,218	-	2,192,997
Impairment charge for the year	3,513	119,763	641,064	556	764,896
Bad debts written off during the year	(1,798)	(5,772)	(151,609)	-	(159,179)
Recoveries / reversals of amounts previously provided	-	(100,461)	(60,425)	-	(160,886)
Allowance written back	-	169	-	-	169
Balance at the end of the year	65,623	225,570	2,346,248	556	2,637,997

2020	SR'000 Credit Cards	Consumer	Commercial	Others	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

The contractual amount outstanding on financial assets that were written off during the year ended December 31, 2021 and that are still subject to enforcement activity is SR 147.06 million (2020: SR 128.42 million).

f) Net impairment charge for financing and other financial assets for the year in the consolidated statement of income is as follows:

	2021 SR'000	2020 SR'000
Impairment charge for financing for the year	764,896	1,411,054
(Recoveries) / (reversal) of amounts previously impaired	(160,886)	(92,278)
(Recoveries) from debts previously written off	(15,771)	(27,936)
Net (reversal) / charge for impairment in respect of due from banks and other financial institutions	(789)	807
Net impairment charge for ECL in respect of investments	113	6,498
Net impairment charge for ECL in respect of non-funded financing and credit related commitments	37,003	277,598
Impairment charge for financing and other financial assets, net	624,566	1,575,743

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

2021	Performing SR'000	Non performing SR'000	Allowance for impairment SR'000	Financing, net SR'000
Government and quasi Government	5,099,802	-	(14,803)	5,084,999
Banks and other financial institutions	1,265,676	-	(7,479)	1,258,197
Agriculture and fishing	73,155	-	(55)	73,100
Manufacturing	4,598,309	175,895	(741,545)	4,032,659
Electricity, water, gas and health services	120,984	-	(221)	120,763
Building and construction	2,118,094	140,614	(489,261)	1,769,447
Commerce	10,625,813	521,554	(743,288)	10,404,079
Transportation and communication	407,370	-	(1,760)	405,610
Services	1,649,409	82,514	(154,227)	1,577,696
Consumer financing and credit cards	28,512,514	324,793	(291,193)	28,546,114
Share trading	1,917,785	-	-	1,917,785
Others	7,304,447	133,745	(194,165)	7,244,027
Total	63,693,358	1,379,115	(2,637,997)	62,434,476

2020	Performing SR'000	Non performing SR'000	Allowance for impairment SR'000	Financing, 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 financing 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

h) Other real estate

	2021 SR'000	2020 SR'000
Balance at the beginning of the year	**474,421**	468,992
Additions during the year	**82,845**	6,190
Disposals during the year	**(2,610)**	(761)
Gross balance at the end of the year	**554,656**	474,421
Provision for unrealised revaluation losses (note (i) below	**(46,913)**	-
Net balance at the end of the year	**507,743**	474,421

i) This represents impairment charge booked in respect of unrealised losses during the current year on certain properties which were acquired by the Bank in prior years in satisfaction of claims against the financing customers. The amount was calculated based on revaluations conducted by the independent real estate evaluators.

8. INVESTMENT IN AN ASSOCIATE

The Group holds 26.03% (31 December 2021: 35%) shareholding in AlJazira Takaful Ta'awuni Company ("ATT").

The share of total comprehensive income in an associate represents the Group's share in the total comprehensive income of ATT and was based on the latest available financial information of ATT for the period ended September 30, 2021. ATT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in ATT as of December 31, 2021 is SR 286.87 million (2020: SR 309.92 million).

During the current year, ATT has completed the merger of Solidarity Saudi Takaful Company (SSTC) into ATT diluting the effective shareholding of the BAJ Group. The purchase consideration for this merger was determined to be SR 317.95 million which has been settled by issuing 12.07 million new shares of ATT to shareholders of SSTC at a price of SAR 26.35 per share. This dilution of BAJ Group shareholding was treated as deemed disposal in line with the requirements of IAS 28 – 'Investments in Associates and Joint ventures'. This has resulted in recognition of a gain of SR 39.4 million which has been presented in the consolidated statement of income.

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

	2021 SR'000	2020 SR'000
Total assets	**2,820,593**	1,848,003
Total liabilities	**(2,009,762)**	(1,379,091)
Total shareholders' equity	**811,243**	468,961
Proportion of the Group's ownership	**26.03%**	35%
Carrying amount of the investment	**211,143**	164,136

	2021 SR'000	2020 SR'000
Total profit for the year before Zakat and income tax	**25,667**	46,510
The Group's share of profit for the year	**8,010**	16,279

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

	2021 SR'000	2020 SR'000
Balance at the beginning of the year	164,136	148,332
Gain on deemed disposal of an associate	39,390	-
Share in profit for the year before zakat and income tax	8,010	16,279
Share of Zakat and income tax	(393)	(475)
Balance at the end of the year	211,143	164,136

9. PROPERTY AND EQUIPMENT, NET

	2021 SR'000	2020 SR'000
Property and equipment, net (note a)	704,052	664,198
Right of use assets, net (note b)	326,810	354,116
Intangible assets (note c)	125,518	137,295
Total	1,156,380	1,155,609

a) Property and equipment, net

	Land and buildings SR'000	Leasehold improvements SR'000	Furniture, equipment and vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost					
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 January 1, 2021	**307,832**	**556,799**	**621,096**	**92,461**	**1,578,188**
Additions during the year	6,101	1,150	6,116	93,494	106,861
Transfers during the year	71,481	9,265	4,392	(85,138)	-
Disposals during the year	-	(41,045)	(8,854)	-	(49,899)
At December 31, 2021	**385,414**	**526,169**	**622,750**	**100,817**	**1,635,150**
Accumulated depreciation					
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 January 1, 2021	**5,040**	**367,369**	**541,581**	**-**	**913,990**
Charge for the year	1,435	27,530	29,929	-	58,894
Disposals	-	(33,719)	(8,067)	-	(41,786)
At December 31, 2021	**6,475**	**361,180**	**563,443**	**-**	**931,098**
Net book value					
At December 31, 2021	**378,939**	**164,989**	**59,307**	**100,817**	**704,052**
At December 31, 2020	302,792	189,430	79,515	92,461	664,198

b) Right of use assets, net

	Land and buildings SR'000	Office Equipment SR'000	Vehicles SR'000	Total SR'000
Cost				
At January 1, 2020	508,018	7,103	1,232	516,353
Additions during the year	34,378	-	-	34,378
At January 1, 2021	**542,396**	**7,103**	**1,232**	**550,731**
Additions during the year	**61,655**	**-**	**-**	**61,655**
At December 31, 2021	**604,051**	**7,103**	**1,232**	**612,386**
Accumulated depreciation				
At January 1, 2020	93,764	2,345	587	96,696
Charge for the year	97,321	2,137	461	99,919
At January 1, 2021	**191,085**	**4,482**	**1,048**	**196,615**
Charge for the year	**87,323**	**1,493**	**145**	**88,961**
At December 31, 2021	**278,408**	**5,975**	**1,193**	**285,576**
Net book value				
At December 31, 2021	**325,643**	**1,128**	**39**	**326,810**
At December 31, 2020	351,311	2,621	184	354,116

Majority of the Right to use assets comprise of rented branches and ATM locations which have been leased by the Group for varying terms from the landlords and will be vacated and handed over to the owners unless extended for another term based on mutual consent. The Group is responsible for maintenance and insurance of these assets during the lease term. The Group does not have any buy back option as part of the rental contracts to purchase these assets. The Group has the right to terminate some of these contracts by giving advance notice and in some cases may be required to pay part of remaining contractual payments as penalty.

c) Intangible assets

	Computer softwares SR'000	Work in progress SR'000	Total SR'000
Cost			
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 January 1, 2021	**348,708**	**33,455**	**382,163**
Additions during the year	**2,212**	**37,637**	**39,849**
Transfers during the year	**14,756**	**(14,756)**	**-**
Disposals	**-**	**(758)**	**(758)**
Write-offs			
At December 31, 2021	**365,676**	**55,578**	**421,254**

	Computer Softwares SR'000	Work in progress SR'000	Total SR'000
Accumulated amortisation			
At January 1, 2020	200,629	-	200,629
Charge for the year	49,808	-	49,808
Disposals	(5,569)		(5,569)
At January 1, 2021	**244,868**	**-**	**244,868**
Charge for the year	**50,868**	**-**	**50,868**
Disposals	**-**	**-**	**-**
At December 31, 2021	**295,736**	**-**	**295,736**
Net book value			
At December 31, 2021	**69,940**	**55,578**	**125,518**
At December 31, 2020	103,840	33,455	137,295

10. OTHER ASSETS

	2021 SR'000	2020 SR'000
Advances, prepayments and other receivables	**186,923**	142,416
Margin deposits against financial instruments	**165,656**	152,531
Value Added Tax (VAT) related receivables	**206,810**	187,780
Advance against purchase of investments	**291,147**	-
Others	**170,807**	145,641
Total	**1,021,343**	628,368

11. SHARIAH COMPLIANT DERIVATIVES

In the ordinary course of business, the Group utilizes the following Shari'ah 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 profit rate swaps, counterparties generally exchange fixed and floating rate profit payments in a single currency without exchanging principal. For cross-currency profit rate swaps, principal, fixed and floating profit 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 profit 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 profit rates to reduce its exposure to currency and profit 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 profit rate risk. This is generally achieved by hedging specific transactions.

Cash flow hedges

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear profit rate risk. The Group uses profit rate swaps as hedging instruments to hedge against these profit 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:

2021 SR'000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	**24,382**	**48,906**	**48,913**	**42,677**
Cash outflows (liabilities)	**(183,559)**	**(408,579)**	**(417,349)**	**(2,495,717)**
Net cash outflow	**(159,177)**	**(359,673)**	**(368,436)**	**(2,453,040)**

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 outflows (liabilities)	(93,697)	(211,514)	(259,944)	(1,696,744)
Net cash outflow	(48,599)	(125,506)	(181,282)	(1,683,747)

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

	2021 SR'000	2020 SR'000
Income from investments and financing	**13,538**	1,652
Return on deposits and financial liabilities	**(1,438)**	(1,563)
Net gains on cash flow hedges reclassified to the consolidated statement of income	**12,100**	89

	2021 SR'000	2020 SR'000
Balance at the beginning of the year	**(158,638)**	(110,411)
Gains / (losses) from change in fair value recognised directly in equity, net (effective portion)	**63,847**	(48,138)
Gains removed from equity and transferred to consolidated statement of income	**(12,100)**	(89)
Balance at the end of the year	(106,891)	(158,638)

Fair value gain on cash flow hedges amounting to SR 63.85 million (2020: unrealized loss of SR 48.14 million) included in the consolidated statement of comprehensive income comprised of net unrealized loss of SR 28.64 million (2020: unrealized loss of SR 48.14 million) and realized gain of SR 92.49 million (2020: SR nil).

During the current and prior years, the Bank sold certain of its profit 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.

2021 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:								
Options	**333**	**335**	**33,143**	-	-	-	**33,143**	**2,762**
Currency swaps	**1,464**	**2,384**	**647,475**	**84,975**	**562,500**	-		**461,870**
Currency forwards	**27**	**61**	**18,048**	**18,048**	-	-	-	**131,280**
Profit rate swaps	**4,998**	**4,998**	**431,429**	-	**200,000**	**31,429**	**200,000**	**996,912**
Cross currency profit rate swaps	**411**	**13,208**	**1,875,000**	-	-	**1,875,000**	-	**1,093,750**
Held as cash flow hedges:								
Profit rate swaps	**4,825**	**206,323**	**3,250,625**	**468,750**	**360,000**	**750,000**	**1,671,875**	**3,192,292**
Total	**12,058**	**227,309**	**6,255,720**	**571,773**	**1,122,500**	**2,656,429**	**1,905,018**	**5,878,866**

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
Profit 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:								
Profit rate swaps	112,644	284,623	3,550,625	-	-	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

The negative fair values of profit rate swaps are mainly due to a downward shift in the yield curve. The fair values of these swaps are expected to be settled on or before April 2044 (31 December 2020: April 2044).

Held for trading profit rate swaps include accrued receivable amounting to SR 1.75 million (31 December 2020: SR 1.47 million) and accrued payable amounting to SR 1.80 million (31 December 2020: SR 1.47 million). Held as cash flow hedge profit rate swaps include accrued receivable amounting to SR 4.83 million (31 December 2020: SR 5.04 million) and accrued payable amounting to SR 19.12 million (31 December 2020: SR 18.46 million).

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

During the years ended on December 31, 2021 and December 31, 2020, there was no ineffectiveness in the cash flow hedges.

The tables below show a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value.

Description of hedged items (SR '000) 2021	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Floating rate investments	1,100,000	Cash flow	Profit rate swap	-	15,613
Floating rate deposits	2,150,625	Cash flow	Profit rate swap	-	171,589

Description of hedged items (SR '000) 2020	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Floating rate investments	1,400,000	Cash flow	Profit rate swap	107,605	-
Floating rate deposits	2,150,625	Cash flow	Profit rate swap	-	266,160

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

	2021 SR'000	2020 SR'000
Current accounts	**235,986**	177,278
Money market deposits from banks and other financial institutions (refer note 12.1)	**5,884,986**	8,063,770
Repo agreement borrowings	**289,108**	289,148
Total	**6,410,080**	8,530,196

The above comprise of Shariah approved balances as follows:

	2021 SR'000	2020 SR'000
Current accounts	**235,986**	177,278
Commodity murabaha	**2,189,241**	3,157,189
Wakala	**3,984,853**	5,195,729
Total	**6,410,080**	8,530,196

12.1 This balance includes profit free deposits received during financial year 2020 from SAMA with gross amount of SAR 2.41 billion (31 December 2020: SR 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 41).

As a result, the Group's income from investments and financing for the year ended December 31, 2021 included the fair value benefit of SR 59.69 million (2020: SR 80.72 million) arising from the profit free deposits.

13. CUSTOMERS' DEPOSITS

	2021 SR'000	2020 SR'000
Demand	**38,504,625**	37,411,390
Saving	**983,845**	284,182
Customers' time investments	**37,057,540**	28,543,641
Other	**1,819,139**	1,764,399
Total	**78,365,149**	68,003,612

The above comprise of Shariah approved customer deposits as follows:

	2021 SR'000	2020 SR'000
Demand - Qard	**38,504,625**	37,411,390
Saving - Wakala	**983,845**	284,182
Customers' time investments – Murabaha	**33,806,020**	26,298,819
Customers' time investments – Wakala	**3,251,520**	2,244,822
Other – Qard	**1,819,139**	1,764,399
Total	**78,365,149**	68,003,612

Other customers' deposits include SR 635.69 million (2020: SR 710.15 million) of margins held for irrevocable contingencies and commitments.

The above includes foreign currency deposits as follows:

	2021 SR'000	2020 SR'000
Demand	**1,030,173**	1,717,463
Customers' time investments	**3,947,355**	1,954,892
Other	**46,894**	90,389
Total	**5,024,422**	3,762,744

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

During the current year, as per the terms mentioned in the related offering circular and on meeting certain conditions, the Bank on 9 May 2021 exercised its call option for settlement of Subordinated Sukuk Certificates. The Subordinated Sukuk Certificates were issued on 2 June 2016, having 2,000 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 2 June and 2 December each year.

On December 08, 2021, 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 155 basis point per annum and payable semi-annually in arrears on December 08 and June 08 each year until December 08, 2031, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after December 08, 2026 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

	2021 SR'000	2020 SR'000
Accounts payable	**461,109**	395,476
Employee benefit obligations (refer note 29)	**289,275**	279,701
Lease Liability – discounted (note a below)	**289,865**	324,902
Loss allowance for credit related commitments and contingencies (refer note 20(c)(iii))	**408,090**	371,087
Dividend payable	**43,153**	32,638
AlJazira Philanthropic Program (note b below)	**9,825**	14,793
Others (note c below)	**433,710**	463,842
Total	**1,935,027**	1,882,439

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

	2021 SR'000	2020 SR'000
Less than one year	**77,245**	84,614
One to five years	**202,711**	217,672
More than five years	**40,855**	66,250
Total undiscounted lease liabilities at December 31	**320,811**	368,536
Lease liabilities included in the consolidated statement of financial position at December 31	**289,865**	324,902
Current	**67,850**	72,414
Non-Current	**222,015**	252,488

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 176.48 million (2020: SR 264.72 million) accrued as a result of Zakat settlement agreement entered into with ZATCA in respect of assessment years from 2006 to 2017. The amount is payable in two (2020: three) instalments as more fully explained in note 26.

16. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 820 million (2020: 820 million) shares of SR 10 each.

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

	2021	2020
Saudi shareholders	**82.57%**	80.22%
Non-Saudi shareholder - National Bank of Pakistan (NBP)	**3.70%**	3.70%
Non-Saudi shareholders – others	**13.73%**	16.08%

17. STATUTORY RESERVES

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 251.52 million has been transferred from net income (2020: SR 8.44 million). The statutory reserve is not available for distribution.

18. OTHER RESERVES

2021	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Actuarial gains (note 29) SR' 000	Total SR' 000
Balance at beginning of the year	**(158,638)**	**36,560**	**22,502**	**(99,576)**
Net change in fair value	**63,847**	**(78,509)**	**-**	**(14,662)**
Transfer to consolidated statement of income	**(12,100)**	**-**	**-**	**(12,100)**
Actuarial gains on employee benefit obligation	**-**	**-**	**11,786**	**11,786**
Net movement during the year	**51,747**	**(78,509)**	**11,786**	**(14,976)**
Balance at the end of the year	**(106,891)**	**(41,949)**	**34,288**	**(114,552)**

2020	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Actuarial gains (note 29) 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)

19. TIER 1 SUKUK

During current year, the Bank through a Shariah compliant arrangement ("the arrangement") issued cross border Tier 1 Sukuk (the "Sukuk"), amounting to SAR 1.875 billion (denominated in US Dollars). This arrangement was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate is 3.95% per annum from date of issue up to 2026 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable semi-annual in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

20. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2021, 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, 2021, the Group had capital commitments of SR 121.57 million (2020: SR 87.61 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 financing. 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 financing, 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:

(SR'000)

2021	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**632,898**	**829,865**	**30,000**	**-**	**1,492,763**
Letters of guarantee	**2,966,846**	**1,453,665**	**201,724**	**23,050**	**4,645,285**
Acceptances	**245,223**	**-**	**-**	**-**	**245,223**
Irrevocable commitments to extend credit	**-**	**354,918**	**-**	**-**	**354,918**
Total	**3,844,967**	**2,638,448**	**231,724**	**23,050**	**6,738,189**
Allowance for impairment					**(408,090)**
Net exposure					**6,330,099**

(SR'000)

2020	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

The outstanding unused portion of commitments as at December 31, 2021, which can be revoked unilaterally at any time by the Group, amounts to SR 8.47 billion (2020: SR 3.84 billion).

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

	2021			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2021	5,537,717	138,446	480,558	6,156,721
Transfer to 12-month ECL	78,715	(73,073)	(5,642)	-
Transfer to lifetime ECL not credit – impaired	(36,249)	36,249	-	-
Transfer to lifetime ECL credit – impaired	(116,121)	(31,823)	147,944	-
New financial assets originated or purchased	792,465	10,866	-	803,331
Financial assets derecognised during the year	(297,705)	(2,628)	(13,375)	(313,708)
Other movements	141,060	(9,819)	(39,396)	91,845
Gross carrying amount as at 31 December 2021	6,099,882	68,218	570,089	6,738,189

Other movements mainly represent changes in exposures for customers where there has been no change in the stage during the year.

	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

iii) An analysis of changes in allowance for impairment for credit related commitments and contingencies is as follows:

	2021			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at January 1, 2021	27,788	6,547	336,752	371,087
Transfer to 12-month ECL	1,217	(556)	(661)	-
Transfer to lifetime ECL not credit – Impaired	(95)	95	-	-
Transfer to lifetime ECL credit impaired	(4,100)	(2,321)	6,421	-
Net re-measurement of loss allowance	(11,083)	4,265	53,015	46,197
New financial assets originated or purchased	1,730	163	-	1,893
Financial assets that have been derecognized	(1,888)	(40)	(9,159)	(11,087)
ECL as at December 31, 2021	13,569	8,153	386,368	408,090

	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

iv) The analysis of commitments and contingencies by counterparty is as follows:

	2021 SR'000	2020 SR'000
Government and quasi government	**204,918**	468,455
Corporate	**6,481,854**	5,681,555
Banks and other financial institutions	**51,417**	6,711
	6,738,189	6,156,721
Allowance for impairment	**(408,090)**	(371,087)
Total	**6,330,099**	5,785,634

d) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases where the Group is the lessee are as follows:

	2021 SR'000	2020 SR'000
Less than 1 year	**4,308**	4,665
1 to 5 years	**1,944**	420
Total	**6,252**	5,085

21. NET FINANCING AND INV.ESTMENT INCOME

	2021 SR'000	2020 SR'000
Income from investments and financing		
Financing	**2,174,717**	2,262,511
Investments held at amortised cost	**749,170**	806,098
Investments held at FVOCI	**61,555**	25,702
Shariah compliant derivatives	**45,966**	71,021
Due from banks and other financial institutions	**2,918**	14,709
Total	**3,034,326**	3,180,041
Return on deposits and financial liabilities		
Customers' deposits	**269,077**	491,231
Due to banks and other financial institutions	**29,031**	128,243
Shariah compliant derivatives	**70,543**	80,679
Subordinated Sukuk	**27,439**	72,274
Finance cost on leased assets	**12,246**	15,465
Others	**950**	1,813
Total	**409,286**	789,705
Net financing and investment income	**2,625,040**	2,390,336

All of the Group's income from investments and financing and return on deposits and financial liabilities is from Shari'ah approved products.

22. FEES FROM BANKING SERVICES, NET

	2021 SR'000	2020 SR'000
Fees from banking services - income		
Local share trading	333,932	310,289
Cards business	318,875	282,704
Loan commitment and management fees	177,607	136,238
Fees from remittance business	71,811	105,888
Mutual funds fees	55,790	49,758
International share trading	54,259	43,921
Trade finance	42,972	43,530
Investment banking	36,596	22,702
Others	43,026	30,177
Total fees from banking services	1,134,868	1,025,207
Fees from banking services - expense		
Brokerage fees	(191,233)	(168,217)
Cards related expenses	(240,712)	(189,928)
Financing related expenses	(33,811)	(33,247)
Mutual funds related expenses	(16,059)	(11,922)
International share trading	(13,922)	(13,381)
Remittance business fee expense	(658)	(1,004)
Total fees expense on banking services	(496,395)	(417,699)
Total	638,473	607,508

23. NET (LOSS) / GAIN ON FVIS FINANCIAL INSTRUMENTS

	2021 SR'000	2020 SR'000
Mutual funds	4,045	9,404
Equities	965	412
Derivatives	(16,623)	-
Total	(11,613)(11,613)	9,816 9,816

Net (loss) / gain on FVIS financial instruments includes net unrealized loss of SR 9.10 million (2020: SR 9 million).

24. OTHER OPERATING INCOME

	2021 SR'000	2020 SR'000
Gain on transfer of Takaful business	-	17,034
Gain on sale of other real estate	1,003	139
Gain on sale of property and equipment	168	7
Others	10,965	15,230
Total	12,135	32,410

25. EARNINGS PER SHARE

Basic earnings per share for the current and prior year is calculated by dividing the net income for the year attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk related costs) by the weighted average number of ordinary shares outstanding, as follows.

	2021 SR'000	2020 SR'000
Profit attributable to ordinary share holders (adjusted for Tier 1 sukuk related costs)		
For basic and diluted earnings per share	966,761	33,754
	Shares	Shares
Weighted-average number of ordinary shares		
For basic and diluted earnings per share	820,000,000	820,000,000
Basic and diluted earnings per share (in SR)	1.18	0.04

The calculations of basic and diluted earnings per share are same for the Bank.

26. ZAKAT AND INCOME TAX

	2021 SR'000	2020 SR'000
Zakat		
Current year	**138,390**	6,612
Prior year	**17**	(6,326)
	138,407	286
Income tax		
Current year	**8,448**	441
Prior year	**266**	(3,286)
	8,714	(2,845)
Total	**147,121**	(2,559)

Status of assessments:

During 2018, the Bank reached a Settlement Agreement (the "Agreement") with Zakat, Tax and Customs Authority [ZATCA] 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 three instalments of SR 88.2 million each during the month of November 2019, November 2020 and November 2021 respectively. Under the Agreement, the Bank and ZATCA 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 ZATCA pertaining to the years 2006 to 2017 stand resolved.

During the year 2020, the Bank received 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 objected to the imposition of additional VAT and associated delay fines with the GSTC as a result of which one of the assessment point was dropped by ZATCA which resulted in a reduction of the overall liability to approximately SR 37 million. Subsequently, 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 an Income Tax assessment for the years 2015 through 2018 which was accepted as a whole and an additional tax of SR 2.6 million was settled in order to avail the benefit of amnesty period. As a result of this, tax related disputes between the Bank and the ZATCA pertaining to years up to 2018 stand resolved. The Bank has filed its Zakat and Income Tax returns with the ZATCA and paid Zakat and Income Tax for the years up to and including the year 2020, except for the amounts agreed as a liability under the Agreement which will be paid to ZATCA as and when they fall due.

27. DIVIDENDS

During the current year, the Bank paid interim cash dividend of SR 287 million equal to SR 0.35 per share (2020: final cash dividend of SR 246 million equal to SR 0.3 per share for year ended December 31, 2019), net of Zakat. This dividend was calculated based on 820 million shares.

Further, subsequent to the year end, the Board of Directors in their meeting held on 7 February 2022 approved a dividend payment of SR 287 million equal to SR 0.35 per share for the second half of 2021, net of Zakat. The impact of this will be reflected in the consolidated financial statements for the year ending 31 December 2022.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	2021 SR'000	2020 SR'000
Cash and balances with SAMA, excluding statutory deposit (note 4)	**1,074,988**	1,647,870
Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition	**665,048**	428,473
Total	**1,740,036**	2,076,343

29. EMPLOYEE BENEFIT OBLIGATION

29.1 Defined Benefit obligation

a) General description

The Group operates an "End of Service Benefit Plan" for its employees based on the prevailing Saudi Labour 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:

	2021 SR'000	2020 SR'000
Defined benefit obligation at the beginning of the year	**279,701**	273,833
Charge for the year	**49,820**	34,071
Finance cost	**5,479**	6,547
Benefits paid	**(33,939)**	(30,347)
Remeasurements	**(11,786)**	(4,403)
Defined benefit obligation at the end of the year	**289,275**	279,701

c) Amounts recognized in statement of income

	2021 SR'000	2020 SR'000
Current service cost	34,157	34,071
Past service cost	15,663	-
	49,820	34,071

d) Re-measurement recognised in consolidated other comprehensive income

	2021 SR'000	2020 SR'000
Changes in experience assumptions	**(6,434)**	(3,835)
Changes in financial assumptions	**(5,352)**	(568)
	(11,786)	(4,403)

e) Principal actuarial assumptions used in estimating the defined benefit obligation included:

	2021	2020
Discount rate	**2.50%p.a**	2.11%p.a
Expected rate of salary increase	**2.25%p.a**	2.11%p.a
Withdrawal rate	**8%p.a**	8%p.a
Average duration	**7.61 years**	7.79 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:

2021

SR'000

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**1%**	**(20,487)**	**23,378**
Expected rate of salary increase	**1%**	**24,720**	**(22,040)**
Withdrawal rate	**10%**	**(3,040)**	**3,389**

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

g) Expected maturity analysis of undiscounted defined benefit obligation for the end of service plan is as follows:

SR'000

	Less than a year	1-2 years	2-5 years	Over 5 years	Total
December 31, 2021	31,239	25,371	70,601	227,216	354,427
December 31, 2020	36,582	23,492	67,364	203,202	330,640

h) The expected contribution for next year amounts to SR 39.77 million (2020: SR 36.48 million) comprising of service cost and finance cost.

29.2 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 44.77 million (2020: SR 44.18 million).

30. 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 operating decision maker (Chief Executive Officer) 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.

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

Financing, 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).

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:

2021	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Others	Total
Total assets	34,768,520	28,579,132	36,691,354	2,577,924	210,391	102,827,321
Total liabilities	49,372,448	27,578,632	10,506,992	1,474,930	(752)	88,932,250
Total operating income	1,912,639	680,043	861,750	311,223	(218,490)	3,547,165
of which:						
- Net financing and investment income	1,453,098	556,586	580,944	41,903	(7,491)	2,625,040
- Fees from banking services, net	307,355	97,929	341	260,189	(27,341)	638,473
- Net (loss) / gain on FVIS financial instruments	(9,994)	(5,154)	(1,475)	6,354	(1,344)	(11,613)
Total operating expenses	(1,141,760)	(984,484)	(140,859)	(177,629)	3,364	(2,441,368)
of which						
- Impairment charge for financing and other financial assets, net	(4,332)	(620,121)	(113)	-	-	(624,566)
- Impairment charge for other real estate	-	(46,913)	-	-	-	(46,913)
- Depreciation and amortisation	(141,127)	(29,929)	(16,072)	(11,595)	-	(198,723)
Share in net income of an associate	-	-	-	1,144	6,866	8,010
Net income / (loss) before Zakat and income tax	770,879	(304,441)	720,891	134,738	(168,870)	1,153,197

2020	Personal banking	Corporate banking	Treasury	Brokerage and asset management	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
of which:						
- Net financing and investment income	1,118,646	498,728	802,941	40,158	(70,137)	2,390,336
- Fees from banking services, net	320,046	87,188	(496)	233,540	(32,770)	607,508
- Net gain on FVIS financial instruments	-	-	-	9,816	-	9,816
Total operating expenses	(1,091,008)	(1,679,980)	(324,045)	(140,855)	(36,315)	(3,272,203)
of which:						
- Impairment charge for financing and other financial assets, 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)
Share in net income of an associate	-	-	-	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

a) The Group's credit exposure by operating segment is as follows:

(SR'000)

2021	Personal banking	Corporate banking	Brokerage and asset management	Treasury	Total
Assets	**32,456,164**	**28,026,271**	**1,945,957**	**31,831,714**	**94,260,106**
Commitments and contingencies	**-**	**5,707,874**	**-**	**-**	**5,707,874**
Derivatives				**129,841**	**129,841**

(SR'000)

2020	Personal banking	Corporate banking	Brokerage and asset management	Treasury	Total
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

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.

31. FINANCIAL RISK MANAGEMENT

31.1 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 financing, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as credit related 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 financing 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 financing.

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 financing refer to note 7. Information on credit risk relating to shari'ah compliant derivative instruments is provided in note 11 and for commitments and contingencies in note 20. The information on Bank's maximum credit exposure by business segment is given in note 30.

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		0.010%	0.015%	A2	0.0109%
2B	Excellent	2	0.015%	0.023%	A2	0.0109%
2C	Excellent		0.023%	0.035%	A3	0.0389%
3A	Very Good		0.035%	0.053%	A3	0.0389%
3B	Very Good	3	0.053%	0.080%	Baa1	0.0900%
3C	Very Good		0.080%	0.120%	Baa1	0.0900%
4A	Good		0.120%	0.190%	Baa2	0.1700%
4B	Good	4	0.190%	0.280%	Baa2	0.1700%
4C	Good		0.280%	0.430%	Baa3	0.4200%
5A	Acceptable		0.430%	0.700%	Baa3	0.4200%
5B	Acceptable	5	0.700%	1.000%	Ba1	0.8700%
5C	Acceptable		1.000%	1.500%	Ba2	1.5600%
6A	Acceptable with Care		1.500%	2.300%	Ba2	1.5600%
6B	Acceptable with Care, Not Rated, Start Up	6	2.300%	3.500%	Ba3	2.8100%
6C	Acceptable with Care, Watchlist		3.500%	5.000%	B1	4.6800%
7A	Special Attention		5.000%	8.000%	B2	7.1600%
7B	Special Attention	7	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%

31.2 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost and FVOCI sukuk investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For credit related commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	December 31, 2021			
	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	575,071	-	-	575,071
Non-investment grade	50,043	-	-	50,043
Unrated	36,718	-	3,216	39,934
	661,832	-	3,216	665,048
Allowance for ECL	(1,546)	-	-	(1,546)
Carrying amount	660,286	-	3,216	663,502
Financing to customers at amortized cost				
Low – fair risk	57,840,055	-	-	57,840,055
Watch list	-	3,429,865	2,423,438	5,853,303
Default	-	-	1,379,115	1,379,115
	57,840,055	3,429,865	3,802,553	65,072,473
Allowance for ECL	(170,741)	(222,807)	(2,244,449)	(2,637,997)
Carrying amount	57,669,314	3,207,058	1,558,104	62,434,476

	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
Financing 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

a) The following table sets out information about the credit quality of financing to customers at amortized cost on a product basis.

	December 31, 2021			
Credit cards	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing to customers at amortized cost				
Low – fair risk	667,449	-	-	667,449
Watch list	-	18,096	-	18,096
Default	-	-	60,130	60,130
	667,449	18,096	60,130	745,675
Allowance for ECL	(24,883)	(1,656)	(39,084)	(65,623)
Carrying amount	642,566	16,440	21,046	680,052

	December 31, 2020			
Credit cards	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing 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

Consumer financing	December 31, 2021 12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing to customers at amortized cost				
Low – fair risk	**27,612,644**	**-**	**-**	**27,612,644**
Watch list	**-**	**214,325**	**-**	**214,325**
Default	**-**	**-**	**264,663**	**264,663**
	27,612,644	**214,325**	**264,663**	**28,091,632**
Allowance for ECL	**(65,668)**	**(1,620)**	**(158,282)**	**(225,570)**
Carrying amount	**27,546,976**	**212,705**	**106,381**	**27,866,062**

Consumer financing	December 31, 2020 12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing 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

Commercial financing	December 31, 2021 12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing to customers at amortized cost				
Low – fair risk	**29,223,126**	**-**	**-**	**29,223,126**
Watch list	**-**	**3,197,444**	**2,423,438**	**5,620,882**
Default	**-**	**-**	**1,054,322**	**1,054,322**
	29,223,126	**3,197,444**	**3,477,760**	**35,898,330**
Allowance for ECL	**(79,634)**	**(219,531)**	**(2,047,083)**	**(2,346,248)**
Carrying amount	**29,143,492**	**2,977,913**	**1,430,677**	**33,552,082**

Commercial financing	December 31, 2020 12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Financing 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

The following table sets out information about the credit quality debt investments and commitments and contingencies.

	December 31, 2021			
	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	27,109,838	-	-	27,109,838
Allowance for ECL	(6,186)	-	-	(6,186)
Carrying amount	27,103,652	-	-	27,103,652
Debt investment securities at FVOCI				
Low – fair risk	4,058,901	-	-	4,058,901
Allowance for ECL	(425)	-	-	(425)
Carrying amount	4,058,476	-	-	4,058,476

	December 31, 2020			
2021	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	28,340,616	-	-	28,340,616
Allowance for ECL	(6,498)	-	-	(6,498)
Carrying amount	28,334,118	-	-	28,334,118
Debt investment securities at ……FVOCI				
Low – fair risk	1,113,319	-	-	1,113,319
Allowance for ECL	-	-	-	-
Carrying amount	1,113,319	-	-	1,113,319

	December 31, 2021			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Commitments and contingencies				
Low – fair risk	6,099,882	-	-	6,099,882
Watch list	-	68,218	457,673	525,891
Default	-	-	112,416	112,416
	6,099,882	68,218	570,089	6,738,189
Allowance for ECL	(13,569)	(8,153)	(386,368)	(408,090)
Carrying amount (net of ……provision)	6,086,313	60,065	183,721	6,330,099

	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
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

31.3 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 it's financing into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When financings are first recognised, the Bank recognises an allowance based on 12 months ECLs. Stage 1 financing also include facilities where the credit risk has improved and the financing has been reclassified from Stage 2.

Stage 2: When a financing has shown a significant increase in credit risk ("SICR") since origination, the Bank records an allowance for the Lifetime ECL. Stage 2 financing also include facilities, where the credit risk has improved and the financing has been reclassified from Stage 3.

Stage 3: Financing 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 profit 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 modelling, 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 41 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 behaviour – 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 analysed 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 analyse 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 financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing whose terms have been modified may be derecognized and the renegotiated financing recognized as a new financing at fair value in accordance with the accounting policy.

When the terms of 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 financings to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, financing forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing covenants. Both retail and corporate financing 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 41.

	2021 SR '000	2020 SR '000
Financial assets modified during the year		
Amortized cost before modification	**1,774,525**	882,566
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	**192,381**	15,017

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 behavioural 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 behaviour 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.

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark profit rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of profit rate benchmark reform, then the Group updated the effective profit rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by profit rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequences of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by profit rate benchmark reform, the Group first updated the effective profit rate of the financial asset or financial liability to reflect the change that is required by profit rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in profit rate when remeasuring a lease liability because of a lease modification that is required by profit rate benchmark reform.

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, 2021 included the following key indicators.

- GDP
- Oil prices
- Unemployment rates
- Real wages / inflation rate

Predicted relationships between the key indicators and default / loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 to 15 years. 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 2021 ECL model			Forecast calendar years used in 2020 ECL model		
	2022	2023	2024	2021	2022	2023
GDP	2773.25	2828.54	2,893.17	2656.70	2730.20	2794.43
Brent oil prices	65.88	64.24	64.85	53.22	61.59	63.77
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:

2021	**Due from Banks and investments**	**Financing**	**credit related commitment and financial guarantees**	**Total**
			SR '000'	
Most likely	**8,157**	**2,637,997**	**408,090**	**3,054,244**
More optimistic (Upside)	**7,917**	**2,264,409**	**372,106**	**2,644,433**
More pessimistic (Downside)	**10,348**	**3,030,056**	**486,502**	**3,526,906**

2020	Due from Banks and investments	Financing	credit related 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

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 The Bank has made an assessment of the data driven approaches for LGD. However, on account of data limitations and associated challenges, the Bank uses regulatory LGD benchmarks, based on Basel guidelines and LGD estimates determined in line with National Credit Data Pooling Consortium report.

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 modelling 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 credit related commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a financing 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 financing with fixed repayment terms.

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the year-end:

Assumptions sensitized	**Statement of income Impact (2021) (SR '000)**
Macro-economic factors:	
Decrease in $10 oil price per barrel	**159,049**
Decrease in $20 oil price per barrel	**318,098**
Decrease in GDP by 5%	**84,928**
Increase in inflation by 10%	**169,857**

Where modelling 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 (financing 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	663,502	Moody's / FITCH – lower of the two ratings for each bank is considered for assignment of Risk Weights under Standardised Approach	N/A

31.4 Ageing of financing (past due but not impaired)

	2021 (SR '000)			
	Credit Cards	Consumer financing	Commercial financing	Total
From 1 day to 30 days	**17,736**	**753,676**	**33,481**	**804,893**
From 31 Days to 90 days	**13,972**	**205,214**	**15,803**	**234,989**
From 91 Days to 180 days	**-**	**130**	**60,478**	**60,608**
More than 180 days	**-**	**-**	**471,433**	**471,433**
Total financing	**31,708**	**959,020**	**581,195**	**1,571,923**

	2020 (SR '000)			
	Credit Cards	Consumer financing	Commercial financing	Total
From 1 day to 30 days	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 financing	33,100	1,318,874	756,141	2,108,115

31.5 Economic Sector risk concentration

Economic Sector risk concentration for the financing and allowance for impairment has been disclosed in note 7(g).

31.6 Collateral

The Bank in the ordinary course of financing activities hold collaterals as security to mitigate credit risk in the financing. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer financings 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 financing along with financing to collateral value percentage that are credit-impaired are as follows:

	2021 SR'000	2020 SR'000
Less than 50%	**55,995**	44,605
51-70%	**29,532**	25,065
More than 70%	**877,331**	477,565
Total	**962,858**	547,235

31.7 Maximum credit exposure

Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2021 SR'000	2020 SR'000
Assets		
Due from banks and other financial institutions (note 5)	**663,502**	426,138
Investments at FVOCI (note 6)	**4,058,476**	1,113,319
Investments at amortised cost (note 6)	**27,103,652**	28,334,118
Financing, net (note 7)	**62,434,476**	53,961,211
Other assets - margin deposits against financial instruments (note 10)	**165,656**	152,531
Total assets	**94,425,762**	83,987,317
Contingencies and commitments, net (note 20)	**6,330,099**	5,785,634
Derivatives - positive fair value (note 11)	**12,058**	135,224
Total maximum exposure	**100,767,919**	89,908,175

32. 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)

2021	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	969,993	-	-	-	-	-	969,993
Balances with SAMA	4,416,878	-	-	-	-	-	4,416,878
Due from Banks and other financial institutions							
Current accounts	27,017	61,519	114,730	391,974	18,251	33,120	646,611
Money market placements	16,891	-	-	-	-	-	16,891
Investments							
Held as FVIS	260,173	-	-	6,619	-	-	266,792
Held as FVOCI	3,925,874	136,932	555	-	-	-	4,063,361
Held at amortised cost	27,103,652	-	-	-	-	-	27,103,652
Positive fair value of derivatives							
Held for trading	5,856	956	421	-	-	-	7233
Held as cash flow hedges	4,825	-	-	-	-	-	4,825
Financing, net							
Credit Cards	680,052	-	-	-	-	-	680,052
Consumer Financing	27,866,062	-	-	-	-	-	27,866,062
Commercial Financing	32,558,905	568,673				424,504	33,552,082
Others	336,280	-	-	-	-	-	336,280
Investment in an associate	211,143	-	-	-	-	-	211,143
Other assets	764,347	-	165,656	-	-	-	930,003
Total	99,147,948	768,080	281,362	398,593	18,251	457,624	101,071,858

(SR'000)

2021	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Financial liabilities Due to banks and other financial institutions							
Current accounts	93,385	57,739	42,779	224	-	41,859	235,986
Money market deposits	4,772,371	782,175	-	-	330,440	-	5,884,986
Repo agreement borrowing	-	-	289,108	-	-	-	289,108
Customer deposits							
Demand	38,470,738	33,750	21	-	-	116	38,504,625
Saving	983,845	-	-	-	-	-	983,845
Customers' time investments	37,057,540	-	-	-	-	-	37,057,540
Other	1,818,739	-	-	-	-	400	1,819,139
Negative fair value of derivatives							
Held for trading	4,870	1,430	14,666	-	-	20	20,986
Held as cash flow hedges	23,368	42,577	140,378	-	-	-	206,323
Subordinated Sukuk	1,994,685	-	-	-	-	-	1,994,685
Other liabilities	1,592,822	-	-	-	-	-	1,592,822
Total	86,812,363	917,671	486,952	224	330,440	42,395	88,590,045
Commitments and Contingencies							
Letters of credit	1,492,763	-	-	-	-	-	1,492,763
Letters of guarantee	4,457,756	139,895	11,275	34,946	1,125	288	4,645,285
Acceptances	245,223	-	-	-	-	-	245,223
Irrevocable commitments to extend credit	150,000	110,806	-	-	-	94,112	354,918
	6,345,742	250,701	11,275	34,946	1,125	94,400	6,738,189
Credit exposure (credit equivalent) Commitments and contingencies							
Letters of credit	746,382	-	-	-	-	-	746,382
Letters of guarantee	4,457,756	139,895	11,275	34,946	1,125	288	4,645,285
Acceptances	245,223	-	-	-	-	-	245,223
Irrevocable commitments to extend credit	30,000	22,161	-	-	-	18,822	70,983
Derivatives							
Held for trading	45,527	4	44,692	-	-	-	90,223
Held for hedging	35,671	101	3,846	-	-	-	39,618
	5,560,559	162,161	59,813	34,946	1,125	19,110	5,837,714

(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
Financing, net							
Credit Cards	687,376	-	-	-	-	-	687,376
Consumer Financing	26,498,498	-	-	-	-	-	26,498,498
Commercial Financing	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

(SR'000)

2020	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
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
Customers' time investments	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

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 financing and allowance for impairment are as follows:

	Non-performing financing, net		Allowance for impairment	
	2021 SR' 000	2020 SR' 000	2021 SR' 000	2020 SR' 000
Kingdom of Saudi Arabia				
Credit cards	**60,130**	55,679	**65,623**	63,908
Consumer financing	**264,663**	168,344	**225,570**	211,871
Commercial financing	**1,054,322**	1,017,934	**2,341,454**	1,917,218
Others	**-**	-	**556**	-
GCC and Middle East	**1,379,115**	1,241,957	**2,633,203**	2,192,997
Commercial financing	**-**	-	**2,201**	-
Other countries				
Commercial financing	**-**	-	**2,593**	-
Total	**1,379,115**	1,241,957	**2,637,997**	2,192,997

33. 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 profit 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.

	2021 SR'000	2020 SR'000
Foreign exchange rate		
VaR as at end of the year	**297**	298
Minimum VaR	**67**	175
Maximum VaR	**1,558**	1,979
Average VaR for the year	**415**	294

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:

	2021 SR'000	2020 SR'000
US Dollar	**41,217**	41,573
Hong Kong Dollar	**3,019**	5,923
Taiwan Dollar	**3,200**	2,955

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	**2021**		2020	
	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	± 0.31	± 128	± 0.60	± 249
Taiwan Dollar	± 7.42	± 237	± 3.11	± 92
Hong Kong Dollar	± 1.05	± 32	± 0.49	± 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:

	2021		2020	
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	±18.17%	±2,750	± 4.40%	± 694
AlJazira GCC Income Fund	±10.35%	±575	± 10.61%	± 433
AlJazira Sukuk Fund	±2.04%	±774	± 4.34%	± 1,653
Others	±5.00%	±10,191	± 3.58%	± 13,788

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, 2021 due to reasonably possible changes in the following market index, with all other variables held constant, is as follows:

	2021		2020	
Market index	Increase / decrease in index %	Effect on consolidated statement of income SR'000	Increase / decrease in index %	Effect on consolidated statement of income SR'000
Tadawul	± 29.83%	± 1,297	± 3.58%	± 27

b) MARKET RISK – NON TRADING OR BANKING BOOK

Market risk on non-trading or banking positions mainly arises from the profit rate, foreign currency exposures and equity price changes.

i) PROFIT RATE RISK

Profit rate risk arises from the possibility that changes in profit 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 profit 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 profit 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 profit rates on the net financing and investment income for one year, based on the profit bearing non-trading financial assets and financial liabilities held as at December 31, 2021 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	2021		2020	
	Increase / decrease in basis points	Sensitivity of income from investments and financing	Increase / decrease in basis points	Sensitivity of income from investments and financing
		SR'000		SR'000
SR	± 25	± 17,747	± 25	± 20,104
USD	± 25	± 1,387	± 25	± 2,114
INR	± 25	± 4	± 25	± 9
PKR	± 25	± 1	± 25	± 3
AED	± 25	± 96	± 25	± 44

2021

Currency	Increase in basis points	Sensitivity income from investments and financing	Sensitivity of equity				
			6 months or less	1 year or less	1-5 years or less	Over 5 years	Total
SR	± 25	±17,747	±11,236	±6,511	±(29,193)	±81,933	± 70,487
USD	± 25	± 1,387	± 18	±1,369	± 6,407	±(4,460)	± 3,334
INR	± 25	± 4	± 4	-	-	-	± 4
PKR	± 25	± 1	± 1	-	-	-	± 1
AED	± 25	± 96	± 54	±42	± 258	± 99	± 453

2020

Currency	Increase in basis points	Sensitivity income from investments and financing	Sensitivity of equity				
			6 months or less	1 year or less	1-5 years or less	Over 5 years	Total
SR	± 25	±20,104	±7,052	±13,052	±54,776	±96,864	±171,744
USD	± 25	± 2,114	± 1,697	± 417	± 7,148	±10,418	± 19,680
INR	± 25	± 9	± 9	-	-	-	± 9
PKR	± 25	± 3	± 3	-	-	-	± 3
AED	± 25	± 44	± 19	±25	± 13	± 7	± 64

Profit 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 profit rates on its financial position and cash flows.

The table below summarizes the Group's exposure to profit 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 profit 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)

2021	Within 3 months	3-12 months	1-5 years	Over 5 years	Non profit bearing	Total	Effective profit rate
Assets							
Cash and balances with SAMA							
Cash in hand	-	-	-	-	969,993	969,993	-
Balances with SAMA	104,995	-	-	-	4,311,883	4,416,878	0.5%
Due from Banks and other financial institutions							
Current accounts	-	-	-	-	646,611	646,611	-
Money market placements	16,875	-	-	-	16	16,891	0.67%
Investments							
Held as FVIS					266,792	266,792	-
Held as FVOCI	-	-	208,703	3,814,675	39,983	4,063,361	2.95%
Held at amortised cost	-	-	6,375,980	20,524,222	203,450	27,103,652	3.20%
Positive fair value of derivatives							
Held for trading	-	-	-	-	7,233	7,233	-
Held as cash flow hedges	-	-	-	-	4,825	4,825	-
Financing, net							
Credit cards	680,052	-	-	-	-	680,052	25.12%
Consumer Financing	2,621,573	4,309,987	8,927,951	11,893,717	112,834	27,866,062	4.08%
Commercial Financing	15,160,658	18,208,669	-	-	182,755	33,552,082	2.84%
Others	-	-	-	-	336,280	336,280	-
Investment in an associate	-	-	-	-	211,143	211,143	-
Other real estate, net	-	-	-	-	507,743	507,743	-
Property and equipment, net	-	-	-	-	1,156,380	1,156,380	-
Other assets	-	-	-	-	1,021,343	1,021,343	-
Total assets	18,584,153	22,518,656	15,512,634	36,232,614	9,979,264	102,827,321	

(SR'000)

2021	Within 3 months	3-12 months	1-5 years	Over 5 years	Non profit bearing	Total	Effective profit rate
Liabilities and equity							
Due to banks and other financial institutions							
Current accounts	-	-	-	-	235,986	235,986	-
Money market deposits	3,612,375	-	-	-	2,272,611	5,884,986	0.66%
Repo agreement borrowings	-	288,671	-	-	437	289,108	0.74%
Customer deposits							
Demand	-	-	-	-	38,504,625	38,504,625	-
Saving	983,845	-	-	-	-	983,845	0.50%
Customers' time investments	27,337,550	9,662,286	3,365	-	54,339	37,057,540	0.98%
Other	-	-	-	-	1,819,139	1,819,139	-
Negative fair value of derivatives							
Held for trading	-	-	-	-	20,986	20,986	-
Held as cash flow hedges	-	-	-	-	206,323	206,323	-
Subordinated Sukuk	-	1,991,422	-	-	3,263	1,994,685	2.45%
Other liabilities	-	-	-	-	1,935,027	1,935,027	-
Equity	-	-	-	-	13,895,071	13,895,071	-
Total liabilities and Equity	31,933,770	11,942,379	3,365	-	58,947,807	102,827,321	
Profit rate sensitivity of on consolidated statement of financial position gap	(13,349,617)	10,576,277	15,509,269	36,232,614	(48,968,543)		
Profit rate sensitivity of off consolidated statement of financial position gap	(2,218,125)	(360,000)	2,050,000	528,125	-	-	
Total profit rate sensitivity gap	(15,567,742)	10,216,277	17,559,269	36,760,739	(48,968,543)	-	
Cumulative profit rate sensitivity gap	(15,567,742)	(5,351,465)	12,207,804	48,968,543	-	-	

(SR'000)

2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Non profit bearing	Total	Effective profit 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	-
Financing, net							
Credit cards	687,376	-	-	-	-	687,376	25.13%
Consumer Financing	1,619,991	4,834,876	12,842,717	7,057,290	143,624	26,498,498	4.46%
Commercial Financing	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	

(SR'000)

2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Non profit bearing	Total	Effective profit rate
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	0. 80%
Customer deposits							
Demand	-	-	-	-	37,411,390	37,411,390	-
Saving	284,178	-	-	-	4	284,182	0.50%
Customers' time investments	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	
Profit rate sensitivity of on consolidated statement of financial position gap	2,093,825	4,213,040	25,352,995	16,286,862	(47,946,722)	-	
Profit rate sensitivity of off consolidated statement of financial position gap	750,625	-	(1,378,750)	628,125	-	-	
Total profit rate sensitivity gap	2,844,450	4,213,040	23,974,245	16,914,987	(47,946,722)	-	
Cumulative profit rate sensitivity gap	2,844,450	7,057,490	31,031,735	47,946,722	-	-	

The effective profit 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:

	2021 SR' 000 Long / (Short)	2020 SR'000 Long /(Short)
USD	**997,718**	816,560
INR	**15,026**	42,963
PKR	**13,412**	16,000
AED	**4,246**	4,479

A long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short position.

The table below indicates the currencies to which the Group has significant exposure as at December 31, 2021. 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	2021			2020		
	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**	**±499**	**± 499**	±0.05	±541	±408
INR	**±0.05**	**±8**	**±8**	±0.05	±21	±21
PKR	**±0.05**	**±7**	**±7**	±0.05	±8	±8
AED	**±0.05**	**±2**	**±2**	±0.05	±2	±2

34. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they become due, both under normal and stressful conditions. Market disruptions or credit downgrades can cause liquidity risk, making certain sources of funding less readily available. To mitigate this risk, management has diversified its funding sources beyond its core deposit base, manages assets with a focus on liquidity, maintaining an appropriate balance of cash, cash equivalents, and readily marketable securities, and monitors future cash flows and liquidity on a daily basis. In addition, the Bank has committed lines of credit that can be used to meet any 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 94.8% of the value of debt securities issued by the government (Ministry of Finance), SAMA or guaranteed by government.

In addition, the Group keeps a Liquidity Contingency Funding Plan (CFP) in place to provide guidance to senior management. The CFP establishes early warning indicators to alert management of impending stress, establishes responsibilities, and describes the approach management may take at various stages of crisis severity.

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, 2021 and December 31, 2020 based on contractual undiscounted repayment obligations. As profit 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)

	On demand	with in 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities							
As at December 31, 2021							
Due to banks and other financial institutions							
Current accounts	235,986	-	-	-	-	-	235,986
Money market deposits	-	3,615,951	-	2,270,381	-	-	5,886,332
Repo agreement borrowing	-	-	2,262	24,318	294,757	-	321,337
Customers' deposits							
Demand	38,504,625	-	-	-	-	-	38,504,625
Saving	983,845	-	-	-	-	-	983,845
Customers' time investments	-	27,407,229	9,719,598	3,562	-	-	37,130,389
Other	1,819,139	-	-	-	-	-	1,819,139
Negative fair value of derivatives							
Held for trading	-	3,270	2,686	13,265	1,765	-	20,986
Held as cash flow hedges	-	24,972	4,532	27,069	149,750	-	206,323
Subordinated Sukuk	-	-	49,681	198,858	2,248,539	-	2,497,078
Other liabilities	-	13,953	151,531	290,951	40,856	1,468,683	1,965,974
Total undiscounted financial liabilities	41,543,595	31,065,375	9,930,290	2,828,404	2,735,667	1,468,683	89,572,014
Shari'ah compliant derivatives	-	585,260	1,071,565	2,853,783	2,050,234	-	6,560,842

(SR' 000)

	On demand	with in 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Financial liabilities							
As at December 31, 2020							
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
Customers' time investments	-	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	39,637,249	23,092,410	13,893,353	827,400	2,580,663	1,154,191	81,185,266
Shari'ah compliant derivatives	-	284,835	563,487	2,124,488	2,004,289	-	4,977,099

The contractual maturity structure of the Group's credit-related contingencies and commitments are shown under note 20 (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.

(SR' 000)

2021	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
Assets								
Cash and balances with SAMA								
Cash in hand	-	-	-	-	-	-	969,993	969,993
Balances with SAMA	-	-	-	-	-	-	4,416,878	4,416,878
Due from Banks and other financial institutions								
Current accounts	-	-	-	-	-	-	646,611	646,611
Money market placements	-	16,891	16,891	-	-	-	-	16,891
Investments								
Held as FVIS	-	-	-	-	-	-	266,792	266,792
Held as FVOCI	-	28,721	28,721	214,266	3,815,489	4,029,755	4,885	4,063,361
Held at amortised cost	-	1,639,069	1,639,069	14,627,153	10,837,430	25,464,583	-	27,103,652
Positive fair value of derivatives								
Held for trading	1,370	3,585	4,955	515	1,763	2,278	-	7,233
Held as cash flow hedges	4,825	-	4,825	-	-	-	-	4,825
Financing, net								
Credit cards	282,778	-	282,778	-	-	-	397,274	680,052
Consumer financing	84,166	138,408	222,574	12,741,672	14,901,816	27,643,488	-	27,866,062
Commercial financing	17,987,801	13,081,727	31,069,528	964,319	1,518,235	2,482,554	-	33,552,082
Others		336,280	336,280				-	336,280
Investment in an associate	-	-	-	-	-	-	211,143	211,143
Other real estate, net	-	-	-	-	-	-	507,743	507,743
Property and equipment, net	-	-	-	-	-	-	1,156,380	1,156,380
Other assets	81,073	74,176	155,249	-	-	-	866,094	1,021,343
Total assets	18,442,013	15,318,857	33,760,870	28,547,925	31,074,733	59,622,658	9,443,793	102,827,321

(SR' 000)

2021	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
Liabilities								
Due to banks and other financial institutions								
Current accounts	-	-	-	-	-	-	235,986	235,986
Money market deposits	601,857	3,012,748	3,614,605	2,270,381		2,270,381	-	5,884,986
Repo agreement borrowing	-	437	437	-	288,671	288,671	-	289,108
Customer deposits								
Demand	-	-	-	-	-	-	38,504,625	38,504,625
Saving	-	-	-	-	-	-	983,845	983,845
Customers' time investments	8,211,595	22,065,023	30,276,618	6,780,922		6,780,922		37,057,540
Other	-	-	-	-	-	-	1,819,139	1,819,139
Negative fair value of derivatives								
Held for trading	3,270	2,686	5,956	13,265	1,765	15,030	-	20,986
Held as cash flow hedges	24,972	4,532	29,504	27,069	149,750	176,819	-	206,323
Subordinated Sukuk	-	3,263	3,263	-	1,991,422	1,991,422	-	1,994,685
Other liabilities	11,318	144,772	156,090	273,987	36,267	310,254	1,468,683	1,935,027
Total liabilities	8,853,012	25,233,461	34,086,473	9,365,624	2,467,875	11,833,499	43,012,278	88,932,250

(SR' 000)

2020	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
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
Financing, net								
Credit cards	267,471	-	267,471	-	-	-	419,905	687,376
Consumer financing	93,132	172,648	265,780	12,216,793	14,015,925	26,232,718	-	26,498,498
Commercial financing	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

(SR' 000)

2020	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
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
Customers' time investments	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

35. 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:

	2021 (SR'000)		
	Level 1	Level 2	Total
Financial assets			
FVIS			
Mutual Funds	-	262,443	262,443
Equities	4,349	-	4,349
FVOCI			
Sukuks	-	4,058,476	4,058,476
Derivatives	-	12,058	12,058
Total	4,349	4,332,977	4,337,326
Financial liabilities			
Derivatives	-	227,309	227,309
Total	-	227,309	227,309

	2020 (SR'000)		
	Level 1	Level 2	Total
Financial assets			
FVIS			
Mutual Funds	-	442,344	442,344
Equities	760	-	760
FVOCI			
Sukuks	-	1,113,319	1,113,319
Derivatives	-	135,224	135,224
Total	760	1,690,887	1,691,647
Financial liabilities			
Derivatives	-	303,495	303,495
Total	-	303,495	303,495

Fair value of quoted investments is based on price quoted on the reporting date. Level 2 trading and hedging derivatives comprise foreign exchange, options and profit rate swaps. These foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Profit rate swaps and options are fair valued using forward profit 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.

Investments amounting to SR 4.89 million (2020: SR 4.93 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 and level 3 fair value.

	2021 (SR'000)	
	Amortised cost	**Level 2**
Financial assets:		
Due from banks and other financial institutions	**663,502**	**663,433**
Investment held at amortised cost - net	**27,103,652**	**27,709,627**
Financing, net	**62,434,476**	**64,795,397**
Total	**90,201,630**	**93,168,457**
Financial liabilities:		
Due to banks and other financial institutions	**6,410,080**	**6,875,477**
Customers' deposits	**78,365,149**	**78,426,210**
Subordinated Sukuk	**1,994,685**	**1,994,685**
Total	**86,769,914**	**87,296,372**

	2020 (SR'000)	
	Amortised cost	Level 2
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
Financing, net	53,961,211	56,815,209
Total	82,721,467	86,356,669
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

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 financial instruments are estimated as at December 31, 2021 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 2021 and 31 December 2020, as well as the significant unobservable inputs used.

Type	Accounting Classification	Valuation Technique	Significant unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Mutual Fund units	FVIS	Fair valued using the quoted prices of underlying securities.	Not applicable	Not applicable
Investment held at FVOCI – Sukuk	FVOCI	Fair valued using the broker quoted prices or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable
Forward exchange contracts (Wa'ad) and Profit rate swaps	FVIS	**Forward exchange contracts (Wa'ad):** Fair valued using discounted Notional techniques that use observable market data inputs for Foreign 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
Due from banks and other financial institutions, Financing, 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 Customers' time investments.	Not applicable	Not applicable
Investment held at amortised cost - net	Amortised Cost	Fair valued using the quoted prices, where available.	Not applicable	Not applicable

36. 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 on an arm's length basis. 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:

	2021 SR' 000	2020 SR' 000
Subsidiary companies		
Investments	**501,480**	501,480
Customer deposits	**13,937**	14,271
Due from banks and other financial institutions	**1,331,550**	698,548
Due to banks and other financial institutions	**290,658**	289,148
Receivables	**175,999**	155,320
Payables	**16,341**	41,055
Commitments and contingencies	**530,247**	530,247
Notional values of outstanding shari'ah compliant contracts	**4,271,339**	2,707,585
Associate and affiliate entities with significant influence		
Investments	**211,143**	164,136
Customer deposits	**87,223**	303,056
Accrued expenses payables	**-**	5,400
Accrued fee receivable	**-**	5,400
Contingencies and commitments	**7,280**	-
Directors, key management personnel, other major shareholders and their affiliates		
Financing	**441,221**	31,788
Customers' deposits	**5,341,214**	3,488,360
Contingencies and commitments	**6,948**	2,920

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

	2021 SR' 000	2020 SR' 000
Mutual Funds under subsidiary's management		
Investments	**255,823**	251,244
Customers' deposits	**519,901**	47,049
Receivables	**214**	-

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

	2021 SR' 000	2020 SR'000
Income from investments and financing	**77,559**	57,631
Return on deposits and financial liabilities	**180,620**	201,357
Fees income	**2,537**	6,813
Fee expense	**9,053**	4,846
Net share of expenses to associate	**-**	5,400
Insurance premium	**50,329**	49,860
Surplus distribution received from associate	**-**	957
Claims received	**32,277**	25,290
Directors' remuneration	**8,134**	8,014
Income under shared service agreements	**3,391**	3,391
Reimbursement of expense to a subsidiary	**37**	78
Reimbursement of building related expense	**6,971**	7,591
Rent expense for branches	**768**	704
Sale of sukuk to an associate	**-**	22,353
Dividend paid	**7**	-
Participation in DMO sukuk auction for an associate	**99,251**	-
Face value of bonus shares received	**20,649**	-
Value of reserves and liabilities transferred to ATT for old Insurance portfolio	**-**	53,552

The total amount of compensation paid to directors and key management personnel during the year is as follows:

	2021 SR' 000	2020 SR'000
Short-term employee benefits	105,480	115,088
Termination benefits	39,314	38,942

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.

37. SALARIES AND EMPLOYEE RELATED EXPENSES

	2021			
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	24	39,612	14,571	54,183
Employees involved in control functions	330	106,576	15,700	122,276
Employees involved in risk taking activities	198	74,863	15,458	90,321
Other employees	2,086	519,942	76,578	596,520
Outsourced employees	5 39	77,783	33,600	111,383
Total	**3,177**	**818,776**	**155,907**	**974,683**
Variable compensation (accrual basis)		**137,591**		
Other employee related benefits		**20,332**		
Total salaries and employee-related expenses		**976,699**		

	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	3,833	90,612
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		

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 benefits outstanding at December 31, 2021 amounted to SR 289.28 million (2020: SR 279.70 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.

38. 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.

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2020 and 2021 effective from 31 March 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

The impact of these revised transitional arrangements to the Group's Tier 1 and Tier 1 + 2 ratio have been an improvement of 73 bips for the year ended December 31, 2021.

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:

	2021		2020	
	Eligible capital SR '000	**Capital adequacy ratio %**	Eligible capital SR '000	Capital adequacy ratio %
Common Equity Tier 1 (CET 1) Capital	**12,763,118**	**18.30%**	12,159,294	19.41%
Additional Tier 1 (AT1) Capital	**1,875,000**	**-**	-	-
Tier I Capital	**14,638,118**	**20.99%**	12,159,294	19.41%
Supplementary capital (Tier 2)	**2,384,970**	**-**	2,633,778	-
Core and supplementary capital (Tier 1 + Tier 2)	**17,023,088**	**24.41%**	14,793,072	23.62%

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.

	2021 SR '000	2020 SR '000
Credit risk	**62,154,881**	55,360,267
Operational risk	**5,993,235**	5,496,895
Market risk	**1,593,934**	1,775,940
Total pillar-1 – risk weighted assets	**69,742,050**	62,633,102

39. 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. Fourteen 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 2 and AlJazira Mawten REIT Fund. All of the above are open ended funds except for AlJazira Residential Projects Fund 2 which is closed-ended fund 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 81.4 billion (2020: SR 68.3 billion).

Assets held in public funds in a fiduciary capacity by the Group related to its asset management services business amounted to SR 6.9 billion (2020: SR 5.7 billion).

40. 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	4.30%	4,264,315
	AlJazira Dawaween Fund	2.76%	513,317
	AlJazira Global Emerging Markets Fund	18.96%	81,554
	AlJazira Sukuk Fund	40.06%	95,052
	AlJazira GCC Income Fund	8.13%	69,055
	AlJazira Residential Projects Fund 2	13.05%	29,123

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	183,209
AlJazira Sukuk Fund	37,937
AlJazira Global Emerging Markets Fund	15,132
AlJazira Residential Projects Fund 2	3,450
AlJazira GCC Income Fund	5,560
AlJazira Dawaween Fund	10,535

41. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES AND SAMA PROGRAMS

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections, despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of financings, where required.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Group deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	Type	Instalment deferred/Tenor extended (SR 'million)	Cost of deferral/ extension (SR '000)
April 2020 – September 2020	Instalments deferred	1,192	49,097
October 2020 – December 2020	Instalments deferred	672	4,325
January 2021 – March 2021	Instalments deferred	993	29,086
April 2021 – June 2021	Tenor extension	2,903	87,508
July 2021 – September 2021	Tenor extension	903	15,989
October 2021 – December 2021	Tenor extension	328	6,385
January 2022 – March 2022	Tenor extension	308	5,690

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

The Group continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of ECL on its MSME portfolio. The Group has performed an assessment with respect to SICR for the customers still under DPP program as at December 31, 2021 and recorded an appropriate additional overlay during the period as a result of the potential impact of stage movement.

The Group has performed an assessment with respect to SICR for customers for whom DPP program ended on December 31, 2021 and migrated customers amounting to SR 496.65 million from Stage 1/2 to Stage 2/3 by downgrading the customer credit rating during the year ended December 31, 2021.

In order to compensate the related cost that the Group has incurred under the SAMA and other public authorities program, during the years 2021 and 2020, the Group has received multiple profit free deposits from SAMA amounting to SR 2,414 million and SR 1,384 million respectively with varying maturities, which qualify as government grants.

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. By the end of the year 2021, total income of SR 242 million had been recognised in the statement of income with the remaining amount deferred. Grant income amounting to SR 9 million arose on the profit free deposit amounting to SR 1,384 million received during the year ended December 31, 2021. During the year ended December 31, 2021, a total of SR 135.68 million (December 31, 2020: SR 106.33 million) has been recognised in the statement of income with respect to related deposits with an aggregate of SR 3.34 million deferred grant income as at December 31, 2021 (December 31, 2020: SR 130.03 million).

42. IBOR Transition (Profit Rate Benchmark Reforms)

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk-Free Rate ("RFR"). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective profit rate resulting in no immediate statement of income impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

The Group has exposure to IBOR rates that are subject to reform through its borrowing under repo agreements, financing and profit rate swaps used for hedging purpose.

During 2019 the Board established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel to oversee the Group's USD LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference USD LIBOR to transition them to SOFR (Secured Overnight Financing Rate), with the aim of minimizing the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. As at December 31, 2021, changes required to systems, processes and models have been identified and the same will be implemented before the IBOR transition cutover date. There have been general communications with counterparties, but specific changes to contracts required by IBOR reform have not yet been proposed or agreed. The Group has identified that the areas of most significant risk arising from the replacement of USD LIBOR are: updating systems and processes which capture USD LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and financing transitioning from USD LIBOR and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participant, to ensure an orderly transition to SOFR (Secured Overnight Financing Rate), and to minimize the risks arising from transition, and it will continue to identify and assess risks associated with USD LIBOR replacement.

The Group currently has a number of contracts which reference USD LIBOR and extend beyond 2021, including swaps which will transition under the ISDA protocols. These contracts are disclosed within the table below.

The following table contains details of all of the financial instruments that the Group holds at December 31, 2021 which reference USD LIBOR and have not yet transitioned to an alternative profit rate benchmark.

Non-derivative assets and liabilities exposed to USD LIBOR

	Carrying Value/Nominal Amount at December 31, 2021		Of which have yet to transition to an alternative benchmark profit rate as at December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
	SR'000			
<u>Measured at amortised cost</u>				
Financing	**2,006,387**		**2,006,387**	
Due to banks and other financial institutions		**144,335**		**144,335**

Hedge accounting

The Group holds a portfolio of short term variable rate exposures and therefore is exposed to changes in cashflows due to movements in market profit rates. The Group manages this risk exposure by entering into pay fixed / receive floating profit rate swaps.

The following table contains details of only the hedging instruments used in the Group's hedging strategies which reference USD LIBOR and have not yet transitioned to an alternative profit rate benchmark, such that phase 1 relief(s) have been applied to the hedging relationship:

	Carrying amount (SR '000)			Balance sheet line item(s)	Changes in fair value used for calculating hedge ineffectiveness	Notional amount directly impacted by IBOR reform
	Notional	Assets	Liabilities			
Cash flow hedges						
Profit rate swaps	2,150,625	975	189,254	Customer Deposits	Nil	2,150,625

Of the SR 2,151 million nominal amount of profit rate swaps above, SR 922.50 million will mature before the anticipated USD LIBOR replacement in Q2 2023.

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.

43. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified so as to align with the current period presentation. However, there was no impact of such reclassifications on the consolidated statement of income and consolidated statement of changes in equity.

44. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were authorized for issue by the Board of Directors on 02 February 2022 (corresponding to 1st Rajab 1443H).

BASEL III
PILLAR 3

DISCLOSURES FOR FY 2021

BASEL III Pillar 3 Disclosures for FY 2021

1. OVERVIEW

The Pillar 3 Disclosure for financial year ending 31st December 2021 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
Al Jazira 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
BAJ Sukuk Tier 1 Limited	Cayman Island	100.00%	Trustee for Tier 1 Sukuk	USD 250

Associates of the Bank:

SAR "MM"

Associates	Location	Ownership	Activity	Invested Capital
AlJazira Takaful Taawuni Company	K.S.A	26.03%	Insurance	550

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 2021.

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 2021, the shareholders' equity is SAR 12.02 billion. The total Tier 1 and Tier 2 capital of the Bank is SAR 17.02 billion including Sukuk issuance of SAR 2.0 billion and Tier 1 sukuk issuance of SAR 1.875 Bn as of 31st December 2021.

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 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 used to act as an agent for bancassurance activities on behalf of the Bank. During financial year 2021, the Company applied for its license renewal from Saudi Central Bank ("SAMA"), however, it was refused, as SAMA had issued Rule governing bancassurance activities during May 2020, which require the banks to carry out Bancassurance business directly. This, as a result, has restricted the ability of the Company to carry out business activities and therefore, management of the Company has decided to initiate the winding up procedures which are in process. 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.

BAJ Sukuk Tier 1 Limited

Based in Cayman Islands, the company is formed to act as a Trustee for issuance of Tier 1 capital certificates. The authorized capital amounts to USD 50,000 and its paid up capital is USD 250 comprising of 250 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 as stake of 26.03% in the company's capital of SAR 550 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)

The pillar 1 Capital Adequacy Ratio (CAR) of the Bank as at 31st December 2021 stood at 20.99% (of Tier 1) and 24.41% (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.

In 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 require 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.

In compliance with SAMA directives, the Bank is in process of implementing Basel III post crisis Reforms project. Accordingly the Bank has engaged a third-party vendor to help implement the reforms as per regulatory guidelines.

The following is the high-level scope of implementation of the said reforms:

- Revised Credit Risk Standardized Approach
- Revised Market Risk Simplified Standardized Approach
- Revised Operational Risk Approach
- Standardized Approach for Counterparty Credit Risk (SA-CCR)
- Revised CVA Risk Capital Charge
- Revised CCP Capital Charge
- Equity Investments in Funds
- Revised Leverage Ratio etc.

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.

In addition to ICAAP, 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. Furthermore, the Bank has enhanced and submitted its Internal Liquidity Adequacy Assessment Plan (ILAAP) in accordance with the latest guidelines issued by SAMA in October 2020.

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 II 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 MRC, 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 results along with the underlying report to the management steering committee for review and concurrence before the same is endorsed by the Board Risk Committee before seeking approval from Board. Once cleared by the appropriate governance forums, Stress Testing Report is submitted to SAMA in line with regulatory deadlines.

E. INTERNATIONAL FINANCIAL REPORTING STANDARD NO.9 (IFRS-9)

The bank had adopted a comprehensive approach on an ongoing basis to ensure that IFRS-9 methodologies duly remain compliant with SAMA guidelines and best practices. Accordingly, the bank has duly in place the required ECL calculation framework, 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 and global best practices.

The Bank endeavors to ensure, through validation and calibration that the Bank's internal 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 recalibrating itsrisk rating models. The Bank's enhanced and IFRS-9 compliant risk models have also undergone regulatory validation through SAMA appointed independent model validator and accordingly the Bank has recalibrated / redeveloped the models wherever required 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 detailed strategic planning and 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 risks, mitigating risk of losses, and provisioning in line with IFRS 9 principles.

THE BANK'S SIX BROAD PRINCIPLES OF RISK MANAGEMENT

The following Six Broad Principles define the key elements on accountability, independence, structure and scope:

1. The risk management approach is premised on three lines of defense – risk taking business units, risk control units and internal audit.
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.
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 credit approvals through 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 and other industry-specific risks that are discussed under Pillar II of the Basel regime.
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 in line with the authority as delegated by the Board.
5. ERMG is functionally and organizationally independent of the business units and other risk taking units within BAJ.
6. BAJ's Board, through the ALCO, MRC, 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 changing economic, market, legal and competitive landscape.

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's Anti-Fraud Risk Management framework in line with SAMA guidelines. The objective of the framework is to build a comprehensive Anti-Fraud Risk Management program capable of addressing following aspects:

1. Maintain 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 Remedial Policy, Credit Policy and IFRS-9 Charter of the bank and are regularly reviewed for appropriateness by the Chief Credit Officer, the Chief Risk Officer, Remedial Management Head, 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 introduce significant changes to existing SAMA provisioning guidelines.

The banks has also developed clear set of policies, procedures, and governance around establishment of Early Warning Signals (EWS) which are in line with SAMA guidelines on the management of problem debt. The bank considers it crucial to identify and manage upcoming problems with a borrower's ability to service his debt in order to maintain acceptable levels of non-performing exposures.

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 the market risks. 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, MRPC, 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 reviewed and updated on an ongoing basis to reflect current market conditions. The bank carries out Stress Testing assessments based on both regulatory guidelines and adhoc basis based on various scenarios to test the resilience of specific portfolios. The Stress Test results are reported to Senior Management, BRC 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 a dedicated 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 Operational Risk Management Framework is designed to establish an effective association between the risk management and the risk owners represented by various business and support groups within the bank. Business and 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. Operational Risk framework across the Bank is also subject to independent review by Internal Audit function.

During the year, the Operational Risk Division has continued to conduct Operational Risk data gathering through meetings with business and 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 has been developed and implemented involving management, risk champions and respective risk owners.

The components of the Operational Risk framework 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 where required.

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 since 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 on an ongoing basis.

Anti-Fraud Management

The Bank has in place in a comprehensive Anti-Fraud Risk Management framework in line with SAMA guidelines. The objective of the framework is to implement and maintain a comprehensive Anti-Fraud Risk Management program capable of addressing following aspects:

1. Review and maintain 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 guidelines. 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. As part of the bank's effort to implement Basel III reforms, he bank has prepared a project plan to migrate to the new Standardised approach recommended by SAMA Basel guidelines.

The bank continues 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. Enterprise Information Security Management

The bank's Enterprise Information Security Management governed by various information security management polices prepared under SAMA guidelines. Information Security is managed by a dedicated team housed under Enterprise Information Security (EIS) Division. EIS comprises of following crucial functions:

Information Security Governance and Risk Management

Information Security Governance & Risk function continuously maintains and monitors compliance with SAMA & NCA regulatory control frameworks along with developing, communicating and monitoring Enterprise Information Security (EIS) policies and standards. It performs regular Information Security risk assessments and internal security Reviews on information assets. It also provides assurance on adequacy of security controls over high risk information assets and maintains a continuous Awareness and Education Program across the bank.

Information Security Intelligence

The Information Security Intelligence function is entrusted with information security monitoring through the Security Operations Center (SOC) whereby real time monitoring and analysis are done of the security alerts of the bank's internal and external IT infrastructure while taking necessary actions to counter the national and international threats. The bank's Information Security Intelligence function also conducts on going security vulnerability assessments to identify and prioritize vulnerabilities across information assets. It also manages vulnerability remediation process, Security incident investigations and forensics along with detecting, responding to and recovering from Cyber Security Incidents.

Information Security Architecture and Control

The Information Security Architecture and Control function manages user identity and access management across the bank and its subsidiaries, implementing all security controls. It ensures that necessary controls are implemented and in place to control critical black box encryption devices on bank's payment gateways. The bank's Information Security Architecture and Control is also responsible for security management of SARIE system and ensure SAMA requirements are met. It is involved in designing and implementing security controls in new systems and sites, coordinating, developing, and evaluating security programs & recommending information assurance/security solutions. Information Security Architecture and Control function supports managing and controlling all credentials, encryption keys and certificates on all related information assets (such as SWIFT, SARIE, MC, VISA).

14. SHARIA'H COMPLIANCE

Being an Islamic entity, 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;
- Identification and assessment;
- Mitigation and control;
- Monitoring and reporting.

15. 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),Net Stable Funding Ratio (NSFR), SAMA Liquidity Ratio (SAMA LR) and Modified Loan to Deposit Ratio (MLDR)

LIQUIDITY RISK MANAGEMENT APPROACH

In terms of day-to-day liquidity management, the Treasury 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 liquidity buffer with unencumbered high quality assets 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 deposit concentration at bank level to avoid undue reliance on large fund providers (LFPs);
- Diversifying funding sources to ensure proper funding mix;
- Ensuring that regulatory ratios such as MLDR, SAMA LR, LCR and NSFR are maintained at the required minimum.
- Conducting semi-annual liquidity stress testing under various scenarios as part of prudent liquidity control to examine the effectiveness and robustness of the plans.

Liquidity policy and Framework are covered under the Market Risk Policies and procedures which are subject to review and approval by the Market Risk Policy Committee (MRPC) and Board.

Furthermore, the Bank has enhanced its liquidity risk management framework as well as produced various liquidity metrics at regular frequency to assess the liquidity risk profile of the Bank. The Bank computes LCR, NSFR, SLR and MLDR as per the frequency prescribed by the regulator. Additionally, the Bank also conducts CFP testing on a quarterly basis.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA as mandated under regulatory guidelines. 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..

The bank is currently holding an investment portfolio, with a large portion of it comprising of SAMA Floating Rate Notes (FRNs) and Sovereign Sukuks.. This portfolio is considered high quality and liquid with availability of funding through SAMA's repo window.

Furthermore, the bank undertakes a detailed assessment of its liquidity risks under the annual ILAAP review process.

16. 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 monitored by senior management on a regular basis. 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.

Profit Rate Risk assessment in the Banking Book is conducted by the bank duly in line with SAMA guidelines. These guidelines have updated both the principles and methods expected to be used by banks for measuring, managing, monitoring and controlling the profit rate risk.

Currently the bank is in a transition phase to comply with newly introduced SAIBOR reforms by SAMA.

17. 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. The Bank calculates and reports macroeconomic risk as per Pillar 2 risk profiles on a periodic basis.

18. 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 assesses its Strategic Risk based on a very conservative scorecard approach considering various risk drivers / factors related to strategic planning process and implementation capabilities. The bank calculates and reports strategic risk as per Pillar 2 risk profiles on a periodic basis.

19. 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 assesses the Reputational Risk based on a scorecard approach. The scorecard benchmarks various risk drivers to best practices and generates an overall score. The bank calculates and reports reputational risk as per Pillar 2 risk profiles on a periodic basis.

20. ENTERPRISE RISK MANAGEMENT GROUP – THE ROAD AHEAD

The Bank remains focused on fortifying its risk management practices and culture. In this regards the Bank continues to enhance its risk management governance 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 risk management policies and procedures is regularly undertaken to ensure these remain up to date and fit for purpose.

The bank undertakes a model validation exercise of its statistical internal 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 have been developed 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 recently 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.

As noted above, the bank has initiated implementation of the Basel III Post Crises reforms which aim to comply with SAMA guidelines under the given regulatory milestones. Accordingly, the bank has engaged a renowned vendor to the help implement the Basel III reforms. An initial gap analysis and impact assessment have been completed by the bank to comply with the regulatory timelines. The implementation is currently underway.

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